

# ECM Credit Fund SICAV

*Société d'Investissement à Capital Variable*

Registered Office: 80 Route d'Esch, L-1470 Luxembourg

## PROSPECTUS

**ECM CREDIT FUND SICAV – ECM Financials Fund**

**ECM CREDIT FUND SICAV – ECM Short Duration Credit Fund**

**ECM CREDIT FUND SICAV – ECM Dynamic Credit Fund**

ECM CREDIT FUND SICAV has the structure of an umbrella fund and offers various classes of shares each relating to a separate portfolio (the "Sub-Funds") as specified in the description of the relevant Sub-Fund in Appendix.

**The distribution of this Prospectus is not authorised unless (as and when available) accompanied by the latest available annual report and accounts and key investor information document of the Company and by the latest semi-annual report if published thereafter.**

**No person is authorised to give any information or to make any representation other than those contained in this Prospectus, and any subscription and / or purchase made by any person on the basis of statements or representations not contained in or inconsistent with the information contained in this Prospectus shall be solely at the risk of the subscriber / purchaser.**

**31 January 2017**

VISA 2017/106359-6391-0-PC

L'apposition du visa ne peut en aucun cas servir  
d'argument de publicité  
Luxembourg, le 2017-01-20  
Commission de Surveillance du Secteur Financier



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## GENERAL PART

### INTRODUCTION

#### The Company

ECM Credit Fund SICAV is organised in Luxembourg as a SICAV and qualifies as a collective investment undertaking under Part I of the Law. The Company qualifies as an undertaking for collective investment in transferable securities under article 1(2) of the UCITS Directive and may therefore be offered for sale in any Member State, subject to registration.

The Company is presently structured as an umbrella fund with the ability to provide investors with investment opportunities in a variety of Sub-Funds. The registration of the Company does not constitute a warranty by any supervisory authority as to the performance or the quality of the Shares issued by the Company. Any representation to the contrary is unauthorised and unlawful.

The Company may issue several Classes of Shares for each Sub-Fund, each with different minimum subscription, dividend policies, fee structures or other different characteristics and which may be denominated in various currencies, including, as the case may be, hedged currency classes. A separate Net Asset Value per Share shall be calculated for each issued Class of Shares in relation to each Sub-Fund. A complete list of Classes of Shares available for each Sub-Fund may be found on [ecm.com](http://ecm.com).

The Company may at any time establish new Classes of Shares within existing or new Sub-Funds.

The Base Currency of the Company is the Euro. This Prospectus consists of this General Part, the Sub-Fund Appendices, the Investment Manager section and the Definitions section. This General Part contains provisions relating to all the Sub-Funds with each Sub-Fund described in more detail in the relevant Appendix.

In addition, key investor information documents are available.

#### Shares

The capital of the Company consists of Shares of no par value and is at any time equal to the total net assets of the Company.

Any Shareholder may request the redemption of all or some of his Shares by the Company on each Dealing Date and, subject to certain guidelines (detailed in the section entitled "*Redemption of Shares by the Company*"), the Company is obliged to redeem the Shares. The redemption price of such Shares shall be equal to the Net Asset Value per Share less a redemption charge (if any) as specified in the relevant Sub-Fund Appendix.

The mechanism for the calculation of the Issue Price per Share, plus the imposition of a subscription charge (if any), is set out in each case in the description of the relevant Appendix.

The Shares may be listed on the Luxembourg Stock Exchange.

The Articles of Incorporation of the Company contain certain provisions granting to the Board of Directors the power to impose restrictions on the holding and acquisition of Shares (see section entitled "*Restrictions on Ownership of Shares*"). If a person subsequently becomes the owner of Shares in a situation described in the Company's Articles of Incorporation and if such fact comes to the attention of the Company, the Shares owned by that person may be compulsorily redeemed by the Company.

Prospective subscribers/purchasers of Shares must themselves obtain all necessary information as to the legal requirements, exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

## **Data Protection**

Investors are informed that personal data (i.e. any information relating to an identified or identifiable natural person) provided in connection with an investment in the Company may be held on computer and processed by the Company, the Management Company, the Investment Manager(s), the Depositary Bank, the Administrator and, Registrar and Transfer Agent (each as defined in the section The Management Company, the Investment Manager, the Administrator and the Depositary Bank of this Prospectus) and their affiliates (together hereafter the "Entities") as data processor or data controller, as appropriate in accordance with data protection law applicable in Luxembourg (including, but not limited to the amended Law of 2 August 2002 on the protection of persons with regard to the processing of personal data).

Personal data may be processed for the purposes of out the services provided by the Entities (such as shareholder servicing and account management including processing subscription, conversion and redemption orders and shareholder's communications) as further described in the prospectus and material agreements listed in the prospectus as well as to comply with legal or regulatory obligations including, but not limited to, legal or regulatory obligations under applicable fund and company law (such as maintaining the register of shareholders and recording orders), anti-money laundering and counter-terrorist financing law (such as carrying out customer due diligence) and tax law (such as FATCA (Foreign Account Tax Compliance Act), common reporting standard ("CRS") or similar laws and regulations in Luxembourg or at EU level).

Personal data may also be used in connection with investments in other investment fund(s) managed by the Management Company or the Investment Manager(s) and their affiliates. Personal data shall be disclosed to third parties where necessary for legitimate business interests only. This may include disclosure to third parties such as governmental or regulatory bodies including tax authorities, auditors, accountants, investment managers, investment advisers, paying agents and subscription and redemption agents, distributors as well as permanent representatives in places of registration and any other agents of the Entities who may process the personal data for carrying out their services and complying with legal obligations as described above.

Shareholders are also informed that, as a matter of general practice, telephone conversations and instructions may be recorded as proof of a transaction or related communication. Such recordings will benefit from the same protection under Luxembourg law as the information contained in this application form and shall not be released to third parties, except in cases where the Company or/and the Administrator are compelled or entitled by law or regulation to do so.

By subscribing for shares of the Company, investors consent to the aforementioned processing of their personal data and in particular, the disclosure of their personal data to, and the processing of their personal data by the parties referred to above including affiliates situated in countries outside of the European Union which may not offer a similar level of protection as the one deriving from Luxembourg data protection law. Shareholders acknowledge that the transfer of their personal data to these parties may occur via, and/or their personal data may be processed by, parties in countries (such as, but not limited to, the United States) which may not have data protection requirements deemed equivalent to those prevailing in the European Union.

Shareholders acknowledge and accept that failure to provide relevant personal data requested by the Company, the Management Company and/or the Administrator in the course of their relationship with the Company may prevent them from maintaining their holdings in the Company and may be reported by the Company, the Management Company and/or the Administrator to the relevant Luxembourg authorities.

Shareholders acknowledge and accept that the Company, the Management Company or the Administrator will report any relevant information in relation to their investments in the Company to the Luxembourg tax authorities which will exchange this information on an automatic basis with the competent authorities in the United States or other permitted jurisdictions as agreed in the FATCA Law, the CRS Law or similar laws and regulations in Luxembourg or at EU level.

Shareholders may request access to, rectification of or deletion of any personal data provided to any of the parties above or stored by any of the parties above in accordance with applicable data protection law.

Reasonable measures have been taken to ensure confidentiality of the personal data transmitted between the parties mentioned above. However, due to the fact that the personal data 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 law as currently in force in Luxembourg may not be guaranteed while the personal data is kept abroad.

The Company will accept no liability with respect to any unauthorised third party receiving knowledge and/or having access to the investors' personal data, except in the event of wilful negligence or gross misconduct of the Company.

Personal data shall not be held for longer than necessary with regard to the purpose of the data processing, subject always to applicable legal minimum retention periods.

## IMPORTANT INFORMATION

Statements made in this Prospectus are based on the law and practice currently in force in the Grand Duchy of Luxembourg and are subject to changes therein.

This Prospectus in its current version may be amended and updated in the future.

All decisions to subscribe or purchase Shares are deemed to be made solely on the basis of the information contained in this Prospectus and the key investor information documents accompanied by the latest available annual report of the Company containing its audited accounts, and by the latest available semi-annual report, if published thereafter. All other information given or representations made by any person must be regarded as unauthorised.

This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, and the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended (the "1940 Act"). Accordingly, the Shares may not be directly or indirectly offered or sold in the United States of America or any of its states, territories, possessions or other areas subject to its jurisdiction or to or for the benefit of a United States person. A "United States person" for these purposes means a national or resident of the United States or any of its states, territories, possessions or areas, subject to its jurisdiction (the "United States") and any partnership, corporation or other entity organised or created under the laws of the United States or of any political subdivision thereof. Notwithstanding the foregoing, the Shares may be offered or sold to a limited number of sophisticated institutional investors who are in the United States or who are United States persons, with the prior consent of the Company and pursuant to an exemption from the registration requirements or in circumstances which do not cause the Company to be required to register under the 1940 Act.

## **MANAGEMENT AND ADMINISTRATION**

### **THE COMPANY**

ECM CREDIT FUND SICAV  
*SOCIÉTÉ D'INVESTISSEMENT A CAPITAL VARIABLE*

80 Route d'Esch  
L-1470 Luxembourg

### **DIRECTORS**

Karla Rabusch,  
Richard Goddard,  
Michael Hogan,  
Jürgen Meisch,  
Yves Wagner,

**(For further details in respect of the Directors, please see the section entitled "*The Directors*" below).**

### **MANAGEMENT COMPANY**

WELLS FARGO ASSET MANAGEMENT LUXEMBOURG S.A.

19, rue de Bitbourg  
L-1273 Luxembourg

### **INVESTMENT MANAGER**

ECM ASSET MANAGEMENT LIMITED

34 Grosvenor Street  
London W1K 4QU  
United Kingdom

### **GLOBAL DISTRIBUTOR**

WELLS FARGO ASSET MANAGEMENT LUXEMBOURG S.A.

19, rue de Bitbourg  
L-1273 Luxembourg

### **DEPOSITARY BANK, ADMINISTRATOR AND, REGISTRAR AND TRANSFER AND PAYING AGENT**

BROWN BROTHERS HARRIMAN (Luxembourg) S.C.A.

80 Route d'Esch  
L-1470 Luxembourg

**AUDITOR**

DELOITTE AUDIT S.A R.L.  
560, rue de Neudorf  
L-2220 Luxembourg

**LEGAL ADVISORS**

ELVINGER HOSS PRUSSEN  
société anonyme  
2, Place Winston Churchill  
L-1340 Luxembourg

## THE COMPANY

### General

The Company was constituted in Luxembourg on 21 October 2009 and is registered at the Register of Commerce and Companies of Luxembourg under number B-148.817. The Articles of Incorporation have been published in the Mémorial on 13 November 2009 and were last amended as of 27 February 2015 and were published in the Mémorial on 1 April 2015.

The Company has adopted the status of an investment company with variable capital and qualifies as a collective investment undertaking under Part I of the Law.

The Company has an unlimited life. Its financial year closes on 31 March of each year.

The Company has its registered office at 80 Route d'Esch, L-1470 Luxembourg.

## THE DIRECTORS

<b>Karla M. Rabusch, Chairperson</b> 525 Market St, 12th Floor, San Francisco, CA 94105-2724	Executive Vice President of Wells Fargo Bank, N.A.; President of Wells Fargo Funds Management, LLC
<b>Richard Goddard</b> 21st Century Building 19, rue de Bitbourg L-1273 Luxembourg-Hamm Luxembourg	The Directors' Office S.A.
<b>Michael Hogan</b> 2001 N Main St 6th Floor, Suite 600 Walnut Creek, CA 94596-3732	Senior Vice President of International Strategy and Business Development, Wells Fargo Funds Management, LLC
<b>Jürgen Meisch</b> Marienburger Str. 24 D-50968 Köln	Achalm Capital GmbH.
<b>Yves Wagner</b> 21st Century Building 19, rue de Bitbourg L-1273 Luxembourg-Hamm Luxembourg	The Directors' Office S.A.

## INVESTMENT OBJECTIVE

The Investment Objective of each Sub-Fund is set forth in the description of the relevant Appendix.

Subject to the investment restrictions set forth below under "General Investment Policy", any requirements that a Sub-Fund may have to invest a particular percentage of its assets in a specific type of range of investments as set forth in the relevant Appendix will not apply under extraordinary market conditions and is subject to liquidity and/or market risk hedging considerations from the issuance, conversion or redemption of Shares. In particular, a Sub-Fund may hold assets in cash or make investments in Transferable Securities or money market instruments in order to maintain liquidity or for short-term defensive purposes when the Sub-Fund's investment manager believes it is in the best interests of the Shareholders to do so. During these periods, a Sub-Fund may not achieve its Investment Objective.

## GENERAL INVESTMENT POLICY

### GENERAL

While the Company has broad powers under the Articles of Incorporation as to the type of investments it may make and the investment methods it may adopt, the Board of Directors has adopted the general investment restrictions outlined hereafter. The Board of Directors may adopt specific investment policies and objectives for each Sub-Fund, as specified in the relevant Appendix.

- (1) (a) The Company will invest only in:
- (i) Eligible Transferable Securities and Money Market Instruments  

PROVIDED THAT the Company may also invest in Transferable Securities and money market instruments which are not Eligible Transferable Securities and Money Market Instruments provided that the total of such investments other than Eligible Transferable Securities and Money Market Instruments shall not exceed 10 per cent of the net assets of the relevant Sub-Fund;
  - (ii) recently issued Eligible Transferable Securities and Money Market Instruments  
PROVIDED THAT:
    - the terms of issue include an undertaking that application will be made for admission to official listing on a stock exchange or to another regulated market which operates regularly and is recognised and open to the public, provided that the choice of the stock exchange or the market has been provided for in the constitutional documents of the Company; and
    - such admission is secured within one year of issue;
  - (iii) UCITS authorised according to Directive 2009/65/EC, as may be amended from time to time and/or other UCIs within the meaning of Article 1, paragraph (2) first and second indents of said Directive, should they be established in a Member State or not, PROVIDED THAT:
    - such other UCIs are authorised under laws which provide that they are subject to supervision considered by the CSSF to be equivalent to that laid down in Community law, and that co-operation between authorities is sufficiently ensured;
    - the level of protection for shareholders in the other UCIs is equivalent to that provided for shareholders in a UCITS and in particular that the rules on asset segregation, borrowing, lending, uncovered sales of Transferable Securities and money market instruments are equivalent to the requirements of Directive 2009/65/EC, as may be amended from time to time;
    - the business of the other UCIs is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period;
    - no more than 10 per cent of the UCITS's or the other UCI's assets, whose acquisition is contemplated, can, according to their constitutional documents, be invested in aggregate in units of other UCITS or other UCIs;

- (iv) **deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than twelve months, provided that the credit institution has its registered office in a Member State or, if the registered office of the credit institution is situated in a third country, provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in Community law;**
  - (v) financial derivative instruments, including equivalent cash-settled instruments, dealt in on a Regulated Market; and/or OTC Derivatives, PROVIDED THAT:
    - the underlying consists of instruments covered by Article 41, paragraph (1) of the Law, financial indices, interest rates, foreign exchange rates or currencies, in which the Company may invest according to its investment objectives as stated in the constitutive documents of the Company;
    - the counterparties to OTC Derivative transactions are financial institutions subject to prudential supervision, and belonging to the categories approved by the CSSF; and
    - 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.
  - (vi) money market instruments other than those dealt in on a Regulated Market, which are liquid and whose value can be determined with precision at any time, if the issuer or issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and PROVIDED THAT they are:
    - issued or guaranteed by a central, regional or local authority or central bank of a Member State, the European Central Bank, the European Union or the European Investment Bank, a third country or, in the 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 Member States belong; or
    - issued by a company any securities of which are dealt in on a Regulated Market; or
    - issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by EU Law, or by an establishment which is subject to and complies with prudential rules considered by the CSSF to be at least as stringent as those laid down by Community Law; or
    - issued by other bodies belonging to the 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 and the third indents above in this paragraph (vi) and provided that the issuer is a company whose capital and reserves amount to at least ten million Euros (EUR 10,000,000) and which presents and publishes its annual accounts in accordance with the fourth Directive 78/660/EU, 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.
- (b) However, the Company may acquire movable and immovable property which is essential for the direct pursuit of its business.
- (c) The Company may hold ancillary liquid assets.
- (2) (a) The Company may invest no more than 10 per cent of the net assets of the relevant Sub-

Fund in Transferable Securities and money market instruments issued by the same issuing body. The Company may not invest more than 20 per cent of the net assets of the relevant Sub-Fund in deposits made with the same body.

- (b) The total value of the Transferable Securities and money market instruments held by the Company in the issuing bodies in each of which it invests more than 5 per cent of the net assets of the relevant Sub-Fund must not exceed 40 per cent of the net assets of the relevant Sub-Fund. This limitation does not apply to deposits made with financial institutions subject to prudential supervision and to OTC Derivatives with such institutions. Notwithstanding the individual limits laid down in paragraph 2(a) above, the Company may not combine:

- investments in Transferable Securities or money market instruments issued by a single body;
- deposits made with a single body; and/or
- exposure arising from OTC Derivative transactions undertaken with a single body,

in excess of 20 per cent of the net assets of the relevant Sub-Fund.

The limit laid down in paragraph 2(a), first sentence is increased to a maximum of 35 per cent if the Transferable Securities and money market instruments are issued or guaranteed by a Member State, its local authorities, by a third country or by public international bodies of which one or more Member States are members.

- (c) The limit laid down in paragraph 2(a), first sentence is raised to a maximum of 25 per cent for certain debt securities if they are issued by a credit institution having its registered office in a Member State and which is subject, by law, to special public supervision designed to protect the holders of debt securities. In particular, sums deriving from the issue of such debt securities must be invested pursuant to the Law in assets which, during the whole period of validity of such debt securities, are capable of covering claims attaching to the debt securities and which, in the event of bankruptcy of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

When the Company invests more than 5 per cent of its net assets in such debt securities as referred to in the preceding paragraph and issued by one issuer, the total value of these investments may not exceed 80 per cent of the value of the relevant Sub-Fund's net assets.

- (d) The Transferable Securities and money market instruments referred to in paragraphs 2l and 2(d) are not taken into account for the purpose of applying the limit of 40 per cent referred to in paragraph 2(b).

The limits set out in paragraphs 2(a), (b), (c) and (d) may not be combined; thus investments in Transferable Securities or money market instruments issued by the same body, in deposits or derivative instruments made with this body carried out in accordance with paragraphs 2(a), (b), (c) and (d) shall under no circumstances exceed in total 35 per cent of the net assets of the relevant Sub-Fund.

Companies which are included in the same group for the purposes of consolidated accounts, as defined in Directive 83/349/EU, as amended, 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 (2).

The Company may invest in aggregate up to 10 per cent of the net assets of the relevant Sub-Fund in Transferable Securities and money market instruments within the same group.

- (3) Notwithstanding paragraph (2) above, the Company is authorised to invest in accordance with the principle of risk spreading up to 100 per cent of the net assets of the relevant Sub-Fund in Transferable Securities and money market instruments issued or guaranteed by a Member State, by its local authorities or agencies, by another member State of the OECD,**

**G20 member states, Singapore, Russia, Indonesia, South Africa, China or Brazil or by public international bodies of which one or more Member States are members, provided that the Sub-Fund holds Transferable Securities from at least six different issues and Transferable Securities from one issue do not account for more than 30 per cent of the net assets of the relevant Sub-Fund.**

- (4) If specifically provided for in the relevant Sub-Fund appendix, a Sub-Fund may further invest, within the 10% limit in relation to other Transferable Securities and money market instruments pursuant to Article 41(2) (a) of the Law up to 10% of the net assets of the relevant Sub-Fund in loan participation and/or loan assignments provided such instruments constitute money market instruments normally dealt in the money market, are liquid and have a value that may be accurately determined at any time.

Such loans are deemed to constitute money market instruments (within the meaning of Article 1 item 23 of the Law and Articles 3 and 4 of the Grand-Ducal Regulation of 8 February 2008 relating to certain definitions of the Law) normally dealt in on the money market where they fulfil one or more of the following criteria:

(a) they have a maturity at issuance of up to and including 397 days;

(b) they have a residual maturity of up to and including 397 days;

(c) they undergo regular yield adjustments in line with money market conditions at least every 397 days; or

(d) their risk profile, including credit and interest rate risks, corresponds to that of financial instruments which have a maturity as referred to in items (a) or (b) above, or are subject to a yield adjustment as referred to in item (c) above.

Such loans are deemed to be liquid where they can be sold at limited cost in an adequately short time frame, taking into account the obligation of the relevant Sub-Fund to repurchase its Shares at the request of any Shareholder.

Such loans are deemed to have a value which can be accurately determined at any time where such loans are subject to accurate and reliable valuations systems, which fulfil the following criteria:

(a) they enable the relevant Sub-Fund to calculate the net asset value in accordance with the value at which the loan held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction; and

(b) they are based either on market data or on valuation models including systems based on amortised costs.

- (5) (a) The Company may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.

(b) Moreover, the Company may acquire no more than:

– 10 per cent of the non-voting shares of the same issuer;

– 10 per cent of the debt securities of the same issuer;

– 25 per cent of the units of the same UCITS and/or other UCI;

– 10 per cent of the money market instruments issued by the same issuer.

(c) The limits laid down in the second, third and fourth indents may be disregarded at the time of acquisition if at that time the gross amount of debt securities or money market instruments or the net amount of the Transferable Securities in issue cannot be calculated.

(d) The limits contained in paragraphs 4(a) and 4(b) are waived as regards:

- Transferable Securities and money market instruments issued or guaranteed by a Member State or its local authorities;
- Transferable Securities and money market instruments issued or guaranteed by a non-Member State of the European Union;
- Transferable Securities and money market instruments issued by public international bodies of which one or more Member States are members;
- shares held by UCITS in the capital of a company incorporated in a non-Member State of the European Union which invests its assets mainly in the Transferable Securities of issuing bodies having their registered office in that State, where under the legislation of that State, such a holding represents for the UCITS the only way in which it can invest in the Transferable Securities of issuing bodies of that State. This derogation, however, shall apply only if in its investment policy the company from the non-Member State of the European Union complies with the limits laid down in Articles 43 and 46 and Article 48, paragraphs (1) and (2) of the Law. Where the limits set in Articles 43 and 46 of the Law are exceeded, Article 49 of the Law shall apply mutatis mutandis;
- shares held by one or several investment companies in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the repurchase of units at unit-holders' request exclusively on its or their behalf.

(6) The Company shall not:

- (a) make investments in, or enter into transactions involving precious metals, commodities or certificates representing them otherwise than as described below, except where such certificates qualify as Transferable Security in accordance with Directive 2007/16/EC of 19 March 2007;
- (b) 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 other than investment funds which invest in real estate or interests therein;
- (c) acquire shares or units of UCITS and/or other UCIs for more than 10 per cent of a single Sub-Fund's assets.

The investment policy of a Sub-Fund may derogate from the preceding restriction, provided that in such event the Company shall not invest more than 20 per cent of the net assets of the relevant Sub-Fund in a single UCITS or UCI as defined in point 1(a)(iii) above. For the purposes of applying this investment limit, each compartment of a UCITS or UCI with multiple compartments shall be considered as a separate issuer, provided that the principle of segregation of liabilities of the different compartments is ensured in relation to third parties.

Investments in other UCIs may not exceed in aggregate 30 per cent of the net assets of the relevant Sub-Fund. When the Company has acquired units of UCITS and/or other UCIs, the assets of the respective UCITS or other UCIs do not have to be combined for the purposes of the limits laid down in paragraph (2) above.

No subscription or redemption fees may be charged to the Company if the Company invests in the units of UCITS and/or other UCIs that are managed, directly or by delegation, by the Investment Manager or by any other company with which the Investment Manager is linked by common management or control, or by a substantial direct or indirect holding. If the Company invests a substantial proportion of its net assets in other UCITS and/or UCIs then it shall disclose in its prospectus the maximum level of the management fees that may be charged both to the Company and to the other UCITS and/or UCIs in which it intends to invest. In its annual report the Company shall indicate the maximum percentage of management fees charged both to the Company itself and to the UCITS and/or other UCI in which it invests;

- (d) purchase any Eligible Transferable Securities or Money Market Instruments on margin or make short sales of Eligible Transferable Securities or Money Market Instruments or maintain a short position. Deposits or other accounts in connection with derivative contracts such as option, forward or financial futures contracts, permitted within the limits described above, are not considered margins for this purpose;
  - (e) borrow amounts in excess of 10 per cent of the net assets of the relevant Sub-Fund, taken at market value at the time of the borrowing provided that the borrowing is on a temporary basis; provided however that the Company may borrow amounts in excess of 10 per cent of the net assets of the Company, provided that the borrowing is to make possible the acquisition of immovable property essential for the direct pursuit of the Company's business; in such latter case these borrowings may not in any case exceed in total 15 per cent of the net assets of the Company;
  - (f) mortgage, pledge, hypothecate or in any manner encumber as security for indebtedness any securities owned or held by the Company, except as may be necessary in connection with the borrowings permitted by paragraph (e) above, on terms that the total market value of the securities so mortgaged, pledged, hypothecated or transferred shall not exceed that proportion of the Company's assets necessary to secure such borrowings; the deposit of securities or other assets in a separate account in connection with repurchase, reverse purchase agreements and derivative contracts such as option, forward or financial futures transactions shall not be considered to be mortgage, pledge, hypothecation or encumbrance for this purpose;
  - (g) the Company may not, without prejudice to the application of Articles 41 and 42 of the Law, grant loans or act as a guarantor on behalf of third parties;
  - (h) the above paragraph shall not prevent the Company from acquiring Transferable Securities, money market instruments or other financial instruments referred to in Article 41, paragraph (1), items e), g) and h) of the Law which are not fully paid;
  - (i) the Company may not carry out uncovered sales of Transferable Securities, money market instruments or other financial instruments referred to in Article 41, paragraph (1), items e), g) and h) of the Law;
  - (j) make investments in any assets involving the assumption of unlimited liability;
  - (k) underwrite Transferable Securities of other issuers;
  - (l) enter into securities lending transactions, repurchase agreements or reverse repurchase agreements except if and to the extent the Company complies with provisions of CSSF Circular 08/356 on rules applicable to undertakings for collective investment when they employ certain techniques and instruments relating to transferable securities and money market instruments and ESMA Guidelines 2014/937.
- (7) The Company does not necessarily need to comply with the limits laid down in this section when exercising subscription rights attaching to Transferable Securities or money market instruments which form part of its assets. While ensuring observance of the principle of risk-spreading, the Company may derogate from Articles 43, 44, 45 and 46 of the Law for a period of six months following the date of its authorisation.
- (8) If the limits referred to in paragraph (6) are exceeded for reasons beyond the control of the Company or as a result of the exercise of subscription rights, it must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its shareholders.

If an issuer is a legal entity with multiple compartments where the assets of a compartment are exclusively answerable for the rights of the investors relating to that compartment and to those of the creditors whose claim arose on the occasion of the constitution, the operation or the liquidation of this compartment, each compartment is to be considered as a separate issuer for the purpose of applying the risk spreading rules referred to in Articles 43, 44 and 46 of the Law.

- (9) Each Sub-Fund is liable only for its own liabilities. Each Sub-Fund will not be held liable for the liabilities incurred by other Sub-Funds.

The Company will take steps to ensure that the Sub-Funds will not knowingly finance cluster munitions, munitions and weapons containing depleted uranium, and anti-personnel mines, including in particular by holding any form of securities issued by an entity the main activities of which are the manufacturing, use, reparation, sale, exhibition, distribution, import or export, storing or transport of cluster munitions, munitions and weapons containing depleted uranium, the anti-personnel mines in accordance with the Luxembourg law of 4 June 2009 approving the Convention on Cluster Munitions.

The Company will in addition comply with such further restrictions as may be imposed by rules and regulations or by the regulatory authorities in any country in which the Shares are marketed.

### **FINANCIAL DERIVATIVES AND EFFICIENT PORTFOLIO MANAGEMENT TECHNIQUES, INSTRUMENTS AND RISK MANAGEMENT**

The Company is authorised to employ financial derivatives and efficient portfolio management ("EPM") techniques and instruments under the conditions and within the limits laid down by the law (and in particular article 42(2) of the Law), regulation and administrative practice. Financial derivatives and EPM techniques and instruments are used for both hedging and investment purposes to generate additional revenue for Shareholders. When these operations concern the use of derivative instruments, these conditions and limits shall conform to the provisions laid down in Part I of the Law. Further, the description of each Sub-Fund in the relevant Appendix may contain additional parameters in this respect.

The Company may invest, as a part of its investment policy and within the limits laid down in Article 43, paragraph (5) of the Law, in those financial derivative instruments referred to in this Prospectus provided that the exposure to the underlying assets does not exceed in aggregate the investment limits laid down in Article 43 of the Law.

In addition to investments in financial derivative instruments, the Company may also make use of other investment techniques and instruments based on Transferable Securities and other eligible assets for the purpose of efficient portfolio management, pursuant to the terms of the ESMA Guidelines 2014/937 as well as any other applicable provisions in this regard.

The Company may in particular enter into securities lending transactions and/or (reverse) repurchase agreements to increase the overall performance of the relevant Sub-Fund, but an event of default (and specifically an event of default of a counterparty) may have a negative impact on the performance of the relevant Sub-Fund. The risk management process implemented by the Company (as described hereafter) aims at mitigating such risk.

In accordance with the ESMA Guidelines 2014/937, all the revenues arising from EPM techniques, net of direct and indirect operational costs, will be returned to the Company.

#### **Risk-management process**

The Company employs a risk-management process in accordance with ESMA Guidelines 10-788, CSSF Circular 11/512, or any amendment or replacement thereof and chapter VI of CSSF Regulation 10-4 which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the portfolio; it employs a process for accurate and independent assessment of the value of OTC Derivatives. It communicates to the CSSF regularly and, in accordance with the detailed rules defined by the latter, provides information regarding the types of derivative instruments, the underlying risks, the quantitative limits and the methods which are chosen in order to estimate the risks associated with transactions in derivative instruments.

Under no circumstances shall these operations cause the Company to diverge from its investment objectives as laid down in its constitutional documents.

The global exposure for ECM Financials Fund and ECM Dynamic Credit Fund is calculated according to the absolute VaR approach with a limit of 20 per cent., determined on the basis of a 99 per cent confidence interval and a holding period of 1 month/20 Luxembourg business days.

The global exposure for ECM Short Duration Credit Fund is calculated according to the relative VaR approach with a limit of 200 per cent of the VaR of the reference benchmark, the iBOXX Corporate Total Return 1-5 yr index. Both the VaR of ECM Short Duration Credit Fund and the VaR of the reference benchmark are determined on the basis of a 99 per cent confidence interval and a holding period of 1 month/20 Luxembourg business days.

<b>Sub-Fund(s)</b>	<b>Relative VaR / Absolute VaR Commitment</b>	<b>Reference Portfolio</b>
ECM Financials Fund	Absolute VaR	N/A
ECM Short Duration Credit Fund	Relative VaR	iBOXX Corporate Total Return 1-5 yr
ECM Dynamic Credit Fund	Absolute VaR	N/A

The leverage factor of each Sub-Fund will be calculated as the sum of the absolute notional values of the derivatives used (the "Sum of Notionals Methodology"). In such calculation, all of the individual leverage factors created by each single derivative instrument within the Sub-Fund will be summed up, although certain derivatives instruments may only be used for hedging purposes and may thus result in reducing or even nullifying the global exposure of the portfolio. Since the calculation of the sum of notionals does not reflect any hedging or netting effects of the various derivatives used, the leverage factor indicated below might give a false impression regarding the risk profile of the Sub-Funds. To give investors a meaningful impression, the leverage factor is therefore indicated below both as the sum of notionals and by use of a netting methodology which allows us to reflect the hedging and netting effects of various derivatives used.

The net leverage is a method (the "Net Leverage Methodology") for calculating leverage which takes into account the exposure of the portfolio to derivative instruments with the exclusion of derivative instruments which are used for reducing risk (i.e. derivative instruments used for interest rate and FX hedging). It is thus a leverage-calculation method which shows the "net" global exposure of a Sub-Fund to derivative instruments, taking into account the actual exposure of the Sub-Fund to such instruments. The leverage calculation according to the Net Leverage Methodology will be made by use of the following formula:

Net Leverage Approach = (sum of net notionals/ net asset value) – 1 as %

The Net Leverage Methodology also includes the notional value of all securities in 'sum of net notionals'.

**Expected leverage calculated according to the Sum of Notionals Methodology:**

<b>Sub-Fund(s)</b>	<b>Leverage</b>
ECM Financials Fund	450%
ECM Short Duration Credit Fund	120%
ECM Dynamic Credit Fund	200%

**Expected leverage calculated according to the Net Leverage Methodology:**

<b>Sub-Fund(s)</b>	<b>Leverage</b>
ECM Financials Fund	100%
ECM Short Duration Credit Fund	25%
ECM Dynamic Credit Fund	50%

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In order to achieve the investment objective, the relevant Investment Manager may use (without limitation) the following derivative instruments if and as provided in the relevant Sub-Fund Appendix. It should be noted that the descriptions below are general in nature and do not detail every variation of the types of investments in which the Company in respect of each Sub-Fund may invest or trade or techniques the Company may adopt. Such descriptions below are summaries only and do not purport to be complete.

**Interest Rate Swaps**

The Company may enter into interest rate swaps. Interest rate swaps involve the exchange by the Company with another party of their respective commitments to make or receive interest payments (e.g. an exchange of fixed rate payments for floating rate payments). On each payment date under an interest rate swap, the net payments owed by each party, and only the net amount, is paid by one party to the other. Swaps may extend over substantial periods of time, and typically call for the making of payments on a periodic basis.

**Currency Swaps**

The Company may enter into currency swap transactions. A currency swap is an agreement between two parties to exchange future payments in one currency for payments in another currency. These agreements are used to transform the currency denomination of assets and liabilities. Unlike interest rate swaps, currency swaps may include an exchange of principal at maturity.

**Spot Foreign Exchange Transactions**

The Company may enter into spot foreign exchange transactions. A spot foreign exchange (or forex, or FX) transaction involves the purchase of one currency with another, a fixed amount of the first currency being paid to receive a fixed amount of the second currency. "Spot" settlement means that delivery of the currency amounts normally takes place two business days in both relevant centres after the trade is executed.

**Forward Foreign Exchange Agreements**

The Company may enter into forward foreign exchange agreements. A forward foreign exchange agreement is a contract to purchase or sell a foreign currency at an exchange rate determined on the date that the contract is made, but with delivery at a specified future date.

**Credit Derivatives**

The Company may enter into credit derivatives contracts. Credit derivatives are transactions which are designed to isolate and transfer the credit risk associated with a third party (the reference entity) or a basket/index of reference entities. Such credit default products will typically be divided into two categories, namely "funded" and "unfunded", depending on whether or not the credit protection seller makes an initial principal payment in respect of the reference asset. There are many ways in which this

can be done, which essentially involve four types of transaction.

The first type, credit default products, consists of transactions under which the parties' obligations depend on whether a "credit event" has occurred in relation to the reference asset. The credit events are specified

in the contract and are intended to identify the occurrence of a significant deterioration in the creditworthiness of the reference asset. On settlement, credit default products may be cash settled or involve the physical delivery of an obligation of the reference entity following a default. In entering into these credit default products, the Issuer may be a credit protection buyer or a credit protection seller.

The second type consists of total return swaps ("TRS") which are transactions where the holder of the asset (whether a loan or a debt security) passes on all the payments it receives in respect of that asset in return for an agreed payment stream. The asset may also be marked to market periodically with the parties agreeing to pass on any increase or decrease in its market value over time.

TRS may be entered into with authorised market counterparties ("Swap Counterparties") that are highly rated financial institutions located in an OECD Member State and specialized in these types of transactions and only in accordance with the terms laid down under an ISDA agreement with that Swap Counterparty. Swap Counterparties shall have no discretion over the selection of the underlying assets of the TRS.

The third type, credit spread derivatives, are credit protection transactions under which the payments may be made by either a credit spread or protection buyer or seller depending on the relative credit standings of two or more reference assets, measuring the market value of a particular asset against the market value of another asset, one of which typically being of "benchmark" quality, i.e. of a highly creditworthy obligor, such as a sovereign entity.

The fourth type, credit spread options, are credit derivatives designed to hedge against or take advantage of changes in credit spreads under which a reference credit instrument or index is selected and the strike spread, exercise date(s) and maturity date are set. The pay-off is based on whether the actual spot spread of the reference credit instrument or index as at the option exercise date is greater or less than the strike spread. The transaction may be either based on changes in a credit spread of a reference credit instrument or index against a market benchmark (e.g. LIBOR or U.S. Treasuries) or changes in the relative spread between two credit instruments or indices or a combination thereof.

All credit derivative risks are monitored and included at their full underlying value (including the underlying assets in inventory and the associated loan as a liability) for the purpose of maintaining compliance with investment restrictions.

## **Loans**

If specifically provided for in the relevant Sub-Fund appendix, a Sub-Fund may invest in fixed and floating rate loans from one or more financial institutions ("lender(s)") to a borrower ("borrower") by way of (i) assignment/transfer of; or (ii) participation in the whole or part of the loan amount outstanding. A Sub-Fund will invest only in loans that qualify as money market instruments for the purposes of the Law.

In both instances, assignments or participations of such loans must be capable of being freely traded and transferred between investors in the loans. Participations typically will result in the Sub-Fund having a contractual relationship only with a lender as grantor of the participation but not with the borrower. The Sub-Fund acquires a participation interest only if the lender(s) interpositioned between the Sub-Fund and the borrower is determined by the Investment Manager to be creditworthy. When purchasing loan participations, a Sub-Fund assumes the economic risk associated with the corporate borrower and the credit risk associated with an interposed bank or other financial intermediary. Loan assignments typically involve a transfer of debt from a lender to a third party. When purchasing loan assignments, a Sub-Fund assumes the credit risk associated with the corporate borrower only.

Such loans may be secured or unsecured. Loans that are fully secured offer a Sub-Fund more protection than an unsecured loan in the event of non-payment of scheduled interest or principal. However, there is no assurance that the liquidation of collateral from a secured loan would satisfy the corporate borrower's obligation. In addition, investments in loans through a direct assignment include the risk that if a loan is terminated, a Sub-Fund could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral.

Loan participations typically represent direct participation in a loan to a corporate borrower, and generally are offered by banks or other financial institutions or lending syndicates.

A loan is often administered by an agent bank acting as agent for all holders. Unless, under the terms of the loan or other indebtedness, a Sub-Fund has direct recourse against the corporate borrower, the Sub-

Fund may have to rely on the agent bank or other financial intermediary to apply appropriate credit remedies against a corporate borrower.

The loan participations or assignments in which a Sub-Fund invests may not be rated by any internationally recognised rating service.

### **Repurchase, Reverse-Repurchase and Securities Lending Agreements**

The Company may enter into repurchase and/or reverse repurchase and/or securities lending agreements in accordance with the provisions of CSSF Circular 08/356 and ESMA Guidelines 2014/937.

Repurchase agreements are agreements pursuant to which securities are sold by the Company to a counterparty with the agreement that they will be repurchased at a fixed price on an agreed date.

Reverse-repurchase agreements are agreements pursuant to which securities are bought by the Company from a counterparty with the agreement that they will be repurchased by the counterparty at a fixed price on an agreed date.

Securities lending agreements have the same effect as repurchase agreements save that rather than an outright sale, securities are lent against the transfer of typically cash collateral from the securities borrower to the securities lender. When the Company enters into a repurchase or securities lending agreement, the seller/lender will be required to maintain the value of the securities subject to the repurchase or securities lending agreement, marked to market daily, at not less than the repurchase price. Such agreements permit the Company to keep all its assets earning interest while retaining flexibility in pursuance of investment of a longer-term nature.

During the lifetime of a reverse repurchase agreement, the Company may not sell the securities which are the object of the agreement either (i) before the repurchase of the securities by the counterparty has been carried out or (ii) the repurchase period has expired.

Where the Company enters into a repurchase or securities lending agreement, it will ensure that it is able at any time to recall any security that has been lent out or terminate the agreement into which it has entered.

### **Forward Rate Agreements**

The Company may enter into forward rate agreements. A forward rate agreement is a contract in which two parties agree the interest rate to be paid on a notional deposit of specified maturity on a specific future date. At maturity the seller pays the purchaser for any increase in rates over the agreed rate and if rates have fallen the purchaser pays the seller for any decrease in rates over the agreed rate. The amount of the settlement is discounted by the rate set at the beginning of the deposit period.

### **Futures Contracts**

The Company may enter into futures contracts of various kinds for the purposes of hedging interest rate risk in the investments. An interest rate futures contract is a standardised exchange-traded contract entered into between two parties (buyer and seller) to take or make delivery of a specified quantity of financial instruments (such as Treasury bonds) at a specified price at a future date. An interest rate futures contract may be satisfied or closed out by delivery or purchase, as the case may be, of the financial instrument. A futures contract on an index is a standardised exchange-traded contract entered into between two parties (buyer and seller) to take or make delivery of an amount of cash equal to the difference between the value of the index at the last trading day of the contract and the price at which the index contract was originally written. Contractual obligations under futures contracts, depending on whether one is the buyer or seller, may also be satisfied either by taking or making an offsetting sale or purchase of an equivalent but opposite futures contract on the same exchange prior to the delivery or settlement date. Frequently, using futures to effect a particular strategy instead of using the underlying or related asset or index results in lower transaction costs being incurred.

### **Swaptions**

The Company may enter into swaptions. A swaption is a contract whereby one party receives a fee in return for agreeing to enter into a forward swap at a predetermined fixed rate if some contingency event

occurs (normally where future rates are set in relation to a fixed benchmark).

### **Caps and Floors**

The Company may enter into caps and floors. A cap is an agreement under which the seller agrees to compensate the buyer if interest rates rise above a pre-agreed strike rate on pre-agreed dates during the life of the agreement. In return the buyer pays the seller a premium up front. A floor is similar to a cap except that the seller compensates the buyer if interest rates fall below a pre-agreed strike rate on pre-agreed dates during the life of the agreement. As with a cap, the buyer pays the seller a premium up front.

### **Options**

The Company may enter into options. Options may be used for hedging purposes to reduce unwanted Market Risk.

### **Management of collateral for OTC derivatives**

The following provisions are in line with the requirements of the ESMA Guidelines 2014/937, which may be amended in the future. The investment policy of each Sub-Fund is compliant with the provisions of the ESMA Guidelines 2014/937.

Where a Sub-Fund enters into OTC financial derivative transactions and efficient portfolio management techniques, all collateral used to reduce counterparty risk exposure shall comply with the criteria as set out by the ESMA Guidelines 2014/937.

The level of collateral required will be the mark to market exposure that the Sub-Fund has with the counterparty subject to any terms detailed in each ISDA or CSA.

The Company can receive collateral in order to mitigate its exposure towards a single counterparty. Any collateral received may, in accordance with ESMA Guidelines 2014/937 be placed on deposit with entities prescribed in Article 50(f) of the UCITS Directive, invested in high quality government bonds, used in reverse repurchase transactions in accordance with the foregoing ESMA Guidelines 2014/937, or be invested in other short term money market funds.

Haircuts may be applied by the Company in regard to the calculation of the value of the collateral received. A haircut is a reduction to the market value of an asset given as collateral in order to provide a safety margin in case the market value of that asset falls. The value of the collateral received will be calculated as the market value of the respective assets adjusted by the relevant haircut percentage.

<b>Type of Assets</b>	<b>Haircut Percentage</b>
Cash in an eligible currency (USD, EUR, GBP)	0 %
Government bonds	1-5 %
Corporate bonds	5-20 %

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It should be noted that the descriptions of Transferable Securities and derivative instruments above are general in nature and do not detail every variation of the types of investments in which the Company may invest or trade or techniques the Company may adopt. Such descriptions do not purport to be complete.

The specific investment policy of each Sub-Fund (including the anticipated use of derivatives) is laid-down in the relevant Appendix.

## THE MANAGEMENT COMPANY

Pursuant to the Management Company Services Agreement, Wells Fargo Asset Management Luxembourg S.A. (the "Management Company") has been appointed to act as management company of the Company. The Management Company is responsible on a day-to-day basis, under the supervision of the Board of Directors, for providing administration, marketing, distribution and investment management services in respect of all the Sub-Funds.

The Management Company may delegate under its responsibility and control, and with the consent of the Company and the Luxembourg supervisory authority, part or all of its functions and duties to any third party, which, having regard to the nature of the functions and duties to be delegated, must be duly qualified, hold the necessary authorisations as may be required in their country of incorporation and be capable of undertaking the duties in question.

The Management Company has delegated the administration functions to the Administrator and the investment management function in respect of each Sub-Fund to the Investment Manager.

The Management Company in its role as Global Distributor may, from time to time, enter into agreements with other sub-distributors, intermediaries, brokers, dealers and/or professional investors for the distribution of Shares.

The Management Company was incorporated in the form of a *société anonyme* on 12 November 2014 for an unlimited duration. The Management Company is approved as a management company regulated by chapter 15 of the Law. The Management Company is an indirect, wholly-owned subsidiary of Wells Fargo & Company ("Wells Fargo"). The Management Company has a subscribed and paid-up capital of 3,745,800 USD at the date of this prospectus.

The Management Company oversees compliance by the Company with the investment restrictions and oversees the implementation of the Company's strategies and investment policies. The Management Company reports to the Board of Directors on a periodic basis and has complete discretion to inform the Board of any error, breach of investment policy or other material event without undue delay which the Company could reasonably expect to be brought to its attention.

The Management Company receives periodic reports from each Investment Manager and the Company's other service providers to enable it to perform its monitoring and supervision duties.

Pursuant to Article 111bis of the 2010 Law, the Management Company has established remuneration policies for those categories of staff ("Identified Staff"), including senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers and whose professional activities have a material impact on the risk profiles of the Management Company or the Company, that are:

- consistent with and promote sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profiles of the Company or with its Articles of Incorporation and which do not interfere with the obligation of the Management Company to act in the best interests of the Company;
- in line with the business strategy, objectives, values and interests of the Management Company and the UCITS that it manages and of the investors in such UCITS, and includes measures to avoid conflicts of interest;
- based on the principal that, in respect of Identified Staff, as applicable, the assessment of performance is set in a multi-year framework appropriate to the holding period recommended to the investors of the UCITS managed by the Management Company in order to ensure that the assessment process is based on the longer-term performance of the UCITS and its investment risks and that the actual payment of performance-based components of remuneration is spread over the same; and

- based on the principal that fixed and variable components of total remuneration are periodically reviewed to ensure appropriate balance and the fixed component represents an appropriate proportion of the total remuneration to allow the operation of a fully flexible policy, on variable remuneration components, including the possibility to pay no variable remuneration component.

Wells Fargo applies an enterprise-wide approach to remuneration policies and practices for Wells Fargo, its subsidiaries and affiliates, many of which are incorporated into the remuneration policy for the Management Company. Collectively, these policies and practices are based on the following principles:

- (a) Pay for performance. Remuneration should be linked to company, line of business and individual performance.
- (b) Promote a culture of risk management. Remuneration should promote a culture of risk management consistent with Wells Fargo's Vision and Values and should not encourage unnecessary or excessive risk-taking.
- (c) Attract and retain talent. People are Wells Fargo's competitive advantage, so remuneration should help attract, motivate and retain exceptional people at Wells Fargo.
- (d) Align employee interests with long-term shareholder interests. For those in positions to influence stockholder results, remuneration should have an equity-based component so that Wells Fargo's employees interests are aligned with the long-term interests of Wells Fargo's shareholders and to encourage behaviour consistent with long-term shareholder value creation.

The up-to-date remuneration policy of the Management Company, including, but not limited to, a description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits, including the composition of the remuneration committee (if any), is available free of charge upon request at the Management Company's registered office and can also be found on [www.ecm.com](http://www.ecm.com) under "Remuneration Policy".

The directors of the Management Company are:

- Karla Rabusch, President, Wells Fargo Funds Management, LLC.
- Michael Hogan, Senior Vice President of International Business Development, Wells Fargo Funds Management, LLC
- David Messman, Assistant General Counsel, Wells Fargo Law Department.
- Prasanta Roy, Chief Administration Officer, EMEA Regional Management, Wells Fargo Bank, N.A.
- Nancy Wisner, Chief Operating Officer, Wells Fargo Funds Management, LLC

The conducting officers of the Management Company are:

- Laurence Magloire, Managing Director and Senior Conducting Officer, Wells Fargo Asset Management Luxembourg S.A.
- Aline Zanette, Wells Fargo Asset Management Luxembourg S.A.

#### **THE INVESTMENT MANAGER**

The Management Company has appointed ECM Asset Management Limited as investment manager (the "Investment Manager") which, subject to the overall responsibility and control of the Management Company, will provide investment advice and take responsibility for the day-to-day discretionary management of the assets of the Company.

The Investment Manager was incorporated as European Credit Management Limited, a private limited company in England on 10 February 1999 with registered number 3710963 and its registered office is at 34 Grosvenor Street, London W1K 4QU. It changed its name on 28 May 2012 to its current name, ECM Asset

Management Limited. The Investment Manager is regulated and authorised to conduct investment business by the UK Financial Conduct Authority and is a registered investment adviser under the US Investment Advisers Act of 1940, as amended.

The Investment Manager is a member of the Wells Fargo & Company group following the acquisition, in January 2007, by Wachovia Corporation of a majority interest in the share capital of the Investment Manager and the subsequent merger in December 2008 of Wachovia Corporation and Wells Fargo & Company. The Investment Manager is majority owned by Wells Fargo but there has not been a material change in the management functions of the key executive offices of the Investment Manager nor does it affect the Investment Manager's duties and obligations to the Company under the Investment Management Agreement.

At 31 December 2015, the Investment Manager had approximately € 3,5 billion of investments under management. The Investment Manager, with a current paid-in share capital of £ 35 million as at 31 December 2015, specialises in managing fixed income credit risk in the European markets.

The Investment Management Agreement has no specified termination date and may be terminated at any time by either party by giving not less than three (3) months' written notice. The Investment Management Agreement may also be terminated by either party in the event that the other is in material breach of the agreement and (if such breach shall be capable of remedy) fails to remedy such breach upon thirty (30) days' notice.

Pursuant to the Investment Management Agreements, each Investment Manager, in accordance with the investment objective and policies of the relevant Sub-Fund adopted by the Company, manages the investment and reinvestment of the assets of such Sub-Fund and is responsible for placing orders for the purchase and sale of investments with brokers, dealers and counterparties selected by it at its discretion.

Under the Management Company Services Agreement, the Management Company will receive from the Company an investment management fee calculated and payable as set out in the Appendix of the relevant Sub-Fund. Under the Investment Management Agreements, the Investment Manager will be remunerated by the Management Company out the investment management fee received by the Management Company from the Company. A Performance Fee may also become payable to the Management Company on the terms set out in the description of the Sub-Fund in the relevant Appendix. The Management Company may share part or all of any such Performance Fee with the Investment Manager.

## **DEPOSITARY BANK AND ADMINISTRATOR**

### **Depositary Bank and Paying Agent**

Brown Brothers Harriman (Luxembourg) S.C.A. (the "Depositary Bank") has been appointed by the Company as the depositary bank for (i) the safekeeping of the assets of the Company (ii) the cash monitoring, (iii) the oversight functions and (iv) such other services as agreed from time to time and reflected in the Depositary Agreement as well as Paying Agent.

The Depositary Bank is a credit institution established in Luxembourg, whose registered office is situated at 80 Route d'Esch, L-1470 Luxembourg, and which is registered with the Luxembourg register of commerce and companies under number B 29.923. 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, and specialises in custody, fund administration and related services.

### Duties of the Depositary Bank

The Depositary Bank is entrusted with the safekeeping of the Company's assets. For the financial instruments which can be held in custody, they may be held either directly by the Depositary Bank or, to the extent permitted by applicable laws and regulations, through other credit institutions or financial intermediaries acting as its correspondents, sub-depositary banks, nominees, agents or delegates. The

Depository Bank also ensures that the Company's cash flows are properly monitored, and in particular that the subscription monies have been received and all cash of the Company has been booked in the cash account in the name of (i) the Company, (ii) the Management Company on behalf of the Company or (iii) the Depository Bank on behalf of the Company.

In addition, the Depository Bank shall also ensure:

- (i) that the sale, issue, repurchase, redemption and cancellation of the Shares of the Company are carried out in accordance with Luxembourg law and the Articles of Incorporation;
- (ii) that the value of the Shares of the Company is calculated in accordance with Luxembourg law and the Articles of Incorporation;
- (iii) to carry out the instructions of the Company and the Management Company, unless they conflict with Luxembourg law or the Articles of Incorporation;
- (iv) that in transactions involving the Company's assets any consideration is remitted to the Company within the usual time limits;
- (v) that the Company's incomes are applied in accordance with Luxembourg law and the Articles of Incorporation.

The Depository Bank regularly provides the Company and its Management Company with a complete inventory of all assets of the Company.

#### Delegation of functions

Pursuant to the provisions of Article 34bis of the 2010 Law and of the Depository Agreement, the Depository Bank may, subject to certain conditions and in order to effectively conduct its duties, delegate part or all of its safekeeping duties over the Company's assets set out in Article 34(3) of the 2010 Law, to one or more third-party delegates appointed by the Depository Bank from time to time.

The Depository Bank shall exercise care and diligence in choosing and appointing the third-party delegates so as to ensure that each third-party delegate has and maintains the required expertise and competence. The Depository Bank shall also periodically assess whether the third-party delegates fulfil applicable legal and regulatory requirements and will exercise ongoing supervision over each third-party delegate to ensure that the obligations of the third-party delegates continue to be competently discharged. The fees of any third-party delegate appointed by the Depository Bank shall be paid by the Company.

The liability of the Depository Bank shall not be affected by the fact that it has entrusted all or some of the Company's assets in its safekeeping to such third-party delegates.

In case of a loss of a financial instrument held in custody, the Depository Bank shall return a financial instrument of an identical type or the corresponding amount to the Company without undue delay, except if such loss results from an external event beyond the Depository Bank's reasonable control and the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

An up-to-date list of the appointed third-party delegates is available upon request and free of charge at the registered office of the Depository and at [www.ecm.com](http://www.ecm.com) under Depository Bank – Global Custody Network.

According to Article 34bis(3) of the 2010 Law, the Depository Bank and the Company will ensure that, where (i) the law of a third country requires that certain financial instruments of the Company be held in custody by a local entity and there is no local entities in that third country subject to effective prudential regulation (including minimum capital requirements) and supervision and (ii) the Company instructs the

Depository Bank to delegate the safekeeping of these financial instruments to such a local entity, the investors of the Company shall be duly informed, prior to their investment, of the fact that such delegation is required due to the legal constraints of the law of the third country, of the circumstances justifying the delegation and of the risks involved in such a delegation.

#### Conflicts of interests

The Depository Bank maintains comprehensive and detailed corporate policies and procedures requiring the Depository Bank to comply with applicable laws and regulations.

The Depository Bank has policies and procedures governing the management of conflicts of interest ("Cols"). These policies and procedures address Cols that may arise through the provision of services to the Company.

The Depository Bank's policies require that all material Cols involving internal or external parties are promptly disclosed, escalated to senior management, registered, mitigated and/or prevented, as appropriate. In the event a Col may not be avoided, the Depository Bank shall maintain and operate effective organizational and administrative arrangements in order to take all reasonable steps to properly (i) disclosing Cols to the Company and to, shareholders, and (ii) managing and monitoring such Cols.

The Depository Bank ensures that employees are informed, trained and advised of Col policies and procedures and that duties and responsibilities are segregated appropriately to prevent Col issues.

Compliance with Col policies and procedures is supervised and monitored by the Board of Managers as general partner of the Depository Bank and by the Depository Bank's Authorized Management, as well as the Depository Bank's compliance, internal audit and risk management functions.

The Depository Bank shall take all reasonable steps to identify and mitigate potential Cols. This includes implementing its Col policies that are appropriate for the scale, complexity and nature of its business. This policy identifies the circumstances that give rise or may give rise to a Col and includes the procedures to be followed and measures to be adopted in order to manage Cols. A Col register is maintained and monitored by the Depository Bank.

The Depository Bank also acts as Administrator, Registrar and Transfer Agent pursuant to the terms of the Administration Agreement between the Depository Bank and the Company (see the section below entitled 'Administrator, Registrar and Transfer Agent'). The Depository Bank has implemented appropriate segregation of activities between the Depository Bank and the administration, registrar and transfer agency services, including escalation processes and governance. In addition, the depository function is hierarchically and functionally segregated from the administration and registrar and transfer agency services business unit.

The Depository Bank may delegate to a third-party delegate the safe-keeping of the Company's assets subject to the conditions laid down in the applicable laws and regulations and the provisions of the Depository Agreement. In relation to the third-party delegates, the Depository Bank has a process in place designed to select the highest quality third-party provider(s) in each market. The Depository Bank shall exercise due care and diligence in choosing and appointing each third-party delegate so as to ensure that each third-party delegate has and maintains the required expertise and competence. The Depository Bank shall also periodically assess whether third-party delegates fulfill applicable legal and regulatory requirements and shall exercise ongoing supervision over each third-party delegate to ensure that the obligations of the third-party delegates continue to be appropriately discharged.

A potential risk of Cols may occur in situations where the third-party delegates may enter into or have a separate commercial and/or business relationship with the Depository Bank in parallel to the safekeeping

delegation relationship. In the conduct of its business, CoIs may arise between the Depositary Bank and the third-party delegate. Where a third-party delegate shall have a group link with the Depositary Bank, the Depositary Bank undertakes to identify potential CoIs arising from that link, if any, and to take all reasonable steps to mitigate those CoIs.

The Depositary Bank does not anticipate that there would be any specific CoIs arising as a result of any delegation to any third-party delegate. The Depositary Bank will notify the Board of the Company and/or the Board of its Management Company of any such conflict should it so arise.

To the extent that any other potential CoIs exist pertaining to the Depositary Bank, they have been identified, mitigated and addressed in accordance with the Depositary Bank's policies and procedures.

#### Miscellaneous

The Depositary Bank 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, including insolvency).

Up-to-date information regarding the description of the Depositary Bank's duties and of conflicts of interest that may arise as well as of any safekeeping functions delegated by the Depositary Bank, 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 at the Depositary Bank's registered office.

#### **Administrator and, Registrar and Transfer Agent**

Pursuant to an Administration Agreement among the Management Company, the Company and Brown Brothers Harriman (Luxembourg) S.C.A., the latter was appointed Administrator, Registrar and Transfer Agent to the Company.

As the Administrator, Brown Brothers Harriman (Luxembourg) S.C.A. is responsible for the general administrative functions required by Luxembourg law and for processing the issue, sale and switching of Shares, the calculation of the Net Asset Value of the Shares and the maintenance of accounting records.

In its capacity as Registrar and Transfer Agent, Brown Brothers Harriman (Luxembourg) S.C.A. is responsible for the maintenance of the register of Shareholders and for any services with regard to the dispatch of documents, e.g., statements, reports, or notices to Shareholders.

For these services as Depositary Bank, Paying Agent, Administrator and Registrar and Transfer Agent, Brown Brothers Harriman (Luxembourg) S.C.A. is paid by the Company.

#### **RISK FACTORS**

The discussion below is of a general nature and is intended to describe various risk factors associated with an investment in the Shares. Which factors will be of relevance to the Shares will depend upon a number of interrelated matters including, but not limited to, the nature of the Shares, the techniques and instruments used and the investment policy of the particular Sub-Fund invested in.

Investors should understand the risks associated with an investment in the Shares and should only reach an investment decision after careful consideration with their legal, tax, accounting, financial and other advisers of (i) the suitability of an investment in the Shares in the light of their own particular financial, fiscal and other circumstances, (ii) the information set out in this Prospectus and (iii) the risks associated with the use by the Company of derivative techniques.

Risk factors may occur simultaneously and/or may compound each other resulting in an unpredictable effect on the value of the Shares. No assurance can be given as to the effect that any combination of risk factors may have on the value of the Shares.

The value of the Shares can go down as well as up and an investor may not be able to redeem or sell the Shares for the same amount invested in them. Accordingly, investors should view an investment in the Shares as a long-term investment. Prospective investors' attention is drawn to the taxation consequences of investing in the Company set out in the section entitled "*Tax Considerations*" below.

No investment should be made in the Shares without careful consideration of the following general risk factors.

#### Market risks

These risks are of general nature and are present in all types of investments; the value of a particular market may change in a way that can be detrimental to the interests of a Sub-Fund.

#### Exchange Rates

Investors should be aware that such an investment may involve exchange rate and interest rate risks. Exchange rates between currencies are influenced by macro economic factors, speculation and central bank and government intervention. Fluctuations in exchange rates and interest rates may affect the value of the Shares.

#### Liquidity risks

Liquidity risks arise when a certain asset is difficult to acquire or dispose of. In large-scale transactions or when markets are partially illiquid, it may not be possible to liquidate assets held by the Company or, in the case of derivatives, to execute a transaction or close out a position at an advantageous price.

#### Possible Loss of Investment

Unless capital protection is specifically prescribed in the relevant Appendix relating to any individual Sub-Fund, prospective investors should be aware that investment in the Sub-Fund can involve varying degrees of risk including a possibility of capital loss. Prospective investors should inform themselves of the risks associated with each Sub-Fund and the general risks associated with investment in various instruments, currencies and geographic areas.

#### Regulatory Risk

The prospectus has been drafted in line with the currently applicable laws and regulations. It cannot be excluded that the Sub-Funds and their investment policy and objectives may be affected by any future changes in the legal and regulatory environment.

### Concentration risk

The Sub-Funds are designed to mitigate its risks by spreading investments into assets from different issuers whilst avoiding a concentration on any one issuer. However, it cannot be excluded that for specific reasons, the exposure to one single issuer may represent a relatively large proportion of a Sub-Fund's net assets. The limits prescribed by the Law will however at all times be maintained and, should any external events result in a passive breach of the applicable investment restrictions, remedial action will be taken, in accordance with the requirements of the Law.

### Interest Rate Risk

Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including US Government obligations. Debt securities with longer maturities are generally more sensitive to interest rate changes than those with shorter maturities. Changes in market interest rates do not affect the rate payable on an existing debt security, unless the instrument has adjustable or variable rate features, which can reduce its exposure to interest rate risk. Changes in market interest rates may also extend or shorten the duration of certain types of instruments, thereby affecting their value and the return on an investment in a Sub-Fund.

Very low or negative interest rates may magnify interest rate risk. Changing interest rates, including rates that fall below zero, may have unpredictable effects on markets, may result in heightened market volatility and may detract from Sub-Fund performance to the extent a Fund is exposed to such interest rates.

### Credit risk

Debt securities are subject to a risk that an issuer might default with respect to principal and interest payments. Further, debt securities are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity and movements.

### Stock Market Risk

Investment in equity securities or equity-linked securities will be affected by general economic conditions. When economic growth slows, or interest or inflation rates increase, equity securities and equity-linked securities tend to decline in value. Even if general economic conditions do not change, the value of your investment could decline if the particular industries, companies or sectors in which the relevant Sub-Fund invests do not perform well.

### Risks associated with investments in other undertakings for collective investment

The Investment Manager will seek to achieve diversification by management strategies, by markets and by selecting a certain number of underlying funds managed by different fund managers who operate independently. Two aspects of investing in other funds that will affect the success of the relevant Sub-Fund are the increased cost and the risk of delegating control of part of the relevant Sub-Fund's assets to persons other than its Investment Manager. The Investment Manager has no ability to control the manner in which third-party investment managers will make investments or whether they will act in accordance with any disclosure documents or descriptive materials given by them to the Company. Investments in other funds will be subject to the terms of the relevant funds, including availability, dealing frequency and payment terms.

### Monitoring and control

Derivatives and other special investment techniques and financial instruments are specialized products which require different investment techniques and risk analyses than equities or bonds. The use of derivatives requires not just a knowledge of the underlying instrument, but also of the derivative itself, although the performance of the derivative cannot be monitored under all the possible market conditions. The complexity of such products and their use in particular require suitable control mechanisms to be set up for monitoring the transactions and the ability to assess the risks of such products for a Sub-Fund and estimate the developments of prices, interest rates and exchange rates.

### Counterparty risks

There is a risk that a counterparty will not be able to fulfil its obligations and/or that a contract will be cancelled, e.g. due to bankruptcy, subsequent illegality or a change in the tax or accounting regulations. This relates to all counterparties with which derivative, repurchase, reverse repurchase or securities lending transactions are entered into where they are not fully collateralised.

The failure of the counterparty where transactions are not fully collateralised may cause the relevant Sub-Fund's value to fall.

New counterparties are subject to a formal review and all of the approved counterparties are subsequently monitored and reviewed on an ongoing basis. The Company ensures that its counterparty risk and collateral management are actively managed.

#### Investor Tax Information

Investors should be aware that certain fiscal authorities may provide a better tax treatment if certain information reporting is provided to Shareholders by the Company. Unless set out in the section entitled "Taxation" or covered by a country specific appendix to this Prospectus the Company cannot guarantee to provide tax reporting to Shareholders and accepts no liability as a respect of such a failure. No assurance can be given that even if tax reporting is provided it will be accurate in all respects or that it will be provided by the date a Shareholder is due to report to its fiscal authorities or that it will be provided by the statutory due date.

#### Equalisation

The Company cannot guarantee that an equalisation policy will be followed in respect of a Sub-Fund or, if an equalisation policy is followed, which method will be used or whether the equalisation method chosen will be an acceptable method in respect of specific rules in respect of an investor's jurisdiction. For example, for German tax purposes, in computing fund income for the purposes of the Investment Funds Tax Law for a given Share Class, the Company cannot guarantee that any equalisation policy will be treated as an acceptable equalisation policy for the purposes of those rules and as a result the net taxable income for German tax purposes may be higher than expected.

#### Other risks

The use of derivative and other special investment techniques and financial instruments also entails the risk that the valuations of financial products will differ as a result of different approved valuation methods (model risks) and the fact that there is no absolute correlation between derivative products and the underlying securities, interest rates, exchange rates and indexes. Numerous derivatives, particularly OTC Derivatives, are complex and are frequently open to subjective valuation. Inaccurate valuations can result in higher cash payment obligations to the counterparty or a loss in value for a Sub-Fund. Derivatives do not always fully reproduce the performance of the securities, interest rates, exchange rates or indexes which they are designed to reflect. The use of derivative and other special investment techniques and financial instruments by a Sub-Fund may therefore in certain circumstances not always be an effective means of achieving the Sub-Fund's investment objective and may even prove counterproductive.

#### Securities Lending and Repurchase Transactions Risk

In relation to repurchase transactions, investors must notably be aware that (A) in the event of the failure of the counterparty with which cash of a Sub-Fund has been placed there is the risk that collateral received may yield less than the cash placed out, whether because of inaccurate pricing of the collateral, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (B) (i) locking cash in transactions of excessive size or duration, (ii) delays in recovering cash placed out, or (iii) difficulty in realising collateral may restrict the ability of the Sub-Fund to meet redemption requests, security purchases or, more generally, reinvestment; and that (C) repurchase transactions will, as the case may be, further expose a Sub-Fund to risks similar to those associated with optional or forward derivative financial instruments, which risks are further described in other sections of this Prospectus.

In relation to securities lending transactions, investors must notably be aware that (A) if the borrower of securities lent by a Sub-Fund fails to return these securities there is a risk that the collateral received may realise less than the value of the securities lent out, whether due to inaccurate pricing, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (B) in case of reinvestment of cash collateral such reinvestment may (i) create leverage with corresponding risks and risk of losses and volatility, (ii) introduce market exposures inconsistent with the objectives of the Sub-Fund, or (iii) yield a sum less than the amount of collateral to be returned; and that (C) delays in the return of securities on loans may restrict the ability of a Sub-Fund to meet delivery obligations under security sales.

#### General U.S. and UK Tax Considerations

The Company and the Investment Manager will use commercially reasonable efforts to ensure that the Company is not treated as either engaged in a trade or business in the United States and therefore does not expect to be generally subject to U.S. federal income tax on a net income basis. Moreover, the Company will use commercially reasonable efforts to ensure that the Company is not centrally controlled and managed or effectively managed from any country other than Luxembourg and does not carry on a trade through a UK permanent establishment and therefore does not expect to be generally subject to UK

corporation tax on any of its profits. However, there is no certainty that the Company will not be subject to such taxes.

#### "Brexit" Risk

In June 2016, the UK voted to leave the EU following a referendum referred to as "Brexit". It is expected that the UK will exit the EU within two years; however, the exact timeframe is unknown. There is considerable uncertainty about how the UK exit from the EU will be conducted and how negotiations of necessary treaties and trade agreements will proceed. In addition, it is not yet known whether Brexit will increase the likelihood of other countries seeking to depart the EU. Immediately following the vote, markets in the UK, Europe and throughout the world were negatively impacted. In light of the uncertainties surrounding the impact of Brexit on the broader global economy, the negative impact could be significant, potentially resulting in increased volatility and illiquidity and lower economic growth for companies that rely significantly on Europe for their business activities and revenues. Any further exits from the EU, or the possibility of such exits, would likely cause additional market disruption globally and introduce new legal and regulatory uncertainties.

**Additional risk factors and/or further specification in relation to any specific Sub-Fund may be mentioned in the Sub-Fund Appendices.**

### **POTENTIAL CONFLICTS OF INTEREST**

The Directors, the Management Company, the Investment Manager, and any Shareholder and any Connected Persons may:

- (a) contract or enter into any financial, banking or other transactions or arrangements with one another or with the Company and / or the Management Company including, without limitation, investment by the Company in securities or investment by any Connected Persons in any company or body any of whose investments form part of the assets of the Company or be interested in any such contracts or transactions;
- (b) invest in and deal with Shares, securities, assets or any property of the kind included in the property of the Company for their respective individual accounts or for the account of a third party; and
- (c) deal as agent or principal in the sale or purchase of securities and other investments to or from the Company through or with the Management Company or Investment Manager or the Depositary Bank or any subsidiary, affiliate, associate, agent or delegate thereof.

Any assets of the Company in the form of cash or securities may be deposited with any Connected Person. Any assets of the Company in the form of cash may be invested in certificates of deposit or banking investments issued by any Connected Person. Banking or similar transactions may also be undertaken with or through a Connected Person.

The aforementioned entities or any of their affiliates may act as Counterparties. In addition, in many cases the Counterparty may be required to provide valuations of derivative transactions or contracts entered into by the Company and / or the Management Company acting on behalf of the Company. These valuations may form the basis upon which the value of certain assets of the Company is calculated. The Board of Directors acknowledges that the Counterparties and the other entities as defined above and their affiliates may have a potential conflict of interest by virtue of acting as Counterparty and/or providing such valuations. However, the Directors believe that such conflicts can be adequately managed, and expect that the relevant Counterparty will be suitable and competent to provide such valuations and will do so at no further cost to the Company than would be the case if the services of a third party were engaged to provide valuations. The Board of Directors shall determine that such valuations are fair and reasonable.

The aforementioned entities or any of their affiliates may also act as Director and Investment Manager to the Company all in accordance with the relevant agreements which are in place. The Board of Directors acknowledges that, by virtue of the functions which the relevant entities will perform in connection with the Company, potential conflicts of interest are likely to arise. In such circumstances, all parties involved have undertaken to use their reasonable endeavours to resolve any such conflicts of interest fairly (having regard to their respective obligations and duties) and to ensure that the interests of the Company and the Shareholders are not unfairly prejudiced. The Board of Directors believes that all relevant entities are

suitable and competent to perform such functions.

## **DETERMINATION OF NET ASSET VALUE**

The Net Asset Value, Net Asset Value per Share, Net Asset Value per Class, the Redemption Price of Shares and the Issue Price of Shares shall be determined by the Company as of each Valuation Date, at least twice a month. The Valuation Dates for each Sub-Fund are indicated in the relevant Appendix.

The Net Asset Value of each Sub-Fund and the Net Asset Value of the relevant Class shall be expressed in the currency of each Sub-Fund as described in the relevant Appendix. Whilst the reporting currency of the Company is the Euro, the Net Asset Value is made available in the currency of each Sub-Fund as described in the relevant Appendix. The Net Asset Value shall be determined as of each Valuation Date separately for each Share of each Sub-Fund and for each Class dividing the total Net Asset Value of the relevant Sub-Fund and of the relevant Class by the number of outstanding Shares of such Sub-Fund and of the relevant Class.

The Net Asset Value shall be determined by subtracting the total liabilities of the Sub-Fund or Class from the total assets of such Sub-Fund or Class in accordance with the principles laid down in the Company's Articles of Incorporation and in such further valuation regulations as may be adopted from time to time by the Management Company.

### **Valuation of Investments**

Investments shall be valued as follows:

- (1) The value of any cash in hand or on deposit, discount notes, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued and not yet received shall be deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such provision as the Company may consider appropriate in such case to reflect the true value thereof.
- (2) The value of all securities which are listed on an official stock exchange is determined on the basis of the last available prices. If there is more than one stock exchange on which the securities are listed, the Board of Directors may in its discretion select the stock exchange which shall be the principal stock exchange for such purposes.
- (3) Securities traded on a regulated market are valued in the same manner as listed securities.
- (4) Securities which are not listed on an official stock exchange or traded on a regulated market shall be valued by the Company in accordance with valuation principles decided by the Board of Directors, at a price no lower than the bid price and no higher than the ask price on the relevant Valuation Date.
- (5) Derivatives and repurchase agreements which are not listed on an official stock exchange or traded on a regulated market shall be valued by the Company in accordance with valuation principles decided by the Directors on the basis of their marked-to-market price.
- (6) Term deposits shall be valued at their present value.
- (7) Traded options and futures contracts to which the Company is a party which are traded on a stock, financial futures or other exchange shall be valued by reference to the profit or loss which would arise on closing out the relevant contract at or immediately before the close of the relevant market.
- (8) Any other assets shall be valued by reference to the last audited accounts of the Company or, if acquired after the date of such accounts or before any such accounts have been prepared, at the book value thereof subject to any adjustment in accordance with the normal accounting policies of the Company.

All securities or other assets for which the valuation in accordance with the above sub-paragraphs would not be possible or practicable, or would not be representative of their fair realisation value, will be valued at their fair realisation value, as determined in good faith and prudently pursuant to the procedures

established by the Board of Directors.

Amounts determined in accordance with such valuation principles shall be translated into the currency of the Sub-Fund's accounts at the respective exchange rates, using the relevant rates quoted by a bank or another first class financial institution.

If pursuant to special circumstances, valuation according to the above-described principles is impracticable or unfair, the Company is authorised to use other generally accepted valuation principles as may be verified by its independent auditors, in order to obtain a fair determination of the value of the assets of each Sub-Fund or Class.

### **Valuation of Liabilities**

The liabilities of the Company shall be deemed to include:

- (1) all borrowings, bills and other amounts due;
- (2) all administrative expenses due or accrued including (but not limited to) the costs of its constitution and registration with regulatory authorities, as well as legal and audit fees and expenses, the costs of legal publications, the cost of listing, prospectus, financial reports and other documents made available to Shareholders, translation expenses and generally any other expenses arising from the administration of the Company;
- (3) all known liabilities, due or not yet due including all matured contractual obligations for payments of money or property, including the amount of all dividends declared by the Company which remain unpaid until the day these dividends revert to the Company by prescription;
- (4) any appropriate amount set aside for taxes due on the date of the valuation of the Net Asset Value and any other provision of reserves authorised and approved by the Board; and
- (5) any other liabilities of the Company of whatever kind towards third parties.

For the purposes of valuation of its liabilities, the Company may duly take into account all ongoing or periodic administrative and other expenses by valuing them for the entire year or any other period and by dividing the amount concerned proportionately for the relevant fractions of such period.

Amounts determined in accordance with such valuation principles shall be translated into the currency of the Sub-Fund's accounts at the respective exchange rates, using the relevant rates quoted by a bank or another first class financial institution.

### **SHAREHOLDER CONFIRMATIONS**

Shares will be issued in registered form only. The Company will not issue share certificates nor will it issue bearer shares. Shares are evidenced by entries in the Company's register of Shareholders. Confirmations of shareholdings will be issued and delivered at the latest on the first Business Day following the execution of the subscription order. The Company shall consider the person in whose name the Shares are registered as the full owner of the Shares. The registered Shares may be issued with fractions of up to three decimals or such or such other number of decimal places as may be specified in the relevant Appendix.

Title to Shares in registered form is transferred upon delivery of any instrument of transfer satisfactory to the Company, and by entry of the name of the transferee in the Company's register of shareholders.

## CLASSES OF SHARES

Each Sub-Fund may issue shares in the following main classes: Class A, Class I, and Class Z. Classes of shares may be made available in various currencies as the Board of Directors may decide from time to time. These classes may be offered either as accumulation ("acc.") or distribution ("distr.") shares. Not all Sub-Funds will offer all Classes of Shares. Please refer to ecm.com for a complete list of available classes for each Sub-Fund.

### **Class A Shares**

Class A Shares may be purchased by retail investors or any investor that meets the minimum initial subscription amount.

Minimum initial subscription amount: 1,000 EUR (or currency equivalent)

### **Class I Shares**

Class I Shares are reserved to Institutional Investors.

Minimum initial subscription amount: 1,000,000 EUR (or currency equivalent)

### **Class Z Shares**

Class Z Shares may be offered only in certain limited circumstances for distribution in certain countries and through certain professional investors or sub-distributors, such as those having separate fee arrangements with their clients.

Minimum initial subscription amount: 1,000 EUR (or currency equivalent)

### **Class I-R Shares**

Class I-R Shares are available for subscription by institutional investors only through a specified distributor or sub-distributor or directly at the registered office of the Company or the Management Company (further information relating to a particular sub-distributor may be obtained from the Global Distributor). The Company will reject any application for the subscription of Shares from any person who has not applied for such Shares through such specified distributor or who has not applied for such Shares directly at the registered office of the Company or the Management Company. The names of the specified distributor/sub-distributors may be requested by application at the registered office of the Company or the Management Company. Class I-R Shares have a minimum initial subscription amount of 1,000,000 EUR (or currency equivalent).

There is no minimum subsequent subscription amount required in the Share Classes listed above. If a Shareholder's holdings fall below the minimum initial subscription amount due to a transaction by the Shareholder, the Fund reserves the right to redeem the entire holding.

### **Reporting Fund Status Classes**

Subject to the discretion of the Board of Directors to determine otherwise, Classes denominated in GBP are generally reserved to UK resident and/or UK ordinarily resident investors.

Each GBP denominated Class will be deemed to constitute an "offshore fund" for UK tax purposes. As a consequence, any gain arising on the sale, redemption or other disposal of Shares in a GBP denominated Class by persons who are resident or ordinarily resident in the UK for tax purposes will be taxed at the time of such sale, redemption or other disposal as income and not as a capital gain. This does not apply, however, where a Class is accepted by HM Revenue & Customs as a "reporting fund." For those Classes currently approved as a "reporting fund" Class, please see "Additional Information for Shareholders in the

United Kingdom" included with the Prospectus for Shareholders in the UK, or check with your financial intermediary.

### **Hedged Classes**

Hedged Classes of a Sub-Fund (represented with the suffix "(hedged)") will be hedged against the reference currency of that Sub-Fund, with the objective of minimizing currency risk exposure. While the relevant Sub-Fund will attempt to hedge this risk, there can be no guarantee that it will be successful in doing so. There is also risk that the amount of the hedge will result in less favourable results than if the hedge had been for a different amount. This activity may increase or decrease the return to Shareholders in those Classes. Typically, Hedged Classes of a Sub-Fund will seek to be 100% hedged and will be hedged against the Base Currency of the Sub-Fund, except as noted in the relevant Sub-Fund's Appendix.

## **ISSUE OF SHARES BY THE COMPANY**

All the Shares are issued at an unknown Net Asset Value per Share.

The registered Shares may be issued with fractions of up to three decimals or such or such other number of decimal places as may be specified in the relevant Appendix.

The Management Company reserves the right from time to time to waive any requirements relating to the minimum subscription amount as and when it determines in its reasonable discretion and by taking into consideration the equal treatment of Shareholders.

The mechanism for the calculation of the Issue Price per Share, plus the imposition of a subscription charge (if any), is specified in the relevant Appendix. The subscription charge(s) goes to the relevant Sub-Fund and/or to the distributor (as determined in the relevant Sub-Fund) and it can be waived, provided that all investors having duly filed a subscription request for the same Dealing Date in the same subscription amounts are treated equally. Subject as set out in the relevant Appendix, the Issue Price shall be rounded to two decimals and any related subscription amounts will be rounded to the next currency unit. No issue of Shares shall be effected by the Company unless the price for the relevant Shares has been received by the Depositary Bank. Payment of Shares must in principle be made in the currency of each Sub-Fund, as described in the relevant Appendix. The Management Company may, for each Sub-Fund, determine other currencies in which the Issue Price may be paid. The Management Company may, in its discretion, decide to accept payment by contribution of assets in compliance with the investment policy and the investment objective of the relevant Sub-Fund. Any such subscription in kind will be valued in a report prepared by the Company's auditor, to the extent required by Luxembourg law.

Written application to subscribe Shares by fax or letter should be addressed to the Registrar and Transfer Agent, a distributor (as detailed in the relevant Appendix) or the Company so as to arrive within the time limit applicable to the relevant Sub-Fund (or Class) as specified in the relevant Appendix.

### **Prevention of Money Laundering and Terrorist Financing**

In accordance with international regulations and Luxembourg laws and regulations (including, but not limited to, the amended Law of 12 November 2004 on the fight against money laundering and financing of terrorism), the Grand Ducal Regulation dated 1 February 2010, CSSF Regulation 12-02 of 14 December 2012, CSSF Circulars 13/556 and 15/609 concerning the fight against money laundering and terrorist financing, and any respective amendments or replacements, obligations have been imposed on all professionals of the financial sector in order to prevent undertakings for collective investment from money laundering and financing of terrorism purposes. As result of such provisions, the registrar and transfer agent of a Luxembourg UCI must ascertain the identity of the applicant in accordance with Luxembourg laws and regulations. The Registrar and Transfer Agent may require applicants to provide any document it deems necessary to effect such identification. In addition, the Registrar and Transfer Agent, as delegate of the Company, may require any other information that the Fund may require in order to comply with its legal and regulatory obligations, including but not limited to the CRS Law.

In case of delay or failure by an applicant to provide the required documentation, the subscription request will not be accepted and in case of redemption, payment of redemption proceeds delayed. Neither the undertaking for collective investment nor the Registrar and Transfer Agent will be held responsible for said delay or failure to process deals resulting from the failure of the applicant to provide documentation or incomplete documentation.

From time to time, Shareholders may be asked to supply additional or updated identification documents in accordance with the on-going due diligence obligations according to the relevant laws and regulations.

### **Late Trading and Market Timing**

The Company has adopted protections against late trading and market timing practices as required by CSSF Circular 04/146.

Late trading is defined as the acceptance of a subscription, conversion or redemption order after the relevant cut-off time and the execution of such order at the Net Asset Value applicable to orders received before such cut-off time. Late trading is strictly forbidden and the Company has implemented reasonable measures to ensure that late trading does not take place. The effectiveness of these measures is closely monitored.

Market timing is defined as an arbitrage method through which an investor systematically subscribes and redeems or converts units or Shares within a short time period, by taking advantage of time differences and/or imperfections in the method of determination of the Net Asset Value.

Market timing practices are not acceptable as they may affect the performance of the Company through an increase in costs and/or dilution in Net Asset Value. The Company is not designed for investors with short-term investment horizons and as such, activities which may adversely affect the interests of the Shareholders (for example that disrupt investment strategies or impact expenses) such as market timing or the use of the Company as an excessive or short-term trading vehicle are not permitted.

Accordingly, if the Company determines or suspects that a Shareholder has engaged in such activities, the Company may suspend, cancel, reject or otherwise deal with that Shareholder's subscription or conversion application and take any action or measures as appropriate or necessary to protect the Company and its Shareholders. Please note that the Company is limited in its ability to monitor trading activity in omnibus accounts of financial intermediaries.

## **REDEMPTION OF SHARES BY THE COMPANY**

All the Shares are redeemed at an unknown Net Asset Value.

Any Shareholder may request the redemption of Shares on every Dealing Date provided that such request must be received in writing by fax or letter by the Company, a distributor (as detailed in the description of the relevant Appendix) or the Registrar and Transfer Agent, and the documents evidencing any transfer of Shares within the time limit applicable to the relevant Sub-Fund (and Class) as specified in the relevant Appendix. If the request is received outside this time limit, the Registrar and Transfer Agent shall defer the redemption until the following Dealing Date. Requests for the redemption of Shares received by the Company or by the Registrar and Transfer Agent are irrevocable. Any Shares redeemed by the Company will be cancelled.

A redemption charge as described in the relevant Appendix (if any) can be levied. The redemption fee may be allocated to the relevant Sub-Fund and/or the distributor, as shall be set forth in the description of the relevant Appendix. It may be waived provided that, all Shareholders who have duly filed a redemption request for the same Valuation Date and for the same redemption amounts are treated equally.

Save as set out in the relevant Appendix, redemption requests should state the number, form, Class and the name of the Sub-Fund of the Shares to be redeemed as well as the necessary references enabling the payment of the redemption proceeds. Order confirmation notices will be sent to Shareholders at the latest the first Business Day following the execution of the redemption request.

If the Company receives requests on one Dealing Date for net redemptions (and conversions into another Sub-Fund) of more than 10% of the Net Asset Value of the relevant Sub-Fund, the Company, in its sole

discretion, may elect to reduce each redemption (and conversion) request pro rata such that the aggregate amount redeemed in that Dealing Date will not exceed 10% of the Net Asset Value of the relevant Sub-Fund. Any amount which, by virtue of this limitation, is not redeemed (or converted) shall be carried forward for redemption (or conversion) on the next Dealing Date. Requests carried forward shall be subject to this same limitation as applied to net redemption (and conversion) requests received on the subsequent Dealing Date, with priority given based on time of receipt of the request. Shareholders will be notified if their redemption request is deferred.

The Redemption Price to be paid by the Company for the redemption of its Shares shall be equal to the Net Asset Value per Share (see the section entitled "*Determination of Net Asset Value*") on the Dealing Date in respect of which redemption is made, less a redemption charge (if any) as specified in the relevant Appendix. Subject as set out in the relevant Appendix, the Redemption Price will be rounded to two decimals and redemption proceeds will be rounded to the next currency unit. The Redemption Price shall be payable in the currency of the relevant Sub-Fund as described in the relevant Appendix.

The Redemption Price may be higher or lower than the subscription price paid by the Shareholder at the time of subscription/purchase depending on whether the Net Asset Value per Share has appreciated or depreciated.

The Redemption Price shall be paid within such period after the relevant Dealing Date or after the date by which the Share certificates (if issued) have been received by the Company, as shall be set forth in the description of the relevant Appendix.

The Company shall use its best efforts to maintain an appropriate level of liquidity in its assets so that the redemption of the Shares can, under normal circumstances, be made without delay upon request by the Shareholders. If, however, in exceptional circumstances which are outside the control of the Management Company or of the Company the liquidity of the portfolio of each Sub-Fund's assets is not sufficient to enable the payment to be made within the normal period, such payment shall be made as soon as reasonably practicable thereafter.

Shareholders should note that if an application for redemption relates to a partial redemption of an existing holding and the remaining balance within the existing holding is below the minimum holding requirement (if any), the Company may redeem the entire holding.

The Redemption Price may, upon demand by a Shareholder, and if the Company agrees, also be satisfied by allocation of securities equal in value of the Redemption Price. The securities vested by the Company in a Shareholder in lieu of the Redemption Price shall be determined as concerns their nature and type on an equitable basis and without prejudicing the interests of the other Shareholders. Any securities vested by the Company or contributed to the Company shall be valued in a valuation report by the independent auditor of the Company.

**Unless the redeeming Shareholder is registered in the Company's register, proper evidence of transfer or assignment must be sent with the redemption request, to the Company or the Registrar and Transfer Agent or the relevant distributor.**

## CONVERSION OF SHARES

In principle, any Shareholder may request the conversion of all or part of his Shares of any Sub-Fund into Shares of any other existing Sub-Fund, as detailed in the relevant Appendix. Conversions into other Classes are possible if so specified in the relevant Appendix, it being noted that any conversion into another Sub-Fund or Class may only take place provided all conditions for the holding of the new Sub-Fund or Class are fulfilled by the relevant Shareholder. Prior to converting any Shares, Shareholders should consult with their tax and financial advisers in relation to the legal, tax, financial or other consequences of converting such Shares.

### Application for Conversions

Conversion applications shall be made in writing by fax or letter to the Registrar and Transfer Agent, a distributor (as detailed in the relevant Appendix) or the Company stating which Shares are to be converted. The Company may also decide that applications for conversion may be made by electronic file transfer.

The application for conversion must include (i) the monetary amount the Shareholder wishes to convert or (ii) the number of Shares the Shareholder wishes to convert, together with the Shareholder's personal details and Shareholder's account number. Failure to provide any of the above information may result in delay of the application for conversion while verification is being sought from the Shareholder. The period of notice is the same as for applications for redemption save as otherwise set out in the relevant Appendix.

Conversions may result in the application of a conversion charge as shall be detailed in the Appendix, which will be based on the Net Asset Value per Share of the Shares the Shareholder wishes to convert from and, unless otherwise provided in the Appendix relating to the relevant Sub-Fund, goes to the Sub-Fund and/or Class from which they are converted. No redemption charge will be due upon the conversion of Shares. The Company may waive the conversion charge, provided that all investors having duly filed a conversion request for the same Dealing Date and for the same conversion amount are treated equally.

Shareholders should note that if an application for conversion relates to a partial conversion of an existing holding and the remaining balance within the existing holding is below the minimum holding requirement (if any), the Company will convert all the existing holding.

Applications for conversion on any Dealing Date received by the Registrar and Transfer Agent by the deadline specified in the relevant Appendix prior to a day that is a Dealing Date for both Sub-Funds concerned will be processed on that Dealing Date based on the Net Asset Value per Share calculated on the Valuation Date relevant for such Dealing Date. Any applications received after the deadline will be processed on the next day that is a Dealing Date for both Sub-Funds concerned on the basis of the Net Asset Value per Share calculated on such Dealing Date.

Conversion requests are subject to potential restrictions, as further described in the section entitled "Redemption of Shares by the Company."

#### **Conversion Formula**

The rate at which all or part of the Shares in relation to a given original Sub-Fund are converted into Shares relating to a new Sub-Fund, or all or part of the original Shares of a particular Class are converted into a new Class in relation to the same Sub-Fund, is determined in accordance with the following formula:

$$A = \frac{B \times C \times E}{D}$$

where:

- A is the number of Shares to be allocated or issued by the Company in relation to the new Sub-Fund or new Class;
- B is the number of Shares relating to the original Sub-Fund or to the original Class which is to be converted;
- C is the Net Asset Value per Share (minus the relevant conversion charge, where applicable) of the original Sub-Fund or the relevant Class within the original Sub-Fund at the relevant Dealing Date;
- D is the Net Asset Value per Share of the new Sub-Fund or the relevant Class within the new Sub-Fund at the relevant Dealing Date; and
- E is the exchange rate between the currency of the original Sub-Fund or Class and currency of the new Sub-Fund or Class.

After conversion of the Shares, the Registrar and Transfer Agent will inform the Shareholder of the number of Shares in relation to the new Sub-Fund or new Class obtained by conversion and the price thereof.

If "A" is not an integral number, fractions of Shares will be allotted in the new Sub-Fund or Class.

If the minimum holding requirement (if any) for any Class is not maintained due to a conversion of Shares,

the Company will compulsorily convert the remaining Shares at their current Net Asset Value per Share.

### **PARTIAL SWING PRICING**

If on any Valuation Day the aggregate transactions in Shares of a Sub-Fund result in a net increase or decrease in net assets which exceeds a certain percentage of total net assets, as established by the Board of Directors, the Net Asset Value of the relevant Sub-Fund will be adjusted by an amount not exceeding 1.50% of that Net Asset Value, which reflects the estimated dealing costs that may be incurred by the Sub-Fund and the estimated bid/offer spread of the assets in which the Sub-Fund invests. The adjustment will be an addition when the net movement results in a net increase in total net assets of the Sub-Fund and a deduction when it results in a decrease.

The threshold is set by the Board of Directors taking into account factors such as prevailing market conditions, estimated dilution costs and the size of the relevant Sub-Fund. The adjustment up or down will be determined mechanically based on predetermined threshold percentages and adjustment factors. This mechanism acts as a counter to the dilution effect on the relevant Sub-Fund arising from large net cash inflows and outflows and aims to enhance the protection of the existing Shareholders in the relevant Sub-Fund. The adjustment factor for each Sub-Fund is established based on the historical liquidity and costs of trading assets of the type held by the relevant Sub-Fund and may be different between Sub-Funds.

The price adjustment applicable to a specific Sub-Fund is available upon request at the Management Company's registered office.

### **SUSPENSION OF SALE, REDEMPTION AND CONVERSION OF SHARES AND OF CALCULATION OF NET ASSET VALUE**

The Company may temporarily suspend all calculations in relation to the Net Asset Value and/or the sale, redemption and conversion of Shares in any Sub-Fund on the occurrence of any of the following events:

- (a) during any period when any market or stock exchange on which a material part of the relevant Sub-Fund's investments for the time being are listed is closed (otherwise than for ordinary holidays) or during which dealings thereat are substantially restricted or suspended; or
- (b) during the existence of any state of affairs which in the opinion of the Board of Directors constitutes an emergency, as a result of which disposals or valuation of investments of the relevant Sub-Fund would be impracticable; or
- (c) during any breakdown in, or restriction in the use of, the means of communication normally employed in determining the price or value of any of the investments of the relevant Sub-Fund; or
- (d) during any period when, for any other reason, the prices of any investments attributable to the relevant Sub-Fund cannot be promptly or accurately ascertained; or
- (e) during any period when in the opinion of the Board of Directors there exist circumstances beyond the control of the Board of Directors where it would be impracticable, inappropriate or unfair towards the Shareholders to continue dealing in Shares of the relevant Sub-Fund; or
- (f) any period during which the Company is unable to repatriate moneys for the purpose of making payments on the redemption of Shares or during which any transfer of moneys involved in the realisation or acquisition of investments of the relevant Sub-Fund cannot in the opinion of the Board of Directors be effected at normal rates of exchange; or
- (g) in case of a proposal to dissolve and liquidate the Company or a Sub-Fund, on or after the day of publication of the first notice convening the general meeting of Shareholders for that purpose; or
- (h) in case of a merger of a Sub-Fund with another Sub-Fund of the Company or of another UCITS (or a sub-fund thereof), or in case of the merger of the Company with another UCITS, provided such suspension is in the interest of the Shareholders.

The Company shall suspend the sale, redemption and conversion of Shares forthwith upon the occurrence of an event causing it to enter into liquidation or upon the order of the CSSF.

Shareholders having requested redemption or conversion of their Shares or having applied to the Company for the issue of Shares shall be notified in writing of any such suspension within seven days of their request and shall be promptly notified of the termination of such suspension.

A suspension of any Sub-Fund or Class shall have no effect on the determination of the Net Asset Value, the issue, redemption and conversion of the Shares of any other Sub-Fund or Class if the circumstances referred to above do not exist in respect of the other Sub-Funds or Classes.

## **RESTRICTIONS ON OWNERSHIP OF SHARES**

The Management Company may make inquiries to ensure that no Shares in the Company are held by or on behalf of (a) any person in breach of the law or requirements of any country, governmental or regulatory authority or (b) any person in circumstances which in the opinion of the Management Company might result in the Company incurring any liability to tax or suffering any other disadvantage, notably pecuniary, including a requirement to register under any securities or investment or similar laws or requirements of any country or authority, which the Company might not otherwise have incurred or suffered.

For such purposes, the Company may exclude certain persons from holding Shares in a Sub-Fund. The Company has the right:

1. to reject in its sole discretion any application for the subscription or conversion of Shares;
2. to compulsorily redeem at any time the Shares held by Shareholders who, in the opinion of the Management Company, are either excluded from purchasing or holding Shares or if such holding would, in the Management Company's opinion, cause material disadvantage to the Company.

The Management Company may exercise these rights where, in the sole and conclusive opinion of the Management Company, an application, transfer or conversion, either alone or together with others may, inter alia, (i) cause a breach of any applicable law or regulation in any jurisdiction, (ii) prejudice the tax status or residence of the Company or any of its Shareholders, (iii) cause the Company or any of its Shareholders to suffer any pecuniary, fiscal, legal or regulatory disadvantage, (iv) cause the Company to be required to comply with any registration or filing requirements in any jurisdiction with which it would not otherwise be required to comply, or (v) cause Shares to be held by a U.S. Person.

The Management Company may require a transferor to certify that the proposed sale is not being made directly or indirectly in the United States, and require a proposed transferee to certify that it is not a U.S. Person, and that it is not nor is it acquiring Shares on behalf or for the benefit of a U.S. Person. Shareholders are required to notify the Administrator immediately in the event that they become a U.S. Person.

Any person who becomes aware that he is holding Shares in contravention of any of the above provisions and who fails to transfer or redeem his Shares pursuant to the above provisions shall indemnify and hold harmless each of the Directors, the Company, the Management Company, the Depositary Bank, the Administrator and, Registrar and Transfer Agent, the Investment Manager and the Shareholders of the Company (each an "Indemnified Party") from any claims, demands, proceedings, liabilities, damages, losses, costs and expenses directly or indirectly suffered or incurred by such Indemnified Party arising out of or in connection with the failure of such person to comply with his obligations pursuant to any of the above provisions.

### **Institutional Classes**

Shares in Institutional Classes are available to Institutional Investors only. The Company will not issue Shares in Institutional Classes to persons or companies who may not be considered as Institutional Investors. Further, the Company will not give effect to any conversion of Shares which would result in a non-Institutional Investor becoming a Shareholder in any Institutional Class of Shares.

In considering the qualification of a subscriber as an Institutional Investor, the Company will have due regard to the guidelines or recommendation (if any) issued by the CSSF and/or any other Luxembourg authority.

Institutional Investors, including those subscribing in their own name, but on behalf of a third party, must certify to the Company that such subscription is made in conformity with the guidelines and recommendations issued by Luxembourg authorities and with all applicable laws and regulations in Luxembourg and elsewhere to allow the Company or its appointed agents to verify whether these conditions are met, and the Company may require, at its sole discretion, such further evidence as it shall deem useful or necessary.

Shares in non-Institutional Classes may not be converted into Institutional Classes unless the conditions above are fulfilled.

The Company may further determine to restrict or close the issue of Shares (including on conversion) when it is in the interest of the Company and/or its Shareholders to do so, including when the Company reaches a size that could impact the ability to find suitable investments for the Company.

Also, it should be noted that, in case a transfer of Shares would result in the minimum holding requirement (if any) (as indicated for each Class of Shares in the Section entitled "Issue of Share in the Company") not being maintained, the Company may compulsorily redeem the remaining Shares.

Whilst recognising that Shareholders may have a legitimate need to adjust their investments from time to time, the Management Company in its discretion may, if it deems that such activities adversely affect the interests of the Company and of the Shareholders, take any action or measures as are appropriate to deter such activities.

Accordingly if the Management Company determines or suspects that a Shareholder has engaged in activities which adversely affect the interest of the Company and of the Shareholders, it may suspend, cancel, reject or otherwise deal with that Shareholder's subscription or conversion requests and take any action or measures as are appropriate or necessary to protect the Company and its Shareholders.

## **DIVIDENDS**

The dividend policy of each Sub-Fund and Class is described in the relevant Appendix.

The Company may maintain equalisation accounts in relation to the Sub-Funds in which income accrued prior to the subscription or acquisition of shares by investors is treated as income of the Sub-Fund and income accrued prior to the redemption or disposal of shares by investors is treated as an expense of the Sub-Fund. If income equalisation is operated by a Sub-Fund:

(a) The Company may compute income equalisation amounts for one or more share classes either on an actual basis or using averages computed over one or more time periods in a given financial year for a given class. The method of income equalisation may vary from share class to share class.

(b) As regards the subscription or acquisition of shares in respect of Distributing Share Classes the amount of distribution received may be deemed to include a return of the initial equalisation amount.

Equalisation amounts will be reflected in the Company's financial statements.

## CO-MANAGEMENT / POOLING

For the purposes of effective management and in order to reduce the operational and administrative costs, the Board of Directors, the Management Company or, as the case may be, the Investment Manager, may decide that all or part of the assets of one or more Sub-Funds of the Company be co-managed with the assets belonging to other Sub-Funds of the Company or of another UCI (for the purpose hereof, each a "Participating Sub-Fund"). In the following paragraphs, the term "Co-Managed Assets" will refer to all the assets belonging to the Participating Sub-Funds which are subject to this co-management scheme. In such event, assets of the various Participating Sub-Funds will be under the custody of the same depository bank.

Within this framework, the Board of Directors, the Management Company or, as the case may be, the Investment Manager, may, for the account of the Participating Sub-Funds, take decisions on investment, divestment or on other readjustments which will have an effect on the composition of the Participating Sub-Funds' portfolio. Each Participating Sub-Fund will hold such proportion of the Co-Managed Assets which corresponds to a proportion of its Net Asset Value over the total value of the Co-Managed Assets. This ratio will be applied to each of the levels of the portfolio held or acquired in co-management. In the event of investment or divestment decisions, these ratios will not be affected and additional investments will be allocated, in accordance with the same ratios, to the Participating Sub-Funds and any assets realised will be withdrawn proportionally to the Co-Managed Assets held by each Participating Sub-Fund.

In the event of new subscriptions occurring in respect of one of the Participating Sub-Funds, the proceeds of the subscription will be allocated to the Participating Sub-Funds according to the modified ratio resulting from the increase of the net assets of the Participating Sub-Fund which benefited from the subscriptions, and all levels of the portfolio held in co-management will be modified by way of transfer of the relevant assets in order to be adjusted to the modified ratios. In like manner, in the event of redemptions occurring in respect of one of the Participating Sub-Funds, it will be necessary to withdraw such liquid assets held by the Participating Sub-Funds as will be determined on the basis of the modified ratios, which means that the levels of the portfolios will have to be adjusted accordingly. Shareholders must be aware that even without an intervention of the competent bodies of the Company, the Management Company or, as the case may be, of the Investment Manager, the co-management technique may affect the composition of the Sub-Fund's assets as a result of particular events occurring in respect of other Participating Sub-Funds such as subscriptions and/or redemptions. Thus, on the one hand, subscriptions effected with respect to one of the Participating Sub-Funds will lead to an increase of the liquid assets of such Participating Sub-Fund, while on the other hand, redemptions will lead to a decrease of the liquid assets of the relevant Participating Sub-Fund. The subscription and redemption proceeds may however be kept on a specific account held in respect of each Participating Sub-Fund which will not be subject to the co-management technique and through which the subscriptions and redemptions proceeds may transit. The crediting/debiting to and from this specific account of an important volume of subscriptions and redemptions and the Company's, the Management Company's or, as the case may be, the Investment Manager's competent bodies' discretionary power to decide at any moment to discontinue the co-management technique can be regarded as a form of trade-off for the readjustments in the Sub-Funds' portfolios should the latter be construed as being contrary to the interests of the Shareholders of the relevant Participating Sub-Funds.

Where a change with respect to the composition of a specific Participating Sub-Fund's portfolio occurs because of the redemption of Shares of such Participating Sub-Fund or the payments of any fees or expenses which have been incurred by another Participating Sub-Fund and would lead to the violation of the investment restrictions of such Participating Sub-Fund, the relevant assets will be excluded from the co-management scheme before enacting the relevant modification.

Co-Managed Assets will only be co-managed with assets belonging to Participating Sub-Funds of which the investment policy is compatible. Given that the Participating Sub-Funds can have investment policies which are not exactly identical, it cannot be excluded that the common policy applied will be more restrictive than that of the particular Participating Sub-Funds.

The Board of Directors, the Management Company or, as the case may be, the Investment Manager, may at any time and without any notice whatsoever decide that the co-management will be discontinued.

The Shareholders may, at any moment, obtain information at the registered office of the Company or the Management Company, on the percentage of the Co-Managed Assets and on the Participating Sub-Funds that are subject to the co-management scheme. Periodic reports made available to the Shareholders from time to time will provide information on the percentage of the Co-Managed Assets and on the Participating Sub-Funds that are subject to the co-management scheme.

## LIQUIDATION, COMPULSORY REDEMPTION AND MERGERS

The Company may at any time be dissolved by resolution passed at a general meeting of Shareholders. In that event, liquidation shall be carried out by one or several liquidators who may be physical persons or legal entities appointed by the general meeting of Shareholders deciding such liquidation, which shall determine their powers and compensation.

A resolution to dissolve and liquidate the Company must be passed at a general meeting of Shareholders with the same requirements as to quorum and majority as apply in the case of an amendment of the Articles of Incorporation.

The Board of Directors must forthwith convene an extraordinary general meeting of Shareholders for the purpose of deliberating on the dissolution and liquidation of the Company in case the net assets of the Company fall below two thirds of the minimum capital required by law; the decision to dissolve and liquidate the Company is validly passed without a quorum of presence by a simple majority of the Shares present or represented at the meeting. If the net assets of the Company fall below a quarter of the minimum capital required by law, the decision to dissolve and liquidate the Company is validly passed without a quorum of presence by a vote representing one quarter of the Shares present or represented at the meeting.

The liquidator(s) shall realise the assets of the Company in the best interest of the Shareholders and shall distribute the net proceeds of liquidation, after deduction of liquidation fees and expenses, to the holders of Shares in proportion to their holding of Shares on the basis of the respective Net Asset Value per Share of the relevant classes or categories of Shares.

Any amount remaining unclaimed at the close of liquidation shall be converted, to the extent legally required at that time, into Euros and deposited by the liquidator(s) for the account of those entitled thereto at the "*Caisse de Consignation*" in Luxembourg, where it shall be forfeited if unclaimed after a period of thirty (30) years.

In the event that the net value of the total assets of any Sub-Fund or Class of Shares on a given Dealing Date is for one (1) month less than the minimum net value of the total assets for the relevant Sub-Fund as specified in the relevant Appendix, or if, in the Directors' opinion, a change in the economic or political situation may be detrimental to a Sub-Fund or Class and the interest of the relevant Shareholders, the Board of Directors may decide to compulsorily redeem without a redemption charge all the Shares relating to the relevant Sub-Fund at the Net Asset Value per Share (taking into account actual realisation prices of investments and realisation expenses), calculated on the Dealing Date specified as the effective date for such redemption. The Company shall serve a notice to the Shareholders of the relevant Sub-Fund in writing and/or by way of publication in newspapers in accordance with the Articles of Incorporation. Such notice to Shareholders which will indicate the reasons for the redemption operation. In addition, the general meeting of Shareholders of a Sub-Fund may, upon a proposal from the Board of Directors, resolve to close a Sub-Fund by way of liquidation or to redeem all the Shares relating to the relevant Sub-Fund or Class of Shares issued by a Sub-Fund and refund to the Shareholders the Net Asset Value of their Shares (taking into account actual realisation prices of investments and realisation expenses) calculated on the Dealing Date at which such decision shall take effect. There shall be no quorum requirements for such general meeting of Shareholders which shall be validly passed by resolution by a simple majority of those Shares present or represented.

All redeemed Shares shall be cancelled and will become null and void. Upon compulsory redemptions, the relevant Sub-Fund will be closed.

Liquidation or redemption proceeds which may not be distributed to the relevant Shareholders upon termination will be deposited with the *Caisse de Consignation* on behalf of the persons entitled thereto. If not claimed, they shall be forfeited after thirty (30) years.

In addition, the Board of Directors may decide, in compliance with the procedures laid down in Chapter 8 of the Law, to merge any Sub-Fund with another UCITS or a sub-fund within such UCITS (whether established in Luxembourg or another Member State or whether such UCITS is incorporated as a company or is a contractual type fund) under the provisions of Directive 2009/65/EC.

Such merger will be binding on the Shareholders of the relevant Sub-Fund upon thirty days' prior written notice thereof given to them, during which Shareholders may redeem their Shares, it being understood that the merger will take place five Business Days after the expiry of such notice period.

The request for redemption of a Shareholder during the above mentioned period will be treated without any cost, other than the cost of disinvestment.

A merger that has as a result that the Company ceases to exist needs to be decided at a general meeting of shareholders and certified by a notary. There shall be no quorum requirements for such general meeting of shareholders which shall decide by resolution taken by simple majority of those present or represented and voting at such meeting.

## TAX CONSIDERATIONS

The following information is based on the laws, regulations, decisions and practice currently in force in Luxembourg and is subject to changes therein, possibly with retrospective effect. This summary does not purport to be a comprehensive description of all Luxembourg tax laws and Luxembourg tax considerations that may be relevant to a decision to invest in, own, hold, or dispose of shares and is not intended as tax advice to any particular investor or potential investors. Prospective investors should consult their own professional advisers as to the implications of buying, holding or disposing of Shares and to the provisions of the laws of the jurisdiction in which they are subject to tax. This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Luxembourg.

### Taxation of the Company

The Company is not subject to taxation in Luxembourg on its income, profits or gains.

The Company is not subject to net wealth tax in Luxembourg.

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

The Sub-Funds are, nevertheless, in principle, subject to a subscription tax (*taxe d'abonnement*) levied at the rate of 0.05% per annum based on their net asset value at the end of the relevant quarter, calculated and paid quarterly.

A reduced subscription tax rate of 0.01% per annum is however applicable to any Sub-Fund whose exclusive object is the collective investment in money market instruments, the placing of deposits with credit institutions, or both. A reduced subscription tax rate of 0.01% per annum is also applicable to any Sub-Fund or Class of Shares provided that their shares are only held by one or more institutional investors within the meaning of article 174 of the 2010 Law (an "Institutional Investor").

A subscription tax exemption applies to:

- The portion of any Sub-Fund's assets (prorata) invested in a Luxembourg investment fund or any of its sub-fund to the extent it is subject to the subscription tax;
- Any Sub-Fund (i) whose securities are only held by Institutional Investor(s), and (ii) whose sole object is the collective investment in money market instruments and the placing of deposits with credit institutions, and (iii) whose weighted residual portfolio maturity does not exceed 90 days, and (iv) that have obtained the highest possible rating from a recognised rating agency. If several Classes of Shares are in issue in the relevant Sub-Fund meeting (ii) to (iv) above, only those Classes of Shares meeting (i) above will benefit from this exemption;

- Any Sub-Fund, whose main objective is the investment in microfinance institutions; and
- Any Sub-Fund, (i) whose securities are listed or traded on a stock exchange and (ii) whose exclusive object is to replicate the performance of one or more indices. If several Classes of Shares are in issue in the relevant Sub-Fund meeting (ii) above, only those Classes of Shares meeting (i) above will benefit from this exemption.
- Any Sub-Fund only held by pension funds and assimilated vehicles.

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. Moreover, the Company may further be subject to financial transaction taxes, stamp duties as well as real estate transfer or registration taxes / duties in the source countries. The Company may benefit from double tax treaties entered into by Luxembourg, which may provide for exemption from withholding tax or reduction of withholding tax rate, as well as from potential changes in domestic law, notably to comply with decisions from the European Court of Justice.

Distributions made by the Company as well as liquidation proceeds and capital gains derived therefrom are not subject to withholding tax in Luxembourg.

The Company is not subject to net wealth tax in Luxembourg.

## **Taxation of the Shareholders**

### **Luxembourg resident - individual investors**

Capital gains realised on the sale of the Shares by Luxembourg resident individuals investors who hold the Shares in their personal portfolios (and not as business assets) are generally not subject to Luxembourg income tax except if:

- (i) the Shares are sold within 6 months from their subscription or purchase; or
- (ii) if the Shares held in the private portfolio constitute a substantial shareholding. A shareholding is considered as substantial when the seller holds or has held, alone or with his/her spouse and underage children, either directly or indirectly at any time during the five years preceding the date of the disposal, more than 10% of the share capital of the Company.

Distributions made by the Company will be subject to personal income tax. Luxembourg personal income tax is levied following a progressive income tax scale, and increased by the solidarity surcharge (*contribution au fonds pour l'emploi*).

### **Luxembourg resident – corporate investors**

Luxembourg resident corporate investors will be subject to corporate taxation at the rate of 27.08% (in 2017 for entities having their registered office in Luxembourg-City) on capital gains realized received upon disposal of the Shares and on the distributions received from the Company.

Luxembourg resident corporate investors who benefit from a special tax regime, such as, for example, (i) an undertaking for collective investment subject to the Law, (ii) specialized investment funds subject to the amended law of February 13, 2007 on specialised investment funds, (iii) a reserved alternative investment fund subject to the law of July 23, 2016 on reserved alternative investment funds (to the extent they have not opted to be subject to general corporation taxes), or (iv) family wealth management companies subject to the amended law of May 11, 2007 related to family wealth management companies, are exempt from income tax in Luxembourg, but instead subject to an annual subscription tax (*taxe d'abonnement*) and thus income derived from the Shares, as well as gains realized thereon, are not subject to Luxembourg income taxes.

The Shares shall be part of the taxable net wealth of the Luxembourg resident corporate investors except if the holder of the Shares is (i) a UCI subject to the Law, (ii) a vehicle governed by the amended law of March 22, 2004 on securitization, (iii) an investment company governed by the amended law of June 15, 2004 relating to the investment company in risk capital, (iv) a specialized investment fund subject to the

amended law of February 13, 2007 on specialised investment funds, (v) a reserved alternative investment fund subject to the law of July 23, 2016 on reserved alternative investment funds, or (vi) a family wealth management company subject to the amended law of May 11, 2007 related to family wealth management companies. The taxable net wealth is subject to tax on a yearly basis at the rate of 0.5%. A reduced tax rate of 0.05% is due for the portion of the net wealth exceeding EUR 500 million.

### **Non Luxembourg residents**

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.

### **Automatic Exchange of Information**

The OECD has developed a CRS to achieve a comprehensive and multilateral automatic exchange of information (AEOI) on a global basis. On 9 December 2014, Council Directive 2014/107/EU amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (the "Euro-CRS Directive") was adopted in order to implement the CRS among the Member States.

The Euro-CRS Directive was 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"). The CRS Law requires Luxembourg financial institutions to identify financial asset holders and establish if they are fiscally resident in countries with which Luxembourg has a tax information sharing agreement.

Accordingly, the Company may require its investors to provide information in relation to the identity and fiscal residence of financial account holders (including certain entities and their controlling persons) in order to ascertain their CRS status. Responding to CRS-related questions is mandatory. The personal data obtained will be used for the purpose of the CRS Law or such other purposes indicated by the Fund in the data protection section of the Prospectus in compliance with Luxembourg data protection law. Information regarding an investor and his/her/its account will be reported to the Luxembourg tax authorities (*Administration des Contributions Directes*), which will thereafter automatically transfer this information to the competent foreign tax authorities on a yearly basis, if such an account is deemed a CRS reportable account under the CRS Law. The personal data obtained will be used for the purpose of the CRS Law or such other purposes indicated by the Company in accordance with the data protection section of this Prospectus.

Under the CRS Law, the first exchange of information will be applied by 30 September 2017 for information related to the calendar year 2016. Under the Euro-CRS Directive, the first AEOI must be applied by 30 September 2017 to the local tax authorities of the Member States for the data relating to the calendar year 2016.

In addition, Luxembourg signed the OECD's multilateral competent authority agreement ("Multilateral Agreement") to exchange information automatically under the CRS. The Multilateral Agreement aims to implement the CRS among non-Member States; it requires agreements on a country-by-country basis.

**Investors should consult their professional advisers on the possible tax and other consequences with respect to the implementation of the CRS.**

### **Foreign Account Tax Compliance Act**

The Foreign Account Tax Compliance Act ("FATCA"), a portion of the 2010 Hiring Incentives to Restore Employment Act, became law in the United States in 2010. It requires financial institutions outside the U.S. ("foreign financial institutions" or "FFIs") to pass information about "Financial Accounts" held by "Specified U.S. Persons", directly or indirectly, to the U.S. tax authorities, the Internal Revenue Service ("IRS"), on an annual basis. A 30% withholding tax is imposed on certain U.S. source income of any FFI that fails to comply with this requirement. On 28 March 2014, the Grand Duchy of Luxembourg entered into a Model 1 Intergovernmental Agreement ("IGA") with the United States and a memorandum of understanding in respect thereof. The Company would hence have to comply with such Luxembourg IGA, as implemented into Luxembourg law by the law of 24 July 2015 relating to FATCA (the "FATCA Law") in order to comply with the provisions of FATCA rather than directly complying with the U.S. Treasury Regulations implementing FATCA. Under the FATCA Law and the Luxembourg IGA, the Company may be required to

collect information aiming to identify its direct and indirect Shareholders that are Specified U.S. Persons for FATCA purposes ("reportable accounts"). Any such information on reportable accounts provided to the Company will be shared with the Luxembourg tax authorities which will exchange that information on an automatic basis with the Government of the United States pursuant to Article 28 of the convention between the Government of the United States of America and the Government of the Grand-Duchy of Luxembourg for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes in Income and Capital, entered into in Luxembourg on 3 April 1996. The Company intends to comply with the provisions of the FATCA Law and the Luxembourg IGA to be deemed compliant with FATCA and will thus not be subject to the 30% withholding tax with respect to its share of any such payments attributable to actual and deemed U.S. investments of the Company. The Company will continually assess the extent of the requirements that FATCA and notably the FATCA Law place upon it.

To ensure the Company's compliance with FATCA, the FATCA Law and the Luxembourg IGA in accordance with the foregoing, the Company and its service providers may:

- a. request information or documentation, including W-8 tax forms, a Global Intermediary Identification Number, if applicable, or any other valid evidence of a Shareholder's FATCA registration with the IRS or a corresponding exemption, in order to ascertain such Shareholder's FATCA status;
- b. report information concerning a Shareholder and his account holding in the Company to the Luxembourg tax authorities if such account is deemed a U.S. reportable account under the FATCA Law and the Luxembourg IGA;
- c. report information to the Luxembourg tax authorities (*Administration des Contributions Directes*) concerning payments to shareholders with FATCA status of a non-participating foreign financial institution;
- d. deduct applicable U.S. withholding taxes from certain payments made to a Shareholder by or on behalf of the Company in accordance with FATCA, the FATCA Law and the Luxembourg IGA; and
- e. divulge any such personal information to any immediate payor of certain U.S. source income as may be required for withholding and reporting to occur with respect to the payment of such income.

**The Company reserves the right to refuse any application for shares if the information provided by a potential investor does not satisfy the requirements under FATCA, the FATCA Law and the IGA.**

**In addition to the above the Company may from time to time draw up appendices which summarise the principal tax effects for investors resident in or otherwise subject to tax in a particular country.**

## **CHARGES OF THE COMPANY**

### **Management Company fee**

The Company will pay the Management Company a fee which will not exceed 0.04% per annum of the net assets of the Company. The fee payable is subject to a minimum monthly fee of € 1,700 per Sub-Fund.

### **Investment Management fee**

The investment management fee to be paid by the Company to the Management Company for each Sub-Fund or Class is specified in the relevant Appendix.

### **Performance fee**

In order to provide an incentive to the relevant Investment Manager, the Company may pay an additional performance fee to the Management Company as indicated in the Appendix of the relevant Sub-Fund, part or all of which may be paid by the Management Company to the relevant Investment Manager.

The performance fee (if applicable) shall be calculated and accrue and shall be payable as specified in the relevant Appendix.

#### **Distribution fee**

The distribution fee to be paid by the Company to the Management Company for each Sub-Fund or Class is specified in the relevant Appendix.

#### **Custodian and Administrative Fees**

Under the Depositary Agreement, the Depositary Bank receives annual safekeeping and servicing fees, according to the agreed schedule with the Company in respect of each Sub-Fund, the rates for which vary according to the country of investment. The custodian and administrative fees are payable at the end of each month by the Company in respect of each Sub-Fund and are accrued on each Valuation Day based on the previous day's Net Asset Value and the number of transactions processed during that month.

The actual amounts of the custodian and administrative fees are disclosed in the financial reports.

#### **Registrar and Transfer Agent**

The registrar and transfer agency fees to cover the services of the Registrar and Transfer Agent, payable monthly in arrears, are in accordance with normal banking practices in Luxembourg.

The actual amounts of these fees are disclosed in the financial reports.

#### **Launch costs**

The Company will pay its formation expenses, including the costs and expenses of producing the initial Prospectus, and the legal and other costs and expenses incurred in determining the structure of the Company, which formation expenses are expected not to exceed EUR 200,000. These expenses will be apportioned pro-rata to the initial Sub-Fund and amortised for accounting purposes over a period of five years. Amortised expenses may be shared with new Sub-Funds at the discretion of the Board. Costs in relation to the launch of any additional Sub-Fund will be charged to such additional Sub-Fund and will be amortised over a period of five years from the launch of the relevant Sub-Fund.

#### **Other expenses**

The Company will further pay all administrative expenses of the Company due or accrued, including all fees payable to any Directors, representatives and agents of the Company, the cost of its registration with regulatory authorities, as well as legal, audit, management, corporate fees and expenses, the cost of legal publications, prospectuses, financial reports and other documents made available to Shareholders, marketing and advertisement expenses and generally any other expenses arising from the administration of the Company.

#### **Extraordinary expenses**

The Company will bear any extraordinary expenses as and when they arise. These will be paid from the net assets of the Sub-Fund(s) to which they are attributable.

Extraordinary expenses as referred to herein could include for example (without limitation) costs arising from litigation or regulatory changes which may necessitate a subsequent review of the structure or investment policy of a given Sub-Fund, or marginal costs arising from changes to the taxation regime(s) applicable to the Company ("Extraordinary Expenses").

### **REPORTS AND SHAREHOLDERS' MEETINGS**

The Company shall make available to the Shareholders within four months of the relevant year-end an audited annual report describing the assets, operations and results of the Company, and, within two months of the relevant half-year, it shall make available to the Shareholders an unaudited semi-annual report describing the assets and operations of the Company during such period. The financial year of the Company starts on 1 April and ends on 31 March of each year.

The consolidation currency is the Euro.

The Net Asset Value, the Redemption Price and the Issue Price of each Class of Shares will be available (save as set out in the relevant Appendix) on or before the Payment Date in Luxembourg at the registered offices of the Company, the Management Company, the Depositary Bank and the Paying Agent. The Company reserves the right to introduce a list of newspapers in which this information is published. The list of newspapers (if any) from time to time selected by the Company will appear in the annual and semi-annual reports. The annual report and all other periodical reports of the Company are made available to the Shareholders at the registered offices of the Company and the Depositary Bank.

Shareholders' meetings will be convened in accordance with Luxembourg law. The annual ordinary meeting of Shareholders will be held on 24 July of each year. If such day is not a business day in Luxembourg, the general meeting takes place on the immediately preceding business day in Luxembourg.

Other General Meetings of Shareholders will be held at such time and place as indicated in the notices of such meetings.

Notices of General Meetings are sent in accordance with Luxembourg law to the Shareholders at their addresses in the Share register. Notices will specify the place and time of the meetings, the conditions of admission, the agenda, the quorum and the voting requirements. The requirements as to attendance, quorum and majorities at all General Meetings will be those laid down in the Articles of Incorporation. All other Notices will be sent to Shareholders by post.

The Company draws the investors' attention to the fact that any investor will only be able to fully exercise his investor rights directly against the Company, notably the right to participate in General Shareholders' Meetings - if the investor is registered himself and in his own name in the Shareholders' register of the Company. In cases where an investor invests in the Company through an intermediary 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 on their rights.

The Company will publicly disclose each Sub-Fund's complete portfolio holdings and top ten holdings on at least a monthly basis. The complete portfolio holdings information will generally be made available on the 30th day following the end of a month, and the top ten holdings information will generally be made available on the 7th day following the end of a month. The complete portfolio holdings may be provided with a shorter time delay to existing Shareholders who request such information, with such time delay being set by the Board of Directors from time to time in the interest of the Company and the Shareholders. Each such recipient will be required to accept and execute a non-disclosure or similar agreement pursuant to which the recipient shall agree, among other things, to keep the information confidential, and not trade in portfolio holdings or Shares on the basis of the non-public information. Additionally, each Sub-Fund's complete portfolio holdings as of the end of the second and fourth fiscal quarters shall be set forth in the Fund's semi-annual and annual reports which can be found on the Fund's website. The Fund's investment adviser may produce management commentaries that include analytical, statistical, performance or other information relating to a Sub-Fund, which may be provided to members of the press, Shareholders, potential Shareholders or their representatives. These commentaries may contain information related to portfolio holdings, but only in accordance with the policies set forth above.

## **GENERAL INFORMATION**

The following documents are available for inspection at the registered office of the Company and the Management Company:

- the Articles of Incorporation;
- the Management Company Services Agreement;
- the Investment Management Agreements;
- the Depositary Agreement;
- the Administration Agreement;
- the most recent Annual and Semi-Annual Reports;

- the Best Execution Policy;
- the Conflicts of Interest Policy;
- the Proxy Voting Policy; and
- the Complaints Policy.

Copies of the Articles of Incorporation and the last available reports can be obtained free of charge at the registered office of the Company and of the Management Company.

Any complaint regarding the operation of the Company should be submitted in writing to Brown Brothers Harriman (Luxembourg) S.C.A. as the Company's Administrator at the registered office or via email to [WellsFargoTA@bbh.com](mailto:WellsFargoTA@bbh.com).

## **APPENDIX I – ECM Financials Fund**

to the Prospectus of ECM Credit Fund SICAV

relating to the Sub-Fund ECM Financials Fund

(the "Sub-Fund")

Information provided in this Appendix should be read in conjunction with the full text of the Prospectus.

### **SHARES**

#### **1.1 Classes of Shares**

The Sub-Fund offers a number of Classes of Shares of various currencies to enable investors of different categories and with different investment needs to access the same underlying investment portfolio. The Base Currency of the Sub-Fund is the Euro. The Sub-Fund may issue Shares in the following Classes: Class A, I, Z. These Classes may be offered either as accumulation ("acc.") or distribution ("distr.") Shares. Please visit [ecm.com](http://ecm.com) for a complete list of Classes available in the Sub-Fund.

Shares are denominated and, if applicable, pay a dividend in their Reference Currency, all as further explained under the Section "*Dividend Policy*". For information purposes, the Company may decide to make available to investors the Net Asset Value per Share of one or more Share Classes in other currencies as the Company may deem appropriate, such other currency amount being the relevant Classes' Euro Net Asset Value converted into the relevant other currency at the current applicable spot exchange rate.

#### **1.2 Profile of the Sub-Fund's Investors**

The Sub-Fund will invest primarily in financial sector credits through cash bonds and related products such as CDS. All material foreign exchange risk should be hedged with the aid of derivatives entered into with high quality banking counterparties or exchanges. Consequently, the portfolio is designed for those investors who seek returns based on the credit risk of financial issuers including sub-investment grade bank capital instruments, which may include contingent capital securities. For the avoidance of doubt, this indication of the typically targeted investor profile does not constitute investment advice.

#### **1.3 Dividend Policy**

With respect to accumulation Classes of Shares, the Sub-Fund does not intend to declare and make distributions to Shareholders with respect to net income. With respect to distribution Classes of Shares, it is the Sub-Fund's policy to pay Shareholders their proportionate entitlement to the net income of the Sub-Fund. Notwithstanding the above the Board of Directors is empowered to pay additional distributions where the Board of Directors believes this would be in the interests of the shareholders as a whole, provided that such distribution does not have as a consequence that the Company falls below the legal minimum capital requirements.

Shareholders of distribution Classes shall be entitled to dividend payments (if any) based on their inscription in the Shareholders' register on the relevant Dividend Valuation Date. Notwithstanding the differentiation between accumulation and distribution Classes, there is no differentiation in the allocation of absolute economic return of the Sub-Fund as between the separate Classes, which is made on the basis of a pro rata allocation based on each Class's respective Net Asset Value as at each Valuation Date.

Dividends in respect of distribution Classes will be definitively calculated and will be paid once a year, the Dividend Valuation Date being in June each year.

Income and gains equalisation will in principle not be operated save that upon request of a majority of investors of a given class and series, the Board of Directors may give consideration to operate such income and gains equalisation.

## **SUBSCRIPTION, REDEMPTION AND CONVERSION**

### **2.1 Subscription and Clearing Time Limit**

Duly completed and signed irrevocable application forms must be received by the Administrator no later than 4 p.m. (Luxembourg time) on the relevant Dealing Date. Any application form received after this cut-off time will be processed on the next Dealing Date subject to the reception of cleared subscription monies in accordance with the following paragraph.

Order confirmation notices will be sent to Shareholders at the latest the first Business Day following the execution of the subscription order.

After the end of the Initial Offering Period, the Shares are issued at the then current Net Asset Value of the relevant Class.

Cleared monies in relation to applications for Shares must be received by the Depositary Bank, or by a correspondent bank to its order, no later than 4 p.m. (Luxembourg time) on the third Business Day after the relevant Dealing Date.

In case payment has not been received by this cut-off time of three Business Days after the relevant Dealing Date, subscriptions will be rejected and payment will be returned at the risk of the subscriber.

### **2.2 Redemption**

Redemption requests must be received by the Administrator or the Company not later than 4 p.m. (Luxembourg time) on the relevant Dealing Date.

Order confirmation notices will be sent to Shareholders at the latest the first Business Day following the execution of the redemption request.

### **2.3 Conversion and Conversion Time Limit**

Save if otherwise provided, Shares relating to other Sub-Funds of the Company or in other Classes of this Sub-Fund may be converted into any Class of this Sub-Fund on any day which is a Dealing Date for both Sub-Funds concerned, subject to fulfilling the relevant eligibility criteria. Completed requests for conversions into any Share Class of this Sub-Fund received not later than 4 p.m. (Luxembourg time) on a Dealing Date for both Sub-Funds concerned will be dealt with at the calculated price on such a Dealing Date. Requests received after this time are deferred until the next following Dealing Date for both Sub-Funds concerned.

Investors seeking to convert Shares of this Sub-Fund into Shares of another Sub-Fund should review, and their conversion request shall comply with, the relevant conversion time limits for that Sub-Fund.

## **VALUATION, DEALING AND PAYMENT DATES**

### **3.1 Valuation Dates**

The Valuation Dates in respect of this Sub-Fund will be on every Business Day.

### **3.2 Dealing Dates**

The Dealing Dates in respect of this Sub-Fund will be each Valuation Date.

The issue and redemption of Shares may only be made on each Dealing Date, at the Net Asset Value determined in accordance with the Articles of Incorporation and the General Part of the Prospectus.

### **3.3 Payment Dates**

The Payment Date in respect of Shares redeemed will normally be no later than the third Business Day following the applicable Dealing Date.

The Sub-Fund reserves the right to extend the period of payment of redemption proceeds to such period, not exceeding seven Business Days, as shall be necessary to repatriate proceeds of the sale of investments in the event of impediments due to exchange control requirements or similar constraints in the market in which a substantial part of the assets of the Sub-Fund are invested or in exceptional circumstances where the liquidity of the Sub-Fund is not sufficient to meet redemption requests.

### **INVESTMENT MANAGER**

The Investment Manager of the Sub-Fund is ECM Asset Management Limited.

For further details please see the description in respect of the Investment Manager in the section entitled "The Investment Manager" in the General Part of the Prospectus.

### **OBJECTIVE AND POLICY OF THE SUB-FUND**

The Sub-Fund's investment objective is to provide investors with superior returns over EURIBOR (after fees and expenses). It is intended that such a return be achieved through a combination of current income and capital appreciation by investing primarily in the debt and related products of financial sector issuers, including sub-investment grade instruments such as contingent capital securities.

The Sub-Fund is permitted to hedge or reduce risk significantly in order to protect the portfolio from systemic market shocks.

The Sub-Fund is permitted to hedge or reduce risk significantly and/or take synthetic short positions using credit default swaps (CDS) (consistent with UCITS regulations).

The Sub-Fund may use a wide range of financial instruments to manage risk.

The Sub-Fund is permitted to make use of equity put-options (long only), for the purposes of risk hedging.

The Sub-Fund's investment strategy does not currently contemplate an allocation to Transferable Securities (including structured products) qualifying as ABS or MBS, but under no circumstances shall this allocation exceed 20% of its assets.

### **INVESTMENT RESTRICTIONS**

In addition to the general investment restrictions as described in the General Part of this Prospectus, ensuring at all times that its holdings remain in compliance with Part I of the Law, the Company undertakes to comply with the following additional investment restrictions in respect of the Sub-Fund:

The Sub-Fund will not, until further notice, invest more than 10% of its assets in other collective investment schemes.

The global exposure of the Sub-Fund is calculated according to the absolute VaR approach.

For more information on the global exposure and the leverage of the Sub-Fund, please refer to the section entitled the "Financial Derivatives and Efficient Portfolio Management Techniques, Instruments and Risk Management" in the General Part of the Prospectus.

## **INSTRUMENTS AND TECHNIQUES**

The Sub-Fund will make use of credit default swaps to obtain risk exposures and/or to hedge risk on existing exposure.

A credit default swap is an agreement by which the party providing the credit protection agrees, in return for an agreed payment stream, to pay to the other party the difference between the nominal value of the relevant security(ies) and its/their market value after the occurrence of the credit event.

The CDS must be in the exclusive interest of the Sub-Fund and must be compliant with the investment policy, the investment restrictions and the general risk profile of the Sub-Fund.

The underlying securities of the CDS have to be compliant with the investment restrictions of the Sub-Fund.

The method of the valuation of the CDS must be made in a transparent, replicable and continuous manner and has to be verified by the Board of Directors and the Auditor.

The Sub-Fund will use an overlay strategy to mitigate the impact of interest rate movements. Hedging will be implemented on the overall portfolio rather than on a bond by bond basis using futures and swaps. The Investment Manager of the Sub-Fund will determine the appropriate level of hedging based on market conditions and expectations.

In order to achieve the investment objective the Investment Manager may use all types of derivative instruments in the manner described in the General Part of the Prospectus.

## **SUB-FUND SPECIFIC RISKS**

### **Market Risk**

It is the objective of the Investment Manager to use an overlay strategy to mitigate interest rate exposure, subject to the Investment Manager's assessment of the market conditions and interest rate expectations and will seek to materially hedge currency risks. However, some Market Risk may occur in the investments for the following reasons: (i) timing differences between the purchase/sale of a security and the implementation/unwinding of any relevant market hedge; (ii) small amounts of Market Risk which the Investment Manager determines as uneconomic to hedge; and (iii) determination of appropriate hedges for callable bonds and other complex structures. Furthermore, unwanted Market Risk may be caused by a hedging counterparty failing to perform its obligations. To mitigate this risk, the Investment Management Agreement provides for minimum ratings for counterparties for derivative transactions. Failure to properly hedge the Market Risk in the investments and/or such counterparty failure may adversely affect the price of Shares.

### **Investment Risks**

The information appearing below under this section is of a general nature and addresses the risks involved in the investments and the Sub-Fund's portfolio generally.

As set out above, the Sub-Fund seeks to provide investors with superior investment returns from a portfolio of obligations (or synthetic exposure thereto) which materially hedges significant interest rate and currency risks. The investments are restricted to debt obligations and related instruments of financial services companies. As a result the Sub-Fund is materially exposed to credit risks associated with investments in debt obligations and related instruments of financial services companies.

### *Debt securities*

Debt securities include bonds, debentures, notes and other similar debt instruments, including convertible securities. Debt securities may be acquired with warrants attached. Income-producing securities may also include subordinated instruments, including forms of preferred or preference stock. The rate of interest on a debt security may be fixed, floating or variable, and may vary inversely with respect to a reference rate. The rate of return or return of principal on some debt obligations may be linked or indexed to the level of exchange rates between the Euro and a different currency or currencies.

Debt securities are subject to the risk of an issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of debt securities can be expected to decline. Fixed-rate securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities.

### *Subordinated Securities*

The Investments will include securities that are subordinated in right of payment and ranked junior to other securities issued by an issuer that are secured or which are structured to be senior. An issuer's ability to make payments of interest and principal in respect of subordinated securities will be constrained by the terms of senior notes and other senior debt issued by the particular issuer. In addition, the terms of certain subordinated securities will allow an issuer to defer or even cancel coupon payments under the terms of those securities. Certain subordinated securities (known as contingent capital or "co-cos") will require an issuer to convert to equity should a minimum capital threshold fail to be met.

### **Tax Risk Associated with Investments**

An investment will be eligible for purchase by the Sub-Fund irrespective of whether the payments thereon are subject to withholding tax or the obligor thereof (and the guarantor, if any) is required to make "gross up" payments that cover the full amount of any such withholding taxes. There can be no assurance that, either now or as a result of any change in any applicable law, treaty, rule, regulation or interpretation thereof, payments on an investment or a derivative instrument are not or will not be subject to withholding taxes. If the obligors of any such investment are not required to make "gross up" payments that cover the full amount of any such withholding taxes, the amounts available to make payments on the Shares would accordingly be reduced.

### **Risks Associated with Derivative Instruments and Efficient Portfolio Management Techniques**

#### *Liquidity and Counterparty Credit Risk*

If a derivative transaction is particularly large or if the relevant market is illiquid (as may be the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilising standardised swap documentation. As a result, the swap market has become liquid but there can be no assurance that a liquid secondary market will exist at any specified time for any particular swap.

The Company may enter transactions in over-the-counter markets, which will expose it to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, the Sub-Fund may enter into repurchase and/or securities lending agreements, forward contracts, options and credit default swaps and other swap arrangements and derivative techniques, each of which expose the Sub-Fund to the risk that the counterparty may default on its obligations to perform under the relevant contract. In addition, the Company is not under any obligation to execute swaps with any minimum number of counterparties. In the event of a bankruptcy or insolvency of a counterparty, the Sub-Fund could experience delays in liquidating the position and incur significant losses. There is also a possibility that ongoing derivative

transactions are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those transactions at the time the agreement was originated. In accordance with standard industry practice, it is the Company's policy to net exposures against its counterparties.

The stability and liquidity of swap and related transactions depend in large part on the creditworthiness of the parties to the transactions. The creditworthiness of counterparties with which the Company enters into swaps, other derivatives, repurchase and securities lending agreements is monitored by the Investment Manager on an ongoing basis and periodically by the Depositary Bank.

The respective Sub-Fund can reduce a large proportion of the counterparty risk arising from derivative transactions by demanding that collateral at least in the amount of the commitment be provided by the respective counterparty. If, however, derivatives are not fully collateralised, the failure of the counterparty may cause the relevant Sub-Fund's value to fall. The Company ensures that its counterparty risk and collateral management are actively managed.

The Management Company requires the Administrator to maintain and circulate to the Investment Manager a list of approved counterparties that meet these criteria and to ensure that the Sub-Fund has appropriate documentation in place with such counterparties. If there is a default by the other party to any such transaction, there will be contractual remedies pursuant to the agreements related to the transaction; however, exercising such contractual rights may involve delays or costs which could, in turn, result in the value of the total assets of the related portfolio being less than if the transaction had not been entered into which could affect the economic return on the Shares.

#### *Leverage Risk*

Since many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the derivative itself.

#### *Risk of Using Options*

Because option premiums paid or received by the Sub-Fund will be small in relation to the market value of the investment underlying the options, trading in options could cause the Sub-Fund's Net Asset Value to be subject to more frequent and wider fluctuations than would be the case if the Sub-Fund did not utilise options.

Upon the exercise of a put option written by the Sub-Fund, the Sub-Fund may suffer a loss equal to the difference between the price at which the Sub-Fund is required to purchase the underlying asset and its market value at the time of the option exercise, less the premium received for writing the option.

No assurance can be given that the Sub-Funds will be able to effect closing transactions at a time when they wish to do so. If a Sub-Fund cannot enter into a closing transaction, the Sub-Fund may be required to hold assets that it might otherwise have sold, in which case it would continue to be at market risk on such assets and could have higher transaction costs, including brokerage commissions. In addition, options that are not exchange traded will subject the Sub-Fund to risks relating to its counterparty, such as the counterparty's bankruptcy, insolvency, or refusal to honor its contractual obligations.

#### *Risks of Using Futures for Hedging Purposes*

There are several risks associated with the use of futures for hedging purposes. There can be no assurance that a liquid market will exist at a time when the Sub-Fund seeks to close out a futures contract. Most futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single day, once the daily limit has been reached on a particular contract, so that no trades may be made that day at a price beyond the limit. In addition, certain of these instruments are relatively new and without a significant trading history. As a result, there is no assurance that an active secondary market will develop or continue to exist. Lack of a liquid market for any reason may prevent the Sub-Fund from liquidating an

unfavourable position and the Sub-Fund would remain obliged to meet margin requirements until the position is closed. There can be no guarantee that there will be a correlation between price movements in the hedging transaction and in the related portfolio securities being hedged. An unexpected variation could result in a loss on both the hedged securities in the related portfolio and the hedging transaction so that the related portfolio return might have been greater had hedging not been attempted.

#### *Risks of Using Credit Default Swaps*

Credit default swaps involve certain risks as they are difficult to value, are highly susceptible to liquidity and credit risk and generally only generate income for the party who has paid the premium in the event of an actual default by the obligor of the underlying obligation (as opposed to a credit downgrade or other indication of financial difficulty). Further risks for a credit protection buyer exist where the contract documentation over which the credit default swap is written is "orphaned" by updated documentation or the contract payment structure – in which case the relevant contract along with periodic payments related to it will continue for its original term but in respect of an obligation that no longer exists and may not be replaced. If the Company is acting as a credit protection seller in a credit default swap, the Issuer bears the risk of default by the obligor of the underlying obligation.

#### *Risks of using Hedged Share Classes*

While the Sub-Fund may attempt to hedge currency risks, there can be no guarantee that it will be successful in doing so and it may result in mismatches between the currency position of the Sub-Fund and the Hedged Share Class.

The hedging strategies may be entered into whether the Base Currency is declining or increasing in value relative to the Reference Currency of the relevant Hedged Share Class and so, where such hedging is undertaken it may substantially protect investors in the relevant Class against a decrease in the value of the Base Currency relative to the Reference Currency of the Hedged Share Class, but it may also preclude investors from benefiting from an increase in the value of the Base Currency.

All gains/losses or expenses arising from hedging transactions are borne separately by the shareholders of the respective Hedged Share Classes. Given that there is no segregation of liabilities between Share Classes, there is a remote risk that, under certain circumstances such as for example litigation or enforcement actions from third party creditors, currency hedging transactions in relation to one Share Class could result in liabilities which might affect the Net Asset Value of the other Share Classes of the same Sub-Fund.

#### *Other Risks Relating to Derivative Transactions*

Other risks in using derivatives include the risk of differing valuations of derivatives arising out of different permitted valuation methods and the inability of derivatives to correlate perfectly with underlying securities, rates and indices. Many derivatives, in particular over-the-counter derivatives, are complex and often valued subjectively and the valuation can only be provided by a limited number of market professionals which often are acting as counterparties to the transaction to be valued. Inaccurate valuations can result in increased cash payment requirements to counterparties or a loss of value to the Shares. Derivatives do not always perfectly track or even highly correlate to the value of the securities, rates or indices they are designed to track. Consequently, the Company's use of derivative techniques may not always be an effective means of, and sometimes could be counter-productive to the Sub-Fund's investment objective.

An adverse price movement in a derivative position may require cash payments of variation margin by the Sub-Fund which might in turn require, if there is insufficient cash available in the portfolio, the sale of investments under disadvantageous conditions. There is also the risk of loss of margin deposits in the event of bankruptcy of a broker with whom the Investment Manager on behalf of the Company has an open position in a futures contract.

The Company may enter into collateral arrangements with respect to hedging and related transactions, repurchase and/or securities lending agreements, reverse repurchase

agreements, cross-currency swaps, interest rate swaps and credit derivatives transactions. The obligations of the Company under hedging and related transactions, repurchase and securities lending agreements, reverse repurchase agreements and credit derivatives transactions may be secured and/or subject to certain financial covenants and/or termination events. If the Company were to breach any such covenants or otherwise terminate (or be required to terminate) swap positions, it (and Shareholders in turn) may suffer loss, particularly if the Company is unable to find appropriate replacement swap lines.

New financial products continue to be developed, and the Company's assets may be invested in any such products to the extent consistent with the Sub-Fund's investment objective and applicable restrictions and applicable regulatory requirements.

#### *Repurchase agreements*

In relation to repurchase agreements, Shareholders must notably be aware that (A) in the event of the failure of the counterparty to whom securities of the relevant Sub-Fund have been sold there is the risk that cash received may yield less than the securities sold, whether because of inaccurate pricing of the collateral, adverse market movements, a change in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (B) delays in recovering the securities may restrict the ability of the relevant Sub-Fund to meet delivery obligations under security sales.

#### *Reverse repurchase agreements*

In relation to reverse repurchase transactions which are purchase agreements with the right of re-sale in which the relevant Sub-Fund acts as purchaser, investors should be aware that (A) in the event of the failure of the counterparty from which securities have been purchased there is the risk that the value of the securities purchased may yield less than the cash originally paid, notably because of inaccurate pricing of said securities, an adverse market value change, a deterioration in the credit rating of the issuers of such securities, or the illiquidity of the market in which these are traded, and that (B) locking cash in transactions of excessive size or duration and/or delays in recovering cash at maturity may restrict the ability of the relevant Sub-Fund to meet redemption requests, security purchases or, more generally, reinvestment.

#### *Securities lending transactions*

In relation to securities lending transactions, Shareholders must notably be aware that (A) if the borrower of securities lent by the relevant Sub-Fund fail to return these there is a risk that the collateral received may realise less than the value of the securities lent out, whether due to inaccurate pricing, adverse market movements, a change in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (B) in case of reinvestment of cash collateral such reinvestment may (i) create leverage with corresponding risks and risk of losses and volatility, (ii) introduce market exposures inconsistent with the objectives of the relevant Sub-Fund, or (iii) yield a sum less than the amount of collateral to be returned; and that (C) delays in the return of securities on loans may restrict the ability of the Company to meet delivery obligations under security sales.

## **FEES AND EXPENSES**

### **4.1 Subscription Fee**

At the discretion of the Board of Directors and taking into account bid/mid/offer spreads of the assets in which the Sub-Fund invests, a Subscription Fee of up to 1 per cent of the Net Asset Value per Share may be charged in respect of subscriptions and allocated to the Net Asset Value of the relevant Share Class of this Sub-Fund.

### **4.2 Redemption Charge**

At the discretion of the Board of Directors and taking into account bid/mid/ offer spreads of the assets in which the Sub-Fund invests, a redemption charge of up to 1 per cent of the Net Asset Value per Share may be levied upon redemption of shares of the Sub-Fund and allocated to the

Net Asset Value of the relevant Share Class of this Sub-Fund.

#### **4.3 Conversion Charge**

A conversion charge of up to 1 per cent of the Net Asset Value per Share may be levied upon conversion of the Shares of the Sub-Fund.

#### **4.4 Investment Management Fees**

##### **4.4.1 Fixed Fee**

The following Fixed Fee, based on the net asset value of the relevant Share Class, will be paid to the Management Company out of the assets of such Class.

<b>Class</b>	<b>Fixed Fee</b>
Class A	up to 1.80% p.a.
Class I	up to 0.50%p.a.
Class Z	up to 1.10% p.a.

Each of the Fixed Fees above is payable monthly in arrears.

##### **4.4.2 Performance Fee**

A performance fee (the "Performance Fee") is levied on Class I Shares of the ECM Financials Fund and paid to the Management Company. The Management Company may pay part or all of such Performance Fee to the Investment Manager. The performance fee is 20% of the net return above EURIBOR + 250 bps, payable annually in arrears, with high watermark. The high watermark is the Class I shares' highest peak in previous value achieved against its benchmark. The hurdle rate applied is a variable EUR interest rate (or its equivalent in the relevant currency). The high watermark is calculated net of all fees paid.

No performance fee will be levied on Class A or Class Z Shares.

##### **4.4.3 Distribution Fee**

An ongoing Distribution Fee of up to 0.35 per cent, paid to the Management Company, may be charged to Class A and Class I Shares, which shall be paid monthly in arrears out of the each relevant Share Class's assets.

Class Z Shares do not pay a Distribution Fee.

#### **PARTIAL SWING PRICING**

Partial swing pricing will be used for this Sub-Fund, as described in the section entitled "Partial Swing Pricing" in the General Part of the Prospectus.

#### **LISTING**

Each Class of the Sub-Fund may be listed on the Luxembourg Stock Exchange.

#### **MINIMUM NET ASSET VALUE**

The minimum value of the total net assets of this Sub-Fund will be €20 million.

## APPENDIX II – ECM Short Duration Credit Fund

to the Prospectus of ECM Credit Fund SICAV

relating to the Sub-Fund ECM Short Duration Credit Fund

(the "Sub-Fund")

Information provided in this Appendix should be read in conjunction with the full text of the Prospectus.

### SHARES

#### 1.1 Classes of Shares

The Sub-Fund offers a number of Classes of Shares of various currencies to enable investors of different categories and with different investment needs to access the same underlying investment portfolio. The Base Currency of the Sub-Fund is the Euro. The Sub-Fund may issue Shares in the following Classes: Class A, I, I-R and Z. These Classes may be offered either as accumulation ("acc.") or distribution ("distr.") Shares. Please visit [ecm.com](http://ecm.com) for a complete list of Classes available in the Sub-Fund.

Shares are denominated and, if applicable, pay a dividend in their Reference Currency, all as further explained under the Section "*Dividend Policy*". For information purposes, the Company may decide to make available to investors the Net Asset Value per Share of one or more Share Classes in other currencies as the Company may deem appropriate, such other currency amount being the relevant Classes' Euro Net Asset Value converted into the relevant other currency at the current applicable spot exchange rate.

#### 1.2 Profile of the Sub-Fund's Investors

The Sub-Fund will invest in a highly diversified portfolio. Investments will consist of mainly European investment grade fixed income securities, with the flexibility also to invest in eligible transferable debt securities, money market instruments, bank deposits and other assets compliant with the UCITS Directive. All material foreign exchange risk should be hedged with the aid of derivatives entered into with high quality banking counterparties or exchanges. Consequently, the portfolio is designed for those investors who seek returns based on the credit risk of European investment grade corporate bonds (including financial institutions). For the avoidance of doubt, this indication of the typically targeted investor profile does not constitute investment advice.

#### 1.3 Dividend Policy

With respect to accumulation Classes of Shares, the Sub-Fund does not intend to declare and make distributions to Shareholders with respect to net income. With respect to distribution Classes of Shares, it is the Sub-Fund's policy to pay Shareholders their proportionate entitlement to the net income of the Sub-Fund. Notwithstanding the above the Board is empowered to pay additional distributions where the Board of Directors believes this would be in the interests of the shareholders as a whole, provided that such distribution does not have as a consequence that the Company falls below the legal minimum capital requirements.

Shareholders of distribution Classes shall be entitled to dividend payments (if any) based on their inscription in the Shareholders' register on the relevant Dividend Valuation Date. Notwithstanding the differentiation between accumulation and distribution Classes, there is no differentiation in the allocation of absolute economic return of the Sub-Fund as between the separate Classes, which is made on the basis of a pro rata allocation based on each Class's respective Net Asset Value as at each Valuation Date.

Dividends in respect of distribution Classes will be definitively calculated and will be paid once a year, the Dividend Valuation Date being in June each year.

Income and gains equalisation will in principle not be operated save that upon request of a majority of investors of a given class and series, the Board of Directors may give consideration to operate such income and gains equalisation.

## **SUBSCRIPTION, REDEMPTION AND CONVERSION**

### **2.1 Subscription and Clearing Time Limit**

Duly completed and signed irrevocable application forms must be received by the Administrator no later than 4 p.m. (Luxembourg time) on the relevant Dealing Date. Any application form received after this cut-off time will be processed on the next Dealing Date subject to the reception of cleared subscription monies in accordance with the following paragraph.

Order confirmation notices will be sent to Shareholders at the latest the first Business Day following the execution of the subscription order.

After the end of the Initial Offering Period, the Shares are issued at the then current Net Asset Value of the relevant Class.

Cleared monies in relation to applications for Shares must be received by the Depositary Bank, or by a correspondent bank to its order, no later than 4 p.m. (Luxembourg time) on the third Business Day after the relevant Dealing Date.

In case payment has not been received by this cut-off time of three Business Days after the relevant Dealing Date, subscriptions will be rejected and payment will be returned at the risk of the subscriber.

### **2.2 Redemption**

Redemption requests must be received by the Administrator or the Company not later than 4 p.m. (Luxembourg time) on the relevant Dealing Date.

Order confirmation notices will be sent to Shareholders at the latest the first Business Day following the execution of the redemption request.

### **2.3 Conversion and Conversion Time Limit**

Save if otherwise provided, Shares relating to other Sub-Funds of the Company or in other Classes of this Sub-Fund may be converted into any Class of this Sub-Fund on any day which is a Dealing Date for both Sub-Funds concerned, subject to fulfilling the relevant eligibility criteria. Completed requests for conversions into any Share Class of this Sub-Fund received not later than 4 p.m. (Luxembourg time) on a Dealing Date for both Sub-Funds concerned will be dealt with at the calculated price on such a Dealing Date. Requests received after this time are deferred until the next following Dealing Date for both Sub-Funds concerned.

Investors seeking to convert Shares of this Sub-Fund into Shares of another Sub-Fund should review, and their conversion request shall comply with, the relevant conversion time limits for that Sub-Fund.

## **VALUATION, DEALING AND PAYMENT DATES**

### **3.1 Valuation Dates**

The Valuation Dates in respect to this Sub-Fund will be on every Business Day.

### **3.2 Dealing Dates**

The Dealing Dates in respect of this Sub-Fund will be each Valuation Date.

The issue and redemption of Shares may only be made on each Dealing Date, at the Net Asset Value determined in accordance with the Articles of Incorporation and the General Part of the Prospectus.

### **3.3 Payment Dates**

The Payment Date in respect of Shares redeemed will normally be no later than the third Business Day following the applicable Dealing Date.

The Sub-Fund reserves the right to extend the period of payment of redemption proceeds to such period, not exceeding seven Business Days, as shall be necessary to repatriate proceeds of the sale of investments in the event of impediments due to exchange control requirements or similar constraints in the market in which a substantial part of the assets of the Sub-Fund are invested or in exceptional circumstances where the liquidity of the Sub-Fund is not sufficient to meet redemption requests.

## **INVESTMENT MANAGER**

The Investment Manager of the Sub-Fund is ECM Asset Management Limited.

For further details please see the description in respect of the Investment Manager in the section entitled "The Investment Manager" in the General Part of the Prospectus.

## **OBJECTIVE AND POLICY OF THE SUB-FUND**

The investment objective of the Sub-Fund is to provide investors with superior returns over the Iboxx EUR Corporate 1-5 yr p.a. (after fees and expenses) ("Index") or an equivalent Index should the Index cease to exist, through investment in a highly diversified portfolio that consists substantially of Investment Grade European fixed income securities (or synthetic exposure thereto).

The Sub-Fund will invest in European investment grade fixed income securities, with flexibility also to invest in eligible transferable debt securities, money market instruments, bank deposits and other assets compliant with UCITS IV.

The Sub-Fund may also invest in conformity with Part I of the Law a portion of its assets in derivative instruments, including OTC Derivatives, notably interest rate swaps, total return swaps, cross currency swaps, credit default swaps, futures and forward purchase agreements.

The Sub-Fund may make use of derivatives for both hedging and investment purposes but at all times its total exposure via derivatives will not exceed its Net Asset Value.

The Sub-Fund may invest in Transferable Securities (including structured products) qualifying as ABS or MBS, but under no circumstances shall this allocation exceed 20% of the assets of the Sub-Fund.

In addition, the Sub-Fund may hold ancillary liquid assets.

## **INVESTMENT RESTRICTIONS**

In addition to the general investment restrictions as described in the General Part of this Prospectus, ensuring at all times that its holdings remain in compliance with Part I of the Law, the Company undertakes to comply with the following additional investment restrictions in respect of the Sub-Fund:

- (a) The Sub-Fund will invest, at all times, a minimum of 90 per cent in Investment Grade Issuers as per Moody's Investor Service, Standard & Poor's or Fitch Ratings Limited.

- (b) The Sub-Fund may not invest more than 3 per cent of its Net Asset Value in any one Investment Grade issuer and not more than 2 per cent of its Net Asset Value in any one non-Investment Grade issuer.
- (c) The Sub-Fund may not invest more than 10 per cent of its Net Asset Value in Emerging Market Debt not rated Investment Grade by either Moody's, Standard & Poor's or Fitch Ratings Limited.
- (d) The Sub-Fund will invest, at all times, at least two-thirds (66.67%) of its net assets (excluding technical liquidities) in debt securities the issuers which are registered in a European country or whose main activity is in Europe. In this context "Europe" and "European" are defined as relating to member states of the council of Europe.
- (e) The Sub-Fund will not invest in assets rated below B-/B3.  
  
In the case of a downgrade of an existing investment to below B-/B3, the downgraded assets must be sold by the Investment Manager in an orderly and timely manner in accordance with the general applicable principles.
- (f) The net long or net short exposure of the Sub-Fund to investment grade ABS or MBS, in aggregate, may not exceed 20 per cent of the Sub-Fund's Net Asset Value.
- (g) The Sub-Fund is not permitted to invest in Sub-Investment Grade ABS or MBS. If any ABS or MBS, which is rated Investment Grade at the time of purchase is subsequently downgraded to Sub-Investment Grade, it must be sold by the Investment Manager in an orderly and timely manner in accordance with the general principles.
- (h) The Sub-Fund will not, until further notice, invest more than 10 per cent of its assets in other collective investment schemes.
- (i) The global exposure of the Sub-Fund is calculated according to the relative VaR approach, the reference benchmark being the iBOXX Corporate Total Return 1-5 yr index.

For more information on the global exposure and the leverage of the Sub-Fund, please refer to the section entitled "Financial Derivatives and Efficient Portfolio Management Techniques, Instruments and Risk Management" in the General Part of the Prospectus.

## **INSTRUMENTS AND TECHNIQUES**

The Sub-Fund may make use of Credit Default Swaps (CDS) issued by first class financial institutions to obtain selective long risk exposures and/or hedge risk on existing exposures.

A credit default swap is an agreement by which the party providing the credit protection agrees, in return for an agreed payment stream, to pay to the other party the difference between the nominal value of the relevant security(ies) and its/their market value after the occurrence of the credit event.

The CDS must be in the exclusive interest of the Sub-Fund and must be compliant with the investment policy, the investment restrictions and the general risk profile of the Sub-Fund.

The underlying securities of the CDS have to be compliant with the investment restrictions of the Sub-Fund.

The method of the valuation of the CDS must be made in a transparent, replicable and continuous manner and has to be verified by the Board of Directors and the Auditor.

The sum of the CDS and the other financial derivative instruments will not exceed the net assets of the Sub-Fund.

Furthermore, a wide range of financial instruments will be used to manage unwanted Market Risk.

In order to achieve the investment objective the Investment Manager may use all types of derivative instruments in the manner described in the General Part of the Prospectus.

## **REPURCHASE AGREEMENTS**

The Sub-Fund is permitted to enter into both repurchase and reverse repurchase agreements.

## **BORROWINGS**

The Sub-Fund is permitted to undertake borrowings not exceeding 10 per cent of its Net Asset Value on a temporary basis (i.e. for non-investment purposes).

## **SUB-FUND SPECIFIC RISKS**

### **Market Risk**

It is the objective of the Investment Manager to substantially hedge the Market Risk in the investments. However, some Market Risk may occur in the investments for the following reasons: (i) timing differences between the purchase/sale of a security and the implementation/unwinding of any relevant market hedge; (ii) small amounts of Market Risk which the Investment Manager determines as uneconomic to hedge; and (iii) determination of appropriate hedges for callable bonds. Furthermore, unwanted Market Risk may be caused by a hedging counterparty failing to perform its obligations. To mitigate this risk, the Investment Management Agreement provides for minimum ratings for counterparties for derivative transactions. Failure to properly hedge the Market Risk in the investments and/or such counterparty failure may adversely affect the price of Shares.

### **Investment Risks**

The information appearing below under this section is of a general nature and addresses the risks involved in the investments and the Sub-Fund's portfolio generally.

As set out above, the Sub-Fund seeks to provide investors with superior investment returns from a diversified portfolio of bonds (or synthetic exposure thereto) which hedges interest rate and currency risks. Aggregate interest rate modified duration risk will be constrained between +/-1 year of that of the "Index". The investments will be made into Investment Grade and Sub Investment Grade fixed income securities, including corporate, financial, asset backed and emerging markets securities issued by European or global issuers provided they have significant operations in Europe. The majority of investments will be in Investment Grade securities. The Sub-Fund has the flexibility also to invest in eligible transferable debt securities, money market instruments, bank deposits and other assets compliant with UCITS IV. As a result the Sub-Fund is materially exposed to credit risks associated with corporate bond investments.

### **Tax Risk Associated with Investments**

An investment will be eligible for purchase by the Sub-Fund irrespective of whether the payments thereon are subject to withholding tax or the obligor thereof (and the guarantor, if any) is required to make "gross up" payments that cover the full amount of any such withholding taxes. There can be no assurance that, either now or as a result of any change in any applicable law, treaty, rule, regulation or interpretation thereof, payments on an investment are not or will not be subject to withholding taxes. If the obligors of any such investment are not required to make "gross up" payments that cover the full amount of any such withholding taxes, the amounts available to make payments on the Shares would accordingly be reduced.

## **Risks Associated with Derivative Instruments and Efficient Portfolio Management Techniques**

### *Liquidity and Counterparty Credit Risk*

If a derivative transaction is particularly large or if the relevant market is illiquid (as may be the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilising standardised swap documentation. As a result, the swap market has become liquid but there can be no assurance that a liquid secondary market will exist at any specified time for any particular swap.

The Company may enter transactions in over-the-counter markets, which will expose it to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, the Sub-Fund may enter into repurchase and/or securities lending agreements, forward contracts, options and credit default swaps and other swap arrangements and derivative techniques, each of which expose the Sub-Fund to the risk that the counterparty may default on its obligations to perform under the relevant contract. In addition, the Company is not under any obligation to execute swaps with any minimum number of counterparties. In the event of a bankruptcy or insolvency of a counterparty, the Sub-Fund could experience delays in liquidating the position and incur significant losses. There is also a possibility that ongoing derivative transactions are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those transactions at the time the agreement was originated. In accordance with standard industry practice, it is the Company's policy to net exposures against its counterparties.

The stability and liquidity of swap and related transactions depend in large part on the creditworthiness of the parties to the transactions. The creditworthiness of counterparties with which the Company enters into swaps, other derivatives, repurchase and securities lending agreements is monitored by the Investment Manager on an ongoing basis and periodically by the Depositary Bank.

The respective Sub-Fund can reduce a large proportion of the counterparty risk arising from derivative transactions by demanding that collateral at least in the amount of the commitment be provided by the respective counterparty. If, however, derivatives are not fully collateralised, the failure of the counterparty may cause the relevant Sub-Fund's value to fall. The Company ensures that its counterparty risk and collateral management are actively managed.

The Management Company requires the Administrator to maintain and circulate to the Investment Manager a list of approved counterparties that meet these criteria and to ensure that the Sub-Fund has appropriate documentation in place with such counterparties. If there is a default by the other party to any such transaction, there will be contractual remedies pursuant to the agreements related to the transaction; however, exercising such contractual rights may involve delays or costs which could, in turn, result in the value of the total assets of the related portfolio being less than if the transaction had not been entered into which could affect the economic return on the Shares.

### *Leverage Risk*

Since many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the derivative itself.

### *Risks of Using Futures for Hedging Purposes*

There are several risks associated with the use of futures for hedging purposes. There can be no assurance that a liquid market will exist at a time when the Sub-Fund seeks to close out a futures contract. Most futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single day, once the daily limit has been reached on a particular contract, so that no trades may be made that day at a price beyond the limit. In addition, certain of these instruments are relatively new and without a significant trading history.

As a result, there is no assurance that an active secondary market will develop or continue to exist. Lack of a liquid market for any reason may prevent the Sub-Fund from liquidating an unfavourable position and the Sub-Fund would remain obliged to meet margin requirements until the position is closed. There can be no guarantee that there will be a correlation between price movements in the hedging transaction and in the related portfolio securities being hedged. An unexpected variation could result in a loss on both the hedged securities in the related portfolio and the hedging transaction so that the related portfolio return might have been greater had hedging not been attempted.

#### *Risks of Using Credit Default Swaps*

Credit default swaps involve certain risks as they are difficult to value, are highly susceptible to liquidity and credit risk and generally only generate income for the party who has paid the premium in the event of an actual default by the obligor of the underlying obligation (as opposed to a credit downgrade or other indication of financial difficulty). Further risks for a credit protection buyer exist where the contract documentation over which the credit default swap is written is "orphaned" by updated documentation or the contract payment structure – in which case the relevant contract along with periodic payments related to it will continue for its original term but in respect of an obligation that no longer exists and may not be replaced. If the Company is acting as a credit protection seller in a credit default swap, the Issuer bears the risk of default by the obligor of the underlying obligation.

#### *Risks of using Hedged Share Classes*

While the Sub-Fund may attempt to hedge currency risks, there can be no guarantee that it will be successful in doing so and it may result in mismatches between the currency position of the Sub-Fund and the Hedged Share Class.

The hedging strategies may be entered into whether the Base Currency is declining or increasing in value relative to the Reference Currency of the relevant Hedged Share Class and so, where such hedging is undertaken it may substantially protect investors in the relevant Class against a decrease in the value of the Base Currency relative to the Reference Currency of the Hedged Share Class, but it may also preclude investors from benefiting from an increase in the value of the Reference Currency.

All gains/losses or expenses arising from hedging transactions are borne separately by the shareholders of the respective Hedged Share Classes. Given that there is no segregation of liabilities between Share Classes, there is a remote risk that, under certain circumstances such as for example litigation or enforcement actions from third party creditors, currency hedging transactions in relation to one Share Class could result in liabilities which might affect the Net Asset Value of the other Share Classes of the same Sub-Fund.

#### *Other Risks Relating to Derivative Transactions*

Other risks in using derivatives include the risk of differing valuations of derivatives arising out of different permitted valuation methods and the inability of derivatives to correlate perfectly with underlying securities, rates and indices. Many derivatives, in particular over-the-counter derivatives, are complex and often valued subjectively and the valuation can only be provided by a limited number of market professionals which often are acting as counterparties to the transaction to be valued. Inaccurate valuations can result in increased cash payment requirements to counterparties or a loss of value to the Shares. Derivatives do not always perfectly track or even highly correlate to the value of the securities, rates or indices they are designed to track. Consequently, the Company's use of derivative techniques may not always be an effective means of, and sometimes could be counter-productive to the Sub-Fund's investment objective. An adverse price movement in a derivative position may require cash payments of variation margin by the Sub-Fund which might in turn require, if there is insufficient cash available in the portfolio, the sale of investments under disadvantageous conditions. There is also the risk of loss of margin deposits in the event of bankruptcy of a broker with whom the Investment Manager on behalf of the Company has an open position in a futures contract. The Company may enter into collateral arrangements with respect to hedging and related transactions, repurchase and/or securities lending agreements, reverse repurchase agreements, cross-currency swaps, interest rate swaps and credit derivatives transactions. The

obligations of the Company under hedging and related transactions, repurchase and securities lending agreements, reverse repurchase agreements and credit derivatives transactions may be secured and/or subject to certain financial covenants and/or termination events. If the Company were to breach any such covenants or otherwise terminate (or be required to terminate) swap positions, it (and Shareholders in turn) may suffer loss, particularly if the Company is unable to find appropriate replacement swap lines. New financial products continue to be developed, and the Company's assets may be invested in any such products to the extent consistent with the Sub-Fund's investment objective and applicable restrictions and applicable regulatory requirements.

#### *Repurchase agreements*

In relation to repurchase agreements, Shareholders must notably be aware that (A) in the event of the failure of the counterparty to whom securities of the relevant Sub-Fund have been sold there is the risk that cash received may yield less than the securities sold, whether because of inaccurate pricing of the collateral, adverse market movements, a change in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (B) delays in recovering the securities may restrict the ability of the relevant Sub-Fund to meet delivery obligations under security sales.

#### *Reverse repurchase agreements*

In relation to reverse repurchase transactions and sale with right of repurchase transactions in which the relevant Sub-Fund acts as purchaser, investors should be aware that (A) in the event of the failure of the counterparty from which securities have been purchased there is the risk that the value of the securities purchased may yield less than the cash originally paid, notably because of inaccurate pricing of said securities, an adverse market value change, a deterioration in the credit rating of the issuers of such securities, or the illiquidity of the market in which these are traded, and that (B) locking cash in transactions of excessive size or duration and/or delays in recovering cash at maturity may restrict the ability of the relevant Sub-Fund to meet redemption requests, security purchases or, more generally, reinvestment.

#### *Securities lending transactions*

In relation to securities lending transactions, Shareholders must notably be aware that (A) if the borrower of securities lent by the relevant Sub-Fund fail to return these there is a risk that the collateral received may realise less than the value of the securities lent out, whether due to inaccurate pricing, adverse market movements, a change in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (B) in case of reinvestment of cash collateral such reinvestment may (i) create leverage with corresponding risks and risk of losses and volatility, (ii) introduce market exposures inconsistent with the objectives of the relevant Sub-Fund, or (iii) yield a sum less than the amount of collateral to be returned; and that (C) delays in the return of securities on loans may restrict the ability of the Company to meet delivery obligations under security sales.

## **FEES AND EXPENSES**

### **4.1 Subscription Fee**

At the discretion of the Board of Directors and taking into account bid/mid/offer spreads of the assets in which the Sub-Fund invests, a Subscription Fee of up to 1 per cent of the Net Asset Value per Share may be charged in respect of subscriptions and any such Subscription Fee so levied will be allocated to the Net Asset Value of the relevant Share Class of this Sub-Fund

## 4.2 Redemption Charge

At the discretion of the Board of Directors and taking into account bid/mid/ offer spreads of the assets in which the Sub-Fund invests, a redemption charge of up to 1 per cent of the Net Asset Value per Share may be levied upon redemption of the Sub-Fund's Shares and allocated to the Net Asset Value of the relevant Share Class of this Sub-Fund.

## 4.3 Conversion Charge

A conversion charge of up to 1 per cent of the Net Asset Value per Share may be levied upon conversion of the Sub-Fund's Shares.

## 4.4 Investment Management Fees

### 4.4.1 Fixed Fee

The following Fixed Fee, based on the net asset value of the relevant Share Class, will be paid to the Management Company out of the assets of such Class.

Class	Fixed Fee
Class A	up to 0.80%p.a.
Class I	up to 0.30%p.a.
Class I-R	up to 0.25%p.a.
Class Z	up to 0.40%p.a.

Each of the Fixed Fees above is payable monthly in arrears.

### 4.4.2 Performance Fee

A performance fee (the "Performance Fee") is levied on Class I Shares and Class I-R Shares of the Sub-Fund and paid to the Management Company. The Management Company may pay part or all of such Performance Fee to the Investment Manager. The performance fee is 10 per cent of yearly benchmark outperformance over the Index, payable annually in arrears with a cap of 20 bps with high watermark. The high watermark is the Class I Shares' and Class I-R Shares' highest peak in previous value achieved against its benchmark. The hurdle rate applied is the Index (and for non-EUR currencies this will be adjusted for foreign exchange movements as the relevant currency Share Class is hedged). The high watermark is calculated net of all fees paid.

No performance fee will be levied on Class A or Class Z Shares.

### 4.4.3 Distribution Fee

An ongoing Distribution Fee of up to 0.35 per cent, paid to the Management Company, may be charged to Class A, Class I and Class I-R Shares, which shall be paid monthly in arrears out of each relevant Share Class's assets.

Class Z Shares do not pay a Distribution Fee.

## PARTIAL SWING PRICING

Partial swing pricing will be used for this Sub-Fund, as described in the section entitled "Partial Swing Pricing" in the General Part of the Prospectus.

**LISTING**

Each Class of the Sub-Fund may be listed on the Luxembourg Stock Exchange.

**MINIMUM NET ASSET VALUE**

The minimum value of the total net assets of this Sub-Fund will be €30 million.

## **APPENDIX III – ECM Dynamic Credit Fund**

to the Prospectus of ECM Credit Fund SICAV

relating to the Sub-Fund ECM Dynamic Credit Fund

(the "Sub-Fund")

Information provided in this Appendix should be read in conjunction with the full text of the Prospectus.

### **SHARES**

#### **1.1 Classes of Shares**

The Sub-Fund offers a number of Classes of Shares of various currencies to enable investors of different categories and with different investment needs to access the same underlying investment portfolio. The Base Currency of the Sub-Fund is the Euro. The Sub-Fund may issue Shares in the following Classes: Class A, I, I-R, Z. These Classes may be offered either as accumulation ("acc.") or distribution ("dist.") Shares. Please visit [ecm.com](http://ecm.com) for a complete list of Classes available in the Sub-Fund.

Shares are denominated and, if applicable, pay a dividend in their Reference Currency, all as further explained under the Section "Dividend Policy". For information purposes, the Company may decide to make available to investors the Net Asset Value per Share of one or more Share Classes in other currencies as the Company may deem appropriate, such other currency amount being the relevant Classes' Euro Net Asset Value converted into the relevant other currency at the current applicable spot exchange rate.

#### **1.2 Profile of the Sub-Fund's Investors**

The Sub-Fund will invest in a highly diversified portfolio of debt obligations of mainly investment grade issuers, being issuers whose securities are dated at least BBB- and/or Baa3 as per Moody's Investor Service, Standard & Poor's or Fitch Ratings Limited ("Investment Grade"), but may also have a considerable exposure to non-Investment Grade securities. Investments will consist of mainly investment grade fixed income securities, with the flexibility also to invest in other eligible transferable debt securities, money market instruments, bank deposits and other assets compliant with the UCITS Directive. The Sub-Fund will seek to hedge the portfolio against systemic macro-economic shocks with the aid of derivatives entered into with high quality banking counterparties or exchanges.

Consequently, the portfolio is designed for those investors who seek returns based on the credit risk of global credit markets. For the avoidance of doubt, this indication of the typically targeted investor profile does not constitute investment advice.

#### **1.3 Dividend Policy**

With respect to accumulation Classes of Shares, the Sub-Fund does not intend to declare and make distributions to Shareholders with respect to net income. With respect to distribution Classes of Shares, it is the Sub-Fund's policy to pay Shareholders their proportionate entitlement to the net income of the Sub-Fund. Notwithstanding the above the Board is empowered to pay additional distributions where the Board of Directors believes this would be in the interests of the shareholders as a whole, provided that such distribution does not have as a consequence that the Company falls below the legal minimum capital requirements.

Shareholders of distribution Classes shall be entitled to dividend payments (if any) based on their inscription in the Shareholders' register on the relevant Dividend Valuation Date. Notwithstanding the differentiation between accumulation and distribution Classes, there is no differentiation in the allocation of absolute economic

return of the Sub-Fund as between the separate Classes, which is made on the basis of a pro rata allocation based on each Class's respective Net Asset Value as at each Valuation Date.

Dividends in respect of distribution Classes will be definitively calculated and will be paid once a year, the Dividend Valuation Date being in June each year.

Income and gains equalisation will in principle not be operated save that upon request of a majority of investors of a given class, the Board may give consideration to operate such income and gains equalisation.

## **SUBSCRIPTION, REDEMPTION AND CONVERSION**

### **2.1 Subscription and Clearing Time Limit**

Duly completed and signed irrevocable application forms must be received by the Administrator no later than 4 p.m. (Luxembourg time) on the relevant Dealing Date. Any application form received after this cut-off time will be processed on the next Dealing Date subject to the reception of cleared subscription monies in accordance with the following paragraph.

Order confirmation notices will be sent to Shareholders at the latest the first Business Day following the execution of the subscription order.

After the end of the Initial Offering Period, the Shares are issued at the then current Net Asset Value of the relevant Class.

Cleared monies in relation to applications for Shares must be received by the Depositary Bank, or by a correspondent bank to its order, no later than 4 p.m. (Luxembourg time) on the third Business Day after the relevant Dealing Date.

In case payment has not been received by this cut-off time of three Business Days after the relevant Dealing Date, subscriptions will be rejected and payment will be returned at the risk of the subscriber.

### **2.2. Redemption**

Redemption requests must be received by the Administrator or the Company no later than 4 p.m. (Luxembourg time) on the relevant Dealing Date.

Order confirmation notices will be sent to Shareholders at the latest the first Business Day following the execution of the redemption request.

### **2.3. Conversion and Conversion Time Limit**

Save if otherwise provided, Shares relating to other Sub-Funds of the Company or in other Classes of this Sub-Fund may be converted into any Class of this Sub-Fund on any day which is a Dealing Date for both Sub-Funds concerned, subject to fulfilling the relevant eligibility criteria. Completed requests for conversions into any Share Class of this Sub-Fund received not later than 4 p.m. (Luxembourg time) on a Dealing Date for both Sub-Funds concerned will be dealt with at the calculated price on such a Dealing Date. Requests received after this time are deferred until the next following Dealing Date for both Sub-Funds concerned.

Investors seeking to convert Shares of this Sub-Fund into Shares of another Sub-Fund should review, and their conversion request shall comply with, the relevant conversion time limits for that Sub-Fund.

## **VALUATION, DEALING AND PAYMENT DATES**

### **3.1 Valuation Dates**

The Valuation Dates in respect of this Sub-Fund will be on every Business Day.

### **3.2 Dealing Dates**

The Dealing Dates in respect of this Sub-Fund will be each Valuation Date.

The issue and redemption of Shares may only be made on each Dealing Date, at the Net Asset Value determined in accordance with the Articles of Incorporation and the General Part of the Prospectus.

### **3.3 Payment Dates**

The Payment Date in respect of Shares redeemed will normally be no later than the third Business Day following the applicable Dealing Date.

The Sub-Fund reserves the right to extend the period of payment of redemption proceeds to such period, not exceeding seven Business Days, as shall be necessary to repatriate proceeds of the sale of investments in the event of impediments due to exchange control requirements or similar constraints in the market in which a substantial part of the assets of the Sub-Fund are invested or in exceptional circumstances where the liquidity of the Sub-Fund is not sufficient to meet redemption requests.

## **INVESTMENT MANAGER**

The Investment Manager of the Sub-Fund is ECM Asset Management Limited.

For further details, please see the description in respect of the Investment Manager in the section entitled "The Investment Manager" in the General Part of the Prospectus.

## **OBJECTIVE AND POLICY OF THE SUB-FUND**

The investment objective of the Sub-Fund is to provide investors with superior investment returns from the credit market through both active asset allocation and exploiting relative value opportunities. The Sub-Fund will invest on a global basis in order to take advantage of relative value and improved diversification opportunities.

The Sub-Fund's volatility profile can be expected to vary from 0.75 to 1.5 times the ex-ante volatility of a broad BBB corporate index (hedged), depending on the Investment Manager's view of the credit markets.

The Sub-Fund will invest predominantly in fixed income securities mainly of corporate, banking and sovereign type of Investment Grade issuers but also of non-Investment Grade issuers. Furthermore, the Sub-Fund has the flexibility to invest in other eligible transferable debt securities, money market instruments, bank deposits and other assets compliant with the UCITS Directive, including Investment Grade or Sub Investment Grade corporate bonds, debt and related products of financial sector issuers, including Sub Investment Grade instruments such as contingent capital securities, emerging markets instruments, asset backed securities, convertible bonds and sovereign bonds.

The Sub-Fund may also invest in conformity with Part I of the Law a portion of its assets in derivative instruments, including OTC Derivatives, notably interest rate swaps, total return swaps, cross currency swaps, credit default swaps, futures and forward purchase agreements.

The Sub-Fund may make use of derivatives for both hedging and investment purposes but at all times its total net exposure via derivatives will not exceed its Net Asset Value.

The Sub-Fund may invest in Transferable Securities (including structured products) qualifying as Investment Grade Asset Backed Securities ("ABS") or Mortgage Backed Securities ("MBS"),

but under no circumstances shall this allocation exceed 20 per cent of the assets of the Sub-Fund. "ABS" means asset-backed Transferable Securities that entitle their holders to receive payments that depend upon the cash flow from a specified pool of financial assets backed by a loan, lease or other receivable, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities.

"MBS" means ABS where the relevant underlying financial assets are wholly or substantially secured on real estate mortgages.

The Sub-Fund may in certain circumstances be invested up to 100 per cent in Transferable Securities and money market instruments in accordance with section (3) of "General Investment Policy" in the General Part of the Prospectus.

The Sub-Fund may invest up to 10 per cent of its assets in loan participation and/or loan assignments as described in the General Part of the Prospectus.

The operations above will be carried out in compliance with the applicable regulations and the investment restrictions applicable to the Sub-Fund as described in the General Part of the Prospectus under "Financial Derivatives And Efficient Portfolio Management Techniques, Instruments And Risk Management" and in this Appendix under "Investment Restrictions" below.

## **INVESTMENT RESTRICTIONS**

In addition to the general investment restrictions as described in the General Part of this Prospectus, ensuring at all times that its holdings remain in compliance with Part I of the Law, the Company undertakes to comply with the following additional investment restrictions in respect of the Sub-Fund:

- (a) The Sub-Fund will invest, at all times, at least 50 per cent of the Sub-Fund's Net Asset Value in investments rated Investment Grade.
- (b) Subject as set out below in (e), the Sub-Fund's exposure to a single Investment Grade issuer may not exceed 5 per cent of the Sub-Fund's Net Asset Value.
- (c) Subject as set out below in (e), the Sub-Fund's exposure to a single Sub Investment Grade issuer may not exceed 3 per cent of the Sub-Fund's Net Asset Value.
- (g) The Sub-Fund will not invest in assets rated below B-/B3.

In the case of a downgrade of an existing investment to below B-/B3, the downgraded assets must be sold by the Investment Manager in an orderly and timely manner in accordance with the general applicable principles.

- (h) The Sub-Fund's exposure to Transferable Securities and/or money market instruments as provided under section (3) in "General Investment Policy" in the General Part of the Prospectus.
- (i) The Sub-Fund's exposure to ABS or MBS, in aggregate, may not exceed 20 per cent of the Sub-Fund's Net Asset Value.
- (j) The Sub-Fund is not permitted to invest in Sub-Investment Grade ABS or MBS. If any ABS or MBS, which is rated Investment Grade at the time of purchase is subsequently downgraded to Sub-Investment Grade, the downgraded assets must be sold by the Investment Manager in an orderly and timely manner in accordance with the general applicable principles.

- (k) The Sub-Fund will, until further notice, not invest more than 10 per cent of its assets in other collective investment schemes.
- (l) The Sub-Fund may hold ancillary liquid assets such as cash and cash equivalents.
- (m) The Sub-Fund may not incur leverage save on a temporary basis and in minimal amounts (up to 15 per cent of Net Asset Value) by the use of repurchase agreements for efficient portfolio management purposes.
- (n) The overall risk exposure of the Sub-Fund is calculated according to the absolute VaR approach.

For more information on the overall risk exposure and the leverage of the Sub-Fund, please refer to the section entitled "Financial Derivatives and Efficient Portfolio Management Techniques, Instruments and Risk Management" in the General Part of the Prospectus.

## **INSTRUMENTS AND TECHNIQUES**

The Sub-Fund will make use of Credit Default Swaps ("CDS") and/or derivative instruments such as credit swaptions to achieve the investment objective and/or to hedge risk in order to protect the portfolio from systemic market shocks.

A CDS is an agreement by which the party providing the credit protection agrees, in return for an agreed payment stream, to pay to the other party the difference between the nominal value of the relevant security(ies) and its/their market value after the occurrence of the credit event.

The CDS must be in the exclusive interest of the Sub-Fund and must be compliant with the investment policy, the investment restrictions and the general risk profile of the Sub-Fund.

The underlying securities of the CDS have to be compliant with the investment restrictions of the Sub-Fund.

The method of the valuation of the CDS must be made in a transparent, replicable and continuous manner and has to be verified by the Board of Directors and the Auditor.

The sum of the CDS and the other financial derivative instruments will not exceed the net assets of the Sub-Fund.

The Sub-Fund may, at the discretion of the Investment Manager, use interest rate duration to achieve the investment policy/supplement total returns and/or to hedge credit risk. The Sub-Fund's net interest rate duration is bound between 0 to 5 years.

Furthermore, a wide range of financial instruments will be used to manage unwanted Market Risk.

In order to achieve the investment objective the Investment Manager may use all types of derivative instruments in the manner described in the General Part of the Prospectus.

## **REPURCHASE AGREEMENTS**

The Sub-Fund is permitted to enter into both repurchase and reverse repurchase agreements.

## **BORROWINGS**

In addition to the restrictions on leverage that may be generated by financial derivative instruments, the Sub-Fund is permitted to undertake borrowings not exceeding 10 per cent of its Net Asset Value on a temporary basis.

## **SUB-FUND SPECIFIC RISKS**

### **Market Risk**

Interest rate related Market Risk will be managed at the discretion of the Investment Manager. It is the objective of the Investment Manager to substantially hedge foreign exchange related Market Risk in the investments. However, some foreign exchange related Market Risk may occur in the investments for the following reasons: (i) timing differences between the purchase/sale of a security and the implementation/unwinding of any relevant market hedge; (ii) small amounts of Market Risk which the Investment Manager determines as uneconomic to hedge; and (iii) determination of appropriate hedges for callable bonds. Furthermore, unwanted Market Risk may be caused by a hedging counterparty failing to perform its obligations. Failure to properly hedge the foreign exchange related Market Risk in the investments and/or such counterparty failure may adversely affect the price of Shares.

### **Investment Risks**

The information appearing below under this section is of a general nature and addresses the risks involved in the investments and the Sub-Fund's portfolio generally.

As set out above, the Sub-Fund seeks to provide investors with superior investment returns from a diversified portfolio of debt instruments (or synthetic exposure thereto) in respect of which currency risks are hedged into the Reference Currency. The investments will be made into Investment Grade and sub Investment Grade fixed income securities, including corporate, financial, asset backed and emerging markets securities issued by European or global issuers. The Sub-Fund has the flexibility also to invest in other eligible transferable debt securities, money market instruments, bank deposits and other assets compliant with the UCITS Directive.

As a result the Sub-Fund is materially exposed to global credit risks.

#### *Corporate Debt Securities*

Corporate debt securities include corporate bonds, debentures, notes and other similar corporate debt instruments, including convertible securities. Debt securities may be acquired with warrants attached. Corporate income-producing securities may also include subordinated instruments, including forms of preferred or preference stock. The rate of interest on a corporate debt security may be fixed, floating or variable, and may vary inversely with respect to a reference rate. The rate of return or return of principal on some debt obligations may be linked or indexed to the level of exchange rates between the Euro and a different currency or currencies.

Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of corporate securities can be expected to decline. Fixed-rate securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities.

As a result of the ongoing credit crisis that began in August 2007 the liquidity in the credit markets generally has been severely impaired from time to time. Secondary debt markets since August 2007 have experienced severe disruptions resulting from reduced investor demand for debt securities in a number of sectors, including corporate debt securities and increased investor yield requirements for these securities. As a result, these markets have and continue to periodically experience extremely limited liquidity. These conditions may continue or worsen in the future.

#### *Mortgage-Related and Other Asset-Backed Instruments*

Asset backed securities are generally less liquid than comparably-rated corporate bonds. Investors should be aware that liquidity may be reduced at times of market stress and this may lead to valuation losses on securities as market makers defensively price bonds at times of market stress to avoid balance sheet or risk exposures. Liquidation of portions of the Sub-Fund's asset-backed investments under these circumstances could produce realised losses.

#### *Emerging Market Debt*

The Sub-Fund may invest in debt securities of issuers based in countries with developing, or

"emerging market" economies. Investment risk may be particularly high in relation to these investments as they may present market, credit, currency, liquidity, legal, political and other risks which are different to, and/or may be greater than, the risks of investing in developed countries. These risks include: smaller market capitalisation of securities markets, which may suffer periods of relative illiquidity; significant price volatility; restrictions on investment; possible repatriation of investment income and capital. In addition, investors may be required to register the proceeds of sales; future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalisation, or creation of government monopolies. The currencies of emerging market countries may experience significant declines against the Sub-Fund's Base Currency and devaluation may occur subsequent to investments having been made. Inflation has had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

Additional risks of emerging markets 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.

#### *High Yield Debt*

High yield debt obligations are generally unsecured, may be subordinated to other obligations of the issuer thereof and generally have greater credit and liquidity risk than is typically associated with Investment Grade corporate obligations. High yield obligations are often issued in connection with leveraged acquisitions or recapitalisations in which the issuers thereof incur a substantially higher amount of indebtedness than the level at which they had previously operated. High yield debt has historically experienced greater default rates than have Investment Grade securities. Although studies have been made of historical default rates in the U.S. high yield market, such studies do not necessarily provide a basis for drawing definitive conclusions with respect to default rates and, in any event, do not necessarily provide a basis for predicting future default rates. Should increases in default rates occur with respect to this class of securities, the actual default rates of the Sub-fund's investments may exceed the hypothetical default rates assumed by investors in determining whether to purchase Shares in the Sub-fund.

#### *Subordinated Securities*

The Sub-Fund's investments will include subordinated securities. Which are generally unsecured and subordinated in right of payment to other obligations of the issuer thereof. An issuer's ability to make payments of interest and principal in respect of subordinated securities may be constrained by the terms of senior notes and other senior debt issued by the particular issuer. In addition, the terms of certain subordinated securities will allow an issuer to defer or even cancel coupon payments under the terms of those securities. Certain subordinated securities issued by financial sector issuers (known as contingent capital or "co-cos") will require an issuer to convert to equity should a minimum capital threshold fail to be met.

#### **Tax Risk Associated with Investments**

An investment will be eligible for purchase by the Sub-Fund irrespective of whether the payments thereon are subject to withholding tax or the issuer thereof (and the guarantor, if any) is required to make "gross up" payments that cover the full amount of any such withholding taxes. There can be no assurance that, either now or as a result of any change in any applicable law, treaty, rule, regulation or interpretation thereof, payments on an investment are not or will not be subject to withholding taxes. If the issuers of any such investment are not required to make "gross up" payments that cover the full amount of any such withholding taxes, the amounts available to make payments on the Shares would accordingly be reduced.

#### **Risks Associated with Derivative Instruments and Efficient Portfolio Management Techniques**

##### *Liquidity and Counterparty Credit Risk*

If a derivative transaction is particularly large or if the relevant market is illiquid (as may be the case with many privately negotiated derivatives), it may not be possible to initiate a transaction

or liquidate a position at an advantageous price. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilising standardised swap documentation. As a result, the swap market has become liquid but there can be no assurance that a liquid secondary market will exist at any specified time for any particular swap.

The Sub-Fund may enter transactions in over-the-counter markets, which will expose it to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, the Sub-Fund may enter into repurchase and/or securities lending agreements, forward contracts, options and credit default swaps and other swap arrangements and derivative techniques, each of which expose the Sub-Fund to the risk that the counterparty may default on its obligations to perform under the relevant contract. In addition, the Sub-Fund is not under any obligation to execute swaps with any minimum number of counterparties. In the event of a bankruptcy or insolvency of a counterparty, the Sub-Fund could experience delays in liquidating the position and incur significant losses. There is also a possibility that ongoing derivative transactions are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those transactions at the time the agreement was originated. In accordance with standard industry practice, it is the Sub-Fund's policy to net exposures against its counterparties.

The stability and liquidity of swap and related transactions depend in large part on the creditworthiness of the parties to the transactions. The creditworthiness of counterparties with which the Sub-Fund enters into swaps, other derivatives, repurchase and securities lending agreements is monitored by the Investment Manager on an ongoing basis and periodically by the Depositary Bank.

The respective Sub-Fund can reduce a large proportion of the counterparty risk arising from derivative transactions by demanding that collateral at least in the amount of the commitment be provided by the respective counterparty. If, however, derivatives are not fully collateralised, the failure of the counterparty may cause the relevant Sub-Fund's value to fall. The Company ensures that its counterparty risk and collateral management are actively managed.

If there is a default by the other party to any such transaction, there will be contractual remedies pursuant to the agreements related to the transaction; however, exercising such contractual rights may involve delays or costs which could, in turn, result in the value of the total assets of the related portfolio being less than if the transaction had not been entered into which could affect the economic return on the Shares.

#### *Leverage Risk*

Since many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss regardless of the size of the initial investment.

#### *Risks of Using Futures*

There are several risks associated with the use of futures. There can be no assurance that a liquid market will exist at a time when the Sub-Fund seeks to close out a futures contract. Most futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single day, once the daily limit has been reached on a particular contract, so that no trades may be made that day at a price beyond the limit. In addition, certain of these instruments are relatively new and without a significant trading history. As a result, there is no assurance that an active secondary market will develop or continue to exist. Lack of a liquid market for any reason may prevent the Sub-Fund from liquidating an unfavourable position and the Sub-Fund would remain obliged to meet margin requirements until the position is closed. When a futures contract is used for hedging purposes, there can be no guarantee that there will be a correlation between price movements in the hedging transaction and in the related portfolio securities being hedged. An unexpected variation could result in a loss on both the hedged securities in the related portfolio and the hedging transaction so that the related portfolio return might have been greater had hedging not been attempted.

### *Risks of Using Credit Default Swaps*

Credit default swaps involve certain risks as they are difficult to value, are highly susceptible to liquidity and credit risk and generally only generate income for the party who has paid the premium in the event of an actual default by the issuer of the underlying obligation (as opposed to a credit downgrade or other indication of financial difficulty). Further risks for a credit protection buyer exist where the contract documentation over which the credit default swap is written is "orphaned" by updated documentation or the contract payment structure – in which case the relevant contract along with periodic payments related to it will continue for its original term but in respect of an obligation that no longer exists and may not be replaced. If the Sub-Fund is acting as a credit protection seller in a credit default swap, the Issuer bears the risk of default by the issuer of the underlying obligation.

### *Risks of using Hedged Share Classes*

While the Sub-Fund will attempt to hedge currency risks in relation to its portfolio investments (See "Market Risk" above), it may also attempt to hedge currency risks in respect of Hedged Share Classes. There can be no guarantee that it will be successful in doing so and it may result in mismatches between the currency position of the Sub-Fund and the Hedged Share Class.

These hedging strategies may be entered into whether the Base Currency is declining or increasing in value relative to the Reference Currency of the relevant Hedged Share Class and so, where such hedging is undertaken it may substantially protect investors in the relevant Class against a decrease in the value of the Base Currency relative to the Reference Currency of the Hedged Share Class, but it may also preclude investors from benefiting from an increase in the value of the Reference Currency.

All gains/losses or expenses arising from hedging transactions are borne separately by the shareholders of the respective Hedged Share Classes. Given that there is no segregation of liabilities between Share Classes, there is a remote risk that, under certain circumstances such as the default of a counterparty, currency hedging transactions in relation to one Share Class could result in liabilities which might affect the Net Asset Value of the other Share Classes of the same Sub-Fund.

### *Other Risks Relating to Derivative Transactions*

Other risks in using derivatives include the risk of differing valuations of derivatives arising out of different permitted valuation methods and the inability of derivatives to correlate perfectly with underlying securities, rates and indices. Many derivatives, in particular over-the-counter derivatives, are complex and often valued subjectively and the valuation can only be provided by a limited number of market professionals which often are acting as counterparties to the transaction to be valued. Inaccurate valuations can result in increased cash payment requirements to counterparties or a loss of value to the Shares. Derivatives do not always perfectly track or even highly correlate to the value of the securities, rates or indices they are designed to track. Consequently, the Company's use of derivative techniques may not always be an effective means of realising, and sometimes could be counter-productive to, the Sub-Fund's investment objective.

An adverse price movement in a derivative position may require cash payments of variation margin by the Sub-Fund which might in turn require, if there is insufficient cash available in the portfolio, the sale of investments under disadvantageous conditions. There is also the risk of loss of margin deposits in the event of bankruptcy of a broker with whom the Investment Manager on behalf of the Sub-Fund has an open position in a futures contract.

The Sub-Fund may enter into collateral arrangements with respect to hedging and related transactions, repurchase and/or securities lending agreements, reverse repurchase agreements, cross-currency swaps, interest rate swaps and credit derivatives transactions. The obligations of the Sub-Fund under hedging and related transactions, repurchase and securities lending agreements, reverse repurchase agreements and credit derivatives transactions may be secured and/or subject to certain financial covenants and/or termination events. If the Sub-Fund were to breach any such covenants or otherwise terminate (or be required to terminate) swap positions, it (and Shareholders in turn) may suffer loss, particularly if the Sub-Fund is unable to find appropriate replacement swap lines.

New financial products continue to be developed, and the Sub-Fund's assets may be invested in any such products to the extent consistent with the Sub-Fund's investment objective and applicable restrictions and applicable regulatory requirements.

#### *Repurchase agreements*

In relation to repurchase agreements, Shareholders must notably be aware that (A) in the event of the failure of the counterparty to whom securities of the relevant Sub-Fund have been sold there is the risk that cash received may yield less than the securities sold, whether because of inaccurate pricing of the collateral, adverse market movements, a change in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (B) delays in recovering the securities may restrict the ability of the relevant Sub-Fund to meet delivery obligations under security sales.

#### *Reverse repurchase agreements*

In relation to reverse repurchase transactions and sale with right of repurchase transactions in which the relevant Sub-Fund acts as purchaser, investors should be aware that (A) in the event of the failure of the counterparty from which securities have been purchased there is the risk that the value of the securities purchased may yield less than the cash originally paid, notably because of inaccurate pricing of said securities, an adverse market value change, a deterioration in the credit rating of the issuers of such securities, or the illiquidity of the market in which these are traded, and that (B) locking cash in transactions of excessive size or duration and/or delays in recovering cash at maturity may restrict the ability of the relevant Sub-Fund to meet redemption requests, security purchases or, more generally, reinvestment.

#### *Securities lending transactions*

In relation to securities lending transactions, Shareholders must notably be aware that (A) if the borrower of securities lent by the relevant Sub-Fund fail to return these there is a risk that the collateral received may realise less than the value of the securities lent out, whether due to inaccurate pricing, adverse market movements, a change in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (B) in case of reinvestment of cash collateral such reinvestment may (i) create leverage with corresponding risks and risk of losses and volatility, (ii) introduce market exposures inconsistent with the objectives of the relevant Sub-Fund, or (iii) yield a sum less than the amount of collateral to be returned; and that (C) delays in the return of securities on loans may restrict the ability of the Company to meet delivery obligations under security sales.

## **FEES AND EXPENSES**

### **4.1 Subscription, Redemption and Conversion Fees**

None.

### **4.2 Investment Management Fees and Expense Arrangement**

The aggregate amount charged for fees and expenses for certain of the services identified in the Charges of the Company section will be fixed at a defined percentage (the "Fixed Rate") of the total assets within each Share Class of the Sub-Fund.

The Fixed Rate is set out in the table below and is comprised of the Investment Management fee plus all fees and expenses incurred by the Sub-Fund in respect of 'Management Company,' 'Administration and Custody', 'Registrar and Transfer Agency', 'Launch Costs' and 'Other Expenses'.

Any fees and expenses in excess of the Fixed Rate shall be borne by the Investment Manager (pursuant to an Expenses Management Agreement between the Investment Manager and the Company dated 12 March 2013). If the total real expenses paid by the Sub-Fund are lower than the Fixed Rate, the difference may be paid to the Investment Manager.

For the avoidance of doubt, the Fixed Rate shall exclude (i) any Subscription, Redemption and Conversion Fees, (ii) any Extraordinary Expenses borne by the Sub-Fund, (iii) any Performance Fees payable to the Investment Manager and (iv) any on-going Distribution Fees.

The following Investment Management Fee, which is based on the net asset value of the relevant Share Class and payable to the Management Company out of the assets of such Class, is also detailed in the table below. Each fee shall be paid monthly in arrears.

<b>Class</b>	<b>Investment Management Fee</b>		<b>Fixed Rate</b>
Class A	1.00% p.a.		<b>1.25%</b>
Class I	0.50% p.a.		<b>0.75%</b>
Class Z	0.50% p.a.		<b>0.75%</b>

#### **4.2.1. Performance Fee**

No performance fee will be charged

#### **4.2.2. Distribution Fee**

An ongoing Distribution Fee of up to 0.35 per cent, paid to the Management Company, may be charged to Class A and Class I Shares, which shall be paid monthly in arrears out of each Share Class's assets.

Class Z Shares do not pay a Distribution Fee.

#### **PARTIAL SWING PRICING**

Partial swing pricing will be used for this Sub-Fund, as described in the section entitled "Partial Swing Pricing" in the General Part of the Prospectus.

#### **LISTING**

Each Class of the Sub-Fund may be listed on the Luxembourg Stock Exchange.

#### **MINIMUM NET ASSET VALUE**

The minimum value of the total net assets of this Sub-Fund will be €20 million

## APPENDIX IV – DEFINITIONS

<b>"Accumulation Classes"</b>	Classes of a Sub-Fund which typically do not declare and make distributions with respect to the net investment income and realised capital gains, if any, attributable to this type of share class. These Classes are represented with the suffix "acc."
<b>"Administrator"</b>	Brown Brothers Harriman (Luxembourg) S.C.A.
<b>"Appendix"</b>	the relevant Appendix to this Prospectus
<b>"Articles of Incorporation"</b>	the Articles of Incorporation of the Company, as amended and restated from time to time
<b>"Auditor"</b>	Deloitte Audit S.à r.l.
<b>"Base Currency"</b>	the currency in which a Sub-Fund or the Company is denominated
<b>"Board of Directors" or "Directors"</b>	the Board of Directors of the Company
<b>"Business Day"</b>	a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in Luxembourg and United Kingdom, or as specified in the description of the relevant Appendix. 24 December is not a Business Day
<b>"Brown Brothers Harriman"</b>	Brown Brothers Harriman (Luxembourg) S.C.A.
<b>"Class"</b>	A class of Shares, where assets shall be commonly invested but where a specific sales and/or redemption charge structure, fee structure, distribution policy, reference currency or hedging policy shall be applied
<b>"Company"</b>	ECM Credit Fund SICAV ( <i>Société d'Investissement à Capital Variable</i> )
<b>"Connected Person" or "Connected Persons"</b>	any subsidiary, affiliate, associate, agent or delegate of the Directors, the Management Company the Investment Manager, the Depositary Bank, the Administrator, the Registrar, Transfer Agent or any Shareholder
<b>"Counterparty" or "Counterparties"</b>	counterparties to the derivatives transactions or contracts entered into by the Company or the Management Company on behalf of the Company
<b>"CSSF"</b>	Commission de Surveillance du Secteur Financier, the Luxembourg financial services authority
<b>"Depositary Agreement"</b>	the Depositary Agreement between the Depositary Bank and the Company, as amended and/or supplemented from time to time
<b>"Dealing Date"</b>	the Valuation Date on which a Shareholder may subscribe, redeem or convert shares as specified in the description of the relevant Appendix
<b>"Depositary Bank"</b>	Brown Brothers Harriman (Luxembourg) S.C.A.
<b>"Distribution Classes"</b>	Classes of a Sub-Fund which typically make distributions at least annually as at the end of the financial year, or at other time(s) to be determined by the Board of Directors, with respect to the net investment income, if any, attributable to this type of share class. The Classes which distribute net

	income are represented with the suffix "distr."
<b>"Eligible State"</b>	any member of the OECD and any other country of Europe, North and South America, Africa, Asia and the Pacific Basin
<b>"Eligible Transferable Securities and Money Market Instruments"</b>	<ul style="list-style-type: none"> <li>(i) transferable securities and money market instruments admitted to or dealt in on a stock exchange in an Eligible State;</li> <li>(ii) transferable securities and money market instruments dealt in on another Regulated Market in an Eligible State, which operates regularly and is recognised and open to the public;</li> <li>(iii) recently issued transferable securities and money market instruments, provided that the terms of issue include an undertaking that application will be made for admission to official listing in an Eligible State or on a Regulated Market, and such admission is achieved within a year of the issue</li> </ul>
<b>"EU Savings Directive"</b>	Directive 2003/48/EC on taxation of savings income in the form of interest payments, adopted by the Council of the EU on 3 June 2003 and implemented in Luxembourg by the law of 21 June 2005
<b>"Euro"</b>	the legal currency of the EU Member States that adopt the single currency in accordance with the Treaty establishing the European Economic Community (signed in Rome on 25 March 1957)
<b>"Extraordinary Expenses"</b>	expenses such as (without limitation) costs arising from litigation or regulatory changes which may necessitate a subsequent review of the structure or investment policy of a given Sub-Fund, or marginal costs arising from changes to the taxation regime(s) applicable to the Company
<b>"Global Distributor"</b>	Wells Fargo Asset Management Luxembourg S.A.
<b>"Haircut"</b>	A reduction to the market value of an asset given as collateral in order to provide a safety margin in case the market value of that asset falls
<b>"Hedged Share Class"</b>	Those Share Classes to which a currency hedging strategy is applied
<b>"Institutional Investor"</b>	an investor meeting the requirements to qualify as an institutional investor for the purposes of article 174 of the Law, as may be amended from time to time
<b>"Investment Management Agreement"</b>	the relevant Investment Management Agreement between the Investment Manager of the relevant Sub-Fund and the Management Company, as amended and/or supplemented from time to time
<b>"Investment Manager"</b>	The entity as defined in the Appendix of the relevant Sub-Fund
<b>"Issue Price"</b>	the issue price of the Shares
<b>"Law"</b>	the amended Luxembourg Law of 17 December 2010 on undertakings for collective investment
<b>"Member State"</b>	a member state of the European Union
<b>"Mémorial"</b>	<i>Mémorial, Recueil Spécial des Sociétés et Associations</i>
<b>"Net Asset Value"</b>	the net asset value of the Company or Sub-Fund determined in accordance with the Articles of Incorporation

<b>"OECD"</b>	Organisation for Economic Co-operation and Development
<b>"OTC Derivatives"</b>	financial derivative instruments dealt in over the counter
<b>"Payment Date"</b>	the date as specified in the Appendix of the relevant Sub-Fund
<b>"Performance Fee"</b>	the fee payable, if any, to the Investment Manager dependant on the Sub-Funds' performance, as more particularly described in the relevant Appendix
<b>"Prospectus"</b>	this document
<b>"Redemption Price"</b>	the redemption price of the Shares
<b>"Reference Currency"</b>	the currency in which a Class of Shares is denominated
<b>"Registrar"</b>	Brown Brothers Harriman (Luxembourg) S.C.A.
<b>"Regulated Market"</b>	a regulated market in an Eligible State, which operates regularly and is recognised and open to the public
<b>"Shareholder"</b>	holder of Shares in any one of the Sub-Funds
<b>"Shares"</b>	a share of any Sub-Fund in the capital of the Company
<b>"SICAV"</b>	<i>Société d'Investissement à Capital Variable</i>
<b>"Sub-Fund"</b>	an individual sub-fund of the Company linked to a portfolio of assets invested in accordance with a specific investment policy
<b>"Transfer Agent"</b>	Brown Brothers Harriman (Luxembourg) S.C.A.
<b>"Transferable Securities"</b>	transferable securities within the meaning of the Law of 2010 and the Grand-Ducal Regulation of 2008 relating to certain definitions of the amended law of 20 December 2002 on undertakings for collective investment and implementing Commission Directive 2007/16/EC of 19 March 2007 implementing Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards the clarification of certain definitions
<b>"UCI"</b>	undertaking for collective investment
<b>"UCITS"</b>	undertaking for collective investment in transferable securities
<b>"UCITS Directive"</b>	the Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, as may be amended from time to time
<b>"Valuation Date"</b>	the date(s) on which the Net Asset Value of a Sub-Fund shall be determined as specified in the description of the relevant Appendix