



**Full Prospectus**

**including Terms and Conditions**

**December 2008**

# **ETFlab DJ EURO STOXX 50<sup>®</sup>**

**(WKN ETF L02)**

**ETFlab Investment GmbH**

The contractual relationship and any pre-contractual relationships between the Company and the investor are governed by German law. In accordance with Article 23 Para. 2 of the General Terms and Conditions, the location of the Company's registered office shall be the place of jurisdiction for any disputes arising from this contractual relationship if the investor does not have a general place of jurisdiction in Germany. According to Section 123 Investment Act (Investmentgesetz, InvG), all sales documentation must be prepared in German. In addition, the Company will communicate with its investors entirely in German.

In the event of any dispute arising from implementation of the provisions in the German Civil Code [BGB] applicable since 8 December 2004, concerning distance selling contracts for financial services, the parties involved may contact the Arbitration Board of the Deutsche Bundesbank, P.O. Box 11 12 32 in 60047 Frankfurt/Main, Germany, tel.: +49 (0)69 2388-1907 or -1906, fax: +49 (0)69 2388-1919. This does not affect the right to appeal to courts of law.

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**The purchase and sale of investment units is based on the current version of the full prospectus and the General Terms and Conditions in conjunction with the Special Terms and Conditions. It is not permitted to issue information or statements differing from this prospectus. Any purchase or sale of units on the basis of information or statements not contained in this prospectus shall be at the exclusive risk of the purchaser. This prospectus is supplemented by the latest Annual Report. If the Annual Report is dated more than eight months in the past, the latest Semi-Annual Report must also be offered to the purchaser prior to entering into any agreement.**

## 1. General Provisions

The investment fund ETFlab DJ EURO STOXX 50<sup>®</sup> (hereinafter referred to as the "Investment Fund") is a Directive-compliant securities investment fund as defined by the German Investment Act (InvG). It is managed by ETFlab Investment GmbH (hereinafter referred to as the "Company").

Management of the Investment Fund consists primarily of investing the money that investors have deposited with the Company in various assets, separated from the assets of the Company and in accordance with the principle of risk diversification. The Investment Fund is not part of the Company's insolvency assets.

The assets in which the Company may invest and the regulations to be observed when so doing are stated in the Investment Act and the terms and conditions, which govern the legal relationship between the investors and the Company. The terms and conditions contain a General and a Special Section ("General and Special Terms and Conditions"). Application of the terms and conditions to an investment fund is generally subject to approval by the Federal Agency for Financial Services Supervision<sup>1</sup> (Federal Agency). The only exception to this rule is the provision in the Special Terms and Conditions referring to the fees and reimbursement of expenses that may be charged to the Investment Fund. In the case of the Investment Fund, this is Article 29 of the Special

Terms and Conditions (for details of fees and reimbursement of expenses see "Issue and redemption prices and expenses" and "Management fees and other expenses").

The full prospectus and the simplified prospectus, the terms and conditions as well as the current Annual and Semi-Annual Reports may be obtained free of charge from the Company. The terms and conditions are annexed to this prospectus. They are also available on the Internet website: [www.etflab.de](http://www.etflab.de).

Information on investment limits indicated by risk management for this Investment Fund, risk management methods and the latest developments concerning risks and returns of the major categories of assets in this investment fund are available from the Company in electronic or written form.

The Company is entitled to amend the terms and conditions. Such amendments may also involve significant changes to the investment policy of the Investment Fund. Amendments to these terms and conditions require the approval of the Federal Agency, with the exception of rules regarding fees and reimbursement of expenses. Amendments to the Investment Fund's investment principles additionally require the consent of the Company's Supervisory Board. The proposed amendments shall be announced in the electronic version of the Federal Gazette [*Bundesanzeiger*] and, additionally, in a business publication or daily newspaper with a sufficient circulation, or on the Internet website: [www.etflab.de](http://www.etflab.de).

The amendments will take effect no earlier than one day after their publication in the electronic Federal Gazette. The earliest date on which amendments to the regulations concerning fees and reimbursement of expenses shall come into force is six months after the relevant announcement, unless an earlier date is specified with the consent of the Federal Agency. The earliest date on which amendments to the Investment Fund's current investment principles shall come into force is six months after announcement in the electronic Federal Gazette. Such amendments are only permitted on the condition that the Company makes an offer to investors to exchange the units, free of charge, for units of investment funds with comparable investment principles.

## 2. Management Company

The Management Company of the investment fund described in detail in this prospectus is ETFlab Investment GmbH, established on 7 February 2008 with registered office in Munich. The Company is an investment management company as defined in

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<sup>1</sup> Bundesanstalt für Finanzdienstleistungsaufsicht

the German Investment Act (InvG) in the legal form of a limited liability company (GmbH).

The Company may also manage Mixed Investment Funds in addition to Directive-compliant investment funds.

For further information on the management of the Company, the composition of its Supervisory Board and shareholders, as well as the amount of its subscribed and paid-in capital, please consult the information in the final section of this prospectus.

### **3. Licensor and Licence Agreement**

The DJ EURO STOXX 50<sup>®</sup> (price index) (hereinafter referred to as the "Underlying Index") is a registered trademark of STOXX and Dow Jones (hereinafter referred to as the "Licensor") and is thus protected against unauthorised use. The Licensor grants licences for use of the Underlying Index in connection with the issue of financial products.

The Company has concluded a licence agreement with the Licensor which grants the Company the right to use the index as the Underlying Index for the Investment Fund.

### **4. Disclaimer of Liability by the Licensor**

The relationship of STOXX and Dow Jones with ETFlab Investment GmbH is limited to the licensing of the Dow Jones EURO STOXX 50<sup>®</sup> Index and related trademarks for use in connection with the investment fund ETFlab DJ EURO STOXX 50<sup>®</sup>.

#### **STOXX and Dow Jones:**

**Do not conduct any sales or transfers of ETFlab DJ EURO STOXX 50<sup>®</sup> and do not carry out any promotional or advertising activities for the investment fund ETFlab DJ EURO STOXX 50<sup>®</sup>.**

**Do not make any investment recommendations for the investment fund ETFlab DJ EURO STOXX 50<sup>®</sup> or any other securities.**

**Do not accept any responsibility or liability whatsoever and do not make any decisions in respect of investment timing, volume or price of ETFlab DJ EURO STOXX 50<sup>®</sup>.**

**Do not accept any responsibility or liability whatsoever for the management and marketing of ETFlab DJ EURO STOXX 50<sup>®</sup>.**

**Are not obliged to take account of the claims of the investment funds or of the owner of the investment funds in the specification, composition or calculation of the Dow Jones EURO STOXX 50<sup>®</sup> Index. STOXX and Dow Jones do not accept any liability whatsoever in relation to the investment fund ETFlab DJ EURO STOXX 50<sup>®</sup>.**

**Specifically, STOXX and Dow Jones make no warranties whatsoever, express or implied, and disclaim any and all warranty in respect of:**

**The results achieved and not obtained by ETFlab DJ EURO STOXX 50<sup>®</sup>, the owner of ETFlab DJ EURO STOXX 50<sup>®</sup> or any other person in connection with the use of the Dow Jones EURO STOXX 50<sup>®</sup> Index and the data contained in the Dow Jones EURO STOXX 50<sup>®</sup> Index;**

**The accuracy or completeness of the Dow Jones EURO STOXX 50<sup>®</sup> Index and the data contained therein;**

**The marketability and suitability for a particular purpose or particular use of the Dow Jones EURO STOXX 50<sup>®</sup> Index and the data contained therein;**

**STOXX and Dow Jones accept no liability whatsoever for errors, omissions or faults in the Dow Jones EURO STOXX 50<sup>®</sup> Index or the data contained therein;**

**STOXX or Dow Jones are not liable under any circumstances for any lost profits or indirect, special or consequential damages or for punitive compensation, even if STOXX or Dow Jones were informed of the possibility of such damages occurring.**

**The licence agreement between ETFlab Investment GmbH and STOXX is concluded solely in their favour and not in favour of the owner of the investment fund ETFlab DJ EURO STOXX 50<sup>®</sup> or any other third party.**

## 5. Custodian Bank

The German Investment Act (InvG) provides for a separation of the duties of management and custody for investment funds. The Company has appointed a different credit institution as custodian bank to assume custody of the assets contained in each particular investment fund. The custodian bank keeps the fund's assets in blocked custody accounts or blocked accounts, unless bank deposits are held in blocked accounts at other credit institutions. The custodian bank shall ensure in particular that the issue and redemption of units and the calculation of the investment fund's net asset value complies with the requirements of the InvG and the terms and conditions, that the equivalent value of all transactions made for the joint account of the investors will be received within the usual time limits, and the income from the Investment Fund will be used in accordance with the provisions of the InvG and the terms and conditions. The custodian bank must also review whether the use of blocked accounts at another credit institution is in compliance with the InvG and the terms and conditions. If this is the case, it must grant its authorisation for such investment.

The Company determines the value of the Investment Fund.

DekaBank Deutsche Girozentrale, whose registered office is located at Mainzer Landstr. 16, Frankfurt/Main, Germany, has assumed the function of custodian bank for the Investment Fund. DekaBank is a credit institution under German law. Its principal activities are the maintenance of current and deposit accounts, the provision of credit and securities transactions. The appointment of the custodian bank ensures that investors will receive any dividend distributions and that unit certificates will be redeemed. For more details on the custodian bank, please consult the final section in this prospectus.

## 6. The Investment Fund

The Investment Fund was launched on 14 March 2008 and is of unlimited duration. The investors are joint owners or creditors of a fraction of the assets of the Investment Fund in proportion to the number of units they hold. Unit certificates are made out to bearer and certify the bearer's claims against the Company.

## 7. Investment Objective

The purpose of asset selection for the Investment Fund is to track the DJ EURO STOXX 50® (price index) while maintaining an appropriate level of risk. The investment objective of the Investment Fund is to achieve performance which reflects that of the Underlying Index. For this purpose, the Fund will aim to track the Index exactly. Income is reinvested.

To this end, the Underlying Index is used as the basis for making decisions on the purchase and sale of assets and their weighting in the Investment Fund (passive management).

It must be noted, however, that there are certain factors forming an obstacle to exact tracking of the Index. For example, transaction expenses and management fees, which reduce the value of the unit price, are not included in the calculation of the Index.

**NO ASSURANCE CAN BE GIVEN THAT THE INVESTMENT OBJECTIVE WILL BE ACHIEVED.**

## 8. Investment Principles

### 8.1 General

The Company may only acquire such assets on behalf of the Investment Fund that are intended to track a securities index approved by the Federal Agency while maintaining appropriate diversification of risk. In order to track the Index as closely as possible, the Company must replicate all changes to the Underlying Index in the Investment Fund (e.g. by adding new shares). At its sole discretion, the Company may assess when the Investment Fund should be adjusted, and whether an adjustment is appropriate in consideration of the investment objective.

Under Section 63 InvG, an index shall be approved if

the composition of the index is sufficiently diversified,

the index represents an adequate benchmark for the market to which it refers, and

the index is published in an appropriate manner.

The Underlying Index meets these requirements.

**Because of the link between the Investment Fund and the Index and because certain issuer and investment limits may be exceeded as a result, the principle of risk diversification will only apply to a limited extent for the Investment Fund.**



The Company may acquire the following assets for the Investment Fund, which are aimed at tracking the Underlying Index:

1. Securities as defined in Section 47 InvG
2. Money market instruments as defined in Section 48 InvG
3. Bank deposits as defined in Section 49 InvG
4. Investment fund units as defined in Section 50 InvG
5. Derivatives as defined in Section 51 InvG
6. Other investment instruments as defined in Section 52 InvG.

In selecting assets for the Investment Fund, only securities may be acquired that are included in the securities index or introduced to it following a change to the index (hereinafter referred to as "Index Securities"), securities that are issued on these Index Securities or on the Underlying Index, and derivatives on assets as defined in Section 51 Para. 1 InvG and investment units as defined in Article 8 of the General Terms and Conditions.

## 8.2 Duplication level

When replicating the Underlying Index in the context of direct duplication of the Index, priority shall be given to investments in Index Securities over investments in any other assets used for replicating the Index. The Underlying Index may be replicated using securities or derivatives that indirectly replicate the Index only for purposes of maintaining the investment restrictions listed in Article 11 Para. 6 of the General Terms and Conditions.

In order to replicate the Securities Index, the duplication level may not be less than 95% of the total assets in the Investment Fund as defined in Article 4 Para 3 Sentence 1 of the General Terms and Conditions. Derivatives shall be included in the calculation of the duplication level with their value as defined in the regulation on risk management and risk measurement in investment funds (DerivateV) issued pursuant to Section 51 Para. 3 InvG.

The duplication level reflects the proportion of securities and derivatives as defined in Section 51 Para. 1 InvG in the Investment Fund that corresponds with the Securities Index in terms of weighting. The duplication level is defined as being equal to 100 less one-half of the sum of the differences between the weighting of the securities in the Index and the applicable weighting of the securities included in the total assets of the Investment Fund, totalled for all securities and applicable values for derivatives according to Section 51 Para. 1 InvG in the Investment Fund and for all securities in the Index. Article 4 Para. 5 of the General Terms and Conditions includes more detailed information on calculating the duplication level.

## 9. Assets in Detail

### 9.1 Securities

The Company may acquire, on behalf of the Investment Fund, securities of domestic and foreign issuers,

1. if they are admitted to trading on a stock exchange in a Member State of the European Union or in another state that is a party to the Agreement on the European Economic Area, or they are admitted to trading in another regulated market or included in such market in any of these states,
2. if they are exclusively admitted to trading on a stock exchange in a country that is not a Member State of the European Union or in another state that is not a party to the Agreement on the European Economic Area, or they are admitted to trading in another regulated market or included in such market in any of these states, provided the selection of such stock exchange or regulated market is approved by the Federal Agency,
3. if they are units in closed funds that meet the criteria specified in Section 47 Para. 1 Sentence 1 No. 7 InvG,
4. if they are financial instruments that meet the criteria specified in Section 47 Para. 1 Sentence 1 No. 8 InvG.

Securities may be acquired from new issues if their conditions of issue require that an application for admission to one of the stock exchanges or regulated markets mentioned under 1 and 2 must be submitted, and admission or inclusion is completed within one year after issue.

Securities as defined in No. 1 and 2 as well as securities from new issues may also only be acquired if additionally the requirement specified in Section 47 Para. 1 Sentence 2 InvG is met. This provision refers to Art. 2 Para. 1 of Directive 2007/16/EC (UCITS Implementing Directive), which states that a security must meet the following criteria, among others, in order to be acquired as a security for the Investment Fund:

- the potential loss that the Investment Fund may incur through holding the security may not exceed the amount paid for it,
- acquisition of the security may not limit the liquidity of the Investment Fund such that it is no longer possible to service investors' requests to redeem their units,
- the security must be negotiable and its risks must be captured appropriately by the Investment Fund's risk management.

Securities may also be acquired in the form of equities to which the Investment Fund is entitled as part of a capital increase from company resources, or in exercise of subscription rights belonging to the Investment Fund. Partly paid-in

equities and subscription rights on such equities may also be acquired.

Subscription rights are also considered to be securities provided the securities from which the subscription rights are derived could be included in the Investment Fund.

## **9.2 Money market instruments**

Money-market instruments are instruments that are usually traded on the money market, as well as interest-bearing securities that have a residual term of a maximum 397 days at the time of their acquisition, for which the interest payments are adjusted to market conditions regularly throughout their entire term, although at least once in 397 days, on the basis of the conditions of issue, or their risk profile corresponds to the risk profile of such securities.

Money market instruments may only be acquired for the Investment Fund if they

1. are admitted to trading on a stock exchange in a Member State of the European Union or in another state that is a party to the Agreement on the European Economic Area, or they are admitted to trading in another regulated market or included in such market in any of these states,
2. are exclusively admitted to trading on a stock exchange in a country that is not a Member State of the European Union or in another state that is not a party to the Agreement on the European Economic Area, or they are admitted to trading in another regulated market or included in such market in any of these states, provided the selection of such stock exchange or regulated market is approved by the Federal Agency,
3. are issued or guaranteed by the European Communities, the German Federal Government, a special set of assets of the Federation, a constituent state, another Member State or another central, regional or local authority or the central bank of a Member State of the European Union, the European Central Bank or the European Investment Bank, a state that is not a Member State of the European Union or, in the case of a federal state, by one of the members making up the federation, or by a public international body of which one or more Member States of the European Union are members,
4. are issued by a company whose securities are traded on the markets described in No. 1 and 2,
5. are issued or guaranteed by a credit institution subject to official supervision in accordance with criteria defined by European Community law, or by a credit institution that is subject to and complies with supervisory requirements considered by the Federal Agency to be equivalent to those stipulated by European Community law; or

6. are issued by other issuers that meet the requirements of Section 48 Para. 1 Sentence 1 No. 6 InvG.

Money market instruments as defined in No. 1 to 6 may only be acquired if they meet the relevant requirements of Section 48 Para. 2 and 3 InvG.

## **9.3 Bank deposits**

The Company may hold on behalf of the Investment Fund bank deposits with a term not exceeding twelve months. The bank deposits, which must be held in the form of blocked accounts, may be held by a credit institution that has its registered office in a Member State of the European Union or another state that is a party to the Agreement on the European Economic Area, or by a credit institution that has its registered office in a non-Member State, provided that it is subject to the supervisory requirements considered by the Federal Agency as equivalent to those stipulated in Community law. Bank deposits may also be denominated in foreign currencies.

## **9.4 Investment fund units**

The Company may invest in units of other investment funds (investment fund units), which for their part invest principally in securities, money market instruments, bank deposits, derivatives and other investment instruments as defined in Section 52 InvG. The terms and conditions of these other investment funds must stipulate that no more than 10% of their net assets may be invested in units of investment funds. Units of domestic Directive-compliant investment funds and non-Directive-compliant investment funds may be acquired, as well as Directive-compliant EC investment fund units and other foreign investment fund units. Units in investment stock corporations complying with the specified investment fund units may also be acquired. It must be possible for the investment fund units to be redeemed on a daily basis.

The Company may acquire for the account of the Investment Fund no more than 25% of the issued units of another investment fund.

## **9.5 Other investment instruments**

The Company may invest for the account of the Investment Fund up to 10% of the Investment Fund's net assets in other investment instruments as defined in Section 52 InvG.

## **9.6 Derivatives**

The Company may only employ the following basic types of derivatives, or combinations of these derivatives, or combinations of other assets that may be purchased for the Investment Fund with these derivatives in the Investment Fund: forward contracts on securities, money market instruments, other investment instruments,

recognised financial indices, interest rates, exchange rates or currencies, options or warrants on securities, money market instruments, other investment instruments, recognised financial indices, interest rates, exchange rates or currencies, and on forward contracts as defined in letter a), if the option may be exercised either during the entire term or at the end of the term, and the option value is a fraction or a multiple of the difference between the underlying price and the market price of the underlying security and becomes zero if the difference has the opposite sign; interest rate swaps, currency swaps or interest rate/currency swaps, options on swaps as defined in c), if they have the characteristics as defined in b) (swaptions). Credit default swaps may not be entered into.

The above financial instruments may be independent assets or a component of other assets.

**The Company may conduct transactions with derivatives and financial instruments with a derivative element on behalf of the Investment Fund as part of its investment strategy. This may increase the risk of loss for the Investment Fund, at least temporarily. The Company may not conduct transactions with derivatives for hedging purposes on behalf of the Investment Fund.**

If derivatives are used, the potential market risk of the Investment Fund may be doubled. Market risk is the risk associated with the unfavourable performance of market prices for the Investment Fund. When determining the potential market risk for the use of derivatives, the Company applies the simple approach as defined in the Derivatives Regulation (DerivateV).

#### ***9.6.1 Forward contracts***

The Company may, for the account of the Investment Fund and within the scope of the investment principles, enter into forward contracts on all securities and money market instruments acquirable for the Investment Fund, and on recognised financial indices, interest rates, exchange rates or currencies. Forward contracts are agreements which unconditionally bind both parties to buy or sell a particular amount of a certain underlying asset at a predetermined price (strike price) at a certain point in time (settlement date), or within a certain period.

#### ***9.6.2 Options transactions***

The Company may, for the account of the Investment Fund and within the scope of the investment principles, buy and sell call and put options on securities and money market instruments, and on recognised financial indices,

interest rates, exchange rates or currencies, as well as trade in warrants. Options transactions involve granting to a third party, against payment of a premium, the right to demand delivery or acceptance of assets during a specific period of time or at the end of a specific period at a predetermined price (strike price), or to demand payment of a cash settlement, or to itself acquire equivalent options. The options or warrants must provide for exercise during the entire term or at the end of the term. In addition, the option value at the time of being exercised must be a fraction or a multiple of the difference between the underlying price and the market price of the underlying security and becomes zero if the difference has the opposite sign.

#### ***9.6.3 Swaps***

The Company may, for the account of the Investment Fund and within the scope of the investment principles, enter into interest rate swaps, currency swaps or interest rate/currency swaps. Swaps are exchange contracts in which the cash flows or risks on which the transaction is based are exchanged between the contracting parties.

#### ***9.6.4 Swaptions***

Swaptions are options on swaps. Only those swaptions that comprise the options and swaps described above may be acquired for the account of this Investment Fund. A swaption is the right, but not the obligation, to enter into a swap, specified precisely with regard to the conditions, at a certain point in time or within a certain period. In all other respects the principles established in relation to options transactions shall apply.

#### ***9.6.5 Securitised financial instruments***

The Company may also purchase the financial instruments described above if they are securitised. The transactions pertaining to financial instruments may also be only partially included in securities (e.g. warrant-linked bonds). The statements on opportunities and risks apply accordingly to such securitised financial instruments, but subject to the condition that the risk of loss in the case of securitised instruments is limited to the value of the security.

#### ***9.6.6 OTC Derivatives***

The Company may conduct both derivative transactions that are admitted to trading on a stock exchange or are included in another regulated market, and over-the-counter (OTC) transactions. Derivative transactions that are not admitted to trading on an exchange and not included in another regulated market may only be conducted by the Company with appropriate credit institutions or financial services institutions and on

the basis of standardised master agreements. In the case of OTC derivatives, the counterparty risk of a contracting party is limited to 5% of the Investment Fund's net assets. If the counterparty is a credit institution that has its registered office in the European Union, the European Economic Area or a state that is not a member of either of those organisations but has comparable levels of regulatory supervision, the counterparty risk may total up to 10% of the value of the Investment Fund. OTC derivative transactions that are concluded with a central clearing unit of a stock exchange or another regulated market as contracting partner, shall not be counted towards the counterparty limits if the derivatives are subject to daily valuation at market prices with daily margin settlement.

## **10. Investment Limits for Securities and Money-Market Instruments**

### **10.1 Issuer limits**

The Company must comply with the limitations and restrictions specified in the Investment Act (InvG) and in the terms and conditions in its management of the Investment Fund.

The Company may invest no more than 20% of the value of the Investment Fund in securities of the same issuer (borrower). This limit may be increased to up to 35% of the value of the Investment Fund for securities from a single issuer. However, an investment up to this limit is permissible only for one individual issuer (borrower).

For assets based on the Underlying Index, the market price of the Index Securities shall be counted towards the respective issuer limits on a *pro rata* basis. The same applies to assets based on a single Index Security or on a basket of Index Securities. Derivatives and financial instruments with a derivative component are counted towards the issuer limits in accordance with Sections 18 ff. Derivatives Regulation (DerivateV).

### **10.2 Investment restrictions**

The Company may invest up to 5% of the value of the Investment Fund in bank deposits and money market instruments as defined in Sections 6 and 7 of the General Terms and Conditions.

Not less than 95% of the value of the Investment Fund must be invested in Index Securities, securities that are issued on these Index Securities or on the Underlying Index as well as in derivatives on assets as defined in Section 51 Para. 1 InvG and investment fund units as defined in Article 8 of the General Terms and Conditions on the Underlying Index.

## **11. Lending Transactions**

Assets contained in the Investment Fund may be lent to third parties at market rates. If the securities are transferred to a third party for an unlimited period, the Company may give notice to terminate the loan at any time. It shall be a term of contract that assets of the same kind, quality and quantity shall be returned to the Investment Fund at the end of the term of the loan. A requirement for the transfer of assets by way of a loan is that the Investment Fund be provided with sufficient collateral. Cash balances may be assigned or pledged, or securities can be assigned or pledged to satisfy this requirement. The Investment Fund shall receive the income from the collateral. The borrower is also obliged to pay the interest accrued on the borrowed securities upon maturity of the loan to the custodian bank for the account of the Investment Fund. If securities are lent for a fixed period, such lending is limited to 15% of the value of the Investment Fund. The securities transferred to one borrower may not exceed 10% of the value of the Investment Fund. The Company may not grant cash loans to third parties on the account of the Investment Fund.

## **12. Securities Repurchase Agreements**

The Company may conclude securities repurchase agreements for the account of the Investment Fund with credit institutions and financial services institutions for a maximum period of twelve months. Repurchase agreements are only permitted in the form of "genuine repurchase agreements". In doing so, the pledgee assumes the obligation to re-transfer the assets at a specific time or at a time to be determined by the pledgor.

## **13. Borrowing**

On the joint account of the investors, the Company may raise short-term loans for amounts of up to 10% of the value of the Investment Fund, provided the terms of the loan are at market rates and the custodian bank consents to the loan.

## **14. Valuation**

### **14.1 General rules for asset valuation**

Assets that are listed on exchanges or included in another regulated market, as well as subscription rights for the Investment Fund, will generally be valued at their market price, unless indicated otherwise in the section below entitled "Special valuation rules".

Assets not listed on exchanges nor included in another regulated market, or for which there is no trading price, will be valued at their current market value deemed appropriate on the basis of a careful assessment using suitable valuation models and consideration of current market conditions, unless indicated otherwise in the section below entitled "Special valuation rules".

### **14.2 Special valuation rules for individual assets**

#### ***14.2.1 Unlisted bonds and note loans***

For the purposes of valuing bonds that are not admitted to official listing or included in a regulated market (e.g. unlisted debt instruments, commercial papers and certificates of deposit) and for the valuation of note loans, the market prices agreed for comparable bonds and note loans and, if applicable, the market prices of bonds from comparable issuers and with equivalent maturities and interest rates shall be used, less a discount to compensate for limited marketability, if necessary.

#### ***14.2.2 Money market instruments***

Money-market instruments are valued at the prevailing market rates. Interest and related income as well as expenses (e.g. management fees, custodian fees, auditors' fees, publication costs, etc.) shall be taken into account up to and including the day prior to the value date.

#### ***14.2.3 Derivatives***

Options owned by an investment fund and liabilities from options granted to third parties that are admitted to trading on an exchange or included in another regulated market shall be valued at the last known price.

The same shall apply to claims and liabilities arising from forward contracts concluded for the account of the Investment Fund. The initial margins charged to the Investment Fund shall be included in the value of the Investment Fund, taking into account the gains and losses in valuation established on the exchange trading day. Swaps shall be valued at the market value deemed appropriate on the basis of a careful assessment using suitable valuation models and taking into consideration overall circumstances.

#### ***14.2.4 Bank deposits, other assets, liabilities, time deposits and investment fund units***

Bank deposits and certain other assets (e.g. interest claims), claims, e.g. accrued interest claims as well as liabilities are generally valued at their nominal value.

Time deposits are valued at the yield price if the time deposit can be terminated at any time and repayment upon termination is at the yield price. Investment fund units are valued at redemption price.

#### ***14.2.5 Lending transactions***

The market price of the assets transferred as loans shall be applied in the valuation of repayment claims arising from securities lending.

#### ***14.2.6 Securities repurchase agreements***

Securities subject to repurchase agreements for the account of the Investment Fund shall continue to be taken into account in the valuation. The amounts received for the account of the Investment Fund under securities repurchase agreements shall be shown as liquid funds (bank balance).

Securities acquired under repurchase agreements for the account of the Investment Fund shall not be included in the valuation. Because of the payment made by the Investment Fund, a claim against the pledgor in the amount of the discounted repayment obligations shall be taken into account in the valuation.

#### ***14.2.7 Assets denominated in foreign currency***

Assets denominated in foreign currency shall be converted into euro on a same-day basis, using the The WM Company's afternoon fix for the currency for the exchange rate.

## **15. Performance**

As the Investment Fund was only launched on 14 March 2008, no statement can yet be made concerning its performance.

**Past performance of the Investment Fund is not necessarily a guide to future results.**

## 16. Risk Notices

**Due to its composition and the techniques used by fund management, the Investment Fund possesses a high degree of volatility, i.e. even within short periods of time the unit prices may be subject to significant fluctuations upwards or downwards.**

The performance of the Investment Fund is influenced in particular by the following factors, which give rise to both opportunities and risks:

- performance on equity markets,
- company-specific developments.

### 16.1 General

**The assets in which the Company invests for the account of the Investment Fund contain risks as well as opportunities for growth. Losses may be incurred if the market value of the assets decreases in relation to the purchase price. If an investor sells units in the Investment Fund on a date on which the prices of the assets in the Investment Fund have fallen in comparison with the date on which the units were purchased, this will result in his getting back none of the money he invested in the Investment Fund or less than the full amount. Although each Investment Fund seeks steady growth, such growth cannot be guaranteed. However, investor risk is limited to the amount invested. Investors will not be required to make any payments beyond the sum invested.**

### 16.2 Possible range of investment

In observance of the investment principles and limits stipulated in the InvG and the terms and conditions, the investment policy may be directed at acquiring assets primarily, for example, from only a few sectors, markets or regions/countries. The focus on a few specific investment sectors may be associated with particular opportunities, but they are countered by corresponding risks (e.g. narrow markets, a broad range of fluctuation within certain economic cycles). The annual report contains information on the content of investment policy retrospectively for the past reporting year.

### 16.3 Risk of deviation

Temporary unavailability of certain securities on the market or other exceptional circumstances may lead to a deviation from the exact index performance. Furthermore, the Investment Fund

incurs transaction costs and other costs, fees or taxes and levies when tracking the Underlying Index, which are not reflected in calculating the index. As a result, the Investment Fund may not be able to completely replicate the performance of the Underlying Index.

### 16.4 Risk of loss

If the Underlying Index decreases in value, investors are fully exposed to the risk of falling market price of their fund units. The Company will not use hedging transactions to limit losses (no active management).

### 16.5 Market risk

The price performance or market performance of financial products is especially dependent on the performance of the capital markets, which in turn are influenced by the general state of the global economy and by the economic and political conditions in the respective countries. Irrational factors such as sentiment, opinions and rumours have an effect on general price performance, particularly on a stock exchange.

### 16.6 Country or transfer risk

Country risk refers to the risk that a foreign debtor, despite solvency, cannot make payments on time or cannot make them at all, due to lack of the ability or willingness to transfer payments on the part of his country of residence. This means that, for example, payments to which the Investment Fund is entitled may not be made, or they may be made in a currency that is no longer convertible due to restrictions on currency exchange.

### 16.7 Settlement risk

In particular when investments are made in unlisted securities, there is the risk that the settlement through a transfer system may not be executed as expected because of delayed payment or delivery or because of payment or delivery not as agreed by contract.

### 16.8 Liquidity risk

It is also permitted to acquire for the Investment Fund assets that are not admitted to official trading on an exchange or included in a regulated market. Acquiring assets of this type incurs the risk that there may in particular be problems in selling the assets on to third parties.

### 16.9 Risk of default

The default of an issuer or counterparty may result in losses for the Investment Fund. Issuer risk describes the effect of the particular developments concerning the respective issuer which, in addition to the general trends on the capital markets, have an effect on the price of a security. Even when securities are carefully

selected, the possibility cannot be excluded that losses may result from a decline in the assets of issuers. Counterparty risk comprises the risk that a counterparty to a reciprocal contract partially or completely defaults on its liabilities. This applies to all contracts that are entered into on behalf of an investment fund.

#### **16.10 Currency risk**

If assets of an investment fund are invested in currencies other than the fund currency, the Investment Fund receives the income, repayments and proceeds from such investments in the respective currency. If the value of this currency falls in relation to the fund currency, this reduces the value of the Investment Fund.

#### **16.11 Custodial risk**

When assets are held in custody, especially in foreign countries, there is a risk of loss resulting from the insolvency, violation of due diligence or improper conduct on the part of the custodian or a sub-custodian.

#### **16.12 Concentration risk**

Since the Underlying Index is tracked, the Investment Fund focuses on investing in assets of a particular market. This makes the Investment Fund dependent on the performance of this market, and not on the overall market.

#### **16.13 Performance risk**

Positive performance cannot be assured in the absence of a guarantee provided by a third party. In addition, assets acquired for investment may develop differently from performance expected on acquisition.

#### **16.14 Political risk/regulatory risk**

The Investment Fund may invest abroad. This involves the risk of detrimental international political developments, changes in government policy, taxation and other changes in the legal status.

#### **16.15 Inflation risk**

All assets are subject to devaluation through inflation.

#### **16.16 Legal and tax risk**

The legal and tax treatment of investment funds may change in ways that cannot be predicted or influenced. A change in mistakenly established tax bases for previous financial years (e.g. by the external auditor) may lead, when a correction is disadvantageous to the investor, to the investor having to bear the tax burden for previous financial years even though that investor may not have been invested in the Investment Fund at that time. Conversely, the situation may arise where an investor may no longer benefit from an

advantageous correction relating to the current and previous financial years in which he was invested in the Investment Fund because he has redeemed or sold his units before the related change is implemented.

Furthermore, a correction to tax data may lead to taxable income or tax advantages being assessed in a tax year other than the one to which it/they actually relate and to this having a negative effect on the individual investor.

#### **16.17 Change in investment policy**

A change to the investment policy within the investment spectrum permitted for the Directive-compliant investment fund can change the substance of the risk associated with the Investment Fund.

#### **16.18 Amendment to terms and conditions; liquidation or merger**

In the terms and conditions for the Investment Fund, the Company reserves the right to change those terms and conditions. In addition, the Company may, in accordance with the terms and conditions, completely liquidate the Investment Fund or merge it with another investment fund which it also manages. For the investor, this entails the risk that the holding period planned by the investor will not be realised.

#### **16.19 Risk of suspension of redemption**

Investors may request the redemption of their units from the Company on any valuation day. The Company may, however, temporarily suspend redemption of units for a limited time in exceptional circumstances and then redeem the units at a later date at the applicable price at that time. This price may be lower than the one before suspension of redemption.

#### **16.20 Risk of changes in interest rates**

Investing in fixed-interest securities is associated with the possibility that the level of market interest rates existing at the time a fixed-interest security is issued can change. If market interest rates rise in comparison with the interest rates at the time of issue, the prices of fixed-interest securities will generally fall. If, on the other hand, the market interest rate falls, the price of fixed-interest securities will rise. This price trend means that the current return on a fixed-interest security is roughly equivalent to the current market interest rate. The price fluctuations are different, however, depending on the maturity of the fixed-interest securities. Fixed-interest securities with shorter maturities generally have lower price risks than fixed-interest securities with longer maturities. However, fixed-interest securities with shorter maturities generally have lower returns in

comparison with fixed-interest securities with longer maturities.

Due to their short maturity of not more than twelve months, money market instruments tend to have lower price risks.

### **16.21 Risks related to derivative transactions**

Buying and selling options as well as entering into forward contracts or swaps involve the following risks:

- Price changes in the underlying security may reduce the value of an option right or forward contract such that it is valueless. The Investment Fund may also suffer losses due to change in value of the asset on which a swap is based.
- Any necessary back-to-back transactions (closing of position) incur costs.
- The leverage effect of options may affect the value of the fund's assets more than would be the case with the direct purchase of the underlying securities.
- The purchase of options entails the risk that the option is not exercised because the prices of the underlying securities do not rise as expected, and therefore the Investment Fund loses the option premium it paid. If options are sold, there is the risk that the Investment Fund may be obliged to buy assets at a price that is higher than the current market price, or obliged to deliver assets at a price which is lower than the current market price. In that case, the Investment Fund suffers a loss amounting to the price difference minus the option premium which had been received.
- Forward contracts also entail the risk that the Investment Fund may make losses due to market prices not having performed as expected at maturity.

## **17. Profile of a Typical Investor**

The Investment Fund is intended for the growth-oriented investor seeking returns higher than those from capital-market interest rates, with capital growth generated primarily through opportunities in the equity and currency markets. Safety of the investment and liquidity are subordinate to potentially high returns. This entails higher equity and interest-rate, as well as creditworthiness risks, all of which may result in price losses.

## **18. Units**

The rights of the investors in the Investment Fund are certificated exclusively in global certificates. These global certificates shall be held in custody

by a central depository for securities. No claim can be made by an investor for the delivery of individual unit certificates. It is only possible to acquire units in conjunction with depository custody. The units are bearer units and certify the claims of the bearer vis-à-vis the Company.

## **19. Issue and Redemption of Units by the Company**

The Company prohibits all activities involving market timing or similar practices and reserves the right to refuse subscription and exchange applications if such practices are suspected. In such cases, the Company will take all measures necessary to protect the other investors in the Fund.

### **19.1 Issue of units**

The number of units issued is not restricted. They may be acquired from the Designated Sponsor. Units shall be issued by the custodian bank at the issue price, which corresponds to the net asset value per unit plus an issue premium. The Company reserves the right to temporarily suspend or to terminate the issue of units. Concerning the issue of units, the Company defines a daily order acceptance deadline. For the Investment Fund, this is 4:30 pm at the Company or at the custodian bank. If a purchase order is received at the Company or the custodian bank before the order acceptance deadline, it shall be settled at the issue price corresponding to this order acceptance deadline. If a purchase order is not received until after the order acceptance deadline, issue and settlement shall be postponed to the next unit price. The order acceptance deadline may be amended by the Company at any time and is announced on the Internet website: [www.etflab.de](http://www.etflab.de).

The equivalent value is charged two banking days after issue of the units.

### **19.2 Redemption of units**

The Company is obliged to redeem units at the applicable redemption price on the account of the Investment Fund. Investors may demand the redemption of units on any valuation day. The custodian bank is the redemption agent.

Concerning the redemption of units, the Company defines a daily order acceptance deadline. For the Investment Fund, this is 4:30 pm at the Company or at the custodian bank. If a sales order is received at the Company or the custodian bank before the order acceptance deadline, it shall be settled at the redemption price corresponding to this order acceptance deadline. If a sales order is not received until after the order acceptance



deadline, redemption of the units and settlement shall be postponed to the next unit price. The order acceptance deadline may be amended by the Company at any time and is announced on the Internet website: [www.ETFlab.de](http://www.ETFlab.de). The equivalent value is credited two banking days after redemption of the units.

## 20. Stock Exchanges and Markets

The Investment Fund units may also be acquired and sold through a stock exchange.

### 20.1 General

The units of the Investment Fund are admitted to trading on the following stock exchange: Frankfurter Wertpapierbörse, Deutsche Börse AG, Neue Börsenstrasse 1, 60487 Frankfurt/Main, Germany

The possibility of units being traded on other markets cannot be excluded.

Deutsche Börse AG calculates the indicative net asset value of the Investment Fund continuously during trading hours. The Company provides Deutsche Börse AG with the information required to calculate the indicative net asset value once a day.

The market price underlying exchange trading or dealing in other markets is not determined exclusively by the value of the assets held in the Investment Fund. Supply and demand are also contributing factors. For this reason, the market price may deviate from the calculated price of the units.

### 20.2 Designated Sponsor

The Designated Sponsor, also called "market maker", ensures sufficient liquidity for both buyers and sellers. A Designated Sponsor provides a purchase (bid) price and a sales (ask) price at which investors can purchase or sell fund units at any time.

### 20.3 Risks of exchange trading

The obligation of the Designated Sponsor to maintain liquidity is limited to certain volumes (minimum quotation volumes) at maximum spreads. The minimum quotation periods of bid and offer prices do not usually extend to the entire effective trading period. Consequently, there may be short interruptions in the provision of prices, with the result that an order may be executed outside the quality criteria specified for that exchange.

### 20.4 Issue and redemption of units on the stock exchange

Investors can place orders on the relevant stock exchange through their banks or brokers to

purchase or sell units in the Investment Fund. Investors are generally charged for this service. The Company has no control over these charges. No issue premiums or redemption deductions apply to units purchased or sold on an exchange. Normal costs and fees associated with stock exchange trading and custody are not affected by the above.

## 21. Suspension of the Redemption of Units

The Company may temporarily suspend redemption of units in exceptional circumstances when suspension appears necessary to protect the interests of the investors. Exceptional circumstances include, for example, if there is an unscheduled closing of a stock exchange on which a significant portion of the securities of the Investment Fund is traded or if the assets of the Investment Fund cannot be valued.

The Company reserves the right to redeem or exchange the units at the current price only after it has promptly sold assets held by the Investment Fund with due consideration of the interests of all investors.

The Company shall notify the investors about suspension of the redemption of units and its resumption by means of an announcement in the electronic version of the Federal Gazette and additionally in business publications or daily newspapers with sufficient circulation, or on the Internet website: [www.etflab.de](http://www.etflab.de).

## 22. Issue and Redemption Prices and Expenses

### 22.1 Issue and redemption price

On each valuation day, the Company shall determine the value of the assets held in the Investment Fund less liabilities (net asset value) for the purpose of calculating the issue and redemption prices for the units.

The net asset value of the Investment Fund calculated in this manner divided by the number of issued units shall be equal to the net asset value per unit, hereinafter referred to as the "Net Asset Value per unit".

All exchange trading days are valuation days for units of the Investment Fund. On public holidays in Germany which are trading days, as well as on 24 December and 31 December of each year, the Company and the custodian bank may refrain from calculating the value. No calculation of unit price currently takes place on New Year's Day, Good

Friday, Easter Monday, May Day, Ascension Day, Whit Monday, Corpus Christi, Day of German Unity (3 October), 24 December, Christmas Day and Boxing Day, and New Year's Eve.

### **22.2 Issue premium**

When the issue price is determined, an issue premium shall be added to the Net Asset Value per unit. The issue premium for the Investment Fund is 2% of the Net Asset Value per unit. The Company may adopt a lower issue premium at its discretion. This issue premium may reduce or even completely eliminate the performance, especially in the case of a short investment period. For this reason, a longer investment period is recommended when considering the purchase of units. The issue premium is basically a fee for distribution of the units of the Investment Fund. The Company may pass on the issue premium as compensation for distribution services provided by any intermediaries.

### **22.3 Redemption deduction**

When the redemption price is determined, a redemption deduction is deducted from the Net Asset Value per unit. The redemption deduction is 1% of the Net Asset Value per unit. The Company may charge a lower redemption deduction at its discretion. This redemption deduction may reduce or even completely eliminate the performance, especially in the case of a short investment period. For this reason, a longer investment period is recommended when considering the purchase of units. The redemption deduction accrues to the Investment Fund.

### **22.4 Publication of issue and redemption prices**

The issue and redemption prices will be published regularly in daily newspapers and business journals with sufficient circulation, and/or on the Internet website: [www.etflab.de](http://www.etflab.de).

### **22.5 Costs incurred in the issue and redemption of units**

No additional charges shall be levied for the issue and redemption of units by the Company or the custodian bank. Issue and redemption shall take place at the issue price (Net Asset Value per unit plus issue premium) and the redemption price (Net Asset Value per unit less redemption deduction), respectively.

If units are redeemed via third parties, there may be charges associated with the redemption of units. If units are purchased via third parties, there may also be additional costs beyond the issue price.

### **22.6 Expenses**

Fees and reimbursements of expenses from the Investment Fund to the Company, the custodian bank or third parties are not subject to approval by the Federal Agency.

The Company shall receive out of the assets of the Investment Fund a daily all-in fee of 0.15% p.a. of the Investment Fund's assets, based on the net asset value calculated each exchange trading day. The following fees and expenses are included in the all-in fee, and will not be charged separately to the Investment Fund:

- fee for managing the Investment Fund (fund management, administrative functions, distribution costs);
  - customary bank custody fees including, if applicable, the customary bank expenses for holding foreign securities in custody abroad;
  - the costs for printing and mailing the Annual Reports and Semi-Annual Reports intended for the unitholders;
  - the cost of announcing the Annual Reports and Semi-Annual Reports, the issue and redemption prices and, if applicable, the distributions and any liquidation report;
  - expenses for the audit of the Investment Fund by the Company's auditors;
  - expenses for publication of the basis for taxation and certification that the tax information was determined in accordance with German tax law;
  - the cost of the licence agreement
- custodian fee.

The all-in fee can be withdrawn from the Investment Fund at any time.

In addition to the all-in fee payable to the Company, the following expenses can also be charged to the Investment Fund:

- any costs that may arise in connection with the acquisition and disposal of assets;
- any taxes that may arise in connection with administrative and custodial costs;
- costs for asserting and enforcing legal claims of the Investment Fund.

Ancillary costs incurred in connection with the purchase and sale of assets (transaction expenses) are not covered by the all-in fee and are charged separately to the Investment Fund.

In addition, the Company may receive up to one half of the income from the conclusion of securities lending transactions for the account of the Investment Fund as an all-in fee in relation to the expenses incurred in the preparation and execution of such transactions.

### **22.7 Composition of the total expense ratio (TER)**

The management costs incurred by the Investment Fund (management fee, custodian fee and additional expenses that may be charged to the

Investment Fund in accordance with Article 29 of the Special Terms and Conditions) are disclosed in the Annual Report and are expressed as a ratio of the Fund's average assets under management, the total expense ratio (TER). Transaction costs are not taken into account in the TER.

The Company does not obtain any reimbursement of the fees and reimbursement of expenses payable from the Investment Fund to the custodian bank and third parties.

Currently none of the fees paid from the Investment Fund to the investment company are used for the remuneration of brokers of units in the investment fund numbering respect of brokered units.

The Company may, at its discretion, agree with individual investors to refund to these investors some of the management fee received. This can be considered in particular if an institutional investor directly invests a large amount as a long-term investment.

### **22.8 Special arrangements on acquisition of investment fund units**

In addition to the remuneration for management of the Investment Fund, management fees are charged for other investment fund units held in the Investment Fund. This involves the Investment Fund indirectly being charged target fund management fees, including performance-related fees, as well as issue premiums and redemption deductions for the target funds. This applies likewise to other fees, reimbursement of expenses or other costs. In total, this can incur a high level of charges for investors.

In the case of the investment fund units acquired for the Investment Fund, the Annual Report and Semi-Annual Report shall contain a disclosure of the amount of the issue premiums and redemption deductions that have been charged to the Investment Fund, over the period covered by the report, for the acquisition and redemption of units of domestic and foreign target funds. The Company may not charge issue premiums or redemption deductions for the purchase of investment fund units that are managed directly or indirectly by the Company itself or by another company with which the Company is affiliated through a major direct or indirect participation; any such other company may not charge issue premiums or redemption deductions for aforementioned transactions. The Company must furthermore disclose in the reports the management fees charged to the Investment Fund for the units held in the Investment Fund by the Company itself, another investment management company, an investment corporation with variable capital or another company affiliated with the Company through a significant direct or indirect

participation, or a foreign investment company, including its management company.

## **23. Subfunds and Unit Classes**

The Investment Fund is not a subfund of an umbrella fund. All units issued have the same rights. There are no unit classes.

## **24. Financial Year and Allocation of Income**

### **24.1 Financial year**

The financial year of the Investment Fund begins on 1 February and ends on 31 January.

### **24.2 Distribution**

Within three months after the end of each fiscal year, the Company distributes the interest, dividends and income from investment fund units as well as compensation from securities lending and repurchase agreements that have accrued for the account of the Investment Fund during the financial year and have not been applied to cover costs. In addition, three interim distributions are made in the course of the financial year. Further details can be obtained from the Internet website: [www.etflab.de](http://www.etflab.de). Capital gains and other income may also be used for distributions.

### **24.3 Crediting of distributions**

If the units are held in a custody account at the custodian, the custodian's branches credit the distributions to the account free of charge. If the custody account is held at another credit institution, there may be additional expenses.

## **25. Income Equalisation Procedure**

The Company applies an income equalisation procedure for the Investment Fund. This means that the proportional income accruing during the financial year which the acquirer of the units must pay as part of the issue price and which the seller of the units receives in payment as part of the redemption price is continuously netted. The expenses incurred are taken into account in the calculation of the income equalisation procedure. This income equalisation procedure serves to even out fluctuations in the ratio between income and other assets caused by the net capital inflows and outflows associated with the issue and redemption of units. Otherwise, every net inflow of liquid funds would reduce the income element of the

Investment Fund's net asset value and every outflow would increase that element. The overall effect of the income equalisation procedure is that the income per unit shown in the Annual Report is not influenced by the number of units in circulation. In the case of distributing investment funds, it is accepted that investors acquiring units shortly before a distribution date, for instance, will receive back the portion of the issue price attributable to income in the form of a dividend, even though their paid-in capital did not contribute to the generation of that income.

## **26. Liquidation and Transfer of the Investment Fund**

Investors are not entitled to demand the liquidation of the Investment Fund. The Company may, however, terminate its management of an investment fund by giving six months' notice by way of an announcement in the electronic Federal Gazette and additionally in the Annual Report or Semi-Annual Report.

Moreover, the right of the Company to manage the Investment Fund shall lapse if insolvency proceedings concerning the assets of the Company are opened, or with the entering into legal force of the court decision by which a petition to open insolvency proceedings is rejected for lack of assets in accordance with Section 26 of the Insolvency Ordinance (*Insolvenzordnung* – InsO). In this case, the right of disposal with respect to the Investment Fund shall pass to the custodian bank, which shall wind it up or, with the approval of the Federal Agency, shall transfer management to a different investment company.

### **Procedure upon the liquidation of the Investment Fund**

In the event that the Investment Fund is liquidated, this shall be announced in the electronic Federal Gazette and, additionally, in a business publication and a daily newspaper with sufficient circulation, or on the Internet website [www.etflab.de](http://www.etflab.de). The issue and redemption of fund units will be discontinued. Proceeds from the sale of Investment Fund assets, less the Investment Fund's liabilities and liquidation costs, will be distributed to the investors. Investors shall be entitled to claim their share of the proceeds on sale of the Investment Fund's assets in proportion to fund units owned. The custodian bank has the right to deposit any unclaimed proceeds of the liquidation after a period of six months with the district court (*Amtsgericht*) having jurisdiction over the Company.

On the day on which its right to manage lapses, the Company shall prepare a liquidation report that meets the requirements of an annual report. No later than three months after the date of liquidation of the Investment Fund, the liquidation report shall be published in the electronic Federal Gazette.

## **27. Transfer of All Assets of the Investment Fund**

All assets of the Investment Fund may be transferred to another investment fund at the end of the financial year, or with the consent of the Federal Agency, on another transfer date. Likewise, all assets of another investment fund may be transferred to the Investment Fund. The other investment fund must also be managed by the Company. Its investment principles and limits, the issue premiums and redemption deductions, as well as the fees payable to the Company and the custodian bank, may not differ substantially from those of the Investment Fund.

### **Procedure for the transfer of an investment fund**

On the transfer date, the values of the absorbing fund and the transferring fund are calculated, the exchange ratio is established, and the entire procedure is reviewed by an auditor. The exchange ratio is determined based on the ratio between the net asset value of the transferred fund and that of the absorbing fund as at the date of the transfer. The investor receives the number of units in the new investment fund, the value of which corresponds to the value of his units in the transferred investment fund.

All the assets of an investment fund may only be transferred to a different one with the approval of the Federal Agency.

## **28. Summary of Tax Regulations Applicable to Investors**

All statements regarding tax regulations apply exclusively to investors who have unlimited tax liability in Germany. We recommend that, before acquiring units in the Investment Fund described in this prospectus, foreign investors consult their tax advisors in order to clarify possible tax implications arising in their own country of residence as a result of the acquisition of units. The current legal position will be presented in the section below. Since significant changes will accompany the introduction of a withholding tax

from 1 January 2009 in particular, this will be followed by a self-contained description of future tax law.

As a special-purpose fund (*Zweckvermögen*), the Investment Fund is exempt from German corporation tax and trade tax. The taxable income of the Investment Fund is, however, treated as investment income (*Einkünfte aus Kapitalvermögen*) in the income tax returns of individual investors insofar as it, together with other investment income, exceeds the annual saver's allowance, including income-related expenses, of EUR 801 (for single persons or spouses assessed separately) or EUR 1,602 (for spouses assessed jointly) applicable from the 2007 assessment period.

If the units are included in operating assets (*Betriebsvermögen*), the income will be taxable as operating income (*Betriebseinnahmen*). Under current tax legislation, the taxable income and taxable investment income components are calculated differently.

## **28.1 Units held as personal assets (taxpayers resident in Germany)**

### ***28.1.1 Gains from the sale of securities and from forward transactions***

The investor is not subject to tax on gains from the sale of securities and from forward transactions obtained at the level of the Investment Fund (Section 2 Para. 3 No. 1 Investment Taxes Act (*Investmentsteuergesetz – InvStG*)).

### ***28.1.2 Interest and related income***

Interest and related income is generally taxable for the investor. This applies irrespective of whether such income is accumulated or distributed.

Distributed or accumulated income of the Investment Fund is in part subject to interest income tax and the solidarity surcharge. The interest income tax is merely a tax prepayment, which may be counted towards an investor's final income tax liability. However, it is not charged against the total taxable distribution/accumulated income of the Investment Fund, but specifically on interest income.

Domestic and foreign dividends, gains from the sale of securities and subscription rights for shares in corporations, gains on forward transactions as well as income which the Federal Republic of Germany does not have the right to tax in accordance with treaties on double taxation remain exempt from interest income tax. Details on interest income tax payable for distributed or accumulated income from the Investment Fund can be found in the annual report and the announcements on the bases of taxation.

Interest income tax may be waived if the investor submits an exemption form, provided that the taxable income amount does not exceed EUR 801 per individual assessment and EUR 1,602 per couple filing a joint return.

The same applies to those who submit a tax exemption certificate (*NV-Bescheinigung*), and to foreign investors upon verification of their status as non-resident taxpayers.

If the units of a distributing or partially accumulating investment fund are held by a domestic investor in a domestic custody account with the investment company or at another credit institution (custody arrangement), interest income tax will not be withheld by the credit institution maintaining the custody account as paying agent if an official application for exemption made out in a sufficiently high amount or a tax exemption certificate, usually issued by the tax authorities for a period of three years, is presented to it before the specified distribution date. In this case, the gross amount of the distribution will be credited to the investor.

If the Investment Fund accumulates income, the interest income tax will be based on 30% of the accumulated income of the Investment Fund that is subject to interest income tax and will be withheld by the investment company itself. Issue and redemption prices will be correspondingly reduced by the interest income tax at the end of the financial year. If the units are held in a custody account with a German credit institution, investors who submit an application for exemption made out in a sufficiently high amount or a tax exemption certificate to the credit institution maintaining the custody account before the end of the Investment Fund's financial year will have the paid interest income tax credited to their account.

If the application for exemption or tax exemption certificate is not presented or is not presented in time, the investor will still receive a tax certificate from the credit institution maintaining the custody account stating the amount of tax withheld and paid on interest income and the solidarity surcharge. The investor then has the opportunity to offset this amount of interest income tax against his income tax liability on submission of his income tax return. This also applies to the income exceeding the application for exemption.

If units of distributing investment funds are not held in custody and coupons are not presented to a domestic credit institution (self-custody arrangement), interest income tax in the amount of 35% and the solidarity surcharge will be deducted. Investors may request a tax certificate for this deduction of interest income tax and solidarity surcharge in order to credit it for purposes of their income tax return. In the case of units of accumulating investment funds held in

self-custody, the interest income tax amounts to 30%. In contrast to units held in a custody account, interest income tax cannot be refunded for units held by the owner in self-custody. Instead, investors must apply for credit of interest income tax and the solidarity surcharge as part of their income tax returns, supplying the required documentation.

### ***28.1.3 German and foreign dividends***

Only one half of domestic and foreign dividends distributed or accumulated by the Investment Fund is subject to tax for investors ("half-income procedure"). Upon distribution or accumulation, an investment income tax of 20% and the solidarity surcharge are deducted from all German dividends, that is, including the non-taxable half; the investment income tax is immediately refunded to the investor if the fund units are held in custody at the investment company or another German credit institution and the institution has been presented with an application for exemption made out in a sufficiently high amount or a tax exemption certificate. Alternatively, the investor can have the investment income tax and the solidarity surcharge offset against his personal income tax liability, on submission of the tax certificate from the credit institution maintaining his custody account.

### ***28.1.4 Negative taxable income***

If negative income remains after offsetting against the same type of positive income at the level of the Investment Fund, such income is carried forward at the level of the Investment Fund. It can be used at the level of the Investment Fund to offset future positive taxable income of the same type in subsequent years. It is not possible to allocate negative taxable income directly to the investor. These negative amounts thus have no effect on the investor's income tax until the assessment period (tax year) in which the financial year of the Investment Fund ends, or that in which the distribution for the financial year of the Investment Fund takes place, for which the negative taxable income was offset at the level of the Investment Fund. It is not possible for the investor to apply these amounts to his income tax prior to this time.

### ***28.1.5 Repayments of capital***

Repayments of capital are not taxable.

### ***28.1.6 Capital gains at investor level***

If an individual investor sells units of an investment fund within one year following their acquisition ("speculation period"), capital gains are generally taxable as income from personal sales transactions. If an individual investor sells units outside of the speculation period, such capital gains are tax-exempt.

When calculating capital gains, interim profits obtained at the time of acquisition must be deducted from the acquisition costs, and interim profits obtained at the time of sale must be deducted from the sales price, and the income already received by the investor from a tax viewpoint, although still included in the redemption price of the Investment Fund, must be deducted from the capital gains, in order to avoid double taxation of income. The half-income procedure is not applied to capital gains. If the total gain from "personal sales transactions" during one calendar year is less than EUR 512, it is tax-exempt (exemption limit). If the exemption limit is exceeded, all personal capital gains are taxable in full.

## **28.2 Units held as operating assets (taxpayers resident in Germany)**

### ***28.2.1 Gains from the sale of securities and from forward transactions***

Investors are not subject to tax on gains from the sale of securities and from forward transactions if these gains are accumulated. If these gains are distributed, investors must take them into account in their tax returns. Capital gains on equities are completely<sup>2</sup> exempt from taxes for incorporated investors, while one half of these gains are tax-exempt for other business investors, such as sole traders. The full amount of capital gains on bonds and profits from forward transactions are subject to tax.

### ***28.2.2 Interest and related income***

Interest and related income is generally taxable for the investor. This applies irrespective of whether such income is accumulated or distributed.

If the units are held as operating assets, exemption or compensation of interest income tax and a refund of the investment income tax is only possible on submission of a relevant tax exemption certificate. Otherwise, the investor receives a tax certificate on the interest income tax and the allowable investment income tax.

### ***28.2.3 German and foreign dividends***

Dividends from German and foreign public limited companies, which are distributed in respect of units held as operating assets or which are

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<sup>2</sup> 5% of the capital gains from equities are considered to be non-deductible operating expenses in the case of corporations and are therefore subject to tax.

accumulated, are tax-exempt for corporations<sup>3</sup>. Sole traders are taxed on one half of this income, as in the case of individual investors (half-income procedure).

#### **28.2.4 Negative taxable income**

If negative income remains after offsetting against the same type of positive income at the level of the Investment Fund, such income is carried forward at the level of the Investment Fund. It can be used at the level of the Investment Fund to offset future positive taxable income of the same type in subsequent years. It is not possible to allocate negative taxable income directly to the investor. These negative amounts thus have no effect on the income tax or corporation tax of the investor until that assessment period (tax year) in which the fiscal year of the Investment Fund ends, that in which the distribution for the fiscal year of the Investment Fund takes place, for which the negative taxable income was offset at the level of the Investment Fund. It is not possible for the investor to apply these amounts to his income tax or corporation tax prior to this time.

#### **28.2.5 Repayments of capital**

Repayments of capital are not taxable. For investors required to prepare accounts, this means that the repayments of capital must be recognised as income in the financial accounts and an offsetting liability must be recorded as an expense in the tax accounts, thus technically reducing the historical acquisition cost without affecting tax.

#### **28.2.6 Capital gains at investor level**

Gains from the sale of units held as operating assets are generally taxable. However, the income already received by the investor from a tax viewpoint, although still included in the redemption price of the Investment Fund, for which the investor had previously recorded an offsetting asset, reduces the taxable capital gain. Conversely, previous capital distributions increase the taxable capital gain.

Gains from the sale of units held as operating assets are generally tax-exempt for corporations, provided the gains originate from dividends and realised as well as unrealised capital gains of the Investment Fund from German and foreign equities ("equity gain")<sup>4</sup>. Sole traders are subject

to taxation on one half of these capital gains. The investment company publishes the equity gain as a percentage of the Investment Fund's net asset value per unit on each valuation day.

#### **28.3 Non-resident taxpayers**

If a non-resident taxpayer has units of distributing investment funds held in custody at a credit institution in Germany (custody arrangement), the units will be exempt from the deduction of interest income tax, provided that he can furnish proof of his status as a non-resident. Any possible investment income tax credit or refund for foreign investors is dependent on existing double taxation treaties between the country in which the residence or corporate registered office of the investor is located and the Federal Republic of Germany. If that credit institution has no knowledge of the investor's status as a non-resident or if proof of such non-resident status is not provided on time, the foreign investor must use a refund procedure in accordance with Section 37 Para. 2 of the German Fiscal Code (*Abgabenordnung* – AO) when applying for a refund of the interest income tax paid. The competent tax office for this procedure is the tax office of the credit institution maintaining the custody account. If a non-resident investor has units of accumulating investment funds held in custody at a credit institution in Germany, 30% of the interest income tax will be reimbursed to him upon verification of his status as a non-resident. If the refund application is delayed, a refund can be applied for in accordance with Section 37, Para. 2 of the German Fiscal Code (AO), as is the case if there is a delay in verification of non-resident status for distributing funds.

If the non-resident investor does not have units held in custody at a German credit institutions, and if he presents coupons for payment at a German credit institution, interest income tax shall be deducted at a rate of 35%. In the case of units in accumulating funds held in self-custody, interest income tax of 30% will apply in this case. In this case, the non-resident investor may apply for a refund of the interest income tax withheld in accordance with Section 37 Para. 2 AO at the tax office responsible for the credit institution or investment company.

To justify the claim for a refund, the investor should request a tax certificate providing

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<sup>3</sup> 5% of the dividends are considered to be non-deductible operating expenses in the case of corporations and are therefore subject to tax.

<sup>4</sup> 5 % des steuerfreien Veräußerungsgewinns gelten bei Körperschaften als nicht abzugsfähige Betriebsausgaben und sind somit steuerpflichtig. 5% of the tax-exempt

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capital gains are considered to be non-deductible operating expenses in the case of corporations and are therefore subject to tax.

information on taxes withheld (investment income tax/interest income tax, solidarity surcharge).

#### **28.4 Solidarity surcharge**

A solidarity surcharge of 5.5% is levied on the investment income tax and interest income tax payable on dividends or accumulations. This solidarity surcharge can be offset against income tax.

If there is no liability for investment income tax or if there is a credit of investment income tax on accumulation, e.g. in the case of an application for exemption made out in a sufficiently high amount, a tax exemption certificate or proof of status as a non-resident taxpayer, no solidarity surcharge is payable or, in the case of accumulation, the withheld solidarity surcharge is credited.

#### **28.5 Foreign withholding tax**

Some foreign income earned by the Investment Fund is subject to withholding taxes retained in the country of origin.

The investment company may deduct the allowable withholding tax as income-related expenses at the level of the Investment Fund. In such a case, foreign withholding tax is neither allowable nor deductible at investor level.

If the investment company elects not to exercise its option to deduct the foreign withholding tax at fund level, the allowable withholding tax can be deducted on application by the investor when the total income is calculated, or it can be deducted from income when calculating the investor's German income or corporation tax that is attributable to the corresponding foreign income.

#### **28.6 Separate determination, external audit**

The bases of taxation calculated at the level of the Investment Fund shall be determined separately. To this end, the investment company must submit an assessment return (*Feststellungserklärung*) to the competent tax authorities. Amendments to the assessment return, e.g. amendments made in the course of an external audit (Section 11 Para. 3 Investment Taxes Act (InvStG)) by the tax authorities, shall become effective for the financial year in which the amended assessment can no longer be contested. The tax allocation of this amended assessment to the investor is then carried out at the end of the financial year or on the distribution day for that financial year. Economically, therefore, error adjustments affect those investors who are invested in the Investment Fund at the time of adjusting for errors. The effects may be either positive or negative.

#### **28.7 Taxation of interim profits**

Interim profits consist of income from interest received or accrued that is included in the sales or redemption price but has not yet been distributed

or accumulated by the fund and consequently has not yet become taxable for the investor (comparable to accrued interest from fixed-income securities). Interest and interest receivables earned by the Investment Fund are subject to income tax and investment income tax when units are redeemed or sold by resident taxpayers. In the case of units held in custody accounts, the investment income tax rate on the interim profit is 30%, for units held in self-custody it is 35% (in both cases plus 5.5% solidarity surcharge on the investment income tax). The tax withheld constitutes a prepayment of income tax and must be reported in the schedule for investment income (*Anlage KAP*) on the taxpayer's income tax return.

The interim profits paid upon acquisition of units can be offset as negative income against income tax in the year in which they were paid. They are also recognised for purposes of withholding, thus reducing tax liability. Furthermore, there is no tax liability if an application for exemption was made, or if a tax exemption certificate (*NV-Bescheinigung*) is submitted. In this instance, too, non-resident taxpayers are generally exempt from withholding. Interim profits are calculated each time the net asset value per unit is determined, and published on each valuation day. The interim profits to be reported by the investor in *Anlage KAP* of his income tax return are calculated by multiplying the respective interim profits per unit by the number of units documented in the purchase or sales confirmation. Interim profit amounts are also usually included in the statements and performance reports provided by the banks.

#### **28.8 Consequences of the merger of investment funds**

If all the assets of an investment fund are transferred to another investment fund in accordance with Section 40 Investment Act (InvG), this does not result in the disclosure of unrealised gains either for the investors or for the investment funds concerned, i.e. such a transaction is not relevant for tax purposes.

#### **28.9 Transparent, semi-transparent and non-transparent taxation**

The taxation principles outlined above ("transparent taxation") only apply if full information is provided on the bases of taxation as defined in Section 5 Para. 1 InvStG in conjunction with a certificate of professional status ("tax information notification requirement"). This also applies in cases where the Investment Fund has acquired units of other German investment funds and joint-stock investment companies with variable capital, EC investment fund units, and



foreign investment fund units that are not EC investment fund units (target funds as defined in Section 10 InvStG), and where these are in compliance with the notification requirements applicable to them.

The investment company makes every effort to disclose all bases of taxation to which it has access.

The required notification cannot be guaranteed, however, if the Investment Fund has acquired target funds, and these funds do not fulfil the tax notification requirements to which they are subject. In this case, the distributions and the interim profits of the respective target fund, as well as 70% of the increase in value of the respective target fund during the prior calendar year (but being no less than 6% of the redemption price), shall be stated as taxable income at the level of the Investment Fund.

### **28.10 EU Savings Tax Directive / Interest Information Regulation**

The German Interest Information Regulation (ZiV), by which Council Directive 2003/48/EC dated 3 June 2003, Official Journal of the EU No. L 157 p. 38 is implemented, is intended to ensure that the interest income of natural persons in the territory of the EU is taxed effectively across borders. The EU has concluded treaties with several other states (in particular Switzerland, Liechtenstein, Channel Islands, Monaco and Andorra), which are for the most part in conformity with the EU Savings Tax Directive.

Interest income credited by a German bank (acting as paying agent in this respect) to a natural person residing in a European country other than Germany or in specific other states is generally reported by the German bank to the German Federal Tax Office, which ultimately reports the interest income to the local tax offices in the foreign countries.

Likewise, interest income received by a natural person residing in Germany from a European bank outside of Germany or in specific other states is ultimately reported by the foreign bank to the local tax office in Germany. As an alternative, some foreign states withhold taxes that may be offset in Germany.

This primarily affects private investors living within the European Union or in the participating other states who maintain their custody accounts or accounts in another EU country on a cross-border basis and earn interest income.

Luxembourg and Switzerland, among others, have agreed to withhold taxes of 15% (20% from 1 July 2008, and 35% from 1 July 2011) on interest income. As part of the tax documentation, the investor receives a certificate which can be used to

have the deducted withholding tax offset on his income tax return.

The private investor has the alternative option of applying for exemption from withholding by authorising the foreign bank to voluntarily disclose his interest income. This allows the financial institution to waive the tax deduction and instead report the income to the statutory tax authorities. According to the Interest Information Regulation, the investment company must indicate for each domestic and foreign fund whether it is subject to the Interest Information Regulation (in scope) or not (out of scope).

For this evaluation, the Interest Information Regulation contains two substantial investment restrictions.

If no more than 15% of the assets of a fund consist of claims within the meaning of the Interest Information Regulation, the paying agents, which ultimately use the data reported by the investment company, are not required to notify the German Federal Tax Office. On the other hand, if the 15% limit is exceeded, this triggers an obligation for the paying agents to report the interest element contained in the distribution to the German Federal Tax Office.

If the 40% limit is exceeded, the interest element contained in the redemption or sale of the fund units must be reported. In the case of a distributing fund, the interest element contained in a distribution must also be reported to the German Federal Tax Office. For an accumulating fund, the reporting obligation exists only if the fund unit is redeemed or sold.

#### **Notice:**

The information on taxes is based on current tax legislation and regulations. The information is directed towards those who have unlimited liability for income tax or corporation tax in Germany. However, we accept no responsibility for any changes in tax treatment as a result of legislation, court judgments or decrees issued by the tax authorities.

### **28.11 New tax regulations**

On 6 July 2007 the upper house of the German parliament (*Bundesrat*) approved the business tax reform of 2008. The new regulations include the introduction of a withholding tax for private investors and changes to the taxation of business investors.

These new regulations will generally come into force for private investors from 1 January 2009 and for business investors from 1 January 2008. The new legal position will be presented in the section below.

All statements regarding tax regulations apply exclusively to investors who have unlimited tax

liability in Germany. We recommend that, before acquiring units in the Investment Fund described in this prospectus, foreign investors consult their tax advisors in order to clarify possible tax implications arising in his own country of residence as a result of the acquisition of units. As a special-purpose fund (*Zweckvermögen*), the Investment Fund is exempt from German corporation tax and trade tax. The taxable income of the Investment Fund is, however, treated as investment income (*Einkünfte aus Kapitalvermögen*) in the income tax returns of individual investors insofar as it, together with other investment income, exceeds the annual saver's allowance of EUR 801 (for single persons or spouses assessed separately) or EUR 1,602 (for spouses assessed jointly).

Investment income (*Einkünfte aus Kapitalvermögen*) is generally subject to a tax deduction of 25% (plus solidarity surcharge and, if applicable, church tax). Investment income also includes the income distributed by the Investment Fund, income equivalent to distributions and the interim profit, as well as the gain from the purchase and sale of fund units.

In the case of private unitholders, the tax deduction is generally treated as a withholding tax, such that the investment income should not normally be declared in the investor's income tax return.

One of the situations in which the tax deduction does not have any withholding effect is where the personal rate of taxation is less than the withholding rate of 25%. In this case, investment income may be declared on the income tax return. The tax office applies the lower personal rate of taxation and offsets the tax deduction against the tax liability ("higher-yield test").

Insofar as investment income was not subject to tax deduction (because, for example, a gain from the sale of fund units is obtained in a foreign custody account), such income must be declared on the tax return. In the context of tax assessment, investment income is then likewise subject to the withholding rate of 25% or the personal rate of taxation, whichever is lower.

Notwithstanding tax deduction and higher personal rate of taxation, information about investment income must be provided if exceptional charges are being claimed on the income tax return. Information about investment income may also be provided if donations are being claimed as special expenses.

If the units are included in operating assets (*Betriebsvermögen*), the income will be taxable as operating income (*Betriebseinnahmen*). Under current tax legislation, the taxable income and taxable investment income components are calculated differently.

## **28.12 Units held as personal assets (taxpayers resident in Germany)**

### ***28.12.1 Gains from the sale of securities and from forward transactions***

Investors are not assessed for gains from the sale of securities and from forward transactions obtained at the level of the Investment Fund, provided they are not distributed.

If gains from the sale of securities and from forward transactions are distributed, they are generally taxable and are subject to a tax deduction of 25% (plus solidarity surcharge and, if applicable, church tax) if the units are held in custody within Germany. Distributed gains from the sale of securities and from forward transactions are tax-exempt if the securities were acquired prior to 1 January 2009 or the forward transaction was entered into prior to 1 January 2009 ("grandfathering").

### ***28.12.2 Interest and related income as well as foreign dividends***

Interest and related income as well as foreign dividends are generally taxable for the investor. This applies irrespective of whether such income is accumulated or distributed.

Distributed or accumulated interest and related income as well as foreign dividends of the Investment Fund are generally subject to a tax deduction of 25% (plus solidarity surcharge and, if applicable, church tax).

The tax deduction will not apply if the investor is resident in Germany for tax purposes and submits an application for exemption (*Freistellungsauftrag*), provided that the taxable income element does not exceed EUR 801 per individual assessment and EUR 1,602 per couple filing a joint return.

The same applies to those who submit a tax exemption certificate (*NV-Bescheinigung*), and to foreign investors upon verification of their status as non-resident taxpayers.

If the units of a distributing or partially accumulating investment fund are held by a domestic investor in a domestic custody account with the investment company or at another credit institution (custody arrangement), the tax deduction will not be withheld by the credit institution maintaining the custody account as paying agent if an official application for exemption made out in a sufficiently high amount or a tax exemption certificate, usually issued by the tax authorities for a period of three years, is presented to it before the specified distribution date. In this case, the gross amount of the distribution will be credited to the investor.

If it is an accumulating German investment fund, the tax deduction on accumulated interest, related

income as well as foreign dividends of the Investment Fund at 25% (plus solidarity surcharge) will be withheld by the investment company itself. If, on the other hand, it is an accumulating foreign investment fund, the tax deduction on accumulated interest, related income as well as foreign dividends is made in the course of the taxpayer's assessment. Issue and redemption prices will be correspondingly reduced by the tax deduction at the end of the financial year. Since the investment company's investors are not usually known, church tax cannot be withheld in this case. In this respect, investors who are subject to church tax must provide the relevant information in their income tax returns. If the units are held in a custody account with a German credit institution, investors who submit an application for exemption made out in a sufficiently high amount or a tax exemption certificate to the credit institution maintaining the custody account before the end of the Investment Fund's financial year will have the paid tax deduction credited to their account.

If the application for exemption or tax exemption certificate is not presented or not presented in time, the investor will still receive a tax certificate from the credit institution maintaining the custody account stating the amount of tax deduction withheld and paid and the solidarity surcharge. The investor then has the opportunity to offset the tax deduction against his income tax liability on submission of his income tax return. This also applies to the income in excess of the application for exemption.

If units of distributing investment funds are not held in custody in a custody account and coupons are not presented to a domestic credit institution (self-custody arrangement), the tax deduction in the amount of 25% plus solidarity surcharge and, if applicable, church tax, will be made. Investors may request a tax certificate for the tax deduction of 25% and solidarity surcharge in order to credit it for purposes of their income tax return. In the case of units of accumulating investment funds held in self-custody, the tax deduction also amounts to 25%. In contrast to units held in a custody account, the tax deduction cannot be refunded. Instead, investors may apply for credit of the tax deduction and solidarity surcharge as part of their income tax returns, supplying the required documentation.

### ***28.12.3 German dividends***

German dividends that are distributed or accumulated by the Investment Fund are generally taxable for the investor.

On distribution or accumulation, a tax deduction of 25% (plus solidarity surcharge and, if applicable, church tax) is made from the German dividend.

Since the investment company's investors are not usually known, church tax cannot be withheld in the case of accumulation. In this respect, investors who are subject to church tax must provide the relevant information in their income tax returns. The investor will receive an immediate full refund of the tax deduction of 25% (plus solidarity surcharge), provided that the units are held in a custody account at the investment company or at another German credit institution and that an application for exemption made out in a sufficiently high amount or a tax exemption certificate has been submitted. Alternatively, the investor can have the tax deduction of 25% (plus solidarity surcharge) offset against his personal income tax liability, on submission of the tax certificate from the credit institution maintaining the custody account.

### ***28.12.4 Negative taxable income***

If negative income remains after offsetting against the same type of positive income at the level of the Investment Fund, such income is carried forward at the level of the Investment Fund. It can be used at the level of the Investment Fund to offset future positive taxable income of the same type in subsequent years. It is not possible to allocate negative taxable income directly to the investor. These negative amounts thus have no effect on the investor's income tax until the assessment period (tax year) in which the financial year of the Investment Fund ends, or that in which the distribution for the financial year of the Investment Fund takes place, for which the negative taxable income was offset at the level of the Investment Fund. It is not possible for the investor to apply these amounts to his income tax prior to this time.

### ***28.12.5 Repayments of capital***

Repayments of capital are not taxable.

### ***28.12.6 Capital gains at investor level***

If units in an investment fund that were acquired after 31 December 2008 are sold by a private investor, the capital gain is subject to the withholding rate of 25%, irrespective of the period they had been held. Insofar as the units are held in a German custody account, the institution maintaining the custody account applies the tax deduction of 25% (plus solidarity surcharge and, if applicable, church tax). The tax deduction of 25% (plus solidarity surcharge and, if applicable, church tax) may be avoided by submission of an application for exemption made out in a sufficiently high amount or a tax exemption certificate.

If an individual investor sells units of an investment fund that were acquired prior to 1 January 2009 within one year following their acquisition ("speculation period"), capital gains are

generally taxable as income from personal sales transactions. If the total gain from "personal sales transactions" during one calendar year is less than EUR 600, it is tax-exempt (exemption limit). If the exemption limit is exceeded, all personal capital gains are taxable in full.

If an individual investor sells units acquired prior to 1 January 2009 outside of the speculation period, such capital gains are tax-exempt.

When calculating capital gains, interim profits obtained at the time of acquisition must be deducted from the acquisition costs, and interim profits obtained at the time of sale must be deducted from the sales price, and the income already received by the investor from a tax viewpoint, although still included in the redemption price of the Investment Fund, must be deducted from the capital gains, in order to avoid double taxation of income.

### **28.13 Units held as operating assets (taxpayers resident in Germany)**

#### ***28.13.1 Gains from the sale of securities and from forward transactions***

Investors are not subject to tax on gains from the sale of securities and from forward transactions if these gains are accumulated. If these gains are distributed, investors must take them into account in their tax returns. Capital gains on equities are completely<sup>5</sup> exempt from taxes for incorporated investors, while 40% of these gains are tax-exempt for other business investors, such as sole traders. The full amount of capital gains on bonds and profits from forward transactions are subject to tax.

#### ***28.13.2 Interest and related income***

Interest and related income is generally taxable for the investor. This applies irrespective of whether such income is accumulated or distributed.

If the units are held as operating assets, exemption from or refund of the tax deduction is only possible on submission of a relevant tax exemption certificate. Otherwise, the investor receives a tax certificate on the tax deduction.

#### ***28.13.3 German and foreign dividends***

Dividends from German and foreign public limited companies, which are distributed or accumulated in respect of units held as operating assets, are

tax-exempt for corporations<sup>6</sup>. Sole traders are taxed on 60% of this income (partial income procedure).

#### ***28.13.4 Negative taxable income***

If negative income remains after offsetting against the same type of positive income at the level of the Investment Fund, such income is carried forward at the level of the Investment Fund. It can be used at the level of the Investment Fund to offset future positive taxable income of the same type in subsequent years. It is not possible to allocate negative taxable income directly to the investor. These negative amounts thus have no effect on the income tax or corporation tax of the investor until that assessment period (tax year) in which the financial year of the Investment Fund ends, that in which the distribution for the financial year of the Investment Fund takes place, for which the negative taxable income was offset at the level of the Investment Fund. It is not possible for the investor to apply these amounts to his income tax or corporation tax prior to this time.

#### ***28.13.5 Repayments of capital***

Repayments of capital are not taxable. For investors required to prepare accounts, this means that the repayments of capital must be recognised as income in the financial accounts and an offsetting liability must be recorded as an expense in the tax accounts, thus technically reducing the historical acquisition cost without affecting tax.

#### ***28.13.6 Capital gains at investor level***

Gains from the sale of units held as operating assets are generally taxable. However, the income already received by the investor from a tax viewpoint, although still included in the redemption price of the Investment Fund, for which the investor had previously recorded an offsetting asset, reduces the taxable capital gain. Conversely, previous capital distributions increase the taxable capital gain.

Gains from the sale of units held as operating assets are generally tax-exempt for corporations<sup>7</sup>, provided the gains originate from dividends and realised as well as unrealised capital gains of the Investment Fund from German and foreign equities ("equity gain"). Sole traders are taxed on 60% of these capital gains.

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<sup>5</sup> 5% of the capital gains from equities are considered to be non-deductible operating expenses in the case of corporations and are therefore subject to tax.

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<sup>6</sup> 5% of the dividends are considered to be non-deductible operating expenses in the case of corporations and are therefore subject to tax.

<sup>7</sup> 5% of the tax-exempt capital gains are considered to be non-deductible operating expenses in the case of corporations and are therefore subject to tax.

The investment company publishes the equity gain as a percentage of the Investment Fund's net asset value per unit on each valuation day.

#### **28.14 Non-resident taxpayers**

If a non-resident taxpayer has units of distributing investment funds held in custody at a credit institution in Germany (custody arrangement), the units will be exempt from tax deduction on interest, related income and foreign dividends, provided that he can furnish proof of his status as a non-resident. Any possible credit or refund of the tax deduction on German dividends for foreign investors is dependent on existing double taxation treaties between the country in which the residence or corporate registered office of the investor is located and the Federal Republic of Germany. If that credit institution has no knowledge of the investor's status as a non-resident or if proof of such non-resident status is not provided on time, the foreign investor must apply for a refund of the tax deduction in accordance with Section 37 Para. 2 of the German Fiscal Code (*Abgabenordnung – AO*). The competent tax office for this procedure is the tax office of the credit institution maintaining the custody account.

If a non-resident investor has units of accumulating investment funds held in custody at a credit institution in Germany, 25% of the tax deduction will be reimbursed to him upon verification of his status as a non-resident, provided such deduction is not attributable to German dividends. If the refund application is delayed, a refund can be applied for in accordance with Section 37, Para. 2 of the German Fiscal Code (AO), as is the case if there is a delay in verification of non-resident status for distributing funds.

If the non-resident investor does not have units held in custody at a German credit institutions, and if he presents coupons for payment at a German credit institution, a tax deduction shall be made at a rate of 25%. In the case of units in accumulating funds held in self-custody, a tax deduction of 25% will apply in this case. In this case, the non-resident investor may apply for a refund of the tax deduction withheld (provided such deduction is not attributable to German dividends) in accordance with Section 37 Para. 2 AO at the tax office responsible for the credit institution or investment company.

To justify the claim for a refund, the investor should request a tax certificate providing information on taxes withheld.

#### **28.15 Solidarity surcharge**

A solidarity surcharge of 5.5% is levied on the tax deduction payable on dividends or accumulations. This solidarity surcharge can be offset against income tax.

If there is no liability for tax deduction or if there is a credit of the tax deduction on accumulation, e.g. in the case of an application for exemption made out in a sufficiently high amount, a tax exemption certificate or proof of status as a non-resident taxpayer, no solidarity surcharge is payable or, in the case of accumulation, the withheld solidarity surcharge is credited.

#### **28.16 Church tax**

Insofar as the income tax is already levied by a German credit institution maintaining the custody account (withholding agent) through the tax deduction, the applicable church tax, based on the rate applied by the religious community to which the taxpayer belongs, is levied as a surcharge to the tax deduction. For this purpose, the person liable to church tax must notify the withholding agent of his religious affiliation in a written application. In the application, spouses must also indicate the ratio of the investment income portion attributable to each of the spouses to the total investment income of the spouses, in order that the church tax can be split, withheld and paid in line with this ratio.

Church tax is generally recognised as reducing the tax deduction.

#### **28.17 Foreign withholding tax**

Some foreign income earned by the Investment Fund is subject to withholding taxes retained in the country of origin.

The investment company may deduct the allowable withholding tax as income-related expenses at the level of the Investment Fund. In such a case, foreign withholding tax is neither allowable nor deductible at investor level.

If the investment company elects not to exercise its option to deduct the foreign withholding tax at fund level, the allowable withholding tax is recognised as reducing the tax deduction. If the investor exercises its assessment option, the allowable withholding tax can be deducted on application by the investor when the total income is calculated, or it can be deducted from income when calculating the investor's German income or corporation tax that is attributable to the corresponding foreign income.

#### **28.18 Separate determination, external audit**

The bases of taxation calculated at the level of the Investment Fund shall be determined separately. To this end, the investment company must submit an assessment return (*Feststellungserklärung*) to the competent tax authorities. Amendments to the assessment return, e.g. amendments made in the course of an external audit (Section 11 Para. 3 Investment Taxes Act (InvStG)) by the tax authorities, shall become effective for the financial year in which the amended assessment can no

longer be contested. The tax allocation of this amended assessment to the investor is then carried out at the end of the financial year or on the distribution day for that financial year. Economically, therefore, error adjustments affect those investors who are invested in the Investment Fund at the time of adjusting for errors. The effects may be either positive or negative.

### **28.19 Taxation of interim profits**

Interim profits consist of income from interest received or accrued that is included in the sales or redemption price but has not yet been distributed or accumulated by the fund and consequently has not yet become taxable for the investor (comparable to accrued interest from fixed-income securities). Interest and interest receivables earned by the Investment Fund are subject to income tax when units are redeemed or sold by resident taxpayers. The tax deduction on interim profits is 25% (plus 5.5% solidarity surcharge and, if applicable, church tax). The interim profits paid upon acquisition of units can be offset as negative income against income tax in the year in which they were paid. They are also recognised for purposes of withholding, thus reducing tax liability. Furthermore, there is no tax liability if an application for exemption was made, or if a tax exemption certificate (*NV-Bescheinigung*) is submitted. In this instance, too, non-resident taxpayers are generally exempt from withholding. Interim profits are calculated each time the net asset value per unit is determined, and published on each valuation day. Interim profit amounts are also usually included in the statements and performance reports provided by the banks.

### **28.20 Consequences of the merger of investment funds**

If all the assets of an investment fund are transferred to another investment fund in accordance with Section 40 Investment Act (InvG), this does not result in the disclosure of unrealised gains either for the investors or for the investment funds concerned, i.e. such a transaction is not relevant for tax purposes.

### **28.21 Transparent, semi-transparent and non-transparent taxation**

The taxation principles outlined above ("transparent taxation") only apply if full information is provided on the bases of taxation as defined in Section 5 Para. 1 InvStG ("tax information notification requirement"). This also applies in cases where the Investment Fund has acquired units of other German investment funds and joint-stock investment companies, EC investment fund units, and foreign investment fund units that are not EC investment fund units

(target funds as defined in Section 10 InvStG), and where these are in compliance with the notification requirements applicable to them. The investment company makes every effort to disclose all bases of taxation to which it has access.

The required notification cannot be guaranteed, however, if the Investment Fund has acquired target funds, and these funds do not fulfil the tax notification requirements to which they are subject. In this case, the distributions and the interim profits of the respective target fund, as well as 70% of the increase in value of the respective target fund during the prior calendar year (but being no less than 6% of the redemption price), shall be stated as taxable income at the level of the Investment Fund.

### **28.22 EU Savings Tax Directive / Interest Information Regulation**

The German Interest Information Regulation (ZIV), by which Council Directive 2003/48/EC dated 3 June 2003, Official Journal of the EU No. L 157 p. 38 is implemented, is intended to ensure that the interest income of natural persons in the territory of the EU is taxed effectively across borders. The EU has concluded treaties with several other states (in particular Switzerland, Liechtenstein, Channel Islands, Monaco and Andorra), which are for the most part in conformity with the EU Savings Tax Directive.

Interest income credited by a German bank (acting as paying agent in this respect) to a natural person residing in a European country other than Germany or in specific other states is generally reported by the German bank to the German Federal Tax Office, which ultimately reports the interest income to the local tax offices in the foreign countries.

Likewise, interest income received by a natural person residing in Germany from a European bank outside of Germany or in specific other states is ultimately reported by the foreign bank to the local tax office in Germany. As an alternative, some foreign states withhold taxes that may be offset in Germany.

This primarily affects private investors living within the European Union or in the participating other states who maintain their custody accounts or accounts in another EU country on a cross-border basis and earn interest income. Luxembourg and Switzerland, among others, have agreed to withhold taxes of 15% (20% from 1 July 2008, and 35% from 1 July 2011) on interest income. As part of the tax documentation, the investor receives a certificate which can be used to have the deducted withholding tax offset on his income tax return.

The private investor has the alternative option of applying for exemption from withholding, by authorising the foreign bank to voluntarily disclose his interest income. This allows the financial institution to waive the tax deduction and instead report the income to the statutory tax authorities. According to the Interest Information Regulation, the investment company must indicate for each domestic and foreign fund whether it is subject to the Interest Information Regulation (in scope) or not (out of scope).

For this evaluation, the Interest Information Regulation contains two substantial investment restrictions.

If no more than 15% of the assets of a fund consist of claims within the meaning of the Interest Information Regulation, the paying agents, which ultimately use the data reported by the investment company, are not required to notify the German Federal Tax Office. On the other hand, if the 15% limit is exceeded, this triggers an obligation for the paying agents to report the interest element contained in the distribution to the German Federal Tax Office.

If the 40% limit is exceeded, the interest element contained in the redemption or sale of the fund units must be reported. In the case of a distributing fund, the interest element contained in a distribution must also be reported to the German Federal Tax Office. For an accumulating fund, the reporting obligation exists only if the fund unit is redeemed or sold.

#### **Notice:**

The information on taxes is based on current tax legislation and regulations. The information is directed towards those who have unlimited liability for income tax or corporation tax in Germany. However, we accept no responsibility for any changes in tax treatment as a result of legislation, court judgments or decrees issued by the tax authorities.

## **29. Outsourcing**

The Company has outsourced the following activities to other companies:

- Fund administration
- Human resources
- Auditing
- Compliance
- IT support
- Financial accounting
- Legal

## **30. Annual Reports / Semi-Annual Reports / Auditor**

The Annual Reports and Semi-Annual Reports are available from the Company.

The auditing firm PricewaterhouseCoopers, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Olof-Palme-Strasse 35, 60439 Frankfurt/Main, Germany, is engaged to audit the Investment Fund and Annual Report.

## **31. Distribution of the Reports and Other Information**

### **31.1 Distribution of the Reports**

The information sources mentioned in this prospectus, such as the prospectus, terms and conditions, Annual Reports and Semi-Annual Reports, may be obtained from the Company. They shall be provided by the Company free of charge to investors, on request. The information mentioned in this prospectus may also be obtained from the Internet website: [www.etflab.de](http://www.etflab.de).

### **31.2 Distribution in Austria**

Units in the Investment Fund may be distributed in Austria. Paying Agent and Distributor is Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft, Hypo-Passage 1, 6900 Bregenz, Austria.

The full prospectus with the current version of the Terms and Conditions, the simplified prospectus, the most recent Annual Report and, if applicable, the Semi-Annual Report as well as other information intended for unitholders may be obtained free of charge from the Paying Agent and Distributor.

The issue and redemption prices for the units may also be requested and unit certificates in the Investment Fund may be acquired and redeemed through the Paying Agent and Distributor. The net asset value per unit is published daily in the newspaper *Die Presse*, which also refers to special information for unitholders.

## **32. Other Investment Funds Managed by the Company**

The following investment funds are managed by the Company:

- ETFlab DAX®
- ETFlab DAX® (ausschüttend)

ETFlab DJ EURO STOXX 50®  
ETFlab DJ EURO STOXX® Select Dividend 30  
ETFlab DJ STOXX® Strong Growth 20  
ETFlab DJ STOXX® Strong Value 20  
ETFlab DJ STOXX® Strong Style Composite 40  
ETFlab MSCI Europe LC  
ETFlab MSCI Japan LC  
ETFlab MSCI USA LC

### 33. Selling Restrictions

The issued units of this investment fund may only be offered for sale or sold in countries in which such offer or sale is permitted. The following should not be construed as representing a solicitation to purchase investment units unless the Company, or a third party authorised by it, has filed a notice with the local regulatory authorities or obtained permission to do so from the local regulatory authorities, and insofar as a notice has not been filed or permission obtained. The units have not been and will not be registered under the United States Securities Act of 1933 as amended (the "1933 Act") or under the securities statutes of any federal state or local authority of the United States of America or its territories, possessions or other areas over which it has jurisdiction, including the Commonwealth of Puerto Rico ("United States"). The units may not be offered, sold or otherwise transferred in the United States. The units are offered and sold on the basis of exemption from the registration requirements of the 1933 Act in accordance with Regulation S of this Act. The Company has not been and will not be registered either under the United States Investment Company Act of 1940 as amended, or under any other US federal statutes. Consequently, units will not be offered or sold either in the United States, or to or on the account of US persons (as defined for the purposes of the US federal statutes on securities, commodities and taxes, including Regulation S to the 1933 Act) (collectively "US Persons"). Subsequent transfers of units to the United States or to US Persons are not permissible. The units have not been approved or disapproved by the Securities and Exchange Commission ("SEC") or other regulatory body in the United States; in addition, neither the SEC nor another regulatory body in the United States has ruled on the accuracy and adequacy of this prospectus or the merits of the units. Any representation to the contrary is unlawful. The United States Commodity Futures Trading Commission has neither examined nor approved this document or other sales documentation for the Company.

It is not permitted for anyone to make statements or representations that are not contained in the prospectus and/or in the documentation to which reference is made in the prospectus. This documentation is accessible to the public at the registered offices of the Company. This prospectus may not be circulated in the United States.

Investors who are deemed to be "Restricted Persons" as defined in US Regulation No. 2790 of the National Association Security Dealers (NASD 2790) must notify their investment in the Investment Fund promptly to the Company.

## GENERAL TERMS AND CONDITIONS

governing the legal relationship between the investors and ETFlab Investment GmbH (Munich), Germany, (hereinafter referred to as the "Company") for the Directive-compliant securities index investment funds issued by the Company. These General Terms and Conditions are only valid in conjunction with the Special Terms and Conditions laid down for the particular investment fund.

### Article 1 General Provisions

1. The Company is an investment company subject to the German Investment Act (*Investmentgesetz – InvG*).
2. The investment company invests the money deposited by the unitholders in its own name for the collective account of the investors in accordance with the principle of risk diversification in assets permitted by the InvG and separated from its own assets in the form of investment funds. Global certificates (unit certificates) will be issued regarding the rights of the investors resulting therefrom.
3. The legal relationship between investment company and investor is based on these terms and conditions and the InvG.

### Article 2 Custodian Bank

1. The Company shall appoint a credit institution as custodian bank; the custodian bank shall act independently of the Company and exclusively in the interests of the investors.
2. The custodian bank is obliged to carry out the duties required by the InvG and these terms and conditions.

### Article 3 Fund Management

1. The Company shall acquire and manage the assets in its own name for the collective account



of the investors with the due care and diligence of a prudent businessman. In performing its duties, it acts independently of the custodian bank and exclusively in the interests of the investors and the integrity of the markets.

2. The Company has the right to use the money deposited with it by the investors to acquire assets, resell them and invest the proceeds in other assets; the Company is furthermore authorised to undertake all other legal actions arising out of management of the assets.

3. The Company may not grant loans for the collective account of the investors, nor may it enter into guarantees or surety obligations; it may not sell assets as defined in Sections 47, 48 and 50 InvG that are not part of the Investment Fund at the time the transaction is concluded. The application of Section 51 InvG shall remain unaffected.

#### Article 4 Investment Principles

1. The Company may only acquire such assets on behalf of the Investment Fund that are designed to replicate a certain securities index ("Securities Index") approved by the Federal Agency while still maintaining appropriate diversification of risk. The Securities Index is approved specifically if the composition of the securities index is sufficiently diversified, the securities index represents an adequate benchmark for the market to which it relates, the index has been published in an appropriate manner.

The securities index represents an adequate benchmark for the market to which it relates if it meets the criteria specified in Section 63 Para. 1 Sentence 3 InvG. The securities index is published in an appropriate manner if it meets the criteria specified in Section 63 Para. 1 Sentence 4 InvG.

2. The Company specifies which assets may be purchased for the Investment Fund in the terms and conditions.

3. The Investment Fund may only acquire securities included in the Securities Index or introduced to it following a change thereto ("Index Securities"), securities that are issued on these Index Securities or on the Securities Index, and derivatives on securities on the assets specified in Section 51 Para. 1 InvG, in which the Investment Fund may invest as provided for in the terms and conditions. When replicating the Securities Index in the context of direct duplication of the Securities Index, priority shall be given to investments in Index Securities over investments in any other assets specified in sentence 1 used for replicating the Index. The Securities Index may be replicated using securities or derivatives that indirectly replicate the Securities Index only for

purposes of maintaining the investment restrictions listed in Article 11 Para. 6.

4. In order to replicate the Securities Index, the duplication level may not be less than 95% of the total assets in the Investment Fund as defined in the first sentence of Paragraph 3 above. Derivatives shall be included in the calculation of the duplication level with their weighted market risk using the simple approach provided for in the Derivatives Regulation (DerivateV).

5. The duplication level reflects the proportion of securities and derivatives as defined in Section 51 Para. 1 InvG in the Investment Fund that corresponds with the Securities Index in terms of weighting. The duplication level is defined as being equal to 100 less one half of the sum of the differences between the weighting of the securities in the Index and the applicable weighting of the securities included in the total assets of the Investment Fund, totalled for all securities and applicable values for derivatives according to Section 51 Para. 1 InvG in the Investment Fund and for all securities in the Index.

$$DG = 100\% - \frac{\sum_{i=1}^n |W_i^I - W_i^F|}{2}$$

DG = Duplication level in %

N = Number of security classes in the Investment Fund and Index (upper summation limit)

I = Index

F = Investment Fund

$W_i^I$  = Weighting of security i in the Index I in %

$\sum$  = Sum symbol

i = Summation index; stands for the individual security classes from i = 1 (lower summation limit) to i = n (upper summation limit)

$W_i^F$  = Weighting of securities i to be included in the securities portion of the Investment Fund in %

#### Article 5 Securities

Provided that the Special Terms and Conditions do not include any additional restrictions, the Company may, subject to Section 52 InvG, only acquire securities if

a) they are admitted to trading on a stock exchange in a Member State of the European Union or in another state that is a party to the Agreement on the European Economic Area, or they are admitted to trading in another regulated

market or included in such market in any of these states,

- b) if they are exclusively admitted to trading on a stock exchange in a country that is not a Member State of the European Union or in another state that is not a party to the Agreement on the European Economic Area, or they are admitted to trading in another regulated market or included in such market in any of these states, provided the selection of such stock exchange or regulated market is approved by the Federal Agency<sup>8</sup>,
- c) their conditions of issue stipulate the obligation to apply for admission to trading on a stock exchange in a Member State of the European Union or another state that is a party to the Agreement on the European Economic Area or admission to a regulated market or their inclusion in such market in a Member State of the European Union or another state that is a party to the Agreement on the European Economic Area, provided admission or inclusion of such securities takes place within one year after issue,
- d) their conditions of issue stipulate the obligation to apply for admission to trading on a stock exchange or admission to a regulated market or inclusion in such in a country that is not a Member State of the European Union or in another state that is not a party to the Agreement on the European Economic Area, provided the selection of such stock exchange or regulated market is approved by the Federal Agency and the admission or inclusion of such securities takes place within one year after issue,
- e) they are equities to which the Investment Fund is entitled in the course of a capital increase from company resources;
- f) they were acquired in exercise of subscription rights belonging to the Investment Fund,
- g) if they are units in closed funds that meet the criteria specified in Section 47 Para. 1 Sentence 1 No. 7 InvG,
- h) they are financial instruments that meet the criteria specified in Section 47 Para. 1 Sentence 1 No. 8 InvG.

Securities may only be acquired on the basis of Sentence 1 a) to d) if additionally the requirements of Section 47 Para. 1 Sentence 2 InvG are met.

### **Article 6 Money Market Instruments**

1. Provided that the Special Terms and Conditions do not include any additional restrictions, the Company may acquire on behalf of the Investment Fund, subject to Section 52 InvG, instruments that are usually traded on the money market, as well

as interest-bearing securities that have a residual term of a maximum 397 days at the time of their acquisition, for which the interest payments are adjusted to market circumstances regularly throughout their entire term, although at least once in 397 days, on the basis of the conditions of issue, or their risk profile corresponds to the risk profile of such securities (money market instruments). Money market instruments may only be acquired for the Investment Fund if they

- a) are admitted to trading on a stock exchange in a Member State of the European Union or in another state that is a party to the Agreement on the European Economic Area, or they are admitted to trading in another regulated market or included in such market in any of these states,
- b) are exclusively admitted to trading on a stock exchange in a country that is not a Member State of the European Union or in another state that is not a party to the Agreement on the European Economic Area, or they are admitted to trading in another regulated market or included in such market in any of these states, provided the selection of such stock exchange or regulated market is approved by the Federal Agency<sup>9</sup>,
- c) are issued or guaranteed by the European Communities, the German Federal Government or one of its special-purpose entities, a German Federal State, another Member State or another central, regional or local authority or the central bank of a Member State of the European Union, the European Central Bank or the European Investment Bank, a state that is not a Member State of the European Union or, in the case of a Federal State, by one of the members making up the federation, or by a public international body of which one or more Member States of the European Union are members,
- d) are issued by a company whose securities are traded on the markets described in a) and b),
- e) are issued or guaranteed by a credit institution subject to official supervision in accordance with criteria defined by European Community law, or by a credit institution that is subject to and complies with supervisory requirements considered by the Federal Agency to be equivalent to those stipulated by Community law, or
- f) are issued by other issuers that meet the requirements of Section 48 Para. 1 Sentence 1 No. 6 InvG.

2. Money market instruments as defined in paragraph 1 may only be acquired if they meet the relevant requirements of Section 48 Para. 2 and 3 InvG.

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<sup>8</sup> The list of stock exchanges is published on the Federal Agency's website: [www.bafin.de](http://www.bafin.de)

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<sup>9</sup> see Footnote 1

## Article 7 Bank Deposits

The Company may hold on behalf of the Investment Fund bank deposits with a term not exceeding twelve months. The bank deposits, which must be held in the form of blocked accounts, may be held by a credit institution that has its registered office in a Member State of the European Union or another state that is a party to the Agreement on the European Economic Area, or by a credit institution that has its registered office in a non-Member State, provided that it is subject to the supervisory requirements considered by the Federal Agency as equivalent to those stipulated in Community law. Unless specified otherwise in the Special Terms and Conditions, these bank deposits may also be denominated in foreign currencies.

## Article 8 Investment Units

1. Unless specified otherwise in the Special Terms and Conditions, the Company, on behalf of an investment fund, may acquire units in other domestic Directive-compliant investment funds and joint-stock investment companies as well as EC investment fund units as defined in the InvG. Units of other German investment funds and joint-stock investment companies, as well as foreign investment fund units that are not EC investment fund units, may be acquired provided they meet the requirements of Section 50 Para. 1 Sentence 2 InvG.

2. The Company may only acquire units of German investment funds and joint-stock investment companies, EC investment fund units and foreign investment fund units if, in accordance with the terms and conditions of the fund or the articles of association of the investment company, the joint-stock investment company or the foreign investment company, a total not exceeding 10% of the value of the assets of such funds is invested in units of other German investment funds, joint-stock investment companies or foreign investment funds as defined in Section 50 InvG.

## Article 9 Derivatives

1. Unless specified otherwise in the Special Terms and Conditions, the Company, in the context of managing the Investment Fund, may use derivatives in accordance with Section 51 Para. 1 Sentence 1 InvG and financial instruments with a derivative component in accordance with Section 51 Para. 1 Sentence 2 InvG. Depending on the type and volume of the derivatives and financial instruments with a derivative component employed, the Company may use either the simple or the qualified approach as defined in DerivateV in order to determine the extent to which the market

risk limit for the use of derivatives and financial instruments with a derivative component stipulated in accordance with Section 51 Para. 2 InvG is reached; details are included in the prospectus.

2. If the Company uses the simple approach, it may only employ the following basic types of derivatives, financial instruments with a derivative component or combinations of these derivatives, financial instruments with a derivative component or combinations of underlying securities that may be purchased for the Investment Fund in accordance with Section 51 Para. 1 Sentence 1 InvG. In doing so, the attributable amount of the Investment Fund determined in accordance with Section 16 DerivateV for the interest-rate and equity-price risk or the currency risk may at no time exceed twice the value of the Investment Fund's assets.

a) Forward transactions on the underlying securities as defined in Section 51 Para. 1 InvG, with the exception of investment units as defined in Section 50 InvG;

b) Options or warrants on the underlying securities as defined in Section 51 Para. 1 InvG, with the exception of investment units as defined in Section 50 InvG and on forward transactions as defined in a), if they have the following properties:

aa) the option may be exercised either during the entire term or at the end of the term, and

bb) at the time the option is exercised, its value depends directly on the positive or negative difference between the strike price and the market price of the underlying security, and becomes zero if the difference has the opposite sign;

c) interest rate swaps, currency swaps, or interest-rate/currency swaps;

d) options on swaps as defined in c), if they have the properties as defined in aa) and bb) of letter b) (swaptions);

e) Credit default swaps may not be entered into.

3. If the Company uses the qualified approach, it may – provided an appropriate risk management system is in place – invest in any financial instruments with a derivative component or derivatives that are derived from an underlying security which may be purchased for the Investment Fund in accordance with Section 51 Para. 1 Sentence 1 InvG. In this respect, the potential risk amount attributable to the Investment Fund for the market risk may at no time exceed twice the potential risk amount for the market risk of the respective benchmark asset in accordance with Section 9 DerivateV.

4. In these transactions, the Company may under no circumstances deviate from the investment policies and limits specified in the general and Special Terms and Conditions or in the prospectus.

5. The Company will use derivatives and financial instruments with a derivative component for the purposes of efficient portfolio management and to produce additional returns, if and to the extent that it considers this to be in the interests of the investors. No transactions with derivatives and financial instruments with a derivative component may be undertaken for the Investment Fund for purposes of hedging.

6. In determining the market risk limit for the use of derivatives and financial instruments with a derivative component, the Company may at any time switch from the simple to the qualified approach in accordance with Section 7 DerivateV. The switch to the qualified approach does not require approval by the Federal Agency; however, the Company must inform the Federal Agency immediately of the change and publish it in the next Semi-Annual or Annual Report.

7. When derivatives and financial instruments with a derivative component are used, the Company will observe the regulation on risk management and risk measurement in investment funds (DerivateV) issued pursuant to Section 51 Para. 3 InvG.

8. Insofar as derivatives and financial instruments with a derivative component on "Other investment instruments" as defined in Section 52 InvG are acquired, these may only be derivatives and financial instruments with a derivative component using underlying securities as defined in Section 52 Sentence 1 No. 3 InvG.

#### **Article 10 Other Investment Instruments**

Unless specified otherwise in the Special Terms and Conditions, the Company may invest, for the account of an investment fund, up to 10% of the investment fund's net assets in other investment instruments as defined in Section 52 InvG.

#### **Article 11 Limits on Issuers and Investment Limits**

1. In its management of assets, the Company must comply with the limitations and restrictions specified in the InvG, DerivateV and in the terms and conditions.

2. The Company may invest up to 20% of the Investment Fund's net assets in securities from a single issuer (debtor).

3. The limit specified in Paragraph 2 may be increased to up to 35% of the value of the Investment Fund for securities from a single issuer. An investment up to the limit specified in Sentence 1 above is permissible only for one individual issuer (debtor).

4. For assets based on the Underlying Index, the market price of the index securities shall be attributed to the respective issuer limits on a *pro rata* basis. The same applies to assets based on a single Index Security or on a basket of Index

Securities. Derivatives as defined in Section 51 Para. 1 InvG shall be attributed to the issuer limits in accordance with Sections 18 and 19 DerivateV.

5. The Company may invest up to 5% of the Investment Fund's net assets in bank deposits and money-market instruments as defined in Articles 6 and 7, unless specified otherwise in the Special Terms and Conditions.

6. Unless specified otherwise in the Special Terms and Conditions, the Investment Fund must invest a minimum of 95% in assets based on a Securities Index in accordance with Article 4 Para. 3 Sentence 1.

#### **Article 12 Transfer of all the Assets in an Investment Fund to a Different Investment Fund**

1. The Company may transfer all the assets of this Investment Fund to another investment fund, or this Investment Fund may acquire all the assets of another investment fund, if

a) both investment funds are managed by the Company,

b) the investment principles and limits stipulated in the terms and conditions for these investment funds do not differ substantially,

c) the fees payable to the Company and the custodian bank, as well as the issue premiums and redemption deductions, do not differ substantially,

d) all the Investment Fund's assets are transferred at the end of the financial year of the transferring investment fund ("Key Date of Transfer"), on the Key Date of Transfer the net asset values of the absorbing investment fund and of the transferring investment fund are calculated, the conversion ratio is determined, the assets and liabilities are transferred, and the entire transfer procedure is audited by the Auditor, and the Federal Agency has approved the transfer of the assets, in which the interests of the investors must be adequately safeguarded. A different Key Date of Transfer may be specified with the consent of the Federal Agency; Section 44 Para. 3 and 6 InvG shall apply accordingly.

2. The exchange ratio is determined based on the ratio between the net asset value of the transferred fund and that of the absorbing fund as at the date of the transfer. The Company's resolution to transfer all assets of an investment fund to another investment fund must be published; Section 43 Para. 5 Sentence 1 InvG shall apply accordingly. The transfer may not be made prior to the end of a three-month period after announcement, unless an earlier date is specified with the consent of the Federal Agency. The new units of the absorbing fund will be deemed to have been issued to investors of the transferring fund as of the beginning of the day following the Key Date of Transfer.

3. Paragraph 1 c) does not apply to the consolidation of separate investment funds into a single investment fund with different unit classes. In such a case, instead of the exchange ratio described in Paragraph 2 Sentence 1, the proportion of that unit class in the Investment Fund will be calculated. The issue of the new units to the investors in the transferring investment fund is not deemed to be an exchange. The issued units replace the units in the transferred investment fund.

### **Article 13 Loans**

1. The Company may grant a securities loan on behalf of the Investment Fund to a securities borrower at a market rate for an unlimited or limited period, subject to the transfer of sufficient collateral. The market price of the securities to be transferred plus the market value of the securities already transferred to the same securities borrower as a securities loan on behalf of the Investment Fund must not exceed 10% of the assets of the Investment Fund. The market value of securities subject to fixed-term transfers plus the market value of the securities previously transferred as fixed-term securities loans on behalf of the Investment Fund may not exceed 15% of the assets of the Investment Fund.

2. If the collateral for the securities transferred is maintained in accounts, the Company may make use of the opportunity to invest these accounts in money market instruments as defined in Section 48 InvG in the currency of the account. The Investment Fund shall receive the income from the collateral.

3. The Company may also make use of an organised system for brokerage and settlement of securities loans provided by a central depository for securities or by another company specified in the Special Terms and Conditions whose corporate objective is the settlement of international securities transactions for third parties, and which deviates from the requirements of Sections 54 and 55 InvG, if the regulations governing this system guarantee that investors' interests are upheld.

4. Unless specified otherwise in the Special Terms and Conditions, the Company may also grant securities loans in relation to money market instruments, bank deposits and investment units, provided these assets may be acquired for the Investment Fund. The provisions of Article 13 apply by analogy in this respect.

### **Article 14 Repurchase Transactions**

1. The Company may conclude securities repurchase agreements with credit institutions or financial services institutions for valuable consideration as specified under Section 340 b

Para. 2 German Commercial Code (HGB) on behalf of the Investment Fund.

2. The securities repurchase agreements must be based on securities that may be acquired by the Investment Fund in accordance with its terms and conditions.

3. The repurchase agreements must have a maximum term of 12 months.

4. Unless specified otherwise in the Special Terms and Conditions, the Company may also grant securities repurchase agreements in relation to money-market instruments, bank deposits and investment units, provided these assets may be acquired for the Investment Fund. The provisions of Article 14 apply by analogy in this respect.

### **Article 15 Borrowing**

Short-term borrowing by the Company on behalf of all the investors of amounts of up to 10% of the Investment Fund is permissible if the terms of the borrowing are at market rates and the custodian bank approves the borrowing. For this purpose, short-term loans include amounts that the Company has received as pledgor in conjunction with a securities repurchase transaction.

### **Article 16 Unit Certificates**

1. The unit certificates are bearer certificates, each of them representing one or more Investment Fund units.

2. The rights of the units may vary, in particular with respect to use of income, issue premiums, redemption deductions, unit currency, management fees, minimum investment amount, or a combination of these characteristics (unit classes). If the Company makes use of unit classes, the details are specified in the Special Terms and Conditions.

3. At a minimum, the unit certificates bear the handwritten or facsimile signatures of the Company and the custodian bank. In addition, they will bear the original signature of a supervisory person from the custodian bank.

4. The units are transferable. When a unit certificate is transferred, the rights attached thereto are also transferred. The Company will always assume that the holder of the unit certificate is the beneficiary.

5. If the rights of investors established upon the creation of the Investment Fund, or those of investors in a unit class established upon the creation of the unit class, are not to be represented by one global certificate, but rather by individual unit certificates or multiple certificates, this will be governed by appropriate provisions in the Special Terms and Conditions.

## **Article 17 Issue and Redemption of Units, Suspension of Redemption**

1. In principle, the number of units issued is not restricted. The Company reserves the right to temporarily suspend or to terminate the issue of units.
2. Units may be acquired from the Company, the custodian bank, or through third parties.
3. Investors may demand the redemption by the Company of their units. The Company is obliged to redeem units at the applicable redemption price on the account of the Investment Fund. The custodian bank is the redemption agent.
4. The Company nevertheless retains the right to suspend redemption of the units in accordance with Section 37 InvG in exceptional circumstances when suspension appears necessary to protect the interests of the investors.

## **Article 18 Issue and Redemption Prices**

1. For the calculation of unit issue and redemption prices, the value of the assets (net asset value) held in the Investment Fund will be determined at points in time specified in Paragraph 4 and divided by the number of units in circulation (net asset value per unit). If different unit classes are introduced for the Investment Fund in accordance with Article 16 Para. 2, then the net asset value per unit as well as the issue and redemption prices for each unit class shall be determined separately.

Assets are valued in accordance with Section 36 InvG or on the basis of a regulation issued under Section 36 InvG.

2. The issue price is equal to the net asset value per unit plus any issue premium specified in the Special Terms and Conditions. The redemption price is equal to the net asset value per unit less any redemption deduction specified in the Special Terms and Conditions. If there are any other costs payable by the investor in addition to the issue premium and the redemption deduction, the amount and calculation of such fees will be indicated in the Special Terms and Conditions.
3. The settlement date for purchase and redemption orders is no later than the next valuation date following the receipt of the purchase or redemption order, unless specified otherwise in the Special Terms and Conditions.
4. Issue and redemption prices will be determined on each exchange trading day. On public holidays that are exchange trading days, as well as on 24 and 31 December each year, the Company and the custodian bank may refrain from determining the value; details are discussed in the prospectus.

## **Article 19 Charges**

Fees and other expenses payable to the Company, the custodian bank and third parties, which can be charged to the Investment Fund, are specified in the Special Terms and Conditions. The Special Terms and Conditions also detail the method, the amount, and the calculation basis for the payment of any fees as defined in Sentence 1.

## **Article 20 Accounting**

1. The Company publishes an annual report with a statement of income and expenses no later than four months after the end of the financial year of the Investment Fund in accordance with Section 44 Para. 1 InvG.
2. The Company publishes a semi-annual report no later than two months after the end of the first half of the financial year in accordance with Section 44 Para. 2 InvG.
3. If the right to manage the Investment Fund is transferred to another investment company during the financial year, the Company must prepare an interim report for the period ending on the transfer date that meets the requirements of an annual report in accordance with Section 44 Para. 1 InvG.
4. The reports can be obtained from the Company and the custodian bank and other locations to be listed in the prospectus; they will also be published in the electronic Federal Gazette.

## **Article 21 Termination and Liquidation of the Investment Fund**

1. The Company may terminate its management of the Investment Fund by giving at least six months' notice through an announcement in the electronic Federal Gazette and additionally in the Annual or Semi-Annual Report.
2. The right of the Company to manage the Investment Fund lapses when the termination becomes effective. In this case, the Investment Fund and the right to sell the Investment Fund's assets are transferred to the custodian bank, which shall liquidate the assets and distribute them to the investors. The custodian bank may claim any fees due to the Company during the liquidation period. With the approval of the Federal Agency, the custodian bank may refrain from liquidation and distribution, and transfer management of the Investment Fund to another investment company in accordance with the existing terms and conditions.
3. The Company must prepare a liquidation report for the period ending on the date on which its right to manage lapses as defined in Section 38 InvG; this liquidation report must fulfil the requirements of an annual report in accordance with Section 44 Para. 1 InvG.

## **Article 22 Amendments to the Terms and Conditions**

1. The Company is entitled to change the terms and conditions.
2. Changes to these terms and conditions require the prior approval of the Federal Agency, with the exception of rules regarding expenses and the fees payable to the Company, the custodian bank and third parties that are charged to the Investment Fund (Section 41 Para. 1 Sentence 1 InvG). To the extent that the changes indicated in Sentence 1 above affect the Investment Fund's investment principles, they require the prior approval of the Company's Supervisory Board.
3. All proposed changes will be published in the electronic Federal Gazette as well as in a business or daily newspaper with sufficient circulation, or in the electronic information media designated in the prospectus, and will take effect no earlier than one day after their publication in the electronic Federal Gazette – with the exception of changes according to Paragraphs 4 and 5. The proposed changes and their effective dates must be stated in any publication made in accordance with Sentence 1 above.
4. Changes to rules for expenses and fees payable to the Company, the custodian bank and third parties (Section 41 Para. 1 Sentence 1 InvG) will take effect 6 months after publication, unless an earlier date is specified with the consent of the Federal Agency. Publication will be in accordance with Paragraph 3 Sentence 2.
5. Changes to the Investment Fund's existing investment principles will take effect 6 months after publication. Publication will be in accordance with Paragraph 3 Sentence 2. The Company must also make an offer to investors to exchange the units, free of charge, into units of investment funds with comparable investment principles.

## **Article 23 Place of Performance, Jurisdiction**

1. The place of performance is the registered office of the Company.
2. If the investor has no general place of jurisdiction in Germany, the place of jurisdiction shall be the registered office of the Company.

## **SPECIAL TERMS AND CONDITIONS**

governing the legal relationship between the investors and ETFlab Investment GmbH (Munich), Germany, (hereinafter referred to as the "Company") for the Directive-compliant securities index investment fund ETFlab DJ EURO STOXX 50<sup>®</sup> issued by the Company. These Special Terms and

Conditions are only valid in conjunction with the General Terms and Conditions laid down for the particular investment fund.

## **INVESTMENT PRINCIPLES AND INVESTMENT LIMITS**

### **Article 24 Assets**

The Company may acquire the following assets for the Investment Fund:

- 1 Securities as defined in Section 47 InvG,
- Money market instruments as defined in Section 48 InvG,
- Bank deposits as defined in Section 49 InvG,
- Investment fund units as defined in Section 50 InvG;
- Derivatives as defined in Section 51 InvG,
- Other investment instruments as defined in Section 52 InvG.

The purpose of asset selection for the Investment Fund is to track the Dow Jones EURO STOXX 50<sup>®</sup> (price index) while maintaining an appropriate level of risk.

### **Article 25 Investment Limits**

1. With regard to the investment restrictions, Article 11 of the General Terms and Conditions must be followed. Securities purchased under repurchase agreements are counted towards the investment limits stipulated in Section 63 InvG. In accordance with 63 InvG, the issuer and investment limits specified in Section 60 InvG may be exceeded if this is necessary to track the DJ EURO STOXX 50<sup>®</sup> (price index).
2. Up to 10% of the Investment Fund's net assets may be invested in units of investment assets as defined in Article 4 Para. 3 and Article 8 of the General Terms and Conditions, which for their part invest in assets as defined in Article 24. Investment fund units purchased under repurchase agreements are counted towards the investment limits stipulated in Sections 61 and 64 Para. 3 InvG.

## **UNIT CLASSES**

### **Article 26 Unit Classes**

All units have the same rights; there will not be different unit classes as specified under Article 16 Para. 2 of the General Terms and Conditions.

## **ISSUE PRICE, REDEMPTION PRICE, REDEMPTION OF UNITS AND COSTS**

### **Article 27 Units**

The investors own an interest in the assets of the Investment Fund as co-owners in proportion to the number of units held.

### **Article 28 Subscription and Redemption Price**

1. The issue premium is 2% of the net asset value per unit. The Company may adopt a lower issue premium at its discretion.

2. The redemption deduction is 1% of the net asset value per unit. The Company may charge a lower redemption deduction at its discretion. The Investment Fund shall receive the redemption deduction.

### **Article 29 Charges<sup>10</sup>**

1. The Company shall receive out of the assets of the Investment Fund an all-in fee of 0.15% p.a. of the Investment Fund's assets. The following fees and expenses are included in the all-in fee, and will not be charged separately to the Investment Fund:

- a) fees for managing the Investment Fund (fund management, administrative functions, distribution costs);
- b) customary bank custody fees including, if applicable, the customary bank expenses for holding foreign securities in custody abroad;
- c) the costs for printing and mailing the Annual Reports and Semi-Annual Reports intended for the unitholders;
- d) the cost of announcing the Annual Reports and Semi-Annual Reports, the issue and redemption prices and, if applicable, the distributions and any liquidation report;
- e) the costs of having the Investment Fund audited by the Company's auditor;
- f) the costs of announcing the basis for taxation and of the certification that taxation details were determined in accordance with the regulations of German tax legislation;
- g) the cost of the licence agreement;
- h) the custodian fee.

The all-in fee can be withdrawn from the Investment Fund at any time.

2. In addition to the all-in fee payable to the Company as indicated in Paragraph 1, the

following expenses may also be charged to the Investment Fund:

- a) expenses incurred in connection with the purchase and sale of assets;
- b) any taxes which may be incurred in connection with management and custodial duties;
- c) the costs for asserting and enforcing legal claims of the Investment Fund.

3. In addition, the Company may receive up to one half of the income from the conclusion of securities lending transactions for the account of the Investment Fund as an all-in fee in relation to the expenses incurred in the preparation and execution of such transactions.

4. The Company shall disclose in the Annual Report and Semi-Annual Report the amount of the issue premiums and redemption deductions that have been charged to the Investment Fund, over the period covered by the report, for the acquisition and redemption of units as defined in Section 50 InvG. The Company may not charge issue premiums or redemption deductions for the purchase of units that are managed directly or indirectly by the Company itself or by another company with which the Company is affiliated through a major direct or indirect participation; any such other company may not charge issue premiums or redemption deductions for aforementioned transactions. The Company must disclose in the Annual Report and in the Semi-Annual Report the fees charged as management fees for the units held in the Investment Fund when such fees are charged by the Company itself, by another investment company, a joint-stock investment company or another company with which the Company is affiliated through a significant direct or indirect equity interest, or by a foreign investment company, including its management company.

## **USE OF INCOME AND FINANCIAL YEAR**

### **Article 30 Distribution**

1. The Company distributes the interest, dividends and income from investment fund units as well as compensation from securities lending and repurchase agreements that have accrued for the account of the Investment Fund during the financial year and have not been applied to cover costs, taking into account the relevant income equalisation. Capital gains and other income, taking into account the relevant income equalisation, may also be included in the distribution. Distributions are also possible during the course of the year.

2. Distributable income as defined in Paragraph 1 may be carried forward for distribution in subsequent financial years if the total income carried forward does not exceed 15% of the

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<sup>10</sup> This provision is not subject to the approval of the Federal Agency.



respective value of the Investment Fund at the end of the financial year. Income from short financial years may be carried forward in its entirety.

3. In the interest of preserving the capital of the Investment Fund, income may be partially retained in the Investment Fund for reinvestment; in exceptional circumstances it may be fully retained.

4. Distributions take place annually within three months after the close of the financial year.

### **Article 31 Financial Year**

The financial year of the Investment Fund begins on 1 February and ends on 31 January.

## LICENCE INFORMATION

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## NAMES AND ADDRESSES

### Investment company

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80807 Munich  
Germany

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Fax +49 (0)89 327 29 – 33 13  
info@etflab.de  
www.etflab.de

Commercial register: HRB Munich 172 117

### Equity capital

The Company's share capital is  
EUR 1.0 million  
This amount is fully paid-in

### Legal representatives

Andreas Fehrenbach, Ottobrunn, Germany, date of  
birth 11.06.1964  
Michael Langmack, Ismaning, Germany, date of  
birth 15.01.1956

## Supervisory Board

Walter Groll (Chairman)  
Member of the Management Board of DekaBank  
Deutsche Girozentrale,  
Frankfurt/Main, Germany

Dr. h.c. Friedrich Oelrich (Deputy Chairman)  
Member of the Management Board of DekaBank  
Deutsche Girozentrale,  
Frankfurt/Main, Germany

Steffen Matthias  
Advisor  
Tervuren, Belgium

## Custodian Bank (paying agent and depository)

DekaBank Deutsche Girozentrale  
Mainzer Landstr. 16  
60325 Frankfurt/Main, Germany  
Tel.: +49 (0)69 7147 – 0

## Auditors

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft  
Olof-Palme-Strasse 35  
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Germany

## Designated Sponsors

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