

H2O ALLEGRO FCP

PROSPECTUS

DATED 29 DECEMBER 2023

I GENERAL FEATURES

□ **NAME: H2O ALLEGRO FCP**

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

□ **LEGAL STRUCTURE AND COUNTRY OF INCORPORATION:**

FCP governed by and construed in accordance with French law.

□ **INCEPTION DATE AND EXPECTED TERM:**

The Fund was created on 8 October 2020, for 99 years, under a split carried out in accordance with Article L.214-8-7 of the French Monetary and Financial Code.

□ **DATE OF APPROVAL BY THE AMF:**

The Fund was approved by the *Autorité des marchés financiers*, the French Financial Markets Authority (AMF), on 15 September 2020.

□ **SUMMARY OF THE MANAGEMENT OFFERING:**

Unit classes	Target subscribers	Minimum initial subscription	Minimum subsequent subscription	ISIN code	Allocation of distributable income	Base currency	Initial net asset value
EUR-I (C)	All subscribers, particularly institutional investors	EUR 100,000	One ten-thousandth of a unit	FR0011006188	Accumulation	EUR	Estimated value on split date
EUR-I (D)	All subscribers, particularly institutional investors	EUR 100,000	One ten-thousandth of a unit	FR0013344132	Net income: Distribution	EUR	Estimated value on split date
HGBP-I (C)****	All subscribers, particularly institutional investors	GBP 1,000,000	One ten-thousandth of a unit	FR0011192327	Accumulation	GBP	Estimated value on split date
HUSD-I (C)*	All subscribers, particularly institutional investors	USD 100,000	One ten-thousandth of a unit	FR0011973635	Accumulation	USD	Estimated value on split date
HSGD-I (C)**	All subscribers, particularly institutional investors	SGD 100,000	One ten-thousandth of a unit	FR0011973619	Accumulation	SGD	Estimated value on split date
HCHF-I (C)***	All subscribers, particularly institutional investors	CHF 100,000	One ten-thousandth of a unit	FR0012518389	Accumulation	CHF	Estimated value on split date
EUR-N (C)	Subscriptions in	EUR 10,000	One ten-thousandth	FR0013186673	Accumulation	EUR	Estimated

	<p>this unit are reserved to investors specifically subscribing via distributors or intermediaries:</p> <ul style="list-style-type: none"> - subject to national legislation prohibiting all retrocessions to distributors Or - that provide an independent advisory service as defined by the MiFiD II European regulation or individual management under mandate 		of a unit				value on split date
HUSD-N (C)*	<p>Subscription to this unit is reserved for investors subscribing via distributors or intermediaries that are subject to national legislation prohibiting all retrocessions to distributors, or that provide an independent advisory service as defined by the European MiFID II regulation or an individual portfolio management service</p>	USD 10,000	One ten-thousandth of a unit	FR0013320546	Accumulation	USD	Estimated value on split date
EUR-R (C)	All subscribers, particularly private individuals	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0013393220	Accumulation	EUR	Estimated value on split date
HSGD-R (C) **	All subscribers, particularly private individuals	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0013393238	Accumulation	SGD	Estimated value on split date
HUSD-R (C) *	All subscribers, particularly private individuals	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0013393246	Accumulation	USD	Estimated value on split date
HCHF-R (C) ***	All subscribers, particularly private individuals	One ten-thousandth of a unit	One ten-thousandth of a unit	FR0013393253	Accumulation	CHF	Estimated value on split date

* Unit systematically hedged against EUR/USD currency risk

** Unit systematically hedged against EUR/SGD currency risk

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

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

□ **ADDRESS FROM WHICH THE LATEST ANNUAL AND INTERIM REPORTS AND ASSET COMPOSITION CAN BE OBTAINED:**

The latest annual report and interim report details will be sent to the unitholder within eight working days of receipt of a written request to:

H2O AM EUROPE
39 Avenue Pierre 1er de Serbie
75008 Paris, France

Email: info@h2o-am.com

Any further information may be obtained from H2O AM EUROPE at the above address, or from your usual adviser.

□ **INFORMATION FOR PROFESSIONAL INVESTORS:**

The Management Company may send the breakdown of the UCI's portfolio to investors classified as professional investors by the ACPR, the AMF or equivalent European authorities, for the sole purpose of calculating regulatory requirements under Directive 2009/138/EC (Solvency II).

1 Parties involved

□ **MANAGEMENT COMPANY:**

H2O AM EUROPE
Legal form: Société anonyme par actions simplifiée [simplified joint stock company]
Authorised by the Autorité des Marchés Financiers (AMF), the French Financial Markets Authority, under number GP-19000011
39 Avenue Pierre 1er de Serbie
75008 Paris, France

□ **DEPOSITARY AND CUSTODIAN**

CACEIS BANK
Legal form: credit institution approved by the ACPR (former CECEI)
Registered office: 89-91 Rue Gabriel Péri, 92120 Montrouge, France
Postal address: 12 Place des États-Unis, CS 40083, 92549 Montrouge Cedex, France

The duties of the depositary include, as set out in the applicable Regulations, custody of the assets, checking that the Management Company's decisions are lawful and monitoring the UCITS' cash flows. The depositary is independent from the Management Company.

A description of the delegated custody duties, the list of delegates and sub-delegates of CACEIS Bank and information relating to conflicts of interest that may result from these delegations are available on the CACEIS BANK website: www.caceis.com.

Updated information is made available to investors upon request.

□ **CLEARING HOUSE:**

CACEIS BANK
Legal form: credit institution approved by the ACPR (former CECEI)
Registered office: 89-91 Rue Gabriel Péri, 92120 Montrouge, France
Postal address: 12 Place des États-Unis, CS 40083, 92549 Montrouge Cedex, France

The functions of the institution responsible for clearing subscription and redemption orders and the institution responsible for keeping the registers of units (Fund liabilities) are performed by CACEIS Bank.

Under the authority of the Management Company, CACEIS Bank is entrusted with the Fund's liability accounting and, to this end, is responsible for the clearing and processing of subscription and redemption requests relating to the Fund's units.

□ **PRIME BROKER:**

None

□ **STATUTORY AUDITOR:**

KPMG AUDIT

Represented by Isabelle BOUSQUIE
Registered office: Tour EQHO 2 avenue Gambetta CS60055
92066 PARIS LA DEFENSE CEDEX

□ **MARKETING AGENTS:**

H2O AM EUROPE
39 Avenue Pierre 1er de Serbie
75008 Paris, France

The marketing agent is the entity that markets the Fund.

This list of marketing agents is not exhaustive, particularly insofar as the Fund is admitted to Euroclear.

The Fund's Management Company would like to remind subscribers that not all marketing agents are appointed by or known to the company.

□ **DELEGATED FUNCTIONS:**

Delegated accounting functions:

Company name: CACEIS FUND ADMINISTRATION, has been appointed by H2O AM EUROPE to provide the Fund's accounting management and valuation
Registered office: 89-91 Rue Gabriel Péri, 92120 Montrouge, France
Postal address: 12 Place des États-Unis, CS 40083, 92549 Montrouge Cedex, France
Nationality: French

Investment management delegations:

Company name: H2O MONACO S.A.M.
Legal form: a Monaco société anonyme (public limited company), authorised by the Commission de contrôle des activités financières (Commission for the Control of Financial Activities – Monaco) under number SAF 2017-04
Registered office: 24, boulevard Princesse Charlotte Monte Carlo, 98000 Monaco

The delegated investment manager will help with the investment management of the Fund alongside the Management Company.

The Management Company has not identified any conflicts of interest that may arise from such arrangements.

II OPERATING AND MANAGEMENT CONDITIONS

1 General features:

□ **RIGHTS ASSOCIATED WITH THE CLASS OF UNITS:**

Each unitholder has co-ownership rights proportional to the number of units held.

Information on changes affecting the Fund is communicated to unitholders by any means in line with the instructions of the *Autorité des Marchés Financiers*, the French financial markets authority, hereinafter “the AMF.” The management of the Fund, which has no corporate personality and for which the rules concerning undivided ownership and companies have been waived, is carried out by the Management Company acting on behalf of the unitholders and in their exclusive interest.

Entry in a register or establishment of procedures for liability accounting:

Liability accounting is handled by CACEIS Bank.

Units are administered by Euroclear France.

◆ Voting rights:

The units do not carry any voting rights. Management of the Fund is carried out by the Management Company, which acts on behalf of the unitholders and in their exclusive interest.

The Management Company’s voting policy may be available at the Management Company’s registered office or on the website www.h2o-am.com.

◆ Type of unit: bearer.

◆ Division of units:

EUR-R(C), EUR-I(C), EUR-I(D), HGBP-I (C), HUSD-R (C), HSGD-R(C), HCHF-R(C), HUSD-N(C), HUSD-I (C), HSGD-I (C), HCHF-I and EUR-N (C) units are split into ten-thousandths of a unit.

□ **FINANCIAL YEAR-END:**

Last trading day in June.

The first financial year ended on the last trading day of June 2021.

□ **INFORMATION ON THE TAXATION SYSTEM:**

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

2 Specific provisions

□ **ISIN CODE:**

Units	ISIN code
EUR-I (C)	FR0011006188
EUR-I (D)	FR0013344132
HGBP-I (C)	FR0011192327
HUSD-I (C)	FR0011973635
HSGD-I (C)	FR0011973619
HCHF-I (C)	FR0012518389

EUR-N (C)	FR0013186673
HUSD-N (C)	FR0013320546
EUR-R (C)	FR0013393220
HSGD-R (C)	FR0013393238
HUSD-R (C)	FR0013393246
HCHF-R (C)	FR0013393253

□ **CLASSIFICATION:**

Bonds and other international debt securities.

□ **HOLDING OF UNITS OR SHARES OF OTHER UCIS (UCITS OR AIFS) OR INVESTMENT FUNDS:**

The Fund invests up to 10% of its net assets in units or shares.

□ **INVESTMENT OBJECTIVE:**

For EUR-R, EUR-N and EUR-I units

The investment objective is to outperform the daily capitalised €STR rate by 2.1% per annum for EUR-R units, by 2.9% per annum for EUR-N units and by 3% per annum for the two EUR-I units, over the minimum recommended investment period after deduction of operating and management fees.

For HGBP-I units

The investment objective is to outperform the daily capitalised SONIA (Sterling Overnight Index Average) by 2.95% per annum for HGBP-I units, over the minimum recommended investment period after deduction of operating and management fees.

For HCHF-R and HCHF-I units

The investment objective is to outperform the daily capitalised SARON (Swiss Average Rate Overnight) by 2.1% per annum for HCHF-R units and by 3% per annum for HCHF-I units, over the minimum recommended investment period after deduction of operating and management fees.

For HUSD-R, HUSD-N and HUSD-I units

The investment objective is to outperform the daily capitalised SOFR (Secured Overnight Financing Rate) by 2.1% per annum for HUSD-R units, by 2.9% per year for HUSD-N units and by 3% per year for HUSD-I units, over the minimum recommended investment period after deduction of operating and management fees.

For HSGD-R and HSGD-I units

The investment objective is to outperform the 1-month SGD SIBOR (Singapore Interbank Offered Rate) by 2.1% per annum for HSGD-R units and by 3% per annum for HSGD-I units, over the minimum recommended investment period after deduction of operating and management fees.

Potential subscribers are reminded that the various performance objectives listed in this "Management objective" section are based on performance assumptions agreed by the Management Company and under no circumstances guarantee the Fund's return or performance.

□ **BENCHMARK:**

The daily capitalised €STR (Overnight Indexed Swap or OIS method) is the benchmark for the Fund.

The €STR (Euro Short Term Rate) corresponds to the reference rate of the euro interbank market. It is calculated by the European Central Bank.

More information about the benchmark index can be found on the website of the benchmark administrator www.ecb.europa.eu

The benchmark administrator is not listed in the register of administrators and benchmark indices held by ESMA (the ECB is exempt).

The daily capitalised SONIA (Sterling Overnight Index Average) rate (Overnight Indexed Swap or OIS method) corresponds to the reference rate of the British sterling (GBP) interbank market. It is calculated by the Bank of England.

The benchmark administrator is the Bank of England. The benchmark is available on the website: <https://www.bankofengland.co.uk/markets/sonia-benchmark>

The benchmark administrator is not listed in the register of administrators and benchmark indices held by ESMA (central banks being exempted).

The daily capitalised SOFR (Secured Overnight Financing Rate) (Overnight Indexed Swap or OIS method) corresponds to the reference rate of the US dollar (USD) interbank market and is calculated by the New York Federal Reserve.

The benchmark administrator is the New York Federal Reserve. The benchmark is available on the website: <https://www.newyorkfed.org/markets/reference-rates/sofr>

The benchmark administrator is not listed in the register of administrators and benchmark indices held by ESMA (central banks being exempted).

The daily capitalised SARON (Swiss Average Rate Overnight) (Overnight Indexed Swap or OIS method) corresponds to the reference rate of the Swiss franc (CHF) interbank market and is calculated by SIX Financial Information AG.

The benchmark administrator is listed in the register of administrators and benchmark indices held by ESMA. The benchmark is available on the website: <https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/indices/swiss-reference-rates.html>.

The 1-month SIBOR (Singapore Interbank Offered Rate) is the average interest rate at which a selection of large, Singapore-based banks are prepared to lend to one another in Singapore dollars for a term of one month. It is calculated every working day by Refinitiv and published by ABS Benchmarks Administration Co Pte Ltd. Information is available at <https://www.abs.org.sg/rates-sibor>.

The benchmark administrator, ABS Benchmarks Administration Co Pte Ltd., is listed in the register of administrators and benchmark indices held by ESMA.

□ **INVESTMENT STRATEGY:**

A) Description of the strategies employed

The investment process implemented is focused on total return, combining strategic and tactical positions and arbitrages on global fixed income and currency markets.

The performance objective will be sought by complying with a maximum ex ante “Value at Risk” (VaR) of 20% for up to 20 days and with a confidence interval of 99%.

The Fund’s performance is more closely linked to relative market trends (relative value positions and arbitrages) than to the general direction of these markets (directional positions).

The risk level of the portfolio for each asset class (e.g. bonds) is determined on its own merits and its correlations with the other asset classes (currencies, credit). The exposure to different asset classes is therefore a consequence of these risk allocation decisions.

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

The overall modified duration of the portfolio will range from -8 to +8.

With respect to currencies strategies, the Fund’s management incorporates an active currency component implemented across all geographical areas in the OECD and emerging foreign exchange markets. Currencies are used for diversification and hedging purposes, but they may also be used as a means to implement the Management Team’s macro, top-down views. As a consequence, currencies strategies are considered as a genuine asset class, with an investment process comprising the following steps:

- First step: definition of the risk budget allocated to the USD currency bloc: the directional exposure to the USD bloc is equally weighted against three other currency blocs: the euro-bloc (European currencies), the commodity-currency-bloc (Canadian dollar (CAD), Australian dollar (AUD), New Zealand dollar (NZD), South African rand (ZAR)) and the yen-bloc (Japanese yen (JPY) and South Korean won (KRW));
- Second step: definition of the inter-bloc strategies: strategies between the three currency blocs, excluding the USD bloc, are defined below as, for example, overweighting of the euro compared to the Canadian dollar or the Japanese yen bloc;
- Third step: definition of the intra-bloc strategies: strategies within each of the above currency blocs, e.g. the Australian dollar and/or the New Zealand dollar against the Canadian dollar within the commodity-currency bloc;
- Fourth step: exposure to emerging currencies, such as the Malaysian ringgit.

In addition, and depending on market opportunities, management will be able to carry out transactions entered into and unwound on the same day.

SFDR:

With reference to the regulation known as the “SFDR Regulation” (Regulation (EU) 2019/2088 of the European Parliament of 27 November 2019 on sustainability-related disclosures in the financial services sector), this UCITS is not covered by either Article 8 or by Article 9 of SFDR, and consequently forms part of the category of funds covered by Article 6.

The main criteria taken into consideration in investment decisions are macro-economic analysis, the analysis of capital flows and the relative valuation of the markets.

Sustainability risks (as defined in the SFDR and the definition for which is reproduced in the Risk Profile section below) are integrated by means of systematic exclusions that are based on the regulations in force and on those sectors and countries that are subject to international sanctions.

In managing this UCITS, the Management Company also:

- excludes all companies involved in the production, use, stockpiling, sale and transfer of anti-personnel mines and cluster bombs, in accordance with the Ottawa and Oslo conventions;
- requires a further audit and the approval of the Management Company's compliance department for any investment linked to issuers based in countries defined as "high-risk" with regard to money laundering and terrorist financing (including, in particular but not exclusively, countries identified by the Financial Action Task Force (FATF) as having strategic deficiencies in their anti-money laundering and anti-terrorist financing systems, and those on the EU's lists of high-risk countries and non-cooperative jurisdictions for tax purposes).

The Management Company has adopted a strict controversial weapons and sector exclusion policy, which can be found on its website.

The UCITS is not currently able to integrate the Principal Adverse Impacts (PAIs) of investment decisions on sustainability factors, owing to:

- a lack of available reliable data;
- use of derivative financial instruments for which the PAIs have not yet been integrated or defined.

Investment in OECD government bonds:

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

Investment in OECD non-government bonds and non-OECD government and non-government bonds:

1. **Active management of exposure to overall credit risk;**
2. **Allocation of the credit risk over the main segments of the credit market:** "Investment Grade", "Speculative Grade" debt, on the one hand, external and local debt of non-OECD countries, on the other hand;
3. **Selection of issuers** in each of these segments.

Currency management:

1. **Strategic exposure to the US dollar:** purchase or sale of the US dollar against all other currencies;
2. **Relative allocation between the three main currencies "blocs":** the European currency bloc (euro, pound sterling, Norwegian and Danish krone, Swedish and Icelandic krona, Swiss franc, Polish zloty, Czech koruna and Hungarian forint); the yen bloc (Japanese yen and South Korean won); the commodity-currency bloc (referring to currencies with an exchange rate correlated with the price of commodities: mainly Canadian dollar, Australian

- dollar, New Zealand dollar and South African rand);
3. **Allocation within each bloc** by purchasing and selling each of the currencies comprising the above blocs;
 4. Diversification among non-OECD markets currencies.

The following units:

- HGBP-I, denominated in GBP;
- HCHF-I and HCHF-R denominated in CHF;
- HUSD-I, HUSD-N and HUSD-R, denominated in USD;
- HSGD-I and HSGD-R, denominated in SGD;

are hedged against the exchange rate risk so as to limit the impact of fluctuations in the EUR/unit currency exchange rate on the Fund's performance.

These units therefore aim to achieve the best performance of the strategy during the investment term of the Fund by hedging against the exchange rate risk of the EUR/unit currency, which could affect the net asset value.

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

1. Debt securities, similar securities and financial instruments

Modified duration range for interest rates	Between -8 and+8
Issuers' geographical region	All geographical regions
Base currency of securities	All currencies
Foreign exchange rate risk	Up to 600%

Bond market instruments:

- up to **100% of the net assets in bonds issued or guaranteed by OECD Member States** with no rating restrictions;
- up to **100% of the net assets in non-government bonds** issued by companies having their registered offices in an OECD country.

The Investment Manager relies on the appraisal of credit risk by its teams and its own methodology.

In addition to this appraisal, the relevant securities are subject to a minimum rating constraint corresponding to "investment grade" according to the Investment Manager's criteria at the time of purchase (for example, BBB- according to the Standard & Poor's or Fitch Ratings rating scale, or Baa3 according to Moody's).

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

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

Moreover, when the rating of an issuer of a security already present in the portfolio deteriorates and falls below the minimum "investment grade" rating (equivalent to a minimum rating of BBB- according to Standard & Poor's and Fitch or Baa3 according to Moody's), the Management Company will examine the case for keeping the securities in the portfolio or selling them, while maintaining as its principal criterion the interests of the unitholders.

- In this category of OECD non-government bonds, up to **20% of the net assets may be invested in mortgage-backed securities or asset-backed securities** (MBS – securitisation of mortgage loan portfolios, and ABS – securitisation of portfolios of non-mortgage loans such as consumer credit, automobile credit and credit cards).

The Investment Manager relies on the appraisal of credit risk by its teams and its own methodology.

These securities may also be subject to a minimum rating constraint at the time of acquisition equivalent to:

- AA from Standard & Poor's or Fitch Ratings;
- Aa2 from Moody's;

or an equivalent rating in accordance with the Investment Manager's analysis.

If the issue is rated simultaneously by the three agencies, at least two of the three ratings must be AA/Aa2 or an equivalent rating in accordance with the Investment Manager's analysis.

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

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

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

Moreover, when the rating of an issuer of a security already present in the portfolio deteriorates, and falls below the minimum rating, the Management Company will examine the case for keeping the securities in the portfolio or disposing of them, while maintaining as its principal criterion the interests of the unitholders.

Still within this limit of 20% of net assets in mortgage-backed securities or asset-backed securities, the Fund may hold up to 10% of its net assets in ABS and MBS that are unrated upon issue or whose issuer is unrated upon issue.

- up to **40% of the assets in OECD corporate bonds rated speculative grade at the time of their acquisition, and non-OECD government and corporate bonds with no ratings restrictions**, issued in G4 currencies (USD, EUR, GBP and JPY) or in local currencies.
- up to **10% of the assets in exchangeable, convertible and contingent convertible bonds.**

Money market instruments:

The Fund's cash position is managed through the purchase of money market instruments (treasury bills, annual interest treasury bills, short-term negotiable securities, Euro Commercial Paper and money market UCITS/AIF funds) and through repurchase agreements and deposits.

Currencies:

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

Recap of the main limits for investment in bonds (ratings applicable at time of purchase)	
Overall modified duration range	[-8; +8]
OECD government bonds	Maximum 100% of net assets
OECD non-government bonds rated investment grade at purchase	Maximum 100% of net assets
of which securitised bonds (ABS & MBS)	Maximum 20% of net assets
Non-OECD government bonds or OECD non-government bonds rated Speculative Grade at purchase or Non-OECD non-government bonds	Maximum 40% of net assets

2. Specific instruments

2.1 Holding of shares or units of UCITS/AIFs/investment funds

On an ancillary basis, with a view to investing its liquid assets, the Fund may hold up to 10% of its assets in shares or units of the following UCITS/AIFs/investment funds, particularly money market UCITS/AIFs/investment funds:

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

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

The UCIs/investment funds held by the Fund may be managed by the Management Company or by a legally affiliated company.

2.2 Derivatives

The investment process includes the use of financial contracts, whether conditional or otherwise, traded on regulated, organised or over-the-counter markets.

These are an alternative to bearer securities, especially at times of subscription/redemption flows or in specific circumstances such as major market fluctuations.

The Fund may use derivatives to overcommit its portfolio.

Transactions entered into and unwound on the same day will apply to derivative instruments traded on regulated markets and foreign exchange spot transactions. In particular, the modified duration characteristics of options (gamma) will be actively managed when approaching the ends of investment periods.

The Fund's exposure to derivatives instruments will be managed in due observation of a maximum ex-ante "Value at Risk" (VaR) of 20% for up to 20 days and with a confidence interval of 99%. It will not exceed this maximum capacity.

TABLE OF DERIVATIVES

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

* See the Investment Manager's policy for the execution of orders at www.h2o-am.com.

The FCP may use total return swaps ("TRS"), which seek to swap the performance of all or some of the assets held by the Fund (and held by the Fund's custodian) for the performance of an index or an asset class listed in the section entitled "Description of asset classes and financial contracts".

The maximum proportion of assets under management that may be used for TRS is 50% of the net assets. Under normal market conditions, the Investment Manager expects such transactions to involve up to 25% of the Fund's assets.

The counterparties to total return swaps are credit institutions or other entities that meet the criteria set out in the French Monetary and Financial Code and are selected by the Management Company in accordance with the counterparty selection procedure available on the Management Company's website at the following address: www.h2o-am.com.

The Management Company shall enter into such contracts with financial institutions that have their registered office in a member state of the OECD and a minimum rating that meets the requirements of the Management Company.

These transactions are systematically covered by a signed contract between the Management Company and the counterparty that defines the procedures for reducing counterparty risk. Counterparties do not have any discretionary decision-making powers in respect of the composition or management of the Sub-fund's investment portfolio or the assets underlying the derivative.

Information relating to OTC financial agreements:

Counterparties are leading credit institutions. They are selected and regularly assessed in accordance with the counterparty selection procedure, which is available upon request from the Investment Manager. These transactions are systematically covered by an agreement signed between the Fund and the counterparty that defines the procedures for reducing counterparty risk.

The counterparty or counterparties does/do not have any discretionary decision-making powers in respect of the composition or management of the Fund investment portfolio or the asset underlying the derivative.

2.3 Securities with embedded derivatives

TABLE OF SECURITIES WITH EMBEDDED DERIVATIVES

<i>Type of instrument used</i>	RISK TYPE					OPERATION TYPE			
	Equity	Interest rate	Exchange rate	Credit	Other risk(s)	Hedging	Exposure	Arbitrage	Other(s)
Warrants on									
Equities									
Rate									
Exchange rates									
Indices									
Subscription warrants									
Equities									
Rate									
Equity-linked products									
Convertible bonds									
Exchangeable bonds	X	X		X	X		X		
Convertible bonds	X	X		X	X		X		
Contingent Convertible bonds	X	X		X	X		X		
Callable interest rate products		X	X	X	X	X	X		X
Puttable interest rate products		X	X	X	X	X	X		X
Structured EMTN/BMTN									
Structured BMTN									
Structured EMTN									
Credit linked notes (CLN)									
Other (please specify)									

* See the Investment Manager's policy for the execution of orders on www.h2o-am.com.

2.4 Deposits

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

2.5 Liquid assets

On an ancillary basis, the Fund may also hold cash and cash equivalents.

2.6 Cash borrowings

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

2.7 Temporary purchase and sale of securities

The Fund may carry out temporary purchase and sales of securities (also called securities financing transactions) up to 50% of its net assets. The expected proportion of assets which will be the subject of such transactions may represent 30% of the assets.

Types of transaction used	
Repurchase and reverse repurchase agreements in accordance with the French Monetary and Financial Code.	X
Securities lending and borrowing in accordance with the French Monetary and Financial Code	X
Other	

Types of operation, all of which must be limited to the achievement of the management objective	
Cash management	X
Optimisation of the Fund's income and performance	X
Other	X

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

The use of securities financing transactions will aim at proving the Fund with additional return and therefore contribute to the performance of the Fund. In addition, the Fund may enter into repurchase agreements in substitution of the collateral received in cash and/or reverse repurchase agreements for cash management purpose.

These transactions may apply to all assets composing the Fund. The securities financing transactions will be subject to collateral arrangements as described in further details in the section "Contracts qualifying as collateral arrangements" hereinafter.

Contracts qualifying as collateral arrangements

When entering into financial derivatives agreements and securities financing transactions, the Fund may receive/ provide collateral based upon the transfer of full ownership of the securities or cash collateral.

Securities received as collateral comply with the criteria set forth in the relevant regulation and must be provided by credit institutions or other entities complying with the criteria pertaining its legal structure, country and other financial requirements as contemplated in the *Code Monétaire et Financier*, the French Monetary and Financial Code.

Securities received in collateral and the applicable haircuts policies are determined by the Management Company in accordance with the applicable regulations and include the following categories:

- Cash collateral in various currencies according to a predefined list, such as the euro and USD;
- Collateral as debt or equity securities on the basis of a specific classification.

The eligible collateral policy defines clearly the level of collateral required and the haircut applicable to each type of collateral taking into account the characteristics of the collateral. The policy describes also,

in accordance with applicable regulations, the rules for diversification of risks, correlation, valuation, credit quality and regular stress tests on the liquidity of the collateral.

In accordance with the conditions set forth in the regulations, in the event that collateral is received in cash, it may only be:

- placed on deposit;
- invested in high quality government bonds;
- used in repurchase agreements;
- invested in short-term monetary undertakings for collective investment (UCI).

Non-cash collateral received should not be sold, re-invested or pledged.

In accordance with the rules set forth in this prospectus, the Management Company will proceed to a daily valuation of the collateral received based on the market price (mark-to-market). Collateral margin variations will be calculated on a daily basis.

Collateral received by the Fund will be held by the Depositary of the Fund or a third-party custodian which is subject to prudential supervision and is unrelated to the provider of the collateral.

The risks associated with securities financing transactions and collateral arrangements are described in the risk profile section.

□ **TAXONOMY (REGULATION (EU) 2020/852):**

The underlying investments of this Fund do not incorporate the EU criteria for environmentally sustainable economic activities.

□ **RISK PROFILE:**

Your money will be primarily invested in financial instruments selected by the Investment Manager. These instruments will be subject to the trends and risks of the markets.

The net asset value is susceptible to wide fluctuations because of the financial instruments that make up the Fund portfolio.

Capital risk: the Fund does not benefit from any guarantee or protection; therefore, the capital initially invested may not be repaid in full.

Credit risk: this is the risk that credit spreads may vary as a result of deterioration in the quality of the investment or default by one or more issuers within the portfolio. Depending on the direction of the transactions of the UCITS, i.e. a decrease (in the event of a purchase) or an increase (in the event of a sale) in the value of the debt securities to which the UCITS is exposed, the Fund may fall, leading to a decrease in its net asset value.

As a result of its investment strategy, the Fund is subject to significant credit risk. Under deteriorated market conditions, their valuation may fluctuate significantly and have a negative impact on the net asset value.

This risk may be intensified by a lack of liquidity on the market for all bonds, particularly speculative bonds (rated speculative grade).

In the case of ABS (Asset Backed Securities) and MBS (Mortgage Backed Securities), credit risk results from both the intrinsic quality of the underlying assets, which may be of various types (consumer, mortgage, SME loans, trade receivables, etc.) and from specific risks, particularly those associated with the occasionally complex legal structure and the operators involved in the transaction.

Interest rate risk: this is the risk of a fall in the value of interest rate instruments due to fluctuations in interest rates. It is measured by modified duration.

When interest rates rise (in the case of positive modified duration) or fall (in the case of negative modified duration), the net asset value may fall sharply.

Modified duration measures the impact of a change in rates on the Fund's valuation. Therefore, if the Fund has a modified duration to interest rates close to 10, a 1% rise in real rates will cause the Fund's net asset value to fall by 10%, while a 1% fall in real rates will cause the Fund's net asset value to rise by 10%.

Counterparty risk: the Fund uses over-the-counter financial contracts and/or temporary purchases and sales of securities. These transactions, entered into with one or more counterparties, potentially expose the Fund to the risk of failure of any of these counterparties, which may cause the latter to default on payment.

Risk associated with temporary purchases and sales of securities, total return swaps (TRS) and the management of collateral: temporary purchases and sales of securities and total return swaps (TRS) are likely to create risks for the Fund, such as the counterparty risk defined above. The management of collateral may create risks for the Fund, such as liquidity risk (i.e. the risk that a security received as collateral is not sufficiently liquid and cannot be sold quickly in the event that the counterparty defaults), and, where applicable, risks related to the reuse of cash collateral (i.e. primarily the risk that the Fund cannot reimburse the counterparty).

Risk associated with emerging market securities: the securities of these countries may be difficult to trade or may even temporarily cease to be tradable, due in particular to a lack of trading on the market or to regulatory restrictions; as a result, holding such securities may result in departures from the Fund's normal operation in accordance with UCITS regulations and if the interests of investors so dictate. Moreover, since downward movements on the market may be faster and more pronounced than on developed markets, the net asset value may fall more sharply and rapidly.

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

Exchange rate risk: this is the risk of a fall in the investment currencies against the euro, the portfolio's reference currency. If a currency falls against the euro, the net asset value may fall.

The following units:

- H-I, denominated in GBP;
- HUSD-I, HUSD-N and HUSD-R, denominated in USD;
- HSGD-I and HSGD-R, denominated in SGD;
- HCHF-I and HCHF-R, denominated in CHF;

are hedged against the currency risk so as to limit the impact of fluctuations in the EUR/unit currency exchange rate on the Fund's performance.

These units therefore aim to achieve the best performance of the strategy during the investment term of the Fund by hedging against the EUR/unit currency, which could affect the net asset value.

Overexposure risk: as part of the method used to calculate commitment, risk budgets are determined for the various strategies. The Fund will therefore have variable levels of exposure to the various types of risk stated in this prospectus.

The level of exposure particularly depends on the strategies implemented as well as on market conditions. The level of exposure to the various risks may cause the net asset value to fall faster and/or to a greater extent than the markets underlying these risks.

Risks associated with investment in exchangeable, convertible and "contingent convertible" bonds: the UCITS may invest in exchangeable and convertible bonds which are fixed-income securities that include an option to convert into equities, as well as "contingent convertible" bonds which are fixed-income securities that include an option to convert into equities at the initiative of the issuer in the event of a deterioration of their financial position.

The market value of convertible securities depends on both the level of interest rates and the estimation of future movements in the price of the underlying shares.

In addition to the credit risk and interest rate risk inherent in bonds, the exercise of this conversion option may cause the net asset value of the UCITS to fall more significantly than would be observed on the issuer's other conventional bonds.

Equity risk: Insofar as the Fund may invest in exchangeable/convertible bonds, this is exposure to the risk of underlying equities.

Risks linked to temporary purchases and sales of securities and the management of collateral: temporary purchases and sales of securities and the management of related collateral can generate risks for the Fund such as (i) counterparty risk (as described above), (ii) liquidity risk, and when relevant the risks generated by the reuse of collateral (mainly the risk that collateral received by the Fund may not be available for restitution to the counterparty for collateral received in securities or may not enable the Fund to reimburse the counterparty for collateral received in cash).

Sustainability risk: means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

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

EUR-R, EUR-I, HUSD-R, HSGD-R, HCHF-R, HGBP-I, HUSD-I, HSGD-I and HCHF-I units are aimed at all subscribers. R and H-R shares are primarily aimed at private individuals. I and H-I shares are primarily aimed at institutional investors.

EUR-N and H-N units are aimed particularly to investors subscribing via distributors or intermediaries:

- subject to national legislation prohibiting all retrocessions to distributors

or

- that provide an independent advisory service as defined by the MiFiD II European regulation or individual management under mandate.

The Fund is aimed at investors who wish to diversify their investments on interest rate and currency markets.

The minimum recommended investment period is 5 years.

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

In accordance with applicable EU regulations¹ introduced on 12 April 2022, and for as long as these remain in force, subscribers (natural persons and legal entities) of Russian or Belarusian nationality and/or residing or established in Russia or Belarus are not permitted to subscribe to this UCITS, without prejudice to any exceptions set out in these regulations.

A reasonable amount to invest in the Fund depends on the amount of risk the investor is willing to take on. This amount also depends on the holder's personal profile, particularly their financial situation and the current composition of their financial assets. **Building and holding a financial asset portfolio implies a diversification of investments.**

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

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

□ **PROCEDURES FOR DETERMINING AND ALLOCATING DISTRIBUTABLE SUMS:**

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

¹As at 1 June 2022, Regulation (EU) 833/2014, as amended, Regulation (EU) 398/2022 and Council Decision 2022/579.

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

Net realized capital gains are capitalised.

□ **UNIT FEATURES:**

	ISIN code	Base currency	Unit division	Minimum initial subscription	Minimum subsequent subscription
EUR-I (C) units	FR0011006188	EUR	Ten-thousandths	EUR 100,000	One ten-thousandth of a unit
EUR-I (D) units	FR0013344132	EUR	Ten-thousandths	EUR 100,000	One ten-thousandth of a unit
HGBP-I (C) units	FR0011192327	GBP	Ten-thousandths	GBP 1,000,000	One ten-thousandth of a unit
HUSD-I (C) units	FR0011973635	USD	Ten-thousandths	USD 100,000	One ten-thousandth of a unit
HSGD-I (C) units	FR0011973619	SGD	Ten-thousandths	SGD 100,000	One ten-thousandth of a unit
HCHF-I (C) units	FR0012518389	CHF	Ten-thousandths	CHF 100,000	One ten-thousandth of a unit
EUR-N (C) units	FR0013186673	EUR	Ten-thousandths	EUR 10,000	One ten-thousandth of a unit
HUSD-N(C) units	FR0013320546	USD	Ten-thousandths	USD 10,000	One ten-thousandth of a unit
EUR-R (C) units	FR0013393220	Euro	Ten-thousandths	EUR 100	One ten-thousandth of a unit
HSGD-R (C) units	FR0013393238	SGD	Ten-thousandths	SGD 100	One ten-thousandth of a unit
HUSD-R (C) units	FR0013393246	USD	Ten-thousandths	USD 100	One ten-thousandth of a unit
HCHF-R (C) units	FR0013393253	CHF	Ten-thousandths	CHF 100	One ten-thousandth of a unit

□ **SUBSCRIPTION AND REDEMPTION PROCEDURES:**

Subscription and redemption orders are centralised at 12:30 p.m. on each net asset value calculation day (D). These are executed on the basis of the net asset value established on D and calculated on the basis of D + 1 working day.

Orders are executed in accordance with the table below for euro and GBP currency:

D	D	D: NAV calculation day	D + 1 business day	D + 1 business day	D + 1 business day
Clearing of subscription orders before 12.30 p.m. ¹	Clearing of redemption orders before 12.30 p.m. ¹	Execution of the order on D at the latest	Publication of the net asset value	Settlement of subscriptions ¹	Settlement of redemptions ¹

¹Unless a specific deadline has been agreed with your financial institution.

Orders are executed in accordance with the table below for the others currency:

D	D	D: NAV calculation day	D + 1 business day	D + 3 business day	D + 3 business day
Clearing of subscription orders before 12.30 p.m. ¹	Clearing of redemption orders before 12.30 p.m. ¹	Execution of the order on D at the latest	Publication of the net asset value	Settlement of subscriptions ¹	Settlement of redemptions ¹

¹Unless a specific deadline has been agreed with your financial institution.

Investors intending to subscribe to units and unitholders wishing to redeem units are invited to contact their usual marketing agent directly in order to obtain information on the deadlines for placing subscription and redemption orders, as these may be earlier than the clearing time stated above.

Redemption capping mechanism (gates mechanism):

The Management Company may implement the so-called “gates mechanism” to spread redemption requests of the UCI’s unitholders over several net asset values when they exceed a certain level, determined in an objective manner.

It may decide not to execute all redemptions at the same net asset value, irrespective of the implementation of the management strategy, in exceptional circumstances, such as liquidity conditions with an impact on the UCI’s assets, and if the interests of unitholders or the public so dictate.

Unitholders may also refer to the UCI’s regulations.

Description of the method used:

The UCI’s unitholders are reminded that the threshold for triggering the gate mechanism is linked to the ratio between:

- the difference, at the same clearing date, between the number of units of the UCI whose redemption is requested or the total amount of these redemptions, and the number of units of the UCI whose subscription is requested or the total amount of these subscriptions; and
- the net assets or the total number of units of the UCI.

The gate trigger threshold will be 5% for all the UCI’s unit classes.

This threshold is explained by the UCI’s NAV calculation frequency, its management strategy and the liquidity of its assets. The threshold applies to cleared redemptions for all the UCI’s assets rather than specifically depending on unit class.

When redemption requests exceed the gate trigger threshold, the Management Company may decide to honour them beyond the established cap and thus execute some or all orders that may be blocked.

The maximum period for applying the gates is set at 20 net asset values over three months. Therefore, the mechanism may not be triggered during more than 20 consecutive net asset values.

Information procedures for unitholders:

If the gates mechanism is activated, all UCI unitholders will be informed by any means via the Management Company's website: www.h2o-am.com.

The UCI's unitholders whose orders have not been executed will receive a specific notification as soon as possible.

Processing of non-executed orders:

Redemption orders will be executed in the same proportions for UCI unitholders who have requested a redemption since the last clearing date. Non-executed orders will automatically be carried forward to the next net asset value and will not take priority over new redemption orders sent for execution at the following net asset value. In any event, redemption orders that are not executed and are automatically carried forward may not be cancelled by the UCI unitholders concerned.

Exemption:

In the event of a round-trip transaction (a unit redemption request accompanied by a simultaneous and corresponding subscription request placed on the same NAV date, with the same ISIN code, for the same number of units, by the same intermediary, on the same account), this will not be taken into account for the gates calculation mechanism and will therefore be honoured as is.

Example:

If total redemption requests on the UCI's units are 10% of net assets and the trigger threshold is 5%, the Management Company may decide to honour requests up to 7.5% (i.e. execute 75% of the requests rather than 50% were it strictly applying the 5% cap).

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

The first net asset value will be established on 14 October 2020.

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

The net asset value may be obtained from the Management Company:

H2O AM EUROPE
39 Avenue Pierre 1er de Serbie
75008 Paris, France
Website: "www.h2o-am.com"

□ **FEES AND COMMISSIONS:**

Subscription and redemption fees:

Fees charged to the investor, payable at the time of subscription or redemption	Basis	Rate scale
Maximum subscription fee not retained by the UCITS	net asset value x number of units	<u>For all R unit classes</u> 3% maximum <u>For all I and N unit classes</u> 1% maximum
Maximum subscription fee reserved for the Management Company	net asset value x number of units	None
Subscription fee retained by the UCITS	net asset value x number of units	None
Maximum redemption fee not retained by the UCITS	net asset value x number of units	None
Redemption fee retained by the UCITS	net asset value x number of units	None

Fees charged to the UCITS:

These charges cover:

- Management fees;
- Operating expenses and other services;
- Maximum indirect charges (commissions and management fees) for UCITS that invest over 20% in other UCITS/AIFs or investment funds;
- Transaction fees;
- Outperformance fees.

Fees charged to the UCITS:	Basis	Rate scale
Management fees	Net assets	<p>Maximum rate</p> <p>For all R unit classes 1.60% incl. Tax</p> <p>For all N unit classes 0.80% incl. tax</p> <p>HGBP-I units 0.75% incl. tax</p> <p>EUR-I (C), EUR-I (D), HSGD-I, HUSD-I and HCHF-I units 0.70% incl. tax</p>
Operating expenses and other services	Net assets	<p>Maximum rate</p> <p>For all units: 0.15% incl. tax</p>
Transaction fees	The sum (capped at the monthly average assets) of notional transactions on listed derivatives, excluding listed options	A maximum rate: 0.015% per month
Outperformance fee	Positive difference between valued asset and reference asset	<p>EUR-R, EUR-I (C), EUR-I (D), HSGD-R, HSGD-I, HUSD-R, HUSD-I, HCHF-R, HCHF-I, EUR-N and HUSD-N units: 25%, including tax, of the outperformance relative to the index shown below</p> <p>HGBP-I units: None</p>

Third parties, in particular external distributors and delegated financial managers may receive retrocessions of management fees. These external distributors and delegates may be H2O AM Group companies. Retrocessions of management fees are calculated as a percentage of the financial management fees. Unitholders can direct any request for further information about these retrocessions to their distributor and/or the Management Company.

The following costs may be added to the fees charged to the UCITS and shown above:

- Exceptional and non-recurring debt recovery costs (e.g. Lehman Brothers proceedings) or costs to enforce a right (e.g. class action proceedings).
Information on these fees is also described ex post in the annual report of the UCITS.

The operating expenses and other services correspond to the internal or external fees of the Management Company relating to:

I. Fund registration and benchmarking fees

- All costs related to the registration of the UCI in other Member States (including costs charged by advisers (lawyers, consultants etc.) for carrying out marketing procedures with the local regulator on behalf of the portfolio management company);
- UCI listing fees and publication of net asset values for investor information;
- Distribution platform fees (excluding retrocessions); agents in foreign countries involved in distribution: local transfer agent, paying transfer agent, facility agent etc.

II. Customer and distributor information costs

- Costs of compiling and distributing regulatory documentation and reports;
- Costs related to the disclosure of regulatory information to distributors;
- Provision of information to unitholders by any means (publication in the press, other);
- Information specific to direct and indirect unitholders: letters to unitholders etc.;
- Website administration costs;
- Translation fees specific to the UCI.

III. Data charges

- Licensing costs of the benchmark index used by the UCI;
- Costs of data used for redistribution to third parties (e.g. reuse of issuer ratings, index compositions, data etc.) ;
- Costs arising from specific client requests (e.g. a request to add two specific non-financial indicators to the reporting as requested by the client);
- Data charges for single products that cannot be amortised over several portfolios. Example: an impact fund requiring specific indicators;
- Audit fees and label promotion costs (e.g. SRI label, Greenfin label).

IV. Custodian, legal, audit, tax fees etc.

- Statutory auditors' fees;
- Fees related to the custodian;
- Fees related to account-holders;
- Fees related to the delegation of administrative and accounting management;
- Audit fees;
- Tax expenses including lawyers and external experts (recovery of withholding taxes on behalf of the Fund, local tax agent etc.);
- Legal fees specific to the UCI;
- Guarantee fees;
- Costs of creating a new Sub-fund that can be amortised over five years.

V. Fees related to compliance with regulatory obligations and regulatory reporting

- Costs of preparing regulatory reports to the regulator specific to the UCI (MMF reporting, AIFM, ratio overruns etc.);

- Mandatory professional association contributions;
- Contributions due for the management of this UCITS pursuant to 4° of II of Article L. 621-5-3 of the French Monetary and Financial Code;
- Exceptional and non-recurring taxes, fees and governmental duties (in relation to the UCITS);
- Operating fees for monitoring threshold crossings;
- Operating fees for the deployment of voting policies at Shareholders' Meetings.

VI. Operating expenses:

- Fees for compliance monitoring and control of investment restrictions where such restrictions arise from specific customer requests and are specific to the UCI.

VIII. Fees related to customer knowledge

- Operating fees for customer compliance (due diligence and creation/updating of customer files).

Insofar as operating costs and other services are deducted in real terms, in the event of an increase in these costs equal to or less than 10 basis points (0.1%) per calendar year, unitholders may be informed by any means (e.g. on the website of the portfolio management company, in the section relating to the UCITS in question) and not by means of specific information without being offered the possibility of redeeming their units at no cost. This information should be published before it takes effect.

Outperformance fee:

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

The outperformance fee applicable to a particular unit class is based on a comparison of the Fund's valued assets and the reference assets for this unit class (model based on a benchmark index). Any underperformance by the Fund compared to the benchmark index must be offset before performance fees can be charged, regardless of the length of this underperformance.

The valued assets, reference assets and High-Water Mark are calculated for each unit class as follows:

a) The **valued assets** are equal to the amount of the Fund's assets in the unit class concerned, valued in accordance with the rules applicable to the assets and taking into account the actual operating and management costs corresponding to this unit class.

b) **The High-Water Mark** ("HWM") corresponds to the Fund's highest NAV for the unit class concerned, recorded at the end of each observation period since the date the unit class was launched and for which performance fees were levied.

c) During the observation period and each time the net asset value is calculated, the **reference assets** are adjusted for the amounts of subscriptions/redemptions applicable to this unit class and valued in accordance with the performance of the relevant benchmark index. At the beginning of the observation period:

- (i) if the valued assets at the end of the previous observation period are higher than the reference assets at that date, the reference assets will therefore be equal to the HWM multiplied by the number of units corresponding to the relevant unit class at that date;
- (ii) if the valued assets at the end of the previous observation period are lower than or equal to the reference assets at that date, like during the observation period, the reference assets will be adjusted for subscriptions/redemptions and valued based on the performance of the benchmark index applicable to the unit class.

The benchmark for units denominated in EUR is equal to:

- The capitalised €STER +2.1% per annum for EUR-R units
- The capitalised €STER +2.9% per annum for EUR-N units
- The capitalised €STER +3% per annum for EUR-I(C) and EUR-I(D) units

The benchmark for units denominated in CHF is equal to:

- The capitalised SARON (Swiss Average Rate Overnight) +2.1% per annum for HCHF-R units
- The capitalised SARON (Swiss Average Rate Overnight) +3% per annum for HCHF-I units

The benchmark for units denominated in SGD is equal to:

- The capitalised 1-month SIBOR (Singapore Interbank Offered Rate) +2.1% per annum for HSGD-R units
- The capitalised 1-month SIBOR (Singapore Interbank Offered Rate) +3% for HSGD-I units

The benchmark for units denominated in USD is equal to:

- The capitalised SOFR (Secured Overnight Financing Rate) +2.1% per annum for HUSD-R units
- The capitalised SOFR (Secured Overnight Financing Rate) +2.9% per annum for HUSD-N units
- The capitalised SOFR (Secured Overnight Financing Rate) +3% per annum for HUSD-I units

As a reminder, past performance data is available on the website www.h2o-am.com, as well as in the Fund's monthly reports and annual report, which can also be found on the same website.

The observation periods are defined as follows:

- Initial observation period: from 8 October 2020 to the last trading day of June 2022;
- Subsequent observation periods: from the first trading day of July to the last trading day of June of the following year.

At the beginning of each observation period, the reference assets used will be the greater of the assets recorded on 8 October 2020 and all the valued assets recorded on the final day of each of the observation periods established since the launch of the Fund.

As the UCITS resulted from a split carried out in accordance with Article L.214-8-7 of the French Monetary and Financial Code, the assets recorded on 8 October 2020 will be the greater of the assets recorded on the day of the split and the reference assets of the split fund, H2O ALLEGRO, from which the assets retained by the H2O ALLEGRO SP fund, formerly H2O ALLEGRO, have been deducted proportionally.

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

If, during the observation period and for a given unit class, the valued assets exceed the reference assets as defined above, the performance fee will be up to 25% of the difference between these two assets. A provision for the performance fee will then be made for the calculation of the net asset value.

If, during the observation period and for a given unit class, the valued assets are lower than the reference assets, the performance fee will be zero. In this case any previously approved provision will be replaced with a new provision.

The final performance fee will not be calculated until the end of the relevant observation period. The fee is then "crystallised" and, as such, may be charged. In the event of redemption during the observation period, the portion of the provision corresponding to the number of units redeemed accrues permanently to the Management Company and may be charged before the end of the observation period in progress.

As performance fees are based on the performance of each unit class, they are calculated daily and taken into account when calculating the NAV of the unit class concerned. This method cannot therefore ensure that the actual performance of each investment is individually monitored, which may, in some cases, result in residual inequity between unitholders.

In other words, and by way of example, any investors subscribing during a period of outperformance when a performance fee has been provisioned “lose less” if the net asset value falls, as they benefit from mitigation as a result of drawing on the provision, even though their investment did not contribute to establishing this provision. At the same time, investors who have already invested will not benefit from the full provision established since the beginning of the observation period in question (or from their subscription date, if this is after the beginning of this period).

Similarly, any investors subscribing during a period of underperformance when no performance fees have been provisioned “gain more” if the net asset value increases, as they benefit from their investment appreciating, without having contributed to establishing provisions as long as the valued assets of the unit class are lower than the reference assets. Nevertheless, for all unitholders, these investments reduce the returns required to make up the difference between the valued assets and the reference assets. Performance fees will therefore be provisioned sooner.

Furthermore, if the performance of a particular unit class over a given observation period is negative, performance fees may be charged under certain circumstances, if the performance of the benchmark index is worse than that of the unit class in question.

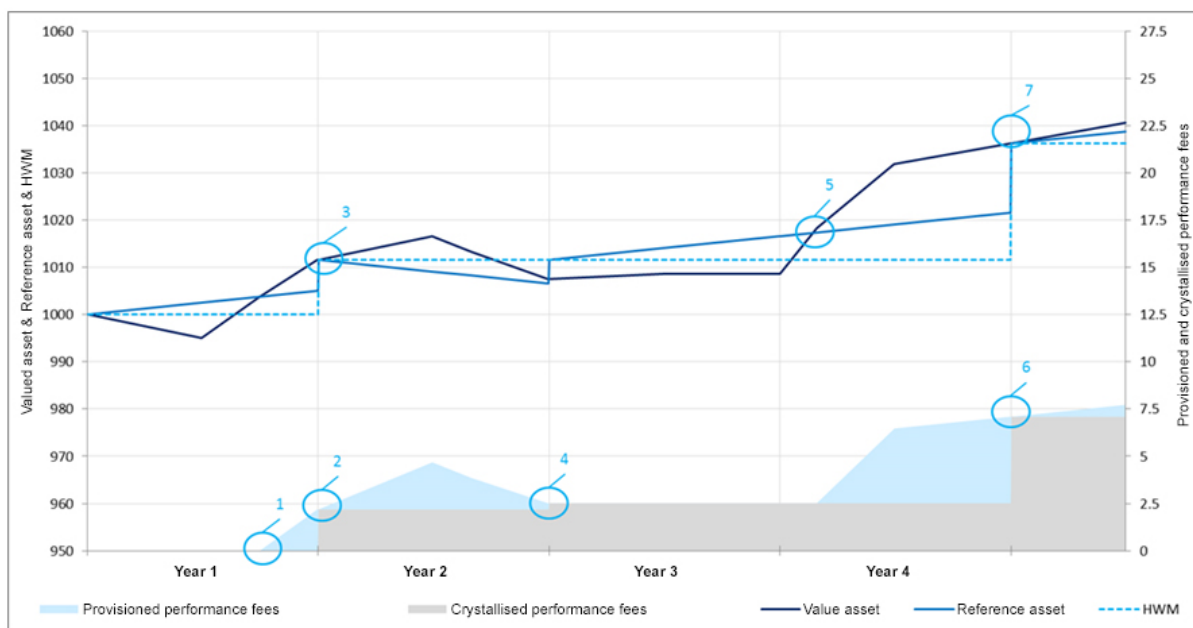
The simulations below illustrate several scenarios incorporating the assumptions of a lack of subscription/redemption flows for a given unit class and zero performance of the reference assets (i.e. the performance of the benchmark index is zero).

Year 1: the unit ends the first year with a positive performance. The performance fee, which was provisioned when the valued assets were higher than the reference assets (point 1), is then crystallised (point 2). The HWM is adjusted to the NAV recorded on the last day of the observation period (point 3).

Year 2: at the start of the second period, the reference assets are adjusted to the new HWM multiplied by the number of units. At the end of the period, the Fund records a negative performance, but higher than that of the benchmark index. The performance fee, which was provisioned when the valued assets were higher than the reference assets (point 1), is then crystallised (point 4). The HWM remains unchanged.

Year 3: at the start of the observation period, the reference assets are adjusted to the HWM multiplied by the number of units. Performance is positive, but the valued assets are still lower than the reference assets. The Fund makes no provisions for performance fees and no performance fee is crystallised at the end of the financial year. The HWM remains unchanged.

Year 4: at the start of the observation period and since, at the end of the previous year, the valued assets were lower than the reference assets, the reference assets were adjusted for subscriptions/redemptions and valued according to the performance of the benchmark, as during the observation period. Positive performance means that the valued assets are higher than the reference assets again (point 5) and offsets the underperformance of year 3. From this date on, provisions are once again made for performance fees. At the end of the observation period, the performance fee is crystallised (point 6) and the HWM is adjusted to the NAV recorded on that date (point 7).



Where necessary, the reference assets will be restated for the amounts of subscriptions/redemptions occurring between the recording date of these reference assets and the start of the new observation period.

Further information concerning the distribution of income from temporary purchases and sales of securities:

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

Brief description of the selection procedure for intermediaries:

The Investment Manager has implemented a selection and assessment procedure for intermediaries, which takes into account such objective criteria as quality of research, commercial monitoring and execution. This procedure is available on the H2O AM EUROPE website, at www.h2o-am.com.

III COMMERCIAL INFORMATION

PROVISION OF INFORMATION FOR UNITHOLDERS CONCERNING THE UCITS:

DISTRIBUTION OF THE PROSPECTUS AND ANNUAL AND INTERIM DOCUMENTS

- These documents will be sent to unitholders upon written request to:
H2O AM EUROPE
39 Avenue Pierre 1er de Serbie
75008 Paris, France
Email: info@H2O-am.com
The documents will be sent within eight working days.

- These documents are also available at www.h2o-am.com.

- Further information can be obtained from the marketing agents' branches.

INFORMATION ON THE NET ASSET VALUE

The net asset value can be obtained from H2O AM EUROPE, from the marketing agents' branches and from the website at www.h2o-am.com.

COMMERCIAL DOCUMENTATION

Commercial documentation is available to the Fund's unitholders and subscribers online from www.h2o-am.com.

INFORMATION IN THE EVENT OF AN AMENDMENT TO FUND OPERATIONS

Unitholders are informed of any changes concerning the Fund in line with the procedures drawn up by the AMF.

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

IV INVESTMENT RULES

The UCITS complies with the investment rules for UCITS as stipulated by the *Code monétaire et financier*, the French Monetary and Financial Code.

The UCITS may invest up to 100% of its assets in securities guaranteed by a State, local authority and/or a public international organisation, provided that the 100% is spread across at least six issues, none of which representing more than 30% of the assets.

V OVERALL RISK

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

The indicative average leverage of the Fund is 40. However, the Fund may reach a higher leverage level. The indicative level of the leverage effect for the Fund is calculated as the sum of the nominal positions on all financial contracts that are used.

VI ASSET VALUATION AND ACCOUNTING RULES

A - Asset valuation rules

I - Securities portfolio

The Management Company has delegated accounting management (including the valuation of the Fund's portfolio) to CACEIS FUND ADMINISTRATION.

The Fund's portfolio is valued each time the net asset value is calculated and on closure of the accounts, at the closing price.

The Fund's annual accounts are drawn up on the basis of the final net asset value for the financial year.

The Fund complies with the accounting rules and methods prescribed by current regulations and with the UCITS chart of accounts which, on the day of publication of the prospectus, are as follows:

Equities

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

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

Bonds

Bonds are valued on the basis of a Bloomberg composite rating retrieved at 5:00 p.m. (Paris time) in accordance with the WMR rate for the currency on the day of valuation.

Transferable securities

Transferable securities, for which the price has not yet been recorded on the valuation date or has been adjusted, are valued at their expected trading value by the Management Company.

In the case of unlisted transferable securities or those for which a price is not listed on the valuation date, as well as other items on the balance sheet, the Management Company adjusts its valuation on the basis of variations that seem likely in view of current events. The statutory auditor is informed of these valuations and the justifications for them during their audit.

Foreign securities are converted into their equivalent values in euros in accordance with the WMR rate on the day of valuation.

UCITS/AIFs

Units or shares of UCITS/AIFs are valued at the last known net asset value. Foreign undertakings for collective investment that carry out valuations at times that are incompatible with the calculation of the Fund's net asset value are valued on the basis of estimates supplied by the administrators of the undertakings, under the supervision and responsibility of the Management Company.

Transferable debt securities:

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

- BTANs and BTFs are valued on the basis of an average of contributed prices obtained from market-makers;
- Unlisted variable-rate debt securities are valued at cost price, adjusted to take into account any potential variations in credit spreads;
- Other fixed-rate, transferable debt securities (certificates of deposit, commercial paper, warrants issued by financial institutions, etc.) are valued on the basis of market price.

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

However, transferable debt securities with a residual maturity of three months or less are valued via the straight-line method.

Temporary purchases and disposals of securities

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

In the case of transferable securities that are unlisted or whose price has not been listed on the valuation date, as well as other items on the balance sheet, the Management Company's board of directors adjusts its valuation on the basis of variations that seem likely in view of current events.

Certain fixed-rate transactions with a maturity of over three months may be valued at market price.

2 Futures and options transactions

Organised futures and options markets

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

Swaps

Asset swaps are valued at the market price based on the residual maturity of the asset and the valuation of the issuer's credit spread (or the trend in its rating).

Asset swaps with a maturity of three months or less are valued using the straight-line method, except in the case of an exceptional market event.

Asset swaps with a residual maturity exceeding three months are valued at market price based on the spreads indicated by the market-makers. In the absence of a market-maker, the spreads will be obtained by any means from the available contributors.

Other swaps are valued in accordance with the following rules:

Swaps with a maturity of three months or less are valued using the straight-line method. Swaps with a residual maturity exceeding three months are valued using the turnaround rate in line with a zero-coupon curve.

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

Forward exchange contracts

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

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

3 Off-balance sheet commitments

Off-balance sheet commitments are valued as follows:

A) Commitments on futures markets:

1) Futures:

Commitment = reference price (the prices at 5:00 p.m. on Bloomberg, Paris time) x nominal contract value x quantities.

With the exception of commitments under the Euribor contract traded on LIFFE, which are recorded at their nominal value.

2) Swap commitments:

a) interest rate swaps

Interest rate swaps with a maturity of 3 months or less:

backed: nominal value + accrued interest (interest differential)

non-backed: nominal value + accrued interest (interest differential)

Interest rate swaps with a maturity exceeding 3 months:

backed:

° Fixed rate/variable rate

- Appraisal of the fixed-rate portion at market price

° Variable rate/fixed rate

- Appraisal of the variable-rate portion at market price

non-backed:

° Fixed rate/variable rate

- Appraisal of the fixed-rate portion at market price

° Variable rate/fixed rate

- Appraisal of the variable-rate portion at market price

b) Other swaps

These will be appraised at market value.

B) Commitments on options markets:

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

4 Currencies

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

5 Unlisted financial instruments and other securities

- Financial instruments for which the price has not been recorded on the day of valuation are valued at the most recent officially published price or at their likely trading value, under the responsibility of the Management Company;
- Foreign securities are converted into the equivalent value in euros in accordance with the WMR rate on the day of valuation;
- The Management Company is responsible for appraising financial instruments not traded on a regulated market at their likely trading value;
- Other financial instruments are appraised at their market value as calculated by the counterparties, under the supervision and responsibility of the Management Company.

The valuations of unlisted financial instruments and the other securities referred to in this paragraph, together with the justifications for them, are communicated to the statutory auditor during their audit.

6 Swing pricing mechanism of net asset value with trigger threshold

Once the Fund was created, the Management Company implemented a method of adjusting the net asset value (NAV) with a trigger threshold.

Dealing costs are incurred by investors who take out or purchase their shares, relating to transactions carried out on the assets of the Fund as a result of the movements (subscriptions/redemptions) of the Fund's liabilities. The purpose of this mechanism, which is governed by a policy, is to protect the holders who remain in the Fund by making them bear the lowest possible cost. The result is an adjusted "swing" NAV.

If, on a NAV calculation date, the total net subscription/redemption orders of investors over all the Fund's share classes exceeds a predetermined threshold, on the basis of objective criteria by the Management Company as a percentage of net assets, the NAV may be adjusted upwards or downwards, to take into account readjustment costs attributable to net subscription/redemption orders, respectively. If the Fund issues more than one class of units, the NAV of each class of units is calculated separately, but any adjustment has, by percentage, the same impact on the total NAV of the unit classes of the Fund.

The readjustment and triggering cost parameters are determined by the Management Company and reviewed periodically. These costs are estimated by the Management Company on the basis of the transaction costs, the purchase and sale ranges, and any applicable taxes to the Fund.

The adjustment mechanism will be applied at some point in the future, however, it is not possible to predict accurately when or how often the Management Company will make such adjustments.

Investors are advised that the volatility of the Fund's NAV may not reflect only the volatility of the securities held in the portfolio due to the application of the adjustment mechanism.

The swing-out NAV is the only net asset value of the Fund and the only one communicated to unitholders of the Fund. However, in the event of an outperformance fee, it is calculated on the NAV before the adjustment mechanism is applied.

B Accounting methods

Income is recorded on the basis of revenues received.

Trading fees are stated in the specific Fund accounts and are not included in the price.

The weighted average cost price method is used for the settlement of securities. For derivative products, however, the FIFO (First In/ First Out) method is used.

Additions to the portfolio are recorded at their acquisition price excluding fees, and disposals are recorded at their sale price excluding fees.

VII REMUNERATION

Details of the remuneration policy are available at www.h2o-am.com.

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VIII ADDITIONAL INFORMATION FOR INVESTORS IN THE FEDERAL REPUBLIC OF GERMANY

Facilities in Germany:

In accordance with Article 93(1) of Directive 2009/65/EC, find hereafter information on the facilities to perform the tasks referred to in Article 92(1) of this Directive:

- **Process subscriptions, repurchase and redemption orders and make other payments to unit-holders relating to the units of the UCITS**

Subscriptions, repurchase and redemption orders can be addressed to CACEIS Bank having its registered address at 89-91 rue Gabriel Péri – 92120 Montrouge or to the Prime Transfer Agent reachable at: fdi-ta1@caceis.com

Payments relating to the units of the UCITS will be made by CACEIS Bank having its registered address at 89-91 rue Gabriel Péri – 92120 Montrouge

- **Provide investors with information on how orders can be made and how repurchase and redemption proceeds are paid**

Information on how orders can be made and how repurchase and redemption proceeds are paid can be obtained from H2O AM EUROPE having its registered address at 39, avenue Pierre 1er de Serbie, 75008 Paris, France and CACEIS Bank having its registered address at 89-91 rue Gabriel Péri – 92120 Montrouge.

- **Facilitate the handling of information and access to procedures and arrangements referred to in Article 15 of Directive 2009/65/EC relating to investors' exercise of their rights**

Information can be obtained from H2O AM EUROPE having its registered address at 39, avenue Pierre 1er de Serbie, 75008 Paris, France.

- **Make the information and documents required pursuant to Chapter IX of Directive 2009/65/EC available to investors**

Information can be obtained from H2O AM EUROPE having its registered address at 39, avenue Pierre 1er de Serbie, 75008 Paris, France.

- **Provide investors with information relevant to the tasks that the facilities perform in a durable medium**

H2O AM EUROPE having its registered address at 39, avenue Pierre 1er de Serbie, 75008 Paris, France.

This information can be obtained from Client Servicing (or is available in the Prospectus or on the H2O website www.h2o-am.com).

The latest issue, sale, repurchase or redemption price of the units is available at the registered office of the Fund, on the website www.h2o-am.com.

In addition, the issue and redemption prices are published on www.fundinfo.com and any notices to investors in the Federal Gazette ("www.bundesanzeiger.de").

Moreover, communications to investors in the Federal Republic of Germany will be by means of a durable medium (section 167 of the Investment Code) in the following cases:

- suspension of the redemption of the units,
- termination of the management of the fund or its liquidation,
- any amendments to the company rules which are inconstant with the previous investment principles, which affect material investor rights or which relate to remuneration and reimbursement of expenses that may be paid or made out of the asset pool,
- merger of the fund with one or more other funds and
- the change of the fund into a feeder fund or the modification of a master fund.

Contact information

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