

Bond-ETFs



iShares eb.rexx<sup>®</sup> Money Market UCITS ETF (DE)

Full prospectus  
including Investment Conditions

BlackRock Asset Management Deutschland AG

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Equity Linked Index Group  
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**Market Maker for listing on the Borsa Italiana.**  
UniCredit Bank AG  
Equity Linked Index Group  
Arabellastr. 12  
81925 Munich, Germany

# Sales Prospectus including Investment Conditions

German Securities Code (WKN):

Name	WKN
iShares eb.rexx® Money Market UCITS ETF (DE)	A0Q4RZ

The most recent Sales Prospectus, the Key Investor Information and the "General Investment Conditions" in conjunction with the "Special Investment Conditions" form the basis for the purchase or sale of fund units. The Investment Conditions are appended to this Sales Prospectus.

This Sales Prospectus is a legally prescribed sales document and is to be provided to investors together with the latest annual report and the latest semi-annual report, if one has been published after the annual report, upon request at no charge upon acquisition of a fund unit. The Key Investor Information Document is also to be provided to investors free of charge and in a timely manner prior to the conclusion of a sales contract.

No information or statements deviating from this Sales Prospectus may be issued. Any purchase of units based on information or statements not contained in the Sales Prospectus or in the Key Investor Information is at the sole risk of the investor. This Sales Prospectus is supplemented by the latest annual report and the latest semi-annual report, if one has been published after the annual report. If the reporting date of the latest annual report is more than eight months ago, then the most recent semi-annual report must be offered to the purchaser prior to conclusion of a sales contract.

All publications and promotional literature must be drawn up in German or must include a German translation. The Investment Management Company shall furthermore conduct all communication with its investors in German. The legal relationship between the investment management company and the investors and the pre-contractual relationship are based on German law. The place of jurisdiction for disputes arising from the contractual relationship shall be the registered office of the Company. If the investor has no general place of jurisdiction in Germany, the non-exclusive place of jurisdiction shall be the registered office of the Company. The enforcement of judicial judgments is based on the German Code of Civil Procedure and, as applicable, the German Act on Enforced Auction and Receivership or the German Insolvency Statute. As the investment management company is subject to German law, domestic judgments do not need to be recognised before their enforcement.

To exercise their rights, investors may take legal action before the ordinary courts of law or, if available, initiate alternative dispute resolution proceedings.

In disputes relating to provisions of the German Investment Code (KAGB), consumers can call the "ombudsman for investment funds" of the BVI Bundesverband Investment und Asset Management eV. With its funds, BlackRock Asset Management Deutschland AG takes part in dispute resolution procedures before this arbitration board.

The contact details for the "Ombudsman for Investment Funds" of the Bundesverband Investment und Asset Management e.V. are:

Büro der Ombudsstelle  
BVI Bundesverband Investment und Asset  
Management e.V.  
Unter den Linden 42  
10117 Berlin, Germany  
Telephone: (030) 6449046-0  
Fax: (030) 6449046-29  
Email: [info@ombudsstelle-investmentfonds.de](mailto:info@ombudsstelle-investmentfonds.de)  
[www.ombudsstelle-investmentfonds.de](http://www.ombudsstelle-investmentfonds.de)

Consumers are natural persons that invest in the Fund for a purpose that cannot be attributed to their commercial or freelance professional activity and that are therefore acting privately.

In the event of any dispute arising from implementation of the provisions in the German Civil Code (BGB) 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, tel.: 069 2388-1907 or -1906, fax: 069 2388-1919, [schlichtung@bundesbank.de](mailto:schlichtung@bundesbank.de).

Participation in arbitration proceedings does not affect the right to appeal to courts of law.

The Sales Prospectus, originally drafted in German, has been translated into one or more languages. Only the German version is legally binding.

Unless regulated differently in individual cases, all terms used in this Sales Prospectus correspond to those used in the German Investment Code (KAGB).

**Restrictions on the issue of units:**

The distribution of the information contained in this Sales Prospectus and the offer of the units described in this Sales Prospectus as part of a public sale are only permissible in countries in which a distribution licence has been granted.

In particular, units may not be distributed in the United States of America or to U.S. citizens. The Investment Management Company and/or the fund(s) described in this Sales Prospectus are not and will not be registered in accordance with the *United States Investment Company Act of 1940*, as amended. The units of the fund(s) have not been, and will not be, registered under the *United States Securities Act of 1933*, as amended, or the securities laws of any of the states of the United States. Units of the fund (s) may not be offered or sold within the United States nor to a U.S. person or for

their account. Persons interested in purchasing shares may be required to declare that they are not a U.S. person and that they are neither acquiring units on behalf of U.S. persons nor for resale to U.S. persons. U.S. persons are natural persons who reside in the United States. U.S. persons may also be persons or corporations that are incorporated under the laws of the U.S. or a U.S. state, territory or U.S. possession.

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# Sales Prospectus

## 1. General provisions

The investment fund iShares eb.rexx® Money Market UCITS ETF (DE) (hereinafter referred to as "the Fund") is an investment fund pursuant to Directive 2009/65/EC of the European Parliament and the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (hereinafter "UCITS Directive") within the meaning of the German Investment Code ("KAGB"). It is managed by BlackRock Asset Management Deutschland AG (hereinafter referred to as the "Company").

Management of the Fund consists primarily of investing the capital that investors have deposited with the Company in their own name for the collective account of the investors in various assets permitted under the KAGB, separated from the assets of the Company in the form of investment funds and in accordance with the principle of risk diversification. The business purpose of the Fund is limited to investment in accordance with a defined investment policy as part of a collective asset management approach using the funds deposited in it; operational functions and the active entrepreneurial management of assets held are excluded.

The Fund does not form part of the bankruptcy estate of the Company.

The KAGB, its ordinances, the German Investment Tax Act (Investmentsteuergesetz – InvStG) and the Investment Conditions, which govern the legal relationship between the investors and the Company, stipulate the kind of assets the Company may invest the investors' funds in and which provisions it must follow in making such investments. The Investment Conditions comprise a General and a Special part ("**General Investment Conditions**" and "**Special Investment Conditions**"). The application of the Investment Conditions to an investment fund is subject to the prior approval of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin).

### 1.1. Sales documents and information disclosure

The Sales Prospectus, the Key Investor Information, the Investment Conditions, and the current annual and semi-annual reports can be obtained free of charge from BlackRock Asset Management Deutschland AG, Max-Joseph-Str. 6, 80333 Munich, Germany.

Additional information on the investment restrictions of this Fund, risk management methods and the latest developments concerning risks and returns of the most important categories of assets may be obtained in electronic form from the Company.

### 1.2. Investment Conditions and their amendments

The Investment Conditions are appended to this Sales Prospectus.

The Company may amend the Investment Conditions. Amendments to the Investment Conditions require the approval of BaFin. Amendments to the investment principles of the Fund also require the approval of the Supervisory Board of the Company.

All planned amendments shall be published in the Federal Gazette (Bundesanzeiger) and at www.iShares.de. Investors will additionally be informed via the institution maintaining their custody account by means of a durable medium (e.g. in hard copy or electronically) of any amendments that concern fees and the reimbursement of expenses that may be withdrawn from the Fund, or the Fund's investment principles or significant investor rights. This information includes the essential content of the proposed amendments, their background, the rights of investors in connection with the amendment and an indication about where and how additional information can be obtained.

The amendments shall take effect no earlier than the day after their publication in the Bundesanzeiger. Amendments to rules for fees and reimbursement of expenses shall take effect no earlier than three months after their publication in the Bundesanzeiger, unless an earlier date was specified with the consent of BaFin. Amendments to the current investment policies of the Fund also take effect no earlier than three months after their publication in the Bundesanzeiger and are only permitted under the condition that the Company offers investors the opportunity to exchange their units at no cost for units in other investment funds with comparable investment principles, insofar as such investment funds are managed by the Company or by another company that is part of the same Group, or the Company offers investors the opportunity to redeem their units without any additional costs before the amendments enter into force.

## 2. Management Company

### 2.1. Company, legal form and registered office

The Fund is managed by BlackRock Asset Management Deutschland AG, whose registered office is in Munich, Germany. The Company was incorporated on 23 October 2000.

BaFin has licensed BlackRock Asset Management Deutschland AG as a management company as defined in the German Investment Act ("**InvG**"). As such, the licence as a UCITS investment management company within the meaning of the KAGB is considered to have been granted. BlackRock Asset Management Deutschland AG was established in the legal form of a German public limited company (AG).

BlackRock Asset Management Deutschland AG has been authorised to manage Security Index Investment Funds since 22 December 2000. Since 30 July 2004, following its conformance with the Investment Act, the Company has been authorised to manage UCITS-compliant investment funds and Mixed Investment Funds (non-UCITS-compliant security index investment funds) as well as exter-



nally managed investment stock corporations within the meaning of Section 94 Paragraph 4 InvG.

Since the entry into force of the KAGB the Company may therefore manage investment funds, including externally managed investment stock corporations in accordance with the UCITS Directive. The Company has not applied for a licence as an Alternative Investment Funds Manager ("AIFM") in accordance with the KAGB.

## 2.2. Shareholders' equity, Supervisory Board and Management Board

The share capital of the Company is EUR 5 million and is fully paid up.

Liable equity amounts to EUR 10 million. No payments on subscribed shares are outstanding.

The Supervisory Board comprises three members:

- Rachel Lord,  
BlackRock, Managing Director, Head of EMEA iShares
- Patrick Olson,  
BlackRock, Managing Director, Chief Operating Officer (COO) EMEA and  
as an independent member of the Supervisory Board in accordance with Section 18 Paragraph 3 Sentence 1 KAGB
- Friedrich Merz (Chair),  
Lawyer, Düsseldorf.

The members of the Supervisory Board have unanimously appointed the following persons as members of the Management Board:

- Christian Staub, born 1971, Managing Director of BlackRock, Regional Manager for Switzerland, Germany, Austria and Eastern Europe, Chief Executive Officer (CEO) of BlackRock Asset Management Deutschland AG and iShares (DE) I Investmentaktiengesellschaft mit Teilgesellschaftsvermögen and member of the Supervisory Board and the Board of Directors of BlackRock Asset Management Schweiz AG, Zurich, previously Managing Director of PIMCO (Switzerland) GmbH, Zurich,
- Alexander Mertz, born in 1973, BlackRock Managing Director, Head of Portfolio Management BlackRock Asset Management Deutschland AG, Board of iShares (DE) I Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, previously Head of Corporates (Portfolio Management) at Deka Investment GmbH.

## 3. Licensor and licence agreement

### 3.1. Licensor and licence agreement

The eb.rexx<sup>®</sup> Money Market (hereinafter referred to as the "Underlying Index") is a registered trademark of Deutsche Börse AG (hereinafter referred to as the "Licensor") and is thus protected against unauthorised use. The Licensor grants licences for the use of the Underlying Index as a benchmark for capital market products.

The Company has the right to use the index underlying the Fund.

### 3.2. Disclaimer of liability by the Licensor

The Fund is not sponsored, promoted, sold or distributed by the Licensor. Aside from the licensing of the Underlying Index and the permitted use of the trademark in connection with naming the Fund, the Licensor has no connection whatsoever with the Company.

The Licensor gives no guarantee of the accuracy or the completeness of the Underlying Index and the data contained therein. It assumes no liability for errors, omissions or interruptions to the Underlying Index. The Licensor gives no direct or indirect guarantee concerning the results achieved by the Company through the use of the Underlying Index or of the other data contained therein. The Licensor provides no direct or indirect guarantee and assumes no liability as regards the marketability, suitability or use for a specific purpose of the Underlying Index or the data contained therein.

Unless provided for by the law and notwithstanding any of the above, the Licensor shall under no circumstances accept responsibility for any damages caused by or in connection with the Underlying Index or the Fund it underlies. This disclaimer of liability also applies to indirect losses, special damages or consequential losses (including loss of profits) in relation to the Underlying Index or the Fund it underlies, even if the Licensor has been made aware of the assertion of such a claim.

No third party shall benefit from any contracts or agreements between the Licensor and the Company.

## 4. Custodian Bank

### 4.1. General information

The KAGB provides for the segregation of duties between the management and the custody of the Investment Fund. The Company has commissioned a credit institution as Custodian Bank of the assets of the Fund.

The Custodian Bank holds the assets in custody in blocked investment accounts or in blocked accounts. For assets that cannot be held, the Custodian Bank shall verify whether the Company has acquired ownership of these assets. The Custodian Bank shall monitor whether the rights of the Company over the assets comply with the provisions of the KAGB and the Investment Conditions. The investment in bank deposits with another credit institution is permitted only with the consent of the Custodian Bank. The Custodian Bank must give its consent if the investment is compatible with the Investment Conditions and the provisions of the KAGB. The Custodian Bank assumes in particular the issue and redemption of units of the Fund, it ensures that the issue and redemption of units and the calculation of the net asset value per unit meet the requirements of KAGB and the Investment Conditions of the Fund, it ensures that the equivalent value for transactions executed for the joint account of the investors is placed in their custody within the usual period, it ensures that the income of the Fund is used in accordance with the provisions of the KAGB and the Investment Conditions, it monitors them or gives its consent to the taking up of loans on behalf of the Fund by the Company and it must ensure that the collateral for securities

loans is effectively reserved and available at all times.

#### 4.2. **Company, legal form, registered office and main activities of the Custodian bank**

State Street Bank GmbH, which has its registered office at Brienner Str. 59, 80333 Munich, Germany, shall act as the Custodian Bank for the Fund. The Custodian Bank is a credit institution under German law. Its main activities are deposits and securities transactions.

Under corporate law, the Company is not directly or indirectly affiliated with the Custodian Bank. From the Company's perspective, there are therefore no conflicts of interest between the Custodian Bank and the Company.

#### 4.3. **Sub-custody**

The Custodian Bank has delegated custody tasks in individual countries to another company (sub-custodian). The sub-custodians for the various countries are currently as follows:

<b>Country</b>	<b>Name of Sub-Custodian</b>
Australia	HSBC Bank, Sydney
Denmark	Skandinaviska Enskilda Banken AB, Copenhagen
Germany (CBF)	State Street Bank, Munich
Euroclear/United States of America	State Street Bank & Trust Company, Boston
Finland	SEB Merchant Banking, Helsinki
France/Netherlands/Belgium/Portugal	Deutsche Bank, Amsterdam
Greece	BNP Paribas Securities Services, S.C.A., Athens
Hong Kong	Standard Chartered Bank (Hong Kong) Ltd., Hong Kong
Israel	Bank Hapoalim B.M., Tel Aviv
Italy	Deutsche Bank S.p.A., Milan
Japan	HSBC Corporation, Tokyo
Canada	State Street Bank & Trust Company, Toronto
New Zealand	HSBC Bank, Auckland
Norway	SEB Merchant Banking, Oslo
Austria	UniCredit Bank Austria AG, Vienna
Poland	Bank Handlowy w Warszawie S.A., Warsaw
Romania	Citibank Europe plc, Bucharest
Sweden	Skandinaviska Enskilda Banken, Stockholm
Switzerland	Credit Suisse AG, Zurich

Singapore	Citibank N.A., Singapore
Slovenia	UniCredit Banka Slovenija, Ljubljana
Spain	Deutsche Bank S.A.E., Madrid
Czech Republic	Československá Obchodní Banka, A.S., Prague
Hungary	UniCredit Bank Hungary Zrt., Budapest
United Kingdom	State Street Bank & Trust Company, London

Other sub-custodians in other countries may be requested free of charge at the Company or the Custodian Bank.

Due to the management activities they carry out for the Fund, the Fund may acquire an interest in one or more sub-custodians. Under corporate law, the Company itself is not affiliated with the sub-custodians.

There are no conflicts of interest between the Custodian Bank and the above sub-custodians.

#### 4.4. **Liability of the Custodian Bank**

The Custodian Bank is, in principle, responsible for all assets that it holds in custody or that are held in custody by another institution with its consent. In case of loss of such an asset, the Custodian Bank is liable to the Fund and its investors, unless the loss is due to events beyond the control of the Custodian Bank. For damages that do not involve the loss of an asset, the Custodian Bank is liable only if it has been at least negligent in failing to comply with its obligations under the provisions of KAGB.

#### 4.5. **Additional information**

Upon request, the Company shall send investors up-to-date information on the Custodian Bank and its duties, information on the sub-custodians and information on any possible conflicts of interest associated with the activities of the Custodian or sub-custodians.

### 5. **Launch date, term and investment objective of the Fund**

#### 5.1. **Launch date and term**

The Fund was launched on 29/07/2008 and is of unlimited duration.

The investors own an equity interest in the assets of the Fund as co-owners in proportion to the number of units held. Investors may not access Fund assets. Units are not associated with voting rights.

#### 5.2. **Investment objective**

The objective of the Fund is to achieve the same investment performance as the Underlying Index. For this purpose, it shall track the Underlying Index as closely and as completely as possible.

The Investment Fund shall adopt a passive management strategy to achieve these objectives. In contrast to the active management approach, the Underlying Index is used as the basis for making decisions on the purchase and sale of assets and their respective weightings in the Fund. The passive management strategy and the trading of units

on an exchange have the effect of limiting management fees and transaction costs charged to the Fund.

### 5.3. Achievability of the investment objective

**No assurance can be given that the investment objective will be achieved.**

One obstacle to replicating the performance of the Underlying Index is the fact that the Underlying Index is a statistical model based on certain assumptions. It is assumed, for example, that no transaction costs will be incurred when securities are purchased or sold. In addition, management fees and some tax payments are deducted from the fund unit prices, whereas they are ignored completely in the Underlying Index.

Detailed information about the Underlying Index may be obtained in printed or electronic form from the Company or from the Licensor.

## 6. Investment principles

### 6.1. General information

1. The Company may only acquire the following assets on behalf of the Fund:
  - a) Securities pursuant to Section 193 KAGB,
  - b) Money market instruments pursuant to Section 194 KAGB,
  - c) Bank accounts pursuant to Section 195 KAGB,
  - d) Derivatives pursuant to Section 197 KAGB,Any restrictions on the eligibility result from the "General Investment Conditions" and the "Special Investment Conditions".
2. Investment fund units pursuant to Section 196 and other investment instruments pursuant to Section 198 KAGB shall not be acquired.
3. The assets listed above may be acquired for the account of the Fund if they are oriented towards replicating the Underlying Index, while maintaining an appropriate risk diversification.
4. In addition, the Company may invest up to 10 percent of the value of the Fund in securities not included in the index and in bank accounts. The securities and bank accounts held for the Fund and the amounts paid by the Company as lender shall be counted together.
5. The Underlying Index is recognised by BaFin and meets the following requirements of the KAGB:
  - The composition of the index is sufficiently diversified.
  - The index represents an adequate benchmark for the market to which it relates.
  - The index is published in an appropriate manner.

Details of the equities included in the Underlying Index are also contained in the most recent annual report or semi-annual report published for the Fund.

**Because of the relationship between the Fund and the Underlying Index and because certain issuer and investment limits may be exceeded as a result, the principle of risk diversification finds only limited application.**

### 6.2. Description of the Index

The eb.rexx® Money Market Index measures the performance of German government bonds that are traded on the Eurex Bonds® platform and have a residual maturity of between one month and one year. The index exclusively includes bonds denominated in Euro with an outstanding volume of at least EUR 4 billion. Bonds are weighted in accordance with their market value, with a maximum of 30 percent per bond. The composition of the index is reviewed on a monthly basis and adjusted on the last trading day of the month. Further details on the Underlying Index (including its components) are available on the website of the index provider at <http://www.dax-indices.com>.

### 6.3. Effects of index adjustments

In order to replicate the Underlying Index as closely as possible, the aim is that fund management shall replicate all changes in the composition and weighting of the Underlying Index for the Investment Fund.

Fund management may, at its discretion, determine the timeframes in which funds should be adjusted and whether an adjustment is appropriate in view of the investment objective.

### 6.4. Expected tracking error

The tracking error is defined as the annualised standard deviation of the difference between the returns of a fund and the underlying index. The expected tracking error of the Fund refers to the net monthly total returns of the Fund and the Underlying Index over a period of three years.

This figure is often of particular interest to investors who trade regularly with index investment assets and hold shares in investment funds only a few days or weeks. For long-term investors with a longer investment horizon the tracking difference between the fund and the underlying index over the intended investment horizon is usually more important. The tracking difference measures the actual difference between the returns of a fund and the returns of the index (i.e., how accurately a fund replicates its underlying index). The tracking error, however, measures the increase and decrease of the tracking difference (i.e. the volatility of the tracking difference). Investors should take both figures into consideration when evaluating an index investment fund.

The tracking error may depend on the sampling methodology selected by the index investment fund. In general, historical data provide evidence that synthetic replication generates a lower tracking error than physical replication, but the same data also often suggest that physical replication generates a lower tracking difference than synthetic replication.

The expected tracking error is based on the expected volatility of the deviations between the returns of the Fund and the returns of the Underlying Index. Liquidity management, transaction costs for index adjustments as well as differences between the Fund and the Underlying Index in the valuation methodology and the valuation date may also have an effect on the tracking error and the difference between the returns of the Fund and the Underlying Index. The effects can be positive or negative depending on the underlying circumstances.

The Fund may also have a tracking error as a result of withholding taxes payable by the Fund on investment income. The extent of the tracking error resulting from withholding taxes depends on various factors such as refund requests made by the Fund to different tax authorities, tax relief for the Fund under a double-taxation agreement or on the basis of securities lending transactions.

The expected tracking error for the Fund is: 0.04%

Investors should note that these are only estimated values for the tracking error under normal market conditions and are therefore not to be understood as fixed limits.

## 7. Fair treatment of investors and unit classes

The Fund may comprise different unit classes, i.e. the issued units have different characteristics depending on the class to which they belong. The existing unit classes are listed in the "Overview of existing unit classes" before the "General Investment Conditions" in this Sales Prospectus.

The unit classes may differ with respect to appropriation of income, issue premiums, management fees, minimum investment amount, currency of account, unit value, hedging transactions, or a combination of these characteristics.

Due to the different setups, the economic result obtained by an investor with his investment in the Fund may vary, depending on the unit class of the units he has acquired.

This applies both to the returns obtained by the investor before income tax and to the returns after income tax. The purchase of assets is permissible only en bloc for the Fund as a whole, and not for a single unit class or groups of unit classes.

Nevertheless, the formation of additional unit classes does not affect the rights of investors who have acquired units in existing unit classes. The costs incurred in introducing a unit class may only be charged to the investors in this new unit class.

The Company shall treat the investors in the fund fairly. In managing its liquidity risk and in the redemption of units it may not prioritise the interests of one investor or group of investors over the interests of another investors or group of investors.

Please see "Settlement of issue and redemption of units" and "Liquidity management" on the method by which the company ensures the fair treatment of investors.

## 8. Investment instruments in detail

### 8.1. Money market instruments

1. The Company may invest in money market instruments for the account of the Fund. Money market instruments are instruments normally traded on the money market as well as interest-bearing securities with a term or residual term of no more than 397 days at the time of their acquisition for the Fund. If their term is more than 397 days, their interest rate must be regularly adjusted to reflect current market conditions, at least once in each 397-day peri-

od. Money market instruments include instruments whose risk profile corresponds to the risk profile of this type of securities. Money market instruments may be acquired for the Fund, if they:

- a) are admitted for trading on a stock exchange in a member state of the European Union ("EU") or in another state that is a party to the Agreement on the European Economic Area ("EEA"), or they are admitted for trading or included in another regulated market in a member state of the European Union or in another state that is a party to the Agreement on the European Economic Area,
  - b) are admitted for trading exclusively on a stock exchange outside the member states of the EU or outside other states that are party to the Agreement on the EEA, or they are admitted for trading or included in another regulated market there, provided the choice of such stock exchange or regulated market is permitted by BaFin,
  - c) are issued or guaranteed by the EU, the German Federal Government, a special-purpose fund of the German Federal Government, a German federal state, another member state or another central, regional or local authority or by the central bank of an EU member state, the European Central Bank or the European Investment Bank, a non-EU member state or, in case of a federal state, by one of the members making up the federation, or by a public international body to which one or more EU member states belong,
  - d) are issued by a company whose securities are traded on the markets referred to in a) and b),
  - e) are issued or guaranteed by a credit institution that is subject to supervision that meets the criteria defined by EU law, or a credit institution that is subject to the prudential rules considered by BaFin as equivalent to those laid down in EU law, and which complies with such rules,
  - f) are issued by other bodies and the issuer is
    - i) a company with equity capital of at least 10 million euros, which prepares and publishes its financial statements according to the EU Directive on the annual accounts of limited liability companies,
    - ii) a legal entity which, within a group of companies comprising one or more listed companies, is responsible for financing this group, or
    - iii) an entity which issues money market instruments that are backed by liabilities through a line of credit granted by a bank. They are products in which loans from banks are securitised (asset-backed securities).
2. All the above money market instruments may only be acquired if they are liquid and their value can be determined accurately at any time. Money market instruments are considered liquid if they can be sold within a sufficiently short time with limited costs. In doing so, the Com-

pany's obligation to redeem units in the Fund at the request of investors and to be able to sell such money market instruments on short notice must be taken into account. An accurate and reliable valuation system must also exist for money market instruments which allows the determination of the net asset value of the money market instrument and that is based on market data or on valuation models (including systems that are based on carrying acquisition costs forward). The liquidity aspect of money market instruments is considered to be met if they are listed on a regulated market within the EEA or included in or listed on such a market or on a regulated market outside the EEA, provided that BaFin has approved the selection of this market. This does not apply if the Company is advised that the money market instruments are not sufficiently liquid.

3. For money market instruments not listed on a stock exchange or admitted to a regulated market for trading (see above under c) to f)), the issue or issuer of such instruments must additionally be subject to regulations concerning deposit and investor protection. For example, information must exist for these money market instruments that is sufficient to allow a proper assessment of the credit risks associated with the instruments and the money market instruments must be freely transferable. Credit risks may be assessed via a credit assessment by a rating agency, for example. The following additional requirements apply to these money market instruments, unless they are issued or guaranteed by the European Central Bank or the central bank of a Member State of the EU:

- a) If they are issued or guaranteed by one of the bodies listed under c) (with the exception of the European Central Bank), there must be adequate information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the money market instrument.
- b) If they are issued or guaranteed by a credit institution subject to supervision in the EEA (see above under e)), there must be adequate information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the money market instrument; this information must be updated regularly and whenever a significant event occurs. In addition, data (e.g. statistics) on the issue or issuance programme must be available which allows the adequate assessment of the credit risks associated with the investment.
- c) If they are issued by a credit institution that is subject to prudential regulations outside the EEA that are considered by BaFin to be equivalent to those laid down in EU law, one of the following conditions must be met:

The credit institution maintains an office in an OECD country that belongs to the so-called Group of 10 (the group of the most important major industrial countries - G10). The credit institution has at least an investment-grade rating. "Investment grade" is deemed to be a rating of "BBB" or "Baa" or

better as part of a credit check by a rating agency.

An in-depth analysis of the issuer can establish that the supervisory regulations applicable to the credit institution are at least as stringent as those of EU law.

- d) For other money market instruments not listed on an exchange or admitted to a regulated market for trading (see above under c), d) and f)), adequate information on the issue or the issuance programme and the legal and financial situation of the issuer prior to the issue of the money market instrument must be available, which is updated regularly and whenever a significant event occurs, and which is reviewed by a qualified, independent third party. In addition, data (e.g. statistics) on the issue or issuance programme must be available which allows the adequate assessment of the credit risks associated with the investment.

## 8.2. Bank accounts

The Company may acquire on behalf of the Fund bank accounts containing deposits with a term not exceeding 12 months. These bank accounts must be held on blocked accounts at 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 EEA, or at a credit institution that has its registered office in a non-member state, provided that it is subject to the prudential rules considered by BaFin to be equivalent to those laid down in EU law. Unless specified otherwise in the "Special Investment Conditions", these bank accounts may be denominated in foreign currencies.

## 8.3. Securities

1. Provided that the "Special Investment Conditions" do not include any additional restrictions, the Company may, subject to Section 198 KAGB, only acquire securities if:

- a) they are admitted for 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 EEA, or they are admitted for trading or included in another regulated market in one of these states,
- b) they are admitted for trading exclusively on a stock exchange outside the member states of the EU or outside other states that are party to the Agreement on the EEA, or they are admitted for trading or included in another regulated market in one of these states, provided the choice of such stock exchange or regulated market is permitted by the German Federal Financial Supervisory Authority (BaFin).<sup>1</sup>

New issues of securities may be acquired provided that their issue conditions require that admission to or inclusion in one of the stock exchanges or regulated markets mentioned in a) and b) above be applied for, and that the admission or inclusion takes place within one year after their issue.

<sup>1</sup> The list of stock exchanges is published on the BaFin website. [www.bafin.de](http://www.bafin.de)

2. In this context, the following are also considered securities
  - a) Units in closed funds in contractual or legal form, subject to control by the unitholders (so-called corporate control), i.e. the unitholder must have voting rights in relation to the key decisions, as well as the right to control the investment policy through the appropriate mechanisms. The Fund must also be administered and managed by an entity that is subject to the regulations for the protection of investors, unless the fund is established in the form of a company and the asset management activity is not carried out by another legal entity.
  - b) Financial instruments that are secured by other assets or linked to the performance of other assets. To the extent that components of derivatives are embedded in such financial instruments, further requirements apply before the Company may acquire these as securities.
3. The securities may only be acquired under the following conditions:
  - a) The potential loss that the Fund could incur may not exceed the purchase price of the security. No additional payment may be required.
  - b) A lack of liquidity of the securities acquired by the Fund may not result in the Fund no longer being able to meet the legal requirements for the redemption of units. This takes into account the legal option of suspending redemptions in certain cases (see section "Suspension of redemptions" (Point 20.4)).
  - c) A reliable valuation of the security through accurate, reliable and consistent prices must be available; these must be either market prices or have been provided by a valuation system that is independent of the issuer of the security.
  - d) Adequate information on the security through regular, accurate and comprehensive market information on the security or, where relevant, on the securitised portfolio it belongs to is available.
  - e) The security is negotiable.
  - f) The purchase of the security is consistent with the investment objectives and the investment strategy of the Fund.
  - g) The risks of the security are appropriately captured by the risk management of the Fund.
4. Securities may also be purchased in the following form:
  - a) Equities to which the Fund is entitled in a capital increase from Company assets,
  - b) Securities that are acquired in the exercise of subscription rights belonging to the Fund.
5. Subscription rights are also considered to be securities in this context, provided the securities from which the subscription rights are derived could be included in the Fund.

## 8.4. Derivatives

**The Company may conduct transactions with derivatives for the Fund as part of the investment strategy. In particular, for purposes of efficient portfolio management, the Company may enter into derivative transactions on behalf of the Fund. This may on occasion increase the risk of loss for the Fund.**

A derivative is an instrument whose price is linked to fluctuations in prices or the price expectations for other assets (underlying). The following details relate to both derivatives and financial instruments with a derivative element (hereinafter, referred to collectively as the derivatives).

To calculate the utilisation of the market risk limit, the Company applies the "simple" approach as defined in the regulation on risk management and risk measurement for the use of derivatives, securities lending and repurchasing agreements in investment funds pursuant to KAGB (hereinafter referred to as "DerivateV"). It adds up the total applicable amounts of all derivatives, securities loans and securities repurchase agreements that lead to the increase of the investment level. The market value of the underlying will be taken as a basis for the total applicable amounts of derivatives and financial instruments with derivative components. The total applicable amounts for market risk through the use of derivatives and financial instruments with derivative components cannot exceed the value of the Fund's assets.

The Company may only regularly purchase derivatives if they can, on behalf of the Fund, acquire the underlying assets of such derivatives or if the risks represented by the underlying assets could have occurred through assets in the investment fund that the Company may acquire on behalf of the Fund. On behalf of the Fund, the Company may purchase:

- Basic forms of derivatives pursuant to Section 9 of the General Investment Conditions
- Combinations of these derivatives
- Combinations of these derivatives with other assets that may be acquired for the Fund

The Company can adequately and accurately detect and measure all market risks in the Fund which are based on the use of derivatives.

A negligible proportion of the investment strategy may be based on a "complex" strategy. The Company may also invest a negligible proportion in complex derivatives. A negligible proportion is assumed not to exceed 1% of the value of the fund based on the maximum loss.

### 8.4.1. Futures contracts

For account of the Investment Fund, the Company may, in the framework of the investment principles, enter into futures contracts based on the Underlying Index or on individual securities of the Underlying Index.

Futures contracts are agreements which unconditionally bind both contracting partners to buy or sell a certain volume of a given underlying security at a previously agreed price on a specified date (maturity date), or within a specified period.

### 8.4.2. Option contracts

For account of the Investment Fund, the Company may enter into option contracts in the form of

warrants based on the Underlying Index or on individual securities of the Underlying Index.

In option contracts, a third party is granted the right, in exchange for consideration (option premium), to request the delivery or acceptance of assets or the payment of a balancing adjustment at a previously agreed price (underlying price) on a specified date or at the end of a specified period, or to acquire the corresponding option rights. The options or warrants must provide for their exercising 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 value and becomes nil if the difference has the other leading sign.

#### 8.4.3. Swaps

Within the scope of the investment principles, the Company may enter into interest-rate swaps, currency swaps or interest-rate/currency swaps.

Swaps are agreements whereby the payment flows or risks underlying the transaction are swapped between the contracting parties.

#### 8.4.4. Swaptions

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

#### 8.4.5. Credit default swaps

Credit default swaps are credit derivatives enabling a potential volume of credit defaults to be transferred to other parties. In return for transfer of the credit default risk, the seller of the risk pays a premium to its contracting partner. The Company may only acquire on behalf of the Fund simple standardised credit default swaps which are used to hedge particular credit risks in the Fund. In all other respects the comments on swaps apply accordingly.

#### 8.4.6. Securitised financial instruments

The Company may also acquire the financial instruments described above for the account of the Fund if these instruments are securitised. Contracts on only partially securitised financial instruments (e.g. bonds with warrants) may also be included. The statements concerning opportunities and risks also apply to such securitised financial instruments; however it should be noted that the risk of loss with securitised financial instruments is limited to the value of the security.

#### 8.4.7. Over-the-counter (OTC) transactions

The Company may enter into derivative transactions for the account of the Fund that are either admitted for trading on a stock exchange or that are admitted to and included in another regulated market as well as over-the-counter (OTC) derivatives.

Derivatives that are not admitted for trading on a stock exchange or admitted to or included in another regulated market may only be transacted by the Company with suitable banks and financial

institutions on the basis of standardised master agreements. For derivatives not traded on an exchange, the counterparty risk of a contractual party is limited to 5 percent of the value of the Fund. If the counterparty is a credit institution that has its registered office in the EU, in another state that is a party to the Agreement on the EEA or in a state that is not a member of either of those organisations but has a comparable level of supervision, the counterparty risk may total 10 percent of the value of the Fund. Derivative transactions traded other than on an exchange that are concluded with a central clearinghouse of a stock exchange or another regulated market are not included when determining the counterparty limit if the derivatives are valued daily at market prices with a daily margin settlement. Claims of the Fund against an intermediary are counted against the limits, however, even if the derivative is traded on an exchange or on another organised market.

## 9. Issuer and investment limits

### 9.1. Issuer limits

Unless specified otherwise in the Investment Conditions, the following issuer limits apply to the Fund.

1. The Company may invest up to 10 percent of the value of the Fund in securities and money market instruments from a single issuer (debtor). At the same time, the total value of the securities and money market instruments of these issuers (debtors) may not exceed 40 percent of the value of the Fund. In addition, only 5 percent of the value of the Fund may be invested in securities and money market instruments from a single issuer (debtor).
2. The Company may invest no more than 35 percent of the value of the Fund each in bonds, borrowers' notes and money market instruments of particular public issuers as defined in Section 206 Paragraph 2 KAGB.
3. The Company may invest up to 25 percent of the value of the Fund in mortgage bonds, municipal bonds and debentures issued by any bank domiciled in an EU member state or in another state that is a party to the Agreement on the EEA. A prerequisite is that the assets assumed with the bonds are structured so that they cover the liabilities of the bonds for their entire term and are designated mainly for repayments and interest payments if the issuer of the bond defaults. If more than 5 percent of the value of the Fund is invested in such bonds from the same issuer, the total value of these bonds may not exceed 80 percent of the value of the Fund. Securities purchased under repurchase agreements shall be counted towards this investment limit.
4. The Company may invest no more than 20 percent of the value of the Fund in a combination of the following assets:
  - a) securities or money market instruments issued by one and the same institution,
  - b) deposits at this institution,
  - c) the weighted counterparty risk of the transactions entered into with this institution in derivatives, securities lending and repurchase agreements.

In the case of particular public issuers as defined in Section 206 Paragraph 2 KAGB, a combination of the assets specified in Sentence 1 may not exceed 35 percent of the value of the Fund.

The respective individual upper limits remain unaffected in both cases.

5. The Company may invest more than 35 percent of the value of the UCITS Fund in bonds, borrowers' notes and money market instruments of the Federal Republic of Germany.

Insofar as use is made of this possibility, the securities/money market instruments held in the Fund must originate from at least six different issues, whereby no more than 30 percent of the value of the Fund may be held in a single issue. The Fund may also be invested fully in bonds from one of the specified issuers.

Securities purchased under repurchase agreements shall be counted towards this investment limit.

## 9.2. Special investment limit for securities

No more than 10 percent of the value of the Fund may be invested in securities as defined by Section 5 of the General Investment Conditions. Bank accounts held for the Fund shall be included in this amount. Securities purchased under repurchase agreements shall be counted towards these investment limits.

## 9.3. Special investment limits for bank accounts

No more than 10 percent of the value of the Fund may be invested in bank accounts with a maturity not exceeding 12 months. The Company may only invest up to 20 percent of the assets of the Fund in bank accounts at each credit institution. Amounts that the Company has paid as a borrower as part of a securities repurchase transaction must be added to this.

## 10. Securities lending transactions and repurchase agreements

### 10.1. Securities lending transactions

The securities contained in the Fund may be lent to third parties at market rates. In doing so, the entire securities portfolio of the Fund may be transferred for an indefinite period to third parties. However, the Company expects that no more than 50 per cent of Fund assets will regularly be the subject of securities lending transactions. This estimated amount may, however, be exceeded in individual cases. The Company always has the option to terminate the lending transaction. It must be agreed contractually that assets of the same type, value and volume shall be returned to the Fund at the end of the loan period within the usual settlement period. For securities lending transactions, it is required that sufficient collateral be granted to the Fund. Cash balances can be assigned or pledged or securities or money market instruments can be assigned or pledged to satisfy this requirement. The Fund receives the income from the invested collateral.

The borrower is also obliged to pay the interest accrued on the borrowed securities upon maturity of the loan to the Custodian Bank on behalf of the Fund. The securities transferred to a single borrower may not exceed 10 percent of the value of the Fund.

The Company may make use of an organised system for the brokerage and processing of securities loans. It is not necessary to provide collateral when brokering and processing securities loans via the organised system if the system ensures that the interests of the investors are protected. When processing securities loans via organised systems, the securities transferred to one borrower may not exceed 10 per cent of the value of the Fund.

The securities lending transactions described herein are carried out to generate additional income for the Fund in the form of the remuneration from the loan.

The following external companies are currently involved in executing securities lending transactions:

- UniCredit Bank AG
- Morgan Stanley & Co. International PLC
- Goldman Sachs International
- Credit Suisse Securities (Europe) Ltd.

These companies are independent of the Company and the Custodian Bank.

The Company may not grant cash loans to third parties on behalf of the Fund.

### 10.2. Securities repurchase agreements

The Company may conclude repurchase transactions with credit institutions and financial services institutions on behalf of the Fund with a maximum term of 12 months. In doing so, it can both transfer securities from the Fund for consideration to a borrower (simple repurchase agreement) and borrow securities in accordance with the applicable investment limits (reverse repurchase agreement). The entire securities portfolio of the Fund may be transferred to third parties by way of a repurchase agreement. No repurchase agreements have currently been concluded on behalf of the Fund. The Company nevertheless reserves the right to enter into repurchase agreements in future. The Company has the option to terminate the repurchase agreement at any time; this does not apply to repurchase agreements with a term of up to one week. Upon termination of a simple repurchase agreement, the Company is entitled to reclaim the securities lent. The termination of a reverse repurchase agreement may result in either the refund of the full amount or the accrued amount equal to the current market value. Repurchase transactions are only permitted in the form of "real" repurchase transactions. The borrower thereby assumes the obligation to transfer the securities back at a specific time or at a time to be determined by the lender or to repay the amount including interest.

## 11. Collateral strategy

In derivatives transactions and securities lending and repurchase transactions, the Company receives collateral on behalf of the Fund. The collateral is used to reduce the risk of default of the



counterparty of such transactions in whole or in part.

### 11.1. Types of eligible collateral

If derivative and/or securities lending transactions may be concluded for the Fund, the Company only accepts collateral that satisfies the following criteria set out in Section 27 Paragraph 7 DerivateV:

- assets that may be acquired for the Fund in accordance with the KAGB,
- are highly liquid,
- are subject to valuation at least each exchange trading day,
- are issued by issuers with high credit ratings,
- are not issued by issuers who are themselves a party to the contract or a company belonging to the group within the meaning of Section 290 of the German Commercial Code (Handelsgesetzbuch),
- they are reasonably risk-diversified in terms of countries, markets and issuers,
- are subject to no significant operational or legal risks in terms of their management and custody,
- will be deposited with a Custodian Bank that is subject to effective public supervision and that is independent of the guarantor or is legally protected in the event of the default of a party, if they are not transferred,
- can be reviewed by the Company without the consent of the guarantor,
- can be immediately sold for the Fund, and
- the guarantor is subject to legal provisions in the event of insolvency.

The Company currently accepts the following assets in particular as collateral for securities lending transactions:

- Government bonds with a maximum maturity of 10 years from the following countries: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, the Netherlands, Norway, Sweden, Switzerland and the UK
- Equities on the following indices: AEX Index (Netherlands), ATX index (Austria), BEL 20 Index (Belgium), CAC All Share Index (France), CDAX Index (Germany), FTSE All Share Index (UK), FTSE MIB Index (Italy), HEX 25 Index (Finland), Madrid General Index (Spain), OMX Copenhagen 20 Index (Denmark), OMX Stockholm 30 Index (Sweden), OBX Stock Index (Norway), PSI 20 Index (Portugal), SPI.

Collateral provided by a counterparty must, inter alia, be appropriately risk-diversified in relation to issuers. Collateral from the same issuer provided by multiple counterparties must be aggregated. If the value of the collateral from the same issuer provided by one or more counterparties does not exceed 20 per cent of the Fund's value, diversification is deemed adequate.

The Company regularly monitors the adequacy of collateral accepted. Depending on the results of these analyses, government bonds of other countries or shares of indices other than the indices referred to herein may also be accepted.

### 11.2. Level of collateral

Securities lending transactions are fully collateralised. The value of the collateral is derived from the market value of the securities lent together with

the associated income. The collateral provided by the borrower must not fall below the secured value plus a market-standard premium.

In addition, derivatives transactions and securities lending and repurchase transactions must be sufficiently secured to ensure that the capital requirement for the default risk of each counterparty does not exceed 5 percent of the value of the Fund. If the counterparty is a credit institution that has its registered office in the EU, in another state that is a party to the Agreement on the EEA or in another state which has a comparable level of prudential regulation, the default risk may total 10 percent of the value of the Fund.

### 11.3. Strategy for discounting valuations (haircut strategy)

The Company has introduced a "haircut" strategy for each asset that it accepts as collateral. A haircut is a discount to the value of collateral which takes into account the deterioration of the valuation or the liquidity profile of the collateral over time. The haircut strategy takes into account the characteristics of each asset, including the creditworthiness of the issuer of the collateral, the price volatility of the collateral and the results of stress tests that can be performed as part of collateral management. Subject to the existing agreements with the counterparties, which may include minimum amounts for the transfer of collateral, it is the Company's intention that any collateral obtained be adjusted in accordance with the haircut strategy by a valuation discount at least equal to the counterparty risk.

The haircuts applied to collateral accepted follow the guidelines of the internal policies of the Company for the treatment of collateral.

### 11.4. Investment of cash collateral

Cash collateral in the form of bank deposits may be held in blocked accounts with the Custodian Bank of the Fund or, with its consent, at another financial institution. The reinvestment may only be made in high-quality government bonds or in money market funds with short maturity structures. In addition, cash collateral may be invested by way of a reverse repurchase agreement with a financial institution if the recovery of the accrued balance is ensured at all times.

### 11.5. Holding securities as collateral

The Company may receive collateral on behalf of the Fund as part of derivatives, securities lending and repurchase transactions. If these securities are transferred as collateral, they must be held at the Custodian Bank. If the Company receives pledged securities as part of derivatives transactions, they may be held at another institution that is subject to public supervision and independent of the guarantor. The securities may not be reused.

## 12. Leverage

Leverage describes the relationship between a Fund's risk and its net asset value. Any method by which the Company increases the level of investment of the Fund (leverage effect), affects their leverage. Such methods include, in particular, the acquisition of derivatives and borrowing. The option to use derivatives and engage in borrowing is presented in the sections Derivatives (Point 8.4)

and Borrowing (Point 13). The option to conclude securities lending transactions and repurchase transactions is presented in the sections Securities lending transactions (Point 10.1) and Repurchase transactions (Point 10.2). The option of borrowing is explained in the section Borrowing (Point 13).

The Company may employ leverage for the Fund up to the market risk limit (see Section Derivatives (Point 8.4)).

## 13. Borrowing

On behalf of all the investors, the Company may subscribe to short-term loans for amounts of up to 10 percent of the Fund, if the terms of the loan are at market rates and subject to approval of the conditions of the loan by the Custodian Bank.

## 14. Valuation

### 14.1. General rules for asset valuation

#### 14.1.1. Assets admitted for trading on a stock exchange or traded on a regulated market

Assets admitted for trading on stock exchanges or admitted to another regulated market or included in such market as well as subscription rights for the Fund are valued at the last available traded price which ensures a reliable valuation, unless otherwise indicated under "Special valuation rules".

#### 14.1.2. Assets not listed on stock exchanges or traded on regulated markets or assets without a tradable value

Assets not admitted for trading on stock exchanges nor admitted to another regulated market or included in such market, or for which no tradable value is available, are valued at current market values, which shall be assessed with due care using appropriate valuation models and taking into consideration current market conditions, unless otherwise indicated under "Special valuation rules".

### 14.2. Special valuation rules for individual assets

#### 14.2.1. Unlisted bonds and borrowers' notes

For the valuation of bonds not admitted for trading on an exchange or admitted to or included on another official market (e.g. unlisted bonds, commercial paper and certificates of deposit ) and for the valuation of borrowers' notes the prices will be based on the prices agreed for comparable bonds and borrowers' notes and, where applicable, the prices of bonds from comparable issuers with a corresponding term and interest rate with, if necessary, a deduction to take into account the reduced saleability.

#### 14.2.2. Money market instruments

In the case of the money market instruments in the Fund, interest and related income as well as expenses (e.g. management fees, custodian bank 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. Option rights and futures contracts

The option rights belonging to the fund and the liabilities resulting from option rights granted to a third party which are admitted for trading on a stock exchange or admitted to or included in an-

other regulated market are valued at the last available traded price which ensures a reliable valuation.

The same applies to claims and liabilities resulting from futures contracts sold on behalf of the Fund. The initial margins charged to the Fund shall be added to the value of the Fund, including the valuation gains and valuation losses determined on the exchange trading day.

#### 14.2.4. Bank accounts, time deposits, and loans

Bank deposits are, in principle, valued at their nominal value plus accrued interest.

Time deposits are valued at the market price if the time deposit can be terminated at any time and repayment upon termination does not take place at the nominal value plus interest.

The market price of lent securities shall be applied in the valuation of repayment claims arising from securities loans.

#### 14.2.5. Securities repurchase agreements

If assets are borrowed for repurchase on behalf of the Fund, they will continue to be included in the valuation. In addition, the amount received for a repurchase transaction on behalf of the Fund shall be reported as liquid assets (bank accounts).

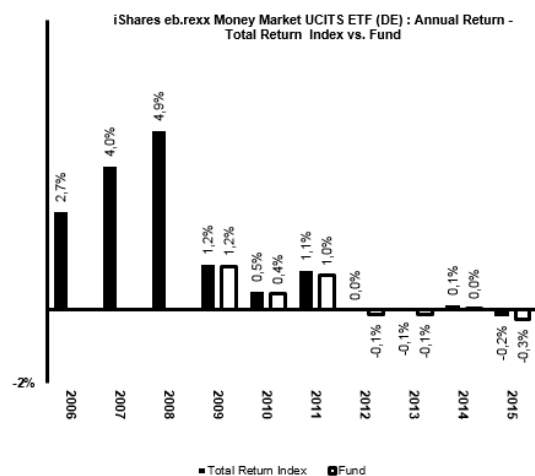
If assets are lent for repurchase on behalf of the Fund, they shall not be included in the valuation. On the basis of the payment made by the Fund, a receivable due to the repurchase borrower for the amount of the discounted repayment claims shall be included in the valuation.

#### 14.2.6. Assets denominated in foreign currencies

Assets denominated in foreign currencies, provided that the Fund has a different base currency, shall be converted to euros on a same-day basis, using the afternoon fix (5:00 p.m. CET) for the base currency from "The WM Company".

## 15. Performance

The chart shows the performance of the Underlying Index and the Fund over the last 10 years from 1 January 2006.



Source: Bloomberg/BlackRock Asset Management  
Deutschland AG

**Past performance of the Fund is not a predictor of the Fund's future performance.**

## 16. Risk warnings

*Before taking a decision on the purchase of units in the Fund, investors should read the following risk warnings along with the other information contained in this Sales Prospectus carefully and take this into account when making their investment decision. The occurrence of one or more of these risks taken by itself or together with other circumstances may adversely affect the performance of the Fund or the assets held in the Fund and thus also adversely affect the unit value.*

*If the investor sells units in the Fund at a point in time at which the value of the assets owned by the Fund has decreased in relation to the purchase price, the investor may receive only part of the capital invested in the Fund or none of it. The investor could even lose part or, in some cases, all of the capital invested in the Fund. No guarantee can be given that the Fund will increase in value. However, investor risk is limited to the amount invested. The investor will not be required to make any payments beyond the capital invested.*

*In addition to the risks and uncertainties described below or elsewhere in this Sales Prospectus, the Fund's performance may be adversely affected by various other risks and uncertainties that are not presently known. The order in which the following risks are listed is not a statement about the probability of occurrence nor the extent or significance of the occurrence of individual risks.*

### 16.1. General risks of investment in the Fund

The risks below may adversely affect the unit value, the capital invested by the investor, and the length of time the investor planned to hold the investment in the Fund.

#### 16.1.1. Fluctuation of the unit value of the Fund

The net asset value is calculated on the basis of the value of the Fund divided by the number of units in circulation. The value of the fund corresponds to the sum of the market values of all assets in the Fund less the sum of the market values of all of the Fund's liabilities. The net asset value is therefore dependent on the value of the assets held in the Fund and the amount of the Fund's liabilities. If the value of these assets falls or the value of the liabilities increases, the Fund's unit value decreases.

#### 16.1.2. The influence of tax aspects on individual performance

The tax treatment of capital gains depends on the individual circumstances of each investor and may be subject to changes in the future. Investors should contact their personal tax advisor if they have specific questions, especially regarding their individual tax situation.

#### 16.1.3. Suspension of redemption

The Company may temporarily suspend the redemption of units in exceptional circumstances when suspension appears necessary to protect the interests of the investors. Exceptional circumstances in this context could be economic or political crises, an unusually high number of redemption requests and the closure of the stock exchanges or markets, trading restrictions or other factors that affect the determination of the share value. BaFin may order the Company to suspend the redemption of units if this is in the interest of investors or the public. This increases the risk that the investors may not be able to liquidate their units at the time they wish to because of limited redemption opportunities. The unit price may also fall in the event of the suspension of redemptions; e.g. if the company is forced to sell assets below market value during the suspension of redemptions. This unit price after unit redemptions are resumed may be lower than the price before suspension of redemption. A suspension, without reinstatement of unit redemptions, may directly precede the liquidation of the Fund, e.g. if the Company withdraws from the management of the Fund in order to then liquidate the Fund. For investors, this entails the risk that they will not be able to realise their planned holding period and that a significant portion of their invested capital will be unavailable for an indefinite period or lost altogether.

#### 16.1.4. Amending the Investment Conditions

The Company is entitled to amend the Investment Conditions with the approval of BaFin. This may also affect investors' rights. A change in the Investment Conditions could also result in changes to the regulations affecting investors. For example, the Company may change the investment policy by amending the Investment Conditions or it can increase the expenses to be borne by the Fund.

#### 16.1.5. Liquidation of the Fund

The Company has the right to terminate the management of the Fund. The Company may fully liquidate the Fund after terminating the management. The right of disposal of the Fund is transferred to the Custodian Bank after a notice period of six months. For the investor, this entails the risk that the holding period planned by the investor will not be realised. In the transition of the Fund to the Custodian Bank the Fund may be charged other taxes than German income taxes. When units are derecognised from the account of the investor after the liquidation process, the investor may be charged income taxes.

#### 16.1.6. Merger

The Company may transfer all assets of the Fund to another UCITS. In this event, investors may (i) return their units, (ii) retain their units, with the result that they become investors of the receiving UCITS, (iii) or exchange their units for units of another open-end mutual investment fund with comparable investment principles, provided that the Company or a company affiliated with it administers such funds with comparable investment principles. This also applies when the Company transfers all of the assets of another investment fund to the Fund. Investors are thus required to make another investment decision prior to the transfer. Income taxes may apply when units are redeemed. When units are exchanged for units of

another investment fund with comparable investment principles, investors may be charged taxes, such as when the value of the units received is higher than the value of the old units on the date of acquisition.

#### **16.1.7. Transfer to another investment management company**

The Company may transfer the Fund to another investment management company. However, both the Fund and the position of investors are unaffected by this. However, investors must decide as part of the transfer whether they consider the new investment management company to be equally suitable as the previous one. If they do not wish to remain invested in the Fund under the new management, they must redeem their units. In this case, income taxes may apply.

#### **16.1.8. Profitability and meeting the investment objectives**

It cannot be guaranteed that the performance desired by the investor will be achieved. The unit value of the fund may fall and result in losses for the investor. No guarantees are made by the Company or third parties regarding a specific minimum payment commitment upon redemption or a specific performance of the Fund. Investors could get back less than they originally invested. An issue premium levied when units are acquired may reduce or completely offset performance gains, particularly on short-term investments.

#### **16.1.9. Specific risks of securities index UCITS**

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

Temporary unavailability of certain equities on the market or other exceptional circumstances may lead to a deviation from the exact index performance. Furthermore, the Fund incurs transaction costs and other costs, fees or taxes and duties when tracking the Underlying Index, which are not reflected in calculating the index. As a result, the Fund may not be able to replicate completely the performance of the Underlying Index. Exceptional circumstances also include restrictions on buying and selling related to compliance with statutory limits resulting from membership of the BlackRock Group. Furthermore, the composition of the Underlying Index may change with time. There is no guarantee that the Underlying Index will continue to be calculated and published on the basis described in this Sales Prospectus or that no material changes will be made to it.

Although the Fund seeks to replicate the performance of the Underlying Index, there is no guarantee that the Fund will achieve exact replication. The Fund may be exposed to the risk of a tracking error, that is to say the risk that yields might sometimes not precisely track the Underlying Index. This tracking error arises if it is not possible to hold the same components of the Underlying Index, for example if local markets are subject to trading restrictions, smaller components are illiquid, trading of certain securities included in the Underlying Index is temporarily unavailable or interrupted and/or if legal provisions restrict the acquisition of certain components of the Underlying

Index. Furthermore, the Company relies on index licences from the Licensor to use and replicate the Underlying Index. Should the Licensor discontinue or change an index licence, this shall affect the ability of the affected Fund to continue to use and replicate its Underlying Index and achieve its investment objectives. Irrespective of market conditions, the Fund aims to replicate the performance of the Underlying Index; however, the Fund does not seek to outperform the Underlying Index.

There is no guarantee that the Licensor will compile the Underlying Index correctly or that the Underlying Index is correctly determined, compiled or calculated. Although the Licensor supplies descriptions of what the Underlying Index is supposed to achieve, it does not provide any guarantee or assume any liability with regard to the quality, accuracy or completeness of the data relating to the Underlying Index, nor does it guarantee that the Underlying Index will comply with its described indexing method. The task of the Company described in this sales prospectus consists of managing the Fund in line with the relevant Underlying Index provided to the Company. Therefore, the Company provides no warranty or guarantee for errors made by the Licensor. Errors may occasionally be made with regard to the quality, accuracy and completeness of the data. These may not be noticed or corrected for a certain period of time, particularly if the indices concerned are less frequently used. The gains, losses or expenses associated with errors made by the Licensor are therefore to be borne by the Fund and its unitholders. So, for example, in a period in which the Underlying Index contains incorrect components, the Fund, which replicates this published Underlying Index, would hold a market risk position in these components and a smaller market risk position in components that should have been included in the Underlying Index. Errors can therefore have negative or positive effects on the performance of the Fund and its unitholders. Unitholders should be aware that all gains resulting from errors of the Licensor are retained by the Fund and its unitholders and all losses resulting from errors of the Licensor are borne by the Fund and its unitholders.

Alongside planned rebalancings and reconstitutions, the Licensor may also carry out ad hoc rebalancings and reconstitutions of the Underlying Index in order, for example, to correct an error in the selection of the index components. If the Underlying Index is reweighted and reconstituted and the Fund then reweights and reconstitutes its portfolio so that it corresponds to the Underlying Index, transaction costs (including capital gains tax and/or transaction tax) and market risks positions resulting from this reweighting and reconstitution of the portfolio are borne directly by the Fund and its unitholders. Unplanned rebalancings and reconstitutions of the Underlying Index may also lead to the Fund being exposed to the risk of a tracking error. Errors in the Underlying Index and additional ad hoc rebalancings and reconstitutions carried out on the Underlying Index by the Licensor may therefore increase the costs and the market risk of the Fund.

## 16.2. Risk of negative price performance (market risk)

The risks below may have a negative effect on the performance of the Fund or the assets held in the Fund and thus also adversely affect the unit value and investors' return on invested capital.

### 16.2.1. Risk of change in value

The assets in which the Company invests on behalf of the Fund are subject to risks. Losses may be incurred if the market value of the assets decreases in relation to the purchase price, or spot and forward prices development differently.

### 16.2.2. Capital market risk

The price or market value 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. Fluctuations in prices and market values may also be due to changes in interest rates, exchange rates or the credit quality of an issuer.

### 16.2.3. Risk of price changes in equities

Equities are usually subject to strong price fluctuations and thus the risk of price declines. These fluctuations are particularly influenced by the development of the profits of the issuing company as well as the developments in the industry and the overall economic development. The confidence of market participants in a company may also affect the price performance. This is especially true for companies whose shares are admitted only for a shorter period on the stock exchange or other regulated markets; for such shares even slight changes in forecasts may lead to strong price movements. If the portion of freely tradable shares owned by many shareholders (so-called free float) is low, even smaller buy and sell orders of this share can have a major impact on the market price and thus lead to higher price fluctuations.

### 16.2.4. Risk of changes in interest rates

Investing in fixed-rate securities is associated with the possibility that market interest rates at the time a security is issued may change. If market interest rates rise in comparison with the interest rates at the time of issue, the prices of fixed-rate securities will generally fall. Conversely, if market interest rates fall, the price of fixed-income securities will rise. This price trend means that the current return on a fixed-income security is roughly equivalent to the current market interest rate. The price fluctuations will differ vastly, however, depending on the (residual) maturity of the fixed-income securities. Fixed-income securities with shorter maturities generally have lower price risks than fixed-income securities with longer maturities. However, fixed-income securities with shorter maturities generally have lower returns in comparison with fixed-income securities with longer maturities. Money market instruments tend to have lower price risks due to their short maturity not exceeding 397 days. In addition, the interest rates of different interest-rate related financial instruments with similar residual maturities and which are denominated in the same currency may develop differently.

### 16.2.5. Risk of negative credit interest

The Company has liquid assets of the Fund held by the Custodian Bank or other banks on behalf of the Fund. For some of these bank deposits, an interest rate is agreed that generally corresponds to the European Interbank Offered Rate (Euribor), less a specific margin. If the Euribor falls below the agreed margin, the relevant account will accrue negative interest. Depending on the European Central Bank's interest rate policy, short-term, medium-term and long-term bank deposits may accrue negative interest.

### 16.2.6. Risks in connection with derivative transactions

The Company may enter into derivative transactions for the Fund. The purchase and sale of options and the conclusion of futures contracts or swaps is associated with the following risks:

- The use of derivatives may result in losses that are not predictable and that may even exceed the amounts used for the derivative transaction.
- Price changes of the underlying instrument can reduce the value of an option right or futures contract. If the value decreases and the derivative becomes worthless, the Company may be forced to forfeit the acquired rights. The change in value of the asset underlying a swap may also lead to losses in the Fund.
- There may not be a liquid secondary market for a particular instrument at a given time. It may not be possible to economically neutralise (close) a position in derivatives in certain circumstances.
- The leverage effect of options can influence the value of the fund assets more strongly than is the case with a direct purchase of the underlying assets. The risk of loss cannot be determined when the transaction is concluded.
- The purchase of options is associated with the risk that the option is not exercised because the prices of the underlying assets do not develop as expected, causing the option premium paid by the Fund to be forfeited. The sale of options entails the risk that the Fund may be obligated to accept assets at a price higher than the current market price or deliver assets at a price lower than the current market price. The Fund will then incur a loss amounting to the price difference less the option premium received.
- Futures contracts entail the risk that the Company is required to pay the difference between the underlying price at closing and the market price at the time of settlement or maturity on behalf of the Fund. This would result in the Fund suffering losses. The risk of loss cannot be determined when the futures contract is concluded.
- The possible necessity of an offsetting transaction (settlement) is associated with costs.
- The Company's forecasts of the future performance of underlying assets, interest rates, exchange rates and foreign exchange markets may prove to be incorrect.
- It may not be possible to buy or sell the assets underlying the derivatives at a favourable time

or they may have to be bought or sold at an unfavourable time.

Over-the-counter (OTC) transactions can involve the following risks:

- A regulated market may not exist, making it difficult or impossible for the Company to sell financial instruments acquired on the OTC market on behalf of the Fund.
- The individual agreement may make it difficult or impossible to conclude an offsetting transaction (settlement) or considerable costs may be associated with such settlement.

#### 16.2.7. **Risk of price changes of convertible bonds and bonds with warrants**

Convertible bonds and bonds with warrants represent the right to convert the bond into shares or to acquire shares. The development of the value of convertible bonds and bonds with warrants is therefore dependent on the performance of the underlying shares. The risks associated with the performance of the underlying shares may therefore also affect the performance of convertible bonds and bonds with warrants. Bonds with warrants, which give the issuer the right to grant the investor a fixed number of shares in lieu of repayment of the nominal amount (*reverse convertibles*), are dependent to a considerable extent on the corresponding share price.

#### 16.2.8. **Risks associated with securities lending transactions**

If the Company grants a loan via securities on behalf of the Fund, it transfers to a single borrower the securities of the same type, quantity and quality; the borrower then transfers them back at the end of the transaction (securities lending). The Company has no right of disposition to lent securities during the term of contract. If the securities decline in value during the term of the transaction and the Company wishes to sell the securities in their entirety, it must terminate the lending transaction and wait for the customary settlement cycle, creating a risk that the Fund might suffer losses.

#### 16.2.9. **Risks in repurchase agreements**

If the Company sells securities in repurchase agreements, it sells them and agrees to buy them back against a premium after the end of the term. The repurchase price to be paid by the seller at the end of the term is determined at the conclusion of the agreement. If the securities sold lose value during the term of the agreement and the Company wishes to sell them in order to limit the losses it may do so only by exercising the right of early termination. The early termination of the agreement may be associated with a financial loss for the Fund. In addition, it may turn out that the premium to be paid at the end of the term is higher than the earnings which the Company generates by reinvesting the cash it has received.

If the Company buys securities in a repurchase agreement, it buys them and must resell them at the end of the term. The repurchase price, plus a premium, is determined when the transaction is completed. The securities purchased are used as collateral for the provision of liquidity to the counterparty. The Fund will not benefit from any increase in the value of the securities.

#### 16.2.10. **Risks associated with the receipt of collateral**

The Company receives collateral for derivative transactions and securities lending and repurchase agreements. Derivatives and securities lent or borrowed under repurchase agreements may increase in value. In this case, the collateral received might be insufficient to cover the full amount of the delivery or retransfer claims of the Company against to the counterparty.

The Company may invest cash collateral in blocked accounts, high-quality government bonds or in money market funds with short maturity structures. However, the bank at which the accounts are kept may fail. Government bonds or money market funds may decline in value. When the transaction is concluded, the full amount of the collateral provided might no longer be available, but the Company is still required to repay it at its original amount for the Fund. In this case, the Fund would have to bear the losses suffered by the collateral.

#### 16.2.11. **Inflation risk**

All assets are subject to devaluation through inflation. This applies to the assets held in the Fund. The inflation rate may be higher than the increase in value of the Fund.

#### 16.2.12. **Currency risk**

The Fund's assets may be invested in currencies other than the fund currency. The Fund receives 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 such investments and thus the value of the Fund's assets.

#### 16.2.13. **Concentration risk**

**The Underlying Index of the Fund concentrates investments on a particular national market. This makes the Fund exclusively dependent on the performance of this national market, and not on the overall market.**

### 16.3. **Risks of restricted or increased liquidity of the Fund (liquidity risk)**

The risks below may adversely affect the liquidity of the Fund. This could result in the Fund being temporarily or permanently unable to meet its payment obligations or in the Company temporarily or permanently being unable to fulfil redemption requests from investors. Investors might not be able to meet their planned holding period and the invested capital or part thereof might be unavailable to them for an indefinite period. If liquidity risks occur, the value of the Fund assets and thus the unit value could decline, for example, if the company is forced, to the extent permitted by law, to sell assets for the Fund below market value. If the Company is unable to fulfil investors' redemption requests, redemptions may be suspended and, in extreme cases, the Fund may be subsequently liquidated.

#### 16.3.1. **Risk arising from investing in assets**

Assets which are not admitted for official trading on a stock exchange or listed on another regulated market may also be acquired for the Fund. It cannot be guaranteed that these assets can be resold without a discount or delay or that they cannot be resold at all. Depending on the market situation,

the volume, the timing and budgeted costs, it may only be possible to sell even assets admitted to the stock market at heavy discounts or it may not be possible to sell them at all. Although only assets which can in principle be liquidated at any time may be acquired for the Fund, it cannot be ruled out that it might only be possible, temporarily or permanently, to sell them at a loss.

#### **16.3.2. Risk due to borrowing**

The Company may take out loans on behalf of the Fund in accordance with Point 13 "Borrowing". In addition loans with variable interest rates can have a negative effect on Fund assets if interest rates rise. If the Fund must pay back a loan and cannot offset this through subsequent financing or using the liquidity of the Fund, it may be forced to sell assets prematurely or at less favourable conditions than planned.

#### **16.3.3. Risks posed by increased redemptions or subscriptions**

Subscriptions and redemptions made by investors entering and exiting the Fund result in the increased or decreased liquidity of the Fund's assets. The inflows and outflows can lead to a net inflow or net outflow of the Fund's liquid assets. This net inflow or outflow may cause the Fund Manager to buy or sell assets, which involves transaction costs. This is especially true when the inflows or outflows result in the liquid assets exceeding or falling below the ratio established by the Company for the Fund. The resulting additional transaction costs are charged to the Fund and may adversely affect the performance of the Fund.

#### **16.3.4. Risk related to public holidays in certain regions/countries**

As per the investment strategy, investments for the Fund are to be made in certain regions/countries. Due to local public holidays in these regions/countries, there may be discrepancies between the stock exchange trading days in these regions/countries and the Fund's valuation dates. On days that are not valuation dates, the Fund may not react to market developments in the regions/countries on the same day or may not trade on the local market on a valuation date that is not a trading date in these regions/countries. This may prevent the Fund from selling assets in the required timeframe. This may have a negative effect on the Fund's ability to fulfil redemption requests or other payment obligations.

### **16.4. Counterparty risks including credit and collection risk**

The risks below may have a negative effect on the performance of the Fund and thus also adversely affect the unit value and investors' return on invested capital. If the investor sells units in the Fund at a point in time at which a counterparty or central counterparty has defaulted, thus negatively affecting the value of the Fund's assets, the investor may receive only part of the capital invested in the Fund or none of it.

#### **16.4.1. Risk of settlement default/counterparty risk (except central counterparties)**

The default of an issuer or of a contracting party (counterparty) against which the Fund has claims may result in losses for the Fund. Issuer risk describes the effect of the particular developments

concerning an issuer which, in addition to the general trends on the capital markets, have an effect on the price of a security. Even if securities are carefully selected, losses may result if issuers become insolvent. The party to an agreement concluded on behalf of the Fund may default partially or completely (counterparty risk). This applies to all agreements that are entered into on behalf of the Fund.

The settlement default risk associated with this Investment Fund is rather low since a sovereign default by the Federal Republic of Germany is unlikely.

#### **16.4.2. Risk arising from central counterparties**

A central counterparty (CCP) acts as an intermediary institution in certain transactions for the Fund, particularly in transactions involving derivative financial instruments. In this case, it acts as a buyer to the seller and the seller to the buyer. A CCP hedges against the risk that its business partner will be unable to provide the agreed services through a number of protective mechanisms that allow it at any time to compensate for losses resulting from the transactions entered into (e.g. through collateral). Despite these protections, the failure of a CCP that is itself overindebted cannot be ruled out, which could also affect the claims of the Company for the Fund. This can result in losses to the Fund.

#### **16.4.3. Default risks in repurchase agreements**

If the Company enters into repurchase agreements on behalf of the Fund, it must be able to provide sufficient collateral to withstand the counterparty defaulting. If a counterparty defaults during the term of a repurchase agreement, the Company has a right of use with respect to the securities provided. There is a risk that the Fund may suffer a loss if, as a result of rising prices of the purchased securities, the collateral provided is no longer sufficient to fully cover the Company's retransfer right.

#### **16.4.4. Risks associated with securities lending transactions**

If the Company lends securities on behalf of the Fund, it must ensure that adequate collateral is provided against the default of the counterparty. The extent of the collateral provided is at least equal to the market value of the securities transferred in the securities loan. The borrower must provide additional collateral if the value of the securities granted as a loan increases, the quality of the collateral provided decreases or if its economic standing deteriorates and the collateral already provided is insufficient. If the borrower is unable to meet this funding obligation, there is a risk that the retransfer claim is not fully covered if the counterparty defaults. If the collateral is held in custody at an institution other than the Fund's Custodian Bank, there is also the risk that the institution may not be able to sell the collateral immediately or completely if the borrower defaults.

### **16.5. Operational and other risks of the Fund**

The risks below may have a negative effect on the performance of the Fund and thus also adversely affect the unit value and investors' return on invested capital.

#### 16.5.1. Risks posed by criminal actions, irregularities or natural disasters

The Fund may become a victim of fraud or other criminal acts. It may suffer losses due to misunderstandings or errors by employees of the Company or third parties or be damaged by external events such as natural disasters.

#### 16.5.2. Country or transfer risk

There is the risk that, in spite of the ability to pay, a foreign debtor cannot make payments when due or at all or only in another currency because the country in which his registered offices are located lacks the ability or willingness to make transfers, or for similar reasons. For example, payments to which the Company has a claim on behalf of the Fund might not be made at all or might be made in a currency that is not (or is no longer) convertible owing to currency restrictions, or might be made in another currency. If the debtor pays in another currency, this position is subject to the currency risk presented above.

#### 16.5.3. Legal and political risks

Investments may be made on behalf of the Fund in jurisdictions in which German law does not apply, or in case of dispute, the place of jurisdiction is outside Germany. Any resulting rights and obligations of the Company for the account of the Fund may differ from those in Germany to disadvantage of the Fund or the investor. The Company may recognise political or legal developments, including the amendments to the legal framework, in these jurisdictions too late or not at all, or they may lead to restrictions on assets that can be purchased or that have already been purchased. These consequences may also arise when the legal framework for the Company and/or the management of the Fund in Germany changes.

#### 16.5.4. Change in the tax environment

The summary of tax regulations in this Sales Prospectus is based on current tax law and regulations. The information is directed towards individuals 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 legislative or judicial actions or decrees issued by the tax authorities.

A change in mistakenly established tax bases for the Fund for previous financial years (e.g. by the external auditor) may, when a correction is essentially disadvantageous to the investor and outside the Company's sphere of influence, lead to an investor having to bear the tax burden for corrections in previous financial years even though that investor may not have been invested in the Fund at that time. Conversely, the situation may arise where investors may no longer benefit from an essentially advantageous correction relating to the current and previous financial years in which they were invested in the Fund because they redeemed or sold their units before the correction was implemented.

Furthermore, a correction to tax data may lead to taxable income or tax advantages being recorded 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.

The recently published draft for an investment tax reform law provides, inter alia, that funds, despite

any tax exemptions, must pay capital gains tax on domestic dividends and income from domestic equity-like participation rights accrued from 1 January 2016, insofar as they are the economic and civil-law owners of the equities or participation rights within a period of 45 days before and 45 days after the date on which the investment income is due. Days for which the Fund hedges against price change risks arising from the equities and participation rights such that it does not bear these risks or only to a limited extent are not counted towards this. This planned regulation may affect unit prices and the investors' tax situation. This may be determined through the implementation of the investment strategy.

#### 16.5.5. FATCA and other international reporting systems

Investors should also read the information in the "FATCA and other international reporting systems" section under point 30.13, particularly with regard to the consequences of the Company not being able to fulfil the conditions of such reporting systems.

#### 16.5.6. Key personnel risk

If the Fund's investments perform very well over a certain period of time, this success may be partly due to the aptitude of the traders and so to the correct decisions of its management. However, the composition of the Fund's management may change. New decision-makers may be less successful in their activities.

#### 16.5.7. Custodial risk

When assets are held in custody, especially in foreign countries, there is a risk of loss resulting from the insolvency, the violation of due diligence of the Custodian Bank or force majeure.

#### 16.5.8. Risks of trading and clearing mechanisms (settlement risk)

In the settlement of securities transactions there is the risk that one of the parties fails to pay on time or in accordance with the agreement or does not deliver the securities on time. Accordingly, this settlement risk also arises when trading other assets for the Fund.

#### 16.5.9. Risk of investment restrictions

As a result of the investments of the BlackRock Group, the possible investment strategies of the Fund may be subject to investment restrictions. In this connection, the investments of the BlackRock Group are also considered to be investments on behalf of accounts managed by the BlackRock Group or the PNC Group.

For example, there may be overall investment limits that may not be exceeded arising from the definition under corporate or supervisory law of the ownership of regulated companies in regulated markets.

Violation of these investment limits without the issue of a corresponding authorisation or other regulatory or corporate approval may have disadvantages or transaction restrictions for the BlackRock Group and the Fund.

Reaching any such overall investment limits may have as a result that the Fund will no longer be in a position, for regulatory or other reasons, to make or sell investments or to exercise the rights of such investments.



In view of possible regulatory restrictions of ownership rights or other restrictions that result from reaching the investment limits, the Company is therefore entitled to restrict the acquisition of investments, the disposal of existing investments or the exercise of rights (including voting rights) in any other way.

## 17. Explanation of the risk profile of the Fund

The risk profile is based on a return and risk scale of 1 to 7, where 1 indicates a fairly low risk, but also typically lower returns, and 7 indicates a fairly high risk, but also typically higher returns.

The Fund is currently in category 1 because of the nature of its investments, which include the risks listed below.

The indicator is based on historical data and may not be a reliable indication of the future risk profile of the Fund. The risk category shown is not guaranteed and may change over time. The latest categorisation is always published in the Key Investor Information (KIID). The lowest category cannot be equated with a risk-free investment. These factors may affect the value of investments or result in losses.

The investment risk is concentrated in specific sectors, countries, currencies or companies. Consequently, the Fund is more sensitive to local economic, market, political or regulatory events.

Investments in government bonds may be affected by the perceived stability of the country concerned and by proposed or actual credit rating downgrades.

Specific risks that are not captured in an appropriate manner by the risk indicator include counterparty risk, credit risk and liquidity risk.

## 18. Profile of a typical investor

Investment in the Fund is also suitable for investors who do not yet have any experience in the financial markets. The units are subject to only low fluctuations in value, but such fluctuations may still cause the unit values to fall below the purchase price, and the investor may suffer a loss of capital as a result. The investment horizon should be at least three years.

## 19. Units

The rights of the investors are registered 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. The acquisition of units is only possible in conjunction with depository custody. The units are bearer fund units and certify the claims of the owner vis-à-vis the Company.

## 20. Issue and redemption of units

### 20.1. Issue of units

In principle, the number of units issued is not restricted. Units may be acquired from the Designated Sponsors listed on the inside cover. Units are issued by the Custodian Bank at the issue price, which corresponds to the net asset value per unit

plus any issue premium due. The Company reserves the right to temporarily suspend or terminate the issue of units.

### 20.2. Redemption of units

Investors may demand the redemption of units on each exchange trading day. Redemption orders must be submitted to the Custodian Bank or the Company. The Company is obliged to redeem the units at the currently valid redemption price that corresponds to the unit value calculated on this day less a redemption fee, if applicable. Additional charges may be incurred when units are redeemed via a third party.

### 20.3. Settlement of issue and redemption of units

The Company respects the principle of the equal treatment of investors by guaranteeing that no investor can create advantages for itself by purchasing or selling investments in the funds of the company at already known unit values. It therefore sets a daily order acceptance deadline. In principle, purchase and redemption orders received by the order acceptance deadline set by the Company will be settled at the issue or redemption price determined on the following trading day. Orders received by the Custodian Bank or the Company after the deadline are settled on the following valuation day as described in Sentence 2 at the unit value calculated on that day. The order acceptance deadline for this Fund is published on the Company's website at [www.ishares.de](http://www.ishares.de). The Company may change the deadline at any time.

In addition, third parties, such as the custodian bank of the investor, may take act as brokers in the issue and redemption of units. This can lead to longer settlement times. The Company has no control over the various settlement methods of the custodians.

### 20.4. Suspension of redemption of units

The Company may temporarily suspend the 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 Fund is traded or if the assets of the Fund cannot be valued. BaFin may order the Company to suspend the redemption of units if this is in the interest of investors or the public.

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 Fund with due consideration of the interests of all investors. A temporary suspension, without reinstatement of unit redemptions, may directly precede the liquidation of the Fund (see the section entitled "Liquidation, transfer and merger of the Fund").

The Company shall inform investors of the suspension and resumption of redemption of units through publication in the Bundesanzeiger and on the Internet at [www.iShares.de](http://www.iShares.de). Information will also be provided to investors via their Custodian Bank on a durable data medium, either in hard copy or electronically.

## 21. Liquidity management

1. The Company has established written policies and procedures for the Fund that enable it to monitor the liquidity risk of the Fund and to ensure that the liquidity profile of the Fund's investments covers the Fund's underlying liabilities. The policies and procedures are as follows:

- a) The Company monitors the liquidity risks which may arise at the level of the Fund or the assets. In doing so, it assesses the liquidity of the assets held in the Fund in relation to the Fund assets. The liquidity assessment includes an analysis of the trading volume, the complexity of the asset and the number of trading days that are required to dispose of the asset. The Company also monitors investments in target funds and their redemption policies and the resulting potential impact on the liquidity of the Fund.
- b) The Company monitors the liquidity risks that may arise due to increased redemption requests by investors.

The Company reviews these policies periodically and updates them accordingly.

2. The Company regularly (at least annually) conducts stress tests with which they can assess the liquidity risk of the Fund. The Company conducts the stress tests on the basis of reliable and current quantitative or, if this is not adequate, qualitative information. If appropriate, the stress tests simulate a lack of liquidity of the assets in the Fund. They cover market risks and their effects. The take into account valuation sensitivities under stress conditions. They are carried out taking into account the investment strategy and the liquidity profile of the assets at the frequency appropriate to the type of fund.
3. The return rights both in normal and exceptional circumstances as well as the suspension of the redemption are shown in the section "Units - Issue and redemption of units - Suspension of redemption of units". The risks associated herewith are described under "Risk Factors - General risks of investment in the Fund - Suspension of redemption" and under "- Risks of restricted or increased liquidity of the Fund (liquidity risk)".

## 22. Exchanges and markets

### 22.1. General information

The units of the Fund are admitted for trading on the following stock exchanges:

#### **Frankfurt Stock Exchange**

Deutsche Börse AG

Neue Börsenstr. 1

60487 Frankfurt/Main, Germany

Telephone: +49 (0) 69 - 211 - 0

Fax: +49 (0) 69 - 211 - 11021

#### **Borsa Italiana**

Borsa Italiana

Piazza degli Affari 6

20123 Milan, Italy

Telephone: +39 0 2 724261

Fax: +39 0 2 72004333

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

### 22.2. Function of the Designated Sponsors

The Designated Sponsors, also known as Market Makers or Permanent Liquidity Providers, ensure 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.

### 22.3. Risks of exchange trading

The obligation of the Designated Sponsors 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. This may lead to a brief interruption in the setting of the price. This can result in the execution of orders that do not meet the quality criteria established for that stock exchange.

### 22.4. Issue and redemption of units on the stock exchange

Investors can place orders on the relevant stock exchange with their banks or brokers to purchase or sell units of the Fund. Investors are generally charged for this service. The Company has no control over these charges.

No issue premiums or redemption fees apply to units purchased or sold on an exchange. Normal costs and fees associated with exchange trading and custody are not affected by the above.

## 23. Portfolio transparency strategy and indicative net asset value

### 23.1. Portfolio transparency strategy

Investors and prospective investors can view a list of the securities held by the Fund at the official iShares website ([www.iShares.com](http://www.iShares.com)). This is subject to any applicable restrictions under the license the Company has received from the licensor of the Underlying Index.

### 23.2. Indicative Net Asset Value

Deutsche Börse AG calculates the indicative net asset value of the Investment Fund continuously during trading hours. The indicative net asset value (iNAV<sup>®</sup>) is the net asset value of a fund calculated in real time (every 15 seconds) during trading hours. The values are intended to provide the investors and market participants a continuous indication of the value of a fund. The values are usually calculated on the basis of an assessment of the actual fund portfolio using real-time prices from all relevant stock exchanges.

The Company has delegated responsibility for the calculation of the iNAV<sup>®</sup> values of the Fund to the Deutsche Börse Group. iNAV<sup>®</sup> values are distributed via the CEF Datafeed of the Deutsche Börse and on the terminals of the major market data providers as well as on a wide range of websites with

stock market data including the site of the Deutsche Börse at <http://deutsche-boerse.com>.

The iNAV<sup>®</sup> does not correspond to the value of a unit or the price at which the unit can be subscribed or redeemed or bought or sold on an exchange, and must not be understood in this way. In particular, the iNAV<sup>®</sup> may be used for a fund in which the components of the Underlying Index or the assets are not actively traded during the period of publication of this iNAV<sup>®</sup>, may not correspond to the true value of the unit or be misleading, and should not be relied upon. The lack of provision of iNAV<sup>®</sup> during the trading period does not in itself result in the suspension of trading of the units on an exchange. Instead, the regulations of the exchange govern the suspension of trading. The calculation and publication of the iNAV<sup>®</sup> can include delays in obtaining the prices of the key components which are based on the same components of, for example, the Underlying Index or the assets themselves, the iNAV<sup>®</sup> of other exchange-traded funds with the same benchmark index or the same assets. Investors wishing to subscribe or sell units on an exchange should make their investment decisions not only on the basis of the iNAV<sup>®</sup> provided, but should also consider other market data, economic and other factors (possibly including information about the Underlying Index or the assets, the key components and financial instruments on which the Underlying Index is based or the assets that the Fund is permitted to acquire. The Company, or persons appointed by it, the Custodian Bank, Designated Sponsors and the other service providers are not liable to any person who relies on the iNAV<sup>®</sup>.

## 24. Issue and redemption prices and expenses

### 24.1. Issue and redemption prices

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

The value per unit is calculated by dividing the net asset value by the number of units in circulation.

The unit value is calculated separately for each unit class by allocating the costs of launching new unit classes and the management fee incurred by a particular unit class, including income adjustment if applicable, exclusively to this unit class.

Issue and redemption prices will be determined on each exchange trading day, i.e. all exchange trading days are valuation days. On public holidays under the KAGB that are stock exchange days and 24 and 31 December each year, the Company and the Custodian Bank may interrupt their daily price calculation. At present, prices are not calculated on 1 January, Good Friday, Easter Monday, 1 May, Whit Monday, German Unification Day, 24 December, Christmas, Boxing Day and 31 December. The Company reserves the right to calculate the net asset value on Easter Monday and 31 December; however, units shall not be issued or redeemed on these dates.

### 24.2. Suspension of calculation of issue and redemption prices

The Company may temporarily suspend calculation of the issue and redemption prices under the same conditions as for redemption of units. Please see Point 20.4. (Suspension of redemption of units) for information on this topic.

### 24.3. Issue premium

When the issue price is determined, an issue premium shall be added to the unit value. The issue premium is up to 2 percent of the unit value. The issue premiums for the respective unit classes are listed in the "Overview of existing unit classes" directly before the "General Investment Conditions". This issue premium may reduce or completely offset performance gains, particularly on short-term investments. The issue premium is basically a fee for the distribution of the units of the Fund. The Company may pass on the issue premium as compensation for services provided by intermediaries.

### 24.4. Redemption fee

When a redemption price is determined, a redemption fee is deducted from the unit value. The redemption fee is up to 1 percent of the unit value. The redemption fees for the respective unit classes are listed in the "Overview of existing unit classes" directly before the "General Investment Conditions". This redemption fee may reduce or completely offset performance gains, particularly on short-term investments. The Company shall receive the redemption fee.

### 24.5. Publication of issue and redemption prices

The issue and redemption prices are published regularly at [www.iShares.de](http://www.iShares.de).

### 24.6. Costs incurred on 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 respectively take place at the issue price (unit value plus any issue premium) and the redemption price (unit value less any redemption fee).

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

## 25. Management and miscellaneous expenses

### 25.1. Fixed fee

The Company receives a fixed fee from the Fund, the amount of which depends on the respective unit class.

The actual amount of the fixed fee is listed in the "Overview of existing unit classes" directly before the "General Investment Conditions".

This fixed fee covers the following fees and expenses:

- fee for the management of the Fund (fund management, administrative activities);
- custodian bank fee;

- expenses for the publication and mailing of the certain sales documents (sales prospectus, Key Investor Information, annual and semi-annual reports) prepared for investors;
- expenses for publication of the annual and semi-annual reports, issue and redemption prices and, if applicable, distributions or reinvestments, and the liquidation report;
- fees for the audit of the Fund by the Company's auditor;
- expenses for the publication of the bases of taxation and of certification that the tax information was determined in accordance with German tax law;
- fees payable for the licence agreement;
- distribution costs.

The fixed fee is paid in advance in monthly instalments out of the Fund.

## 25.2. Other expenses

In addition to the fixed fee, the following expenses may also be charged to the Fund:

- expenses resulting from the purchase and sale of assets;
- customary bank custody fees, including customary bank charges for the custody of foreign securities abroad;
- any taxes that may arise in connection with the costs for administration and custody;
- expenses related to day-to-day account management;
- expenses incurred in the assertion and enforcement of the legal claims of the Fund;
- expenses incurred in providing information to investors in the Investment Fund by means of a durable medium, with the exception of information on expenses for fund mergers and with the exception of information on measures connected with violations of investment limits or errors in calculating the net asset value per unit.

The Company may receive up to 40 percent of the income from the conclusion of securities lending transactions on behalf of the Fund as a fixed overall fee to cover expenses incurred in the preparation and execution of such securities lending transactions.

## 25.3. Composition of the total expense ratio

The management costs incurred by the Fund (excluding transaction costs) in the financial year are disclosed in the annual report and are expressed as the total expense ratio (TER). The TER is composed of:

- operating expenses charged at a flat rate for management of the Fund in accordance with Point 25.1;
- delivery fees for index adjustments;
- customary bank custody fees, including the customary bank charges for the custody of foreign securities abroad and related taxes, if applicable;
- expenses related to day-to-day account management.

Not included are costs resulting from the purchase and sale of assets. The total expense ratio is pub-

lished in the Key Investor Information document as "ongoing costs".

## 25.4. Remuneration policy

The Company has adopted a remuneration policy compatible with and conducive to sound and effective risk management. The remuneration policy contains a description of how remuneration and payments are calculated and identifies the beneficiaries of such remuneration and payments. The remuneration policy does not promote risk-taking that is incompatible with the Company's risk profiles, Investment Conditions or Articles of Incorporation and does not interfere with the manager's compliance with their duty to act in the investors' best interests. The remuneration policy contains fixed and variable wage components and voluntary pension benefits. The remuneration policy applies to employees, including the Management Board, risk bearers, control roles and employees that receive a total remuneration corresponding to that of the Management Board and risk bearers whose role has a significant influence on the Company's risk profile. The remuneration policy can be consulted at [www.blackrock.com](http://www.blackrock.com) and is available in hard copy upon request to the Company.

## 26. Sub-funds

The Fund is not a sub-fund of an umbrella fund.

## 27. Rules for the calculation and appropriation of income

The Fund earns income from the interest and dividends accrued during the financial year which are not used to cover costs. In addition, the Fund earns income from securities lending and securities repurchase agreements. Further income can result from the disposal of assets held on behalf of the Fund.

The Company applies a so-called income netting procedure for the Fund. This means that the proportional income accruing during the financial year which the acquirer of the fund units must pay as part of the issue price and which the seller of the units receives as payment as part of the redemption price is continuously netted. The expenses incurred are accounted for in the calculation of the income netting procedure.

The income netting procedure serves to adjust for fluctuations in the relationship between income and other assets which are caused by net inflows or outflows resulting from the sale or redemption of units. Otherwise, every net inflow of funds would reduce the return on net asset value of the Fund and every outflow would increase those returns.

The overall effect of the income netting procedure is that the amount of the distribution per unit is not influenced by the unpredictable performance of the Fund or the number of units in circulation. In income netting, it is accepted that investors who buy units shortly before the dividend distribution date receive back the portion of the issue price attributed to income in the form of a distribution and may be liable to pay taxes on it, despite the fact that the capital paid in by them did not contribute to the returns.

## 28. Financial year and distributions

### 28.1. Financial year

The financial year of the Fund begins on 1 April and ends on 31 March.

### 28.2. Distribution mechanism

The Company generally distributes, net of costs, the interest, dividends and fees from securities lending transactions and repurchase agreements - taking into account the appropriate income equalisation - received on behalf of the Fund. Capital gains and other income may also be used for distributions.

The final distribution takes place within four months after the close of the financial year. In addition, the Company may carry out interim distributions during the year.

The interim distribution amount is at the discretion of the Company. The Company is not obliged to distribute all distributable income accumulated up to the date of the interim distribution; it may carry ordinary income forward to the next interim distribution date.

Interim distributions are intended to minimise any discrepancy between the performance of the Fund and that of the Underlying Index.

If units are held in custody at the Custodian Bank, the Custodian Bank's branches shall credit the distributions to the account at no charge. If the investment account is maintained at another bank or savings bank, there may be additional expenses.

## 29. Liquidation, transfer and merger of the Fund

### 29.1. General information

Investors are not entitled to demand the liquidation of the Fund. However, the Company may, upon six months' notice, cease management of the Fund through publication in the Bundesanzeiger and in the annual report or semi-annual report. Information on termination will also be provided to investors via their Custodian Bank via a durable data medium, either in hard copy or electronically. A corresponding procedure may also be followed in respect of one or more unit classes of the Fund.

Moreover, the right of the Company to manage the Fund shall expire 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 Statute (Insolvenzordnung - InsO). In these cases, the right of disposal of the Fund will be transferred to the Custodian Bank, which will liquidate the Fund and distribute the proceeds to the investors or, with the authorisation of BaFin, transfer the management of the Fund to another company.

### 29.2. Procedure for the liquidation of the Fund

With the transfer of the right to disposal over the Fund to the Custodian Bank, the issue and redemption of units will cease and the Fund will be liquidated.

Proceeds from the sale of fund assets less the Fund's liabilities and liquidation costs will be distributed to the investors, whereupon investors shall be entitled to claim their share of the proceeds on sale of the Fund's assets in proportion to Fund units owned.

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 Fund, the liquidation report shall be published in the Bundesanzeiger. While the Custodian Bank liquidates the Fund, it shall prepare a report annually, and on the date on which the liquidation is completed, that meets the requirements of an annual report. These reports are to be published in the Bundesanzeiger no later than three months after the reporting date.

### 29.3. Transfer of the Fund

The Company may transfer the management and disposal rights over the Fund to another investment management company. The transfer is subject to the prior approval of BaFin. The approved transfer shall be published in the Bundesanzeiger and in the Fund's annual or semi-annual report. Information on the planned transfer will also be provided to investors via their Custodian Bank using a durable medium, e.g. in hard copy or electronically. The time at which the transfer becomes effective shall be determined by contractual agreement between the Company and the investment management company to which the Fund is to be transferred. However, the transfer shall take effect no earlier than three months after its publication in the Bundesanzeiger. All rights and responsibilities of the Company in relation to the Fund shall then be transferred to the investment management company to which the Fund is to be transferred.

### 29.4. Merger

With the approval of BaFin, all assets of this Fund may be transferred to another existing Fund or a Fund newly created by the merger, which must meet the requirements of Directive 2009/65/EC (UCITS) and be launched in Germany or in another EU or EEA country. In addition, all the assets may be transferred to the sub-fund of a UCITS (joint-stock investment company with variable capital). Such sub-fund may be either an existing domestic sub-fund or a domestic sub-fund newly created by the merger.

The transfer is effective at the end of the financial year of the transferring fund, unless a different transfer date is determined.

### 29.5. Rights of investors in the event of a merger

No fewer than 37 days before the planned transfer date, investors shall receive from their custodians information in hard copy or electronically on the reasons for the merger, its potential impact on investors, their rights in connection with the merger and significant aspects of the procedure to the investors. Investors will also receive the Key Investor Information of the receiving investment fund.

Investors have until five working days before the scheduled transfer date to redeem their units with no additional costs, in particular a redemption fee, with the exception of the costs to cover the Fund's

liquidation, or to exchange their units for units or shares of another investment fund or a foreign investment fund that is also managed by the Company or a company from the same Group and which has a similar investment policy to that of the Fund.

On the transfer date, the net asset values of the receiving and the transferring investment funds 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 per unit of the transferring investment fund and that of the receiving investment fund as of the date of the transfer. The investor receives the number of units in the new investment fund whose value corresponds to the value of the units in the transferring investment fund.

If the investors do not exercise their redemption or exchange rights, they will become investors of the acquiring investment fund on the transfer date. Investors in the transferring investment fund also have the option of having up to 10 percent of the value of their units paid out in cash. If the merger takes place during the current financial year of the transferring investment fund, the company managing that fund on the transfer date must draw up a report that meets the requirements of an annual report. The Company shall announce in the *Bundesanzeiger* and at [www.iShares.de](http://www.iShares.de) when the Fund has absorbed another investment fund and the merger comes into force. If the Fund is absorbed in a merger, the company that manages the absorbing fund or the newly created fund makes this announcement.

All the assets of this Fund may only be transferred to another investment fund or to another foreign investment fund with the authorisation of BaFin.

### 30. Summary of tax regulations applying to investors

All statements regarding tax regulations apply exclusively to investors who are fully taxable in Germany. We recommend that, before acquiring units in the Fund described in this Sales 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 Fund is exempt from German corporation tax and trade tax. Taxable income of the Fund is, however, treated as investment income (Einkünfte aus Kapitalvermögen) in the tax returns of individual investors insofar as it, together with other investment income, exceeds the current annual saver's allowance of EUR 801 (for single persons or spouses assessed separately) or EUR 1,602 (for spouses assessed jointly).

Investment income is generally subject to a withholding tax of 25 percent (plus solidarity surcharge and, if applicable, church tax). Investment income includes income distributed by the Fund, deemed distribution income, interim profits as well as profits from the sale and acquisition of fund units,

provided they were/are acquired after 31 December 2008.<sup>2</sup>

The tax deducted generally has a compensatory effect (so-called *Abgeltungssteuer* (withholding tax)) on individual investors and as a result investment income does not normally have to be declared on the income tax return. When the tax is withheld, the Custodian Bank will generally already have offset losses and taken foreign withholding taxes into account.

However, the tax deducted does not have a compensatory effect if the personal income tax rate is lower than the withholding rate of 25 percent. In this case, investment income may be declared on the income tax return. The tax authorities then apply the lower personal income tax rate and offset the tax withheld against the personal tax debt (so-called "assessment on the basis of the most favourable provision for the taxpayer").

If investment income is not subject to the withholding tax (e.g. because profit from the sale of a stock was generated at a foreign Custodian Bank), this should be indicated in the tax return. The investment income is then also subject to the withholding tax rate of 25 percent or the lower personal tax rate.

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

#### 30.1. Units held in personal assets (taxpayers resident in Germany)

##### 30.1.1. Gains from the sale of securities, gains from futures contracts and income from writing options

Gains from the sale of shares, units in investment funds, equity-like participation rights, gains from futures contracts and gains from writing options that are generated at the level of the Fund are not reported by the investor until they are distributed. In addition, gains from the sale of the following capital assets (so-called "good capital assets") are not attributed to the investor if they are not distributed:

- a) capital assets that have yield on new issues;
- b) "normal" bonds and unsecuritised claims with fixed-coupon as well as down-rating bonds, floaters and reverse floaters;
- c) risk certificates that exactly track the price of a share or a public index for a number of shares;
- d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- e) flat income bonds and debt participation rights; and
- f) bonds cum warrants.

If gains from the sale of the securities/capital assets described above, gains from futures contracts and income from writing options are distributed, they are liable to tax and, if the units are held in Germany, subject to a 25 percent withholding tax

<sup>2</sup> Gains from the sale of fund units acquired before 1 January 2009 are tax exempt for private investors.

(plus solidarity surcharge and, if applicable, church tax). However, gains distributed on the sale of securities and from futures contracts are tax free, if the securities were acquired at fund level before 1 January 2009 or the futures contracts were entered into before 1 January 2009.

Income from the sale of capital assets not included in the above list is taxed like interest (see below).

#### 30.1.2. **Interest, dividends and other income**

The investor is required to pay taxes on interest, dividends and related income. This is true independent of whether these gains are accumulated or distributed.

Investment income is generally subject to a withholding tax of 25 percent (plus solidarity surcharge and, if applicable, church tax).

The withholding tax will not apply if the investor is resident in Germany for tax purposes and submits an application for a tax allowance (Freistellungsauftrag), provided that the taxable income concerned does not exceed EUR 801 (for single persons or spouses assessed separately) or EUR 1,602 (for spouses assessed jointly).

The same applies to those who submit a tax exemption certificate for persons who are not expected to be subject to income tax.

If the units of a distributing or partially accumulating investment fund that is subject to tax are held by a domestic investor in a domestic investment account, withholding tax will not be withheld by the institution maintaining the custody account if an official application for a tax allowance made out in a sufficiently high amount or a tax exemption certificate issued by the tax authorities for a maximum period of three years is presented before the specified distribution date. In this case, the gross amount of the distribution will be credited to the investor.

For tax withholdings of an investment fund that does not distribute its earnings, the Fund shall make available to the custodians the investment income tax in addition to the maximum possible amount of the supplementary taxes (solidarity surcharge and church tax). As with distributions, the custodians withhold the tax, taking into account the investor's personal situation, so that the church tax, if applicable, can also be deducted. The Fund is reimbursed for any funds made available to the custodians that do not need to be withheld.

If the units are held in a custody account, investors who submit an application for a tax allowance made out in a sufficiently high amount or an exemption certificate to the credit institution maintaining the custody account before the end of the financial year of the Fund will have amount made available to the Custodian Bank credited to their account.

If the application for a tax allowance or an exemption certificate is not presented or not presented in time, the investor will receive upon request a tax certificate from the credit institution maintaining the custody account stating the amount of tax withheld and paid on income and the solidarity surcharge. The investor then has the opportunity to offset this amount of tax deducted against his income tax liability on submission of his personal income tax return.

If units of distributing investment funds are not held in custody in a domestic investment account and coupons are not presented to a domestic credit institution (self-custody), withholding tax in the amount of 25 percent plus the solidarity surcharge will be deducted.

#### 30.1.3. **Negative taxable income**

If negative income exceeds positive income of the same type at Fund level, this negative income is carried forward at Fund level for tax purposes. It may be used to offset future positive taxable income of the same type in future years at Fund level. 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 Fund ends, or that in which the distribution for the financial year of the Fund takes place, for which the Fund offset the negative taxable income. It is not possible for the investor to apply these amounts to his income tax prior to this time.

#### 30.1.4. **Distributions of capital**

Capital distributions are not subject to tax. Capital distributions received by the investor during his period of ownership are, however, added to the taxable results from the sale of fund units, i.e. they increase taxable gains.

#### 30.1.5. **Capital gains at investor level**

If units in the Fund that were acquired after 31 December 2008 are sold by a private investor, the capital gains are subject to the 25 percent withholding tax. If the units are held in a domestic custody account, the institution maintaining the custody account withholds the tax. The 25 percent withholding tax (plus solidarity surcharge and, where applicable, church tax) can be avoided upon submission of an application for tax allowance made out in a sufficiently high amount or a tax exemption certificate. If such units are sold by a private investor at a loss, then the loss is netted with other positive investment income. If the units are held in a German custody account and positive investment income was generated at the same Custodian Bank in the same calendar year, the Custodian Bank shall offset the loss.

If individual investors sell units acquired before 1 January 2009, such capital gains are tax-exempt.

When calculating capital gains, interim profits achieved at the time of acquisition must be deducted from the acquisition costs and interim profits achieved at the time of sale must be deducted from the sales price in order to avoid duplicate income taxation on interim profits (see below). In addition, the sale price is lowered by the amount of the accumulated income on which the investor has already paid tax. This prevents double taxation.

Gains on the sale of units acquired after 31 December 2008 are tax-exempt to the extent that they are attributable to income that is tax-exempt under a DTA that is realised during the term of holdings in the fund and that has not been reported by the investor (gain on holdings of real estate proportional to time held).

The Investment Management Company publishes the gain on real estate investments as a percentage of net asset value per unit on each valuation day.

## 30.2. Units held in operating assets (taxpayers resident in Germany)

### 30.2.1. Gains from the sale of securities, gains from futures contracts and income from writing options

Gains from the sale of shares, units in investment funds, equity-like participation rights and investment units, gains from futures contracts and gains from writing options that are generated at the level of the Investment Fund are not reported by the investor until they are distributed. In addition, gains from the sale of the following capital assets (so-called "good capital assets") are not attributed to the investor<sup>3</sup> if they are not distributed:

- a) capital assets that have yield on new issues;
- b) "normal" bonds and unsecured claims with fixed-coupon as well as down-rating bonds, floaters and reverse floaters;
- c) risk certificates that exactly track the price of a share or a public index for a number of shares;
- d) reverse convertible bonds, exchangeable bonds and convertible bonds;
- e) flat income bonds and debt participation rights; and
- f) bonds cum warrants.

If these profits are distributed, investors must take them into account in their tax returns. Capital gains on equities are completely exempt<sup>4</sup> from taxes for incorporated investors, while 40 percent of these gains are tax-exempt for other business investors, such as sole traders (partial-income procedure). In contrast, the full amount of capital gains on bonds/capital assets, profits from futures contracts and income from writing options are subject to tax.

Income from the sale of capital assets not included in the above list is taxed like interest (see below).

Distributed gains from the sale of securities, distributed gains from futures contracts as well as distributed earnings from writing options are generally subject to withholding tax (capital gains tax of 25 percent plus solidarity surcharge). This does not apply to gains from the sale of securities acquired before 1 January 2009 and gains from futures contracts entered into before 1 January 2009. However, the paying agent does not withhold the tax if the investor is a fully taxable corporation or if the investment income is operating income of a German company and the creditor of the investment income informs the paying agent of this by submitting an official form.

### 30.2.2. Interest and related income

The investor is required to pay taxes on interest and related income<sup>5</sup>. This is true independent of

whether these gains are accumulated or distributed.

The Custodian Bank only refrains from withholding tax or reimburses it upon presentation of a tax exemption certificate. Otherwise, the investor receives a tax certificate for the amount of tax deducted.

### 30.2.3. German and foreign dividends

Dividends from German and foreign companies paid or deemed paid before 1 March 2013, which are distributed in respect of units held in operating assets or which are reinvested, are, with the exception of dividends under the German Real Estate Investment Trust Act (REITG), tax-exempt for corporations<sup>6</sup>. Due to the new rules governing the taxation of free-float dividends, dividends from domestic and foreign companies accrued or deemed accrued to the Fund after 28 February 2013 are taxable for corporations. Sole traders are subject to taxation on 60 percent of dividend income, with the exception of dividends under REITG (partial-income procedure).

German dividends are subject to the withholding tax (capital gains tax of 25 percent plus solidarity surcharge).

Foreign dividends are generally subject to the withholding tax (capital gains tax of 25 percent plus solidarity surcharge). However, the paying agent does not withhold the tax if the investor is a fully taxable corporation or if the foreign investment income is operating income of a German company and the creditor of the investment income informs the paying agent of this by submitting an official form. For certain corporations<sup>7</sup>, the paying agent must submit a certificate from its competent tax authority to prove that they are fully taxable. These are unincorporated associations, institutions, foundations and special-purpose funds under private law, as well as legal persons under private law that are not corporations, cooperatives or mutual insurance and pension funds).

For investors subject to the trade tax, the dividend income that is partially exempt from income tax or corporate income is to be included in calculations for purposes of determining the trade income, but not then deducted again. The tax authorities are of the view that, as so-called intercorporate dividends, dividends from foreign companies are only tax free if the investor is a company as defined in the corresponding double-taxation agreement and has a sufficiently high (intercorporate) shareholding.

### 30.2.4. Negative taxable income

If negative income exceeds positive income of the same type at Investment Fund level, this negative income is carried forward at Fund level. It may be used to offset future positive taxable income of the same type in future years at Fund level. 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 or corporation tax until that assessment period (tax year) in which the financial year of the Fund ends,

<sup>3</sup> Section 1 Paragraph 3, Sentence 3 No. 1 a) to f) InvStG (German Investment Tax Act).

<sup>4</sup> For corporate investors, 5% of the capital gains on equities are considered non-deductible operating expenses and are therefore subject to taxation after all.

<sup>5</sup> Pursuant to Section 2 Paragraph 2a InvStG, the taxable interest is to be taken into account within the scope of the interest barrier regulation set out in Section 4h of the German Income Tax Act (Einkommensteuergesetz – EstG).

<sup>6</sup> For corporate investors, 5 percent of the dividends are considered non-deductible operating expenses and are therefore subject to taxation after all.

<sup>7</sup> Section 1 Paragraph 1 Nos. 4 and 5 KStG.



or that in which the distribution for the financial year of the Fund takes place, for which the Fund offsets the negative taxable income. It is not possible for the investor to apply these amounts to his income tax or corporation tax prior to this time.

#### **30.2.5. Distributions of capital**

Capital distributions are not taxable. This means that investors preparing their financial statements must record capital distributions as income on their commercial financial statements and include a reconciling expense item in their tax financial statements. This technically reduces the acquisition costs in a tax-neutral way. Alternatively, the amortised cost may be reduced by the prorated amount of the capital distribution.

#### **30.2.6. Capital gains at investor level**

Gains from the sale of units held in operating assets are generally tax-exempt for corporations<sup>8</sup>, provided that this income relates to dividends not yet paid out or not yet deemed to have been paid out and to realised and unrealised capital gains of the Fund from German and foreign equities and provided these dividends and capital gains are tax free when allocated to the investor (so-called equity gain). Sole traders are subject to taxation on up to 60 percent of these capital gains.

The Company publishes on its website [www.ishares.com](http://www.ishares.com) and/or on [www.fundinfo.com](http://www.fundinfo.com) the equity gain (since 1 March 2013 due to the aforementioned change in the law, two separate equity gains for corporations and sole traders - the separate publication, if necessary, takes place retrospectively) on each valuation day as a percentage of the unit value of the Fund.

Gains on the sale of units are tax-exempt to the extent that they are attributable to income that is tax-exempt under a DTA that is realised during the term of holdings in the fund and that has not been reported by the investor (gain on holdings of real estate proportional to time held).

The Investment Management Company publishes the gain on real estate investments as a percentage of net asset value per unit on each valuation day.

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<sup>8</sup> 5 percent of the tax-exempt capital gains are considered for corporations to be non-deductible operating expenses and are therefore subject to taxation after all.

### 30.2.7. Summary overview for standard commercial investor groups

Reinvested or distributed	Interest, gains from the sale of bad capital claims and other income	German dividends	Foreign dividends
<b>Domestic investors</b>			
<b>Sole traders</b>	<u>Capital gains tax:</u> 25%		<u>Capital gains tax:</u> Exempt
	<u>Substantive taxation:</u> Income tax and trade tax; trade tax is offset against income tax; it may be possible to offset or deduct foreign withholding taxes	<u>Substantive taxation:</u> Trade tax on 100% of dividends; income tax on 60% of dividends, provided these are not REIT dividends or dividends from low-tax capital investment companies; trade tax is offset against income tax	
Corporations subject to normal taxation (typically industrial companies, banks, provided units are not held in a trading portfolio, and property insurers)	<u>Capital gains tax:</u> Banks are exempt, otherwise 25%	<u>Capital gains tax:</u> 25%	<u>Capital gains tax:</u> Exempt
	<u>Substantive taxation:</u> Corporation tax and trade tax; it may be possible to offset or deduct foreign withholding taxes	<u>Substantive taxation:</u> Corporation tax and trade tax	<u>Substantive taxation:</u> Corporation tax and trade tax; foreign withholding tax can be offset up to the DTA maximum rate or deducted when calculating income
Life and health insurance companies and pension funds for which fund units are attributable to capital investments	<u>Capital gains tax:</u> Exempt		
	<u>Substantive taxation:</u> Corporation tax and trade tax, insofar as, in terms of the trade balance, no taxable provisions are made for premium refunds; it may be possible to offset or deduct foreign withholding taxes		
Banks that hold fund units in a trading portfolio	<u>Capital gains tax:</u> Exempt	<u>Capital gains tax:</u> 25%	<u>Capital gains tax:</u> Exempt
	<u>Substantive taxation:</u> Corporation tax and trade tax; it may be possible to offset or deduct foreign withholding taxes		<u>Substantive taxation:</u> Corporation tax and trade tax; foreign withholding tax can be offset up to the DTA maximum rate or deducted when calculating income
Tax-exempt non-profit, charitable or church investors (particularly churches and charitable foundations)	<u>Capital gains tax:</u> Exempt		
	<u>Substantive taxation:</u> Tax-exempt		
Other tax-exempt investors (particularly pension funds, death benefit funds and welfare funds, provided the requirements laid down under the German Corporation Tax Act are fulfilled)	<u>Capital gains tax:</u> Exempt	<u>Capital gains tax:</u> 15%	<u>Capital gains tax:</u> Exempt
	<u>Substantive taxation:</u> Tax-exempt	<u>Substantive taxation:</u> Tax deduction is final	<u>Substantive taxation:</u> Tax-exempt

Reinvested or distributed	Interest, gains from the sale of bad capital claims and other income	German dividends	Foreign dividends
Commercial partnerships	<u>Capital gains tax:</u> 25%		<u>Capital gains tax:</u> Exempt
	<u>Substantive taxation:</u> The partnership may be subject to trade tax. In this respect, the partners are not generally subject to trade tax. For income tax and corporation tax purposes, a partnership's income is determined uniformly and separately. The partners must pay tax on this income		

	according to the rules that would apply if they were directly invested in the Fund. For partners that are not subject to corporation tax, the trade tax applicable to the partners on a pro rata basis is offset against income tax.		
Asset management partnerships	<u>Capital gains tax:</u> 25%		
	<u>Substantive taxation:</u> The partnership is not subject to trade tax. The partnership's income is subject to income tax or corporation tax and may be subject to trade tax at investor level; the tax consequences are the same as if the partners had invested directly in the Fund.		
Foreign investors	<u>Capital gains tax:</u> Exempt	<u>Capital gains tax:</u> 25%; reduction to DTA maximum rate may be possible by applying for a withholding tax refund, to be submitted to the German Federal Central Tax Office; if a withholding tax refund is not granted, the tax deduction is final.	<u>Capital gains tax:</u> Exempt
	<u>Substantive taxation:</u> Investors must pay some tax on German dividends, rental income and income from the sale of German property within the 10-year period. By submitting a tax return in Germany, investors can receive a refund in respect of capital gains tax levied on German rental income and gains from the sale of German property (the capital gains tax is considered a prepayment; corporation tax in Germany is only 15%). Otherwise, substantive taxation is based on the rules of an investor's country of domicile.		

<i>Distributed</i>	Gains from the sale of good capital claims and futures contracts	Gains from the sale of equities
<b>Domestic investors</b>		
<b>Sole traders</b>	<u>Capital gains tax:</u> Exempt	
	<u>Substantive taxation:</u> Income tax and trade tax; trade tax is offset against income tax	<u>Substantive taxation:</u> Income tax on 60% of capital gains, insofar as these are not gains from the sale of REIT shares or low-tax capital investment companies; trade-tax exempt
Corporations subject to normal taxation (typically industrial companies, banks, provided units are not held in a trading portfolio, and property insurers)	<u>Capital gains tax:</u> Exempt	
	<u>Substantive taxation:</u> Corporation tax and trade tax; it may be possible to offset or deduct foreign withholding taxes	<u>Substantive taxation:</u> Tax-exempt, insofar as gains are not from the sale of REIT shares or low-tax capital investment companies; for corporation tax purposes, 5% of tax-free gains are considered as non-deductible operating expenses
Life and health insurance companies and pension funds for which fund units are attributable to capital investments	<u>Capital gains tax:</u> Exempt	
	<u>Substantive taxation:</u> Corporation tax and trade tax, insofar as, in terms of the trade balance, no taxable provisions are made for premium refunds; it may be possible to offset or deduct foreign withholding taxes	
Banks that hold fund units in a trading portfolio	<u>Capital gains tax:</u> Exempt	
	<u>Substantive taxation:</u> Corporation tax and trade tax; it may be possible to offset or deduct foreign withholding taxes	
Tax-exempt non-profit, charitable or church investors (particularly churches and charitable foundations)	<u>Capital gains tax:</u> Exempt	
	<u>Substantive taxation:</u> Tax-exempt	

Other tax-exempt investors (particularly pension funds, death benefit funds and welfare funds, provided the requirements laid down under the German Corporation Tax Act are fulfilled)	<u>Capital gains tax:</u> Exempt
	<u>Substantive taxation:</u> Tax-exempt
Commercial partnerships	<u>Capital gains tax:</u> Exempt
	<u>Substantive taxation:</u> The partnership may be subject to trade tax. In this respect, the partners are not generally subject to trade tax. For income tax and corporation tax purposes, a partnership's income is determined uniformly and separately. The partners must pay tax on this income according to the rules that would apply if they were directly invested in the Fund. For partners that are not subject to corporation tax, the trade tax applicable to the partners on a pro rata basis is offset against income tax.
Asset management partnerships	<u>Capital gains tax:</u> 25%
	<u>Substantive taxation:</u> The partnership is not subject to trade tax. The partnership's income is subject to income tax or corporation tax and may be subject to trade tax at investor level; the tax consequences are the same as if the partners had invested directly in the Fund.
Foreign investors	<u>Capital gains tax:</u> Exempt
	<u>Substantive taxation:</u> Substantive taxation is based on the rules of an investor's country of domicile.

The above assumes that deposits are held domestically. A solidarity surcharge is levied on capital gains tax, income tax and corporation tax as an additional levy. Offsettable foreign withholding taxes may be deducted as income-related expenses at the level of the investment fund; in this case, offsetting at the investor level is not possible. For exemption from capital gains tax deductions, it may be necessary to submit a tax exemption certificate to the custodian in a timely manner.

### 30.3. Non-resident taxpayers

If a non-resident taxpayer has shares of distributing sub-funds held in custody at a credit institution in Germany (custody arrangement), the shares will be exempt from the deduction of withholding tax on interest and related income, gains on sales of securities, futures and foreign dividends, provided that he can furnish proof of his status as a non-resident. If the Custodian Bank 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 tax rebate in accordance with the German Fiscal Code (Abgabenordnung – AO)<sup>9</sup>. The competent tax office is the tax office of the credit institution maintaining the custody account.

If a non-resident investor has deposited units of an accumulating fund with a German custodian institution, no tax will be withheld from non-German dividends if the investor submits proof of non-resident status. If the verification is delayed - for example, if there is a delay in proving non-resident status for distributing funds - a refund can be applied for even after the date of reinvestment in accordance with the German Fiscal Code<sup>10</sup>.

Any possible withholding tax credit or refund on German dividends for foreign investors is depend-

ent 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. Reimbursement of the investment income tax on domestic dividends as a result of a DTA is made by the German Federal Tax Office.

### 30.4. Solidarity surcharge

A solidarity surcharge of 5.5 percent is levied on the withholding tax payable on dividends or reinvestments. This solidarity surcharge can be offset against income tax and corporate tax.

If there is no tax withheld or if there is a credit of tax withheld on reinvestment, no solidarity surcharge will be withheld or, in the case of reinvestment, the retained solidarity surcharge will be credited.

### 30.5. Church tax

If the income tax is already paid by the withholding tax deducted by the German credit institution maintaining the custody account ("withholder"), the applicable church tax will regularly be levied in addition to the withholding tax, pursuant to the church tax rate for the religious community to which the church tax payer belongs.

The church tax is taken into account as a special expense at the time of the deduction of the withholding tax.

<sup>9</sup> Section 37 Paragraph 2 AO.

<sup>10</sup> Section 37 Paragraph 2 AO.

### 30.6. Foreign withholding tax

Some foreign income earned by the Fund is subject to withholding taxes retained in the country of origin. The Company may subtract the deductible withholding tax as income-related expenses at Fund level. In such a case, foreign withholding tax is not deductible in any way at investor level. If the Company elects not to exercise its right to deduct the foreign withholding taxes at fund level, the deductible withholding tax will be taken into account at the time of the deduction of the withholding tax.

### 30.7. Income adjustment

The portion of the issue price for units issued attributed to income that can be used for distributions (income netting procedure) is treated for tax purposes like income that is attributed to that portion of the issue price.

### 30.8. Separate determination, external audit

The bases of taxation calculated at the level of the Fund shall be determined separately. To this end, the 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<sup>11</sup> 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.

This means that any corrections of errors will have an impact on the investors who have invested in the Fund at the time at which the errors are corrected. The effect this has on taxes may be positive or negative.

### 30.9. Taxation of interim profits

Interim profits consist of income from interest received or accrued that is included in the issue or redemption price as well as gains from the sale of non-good capital assets which have not yet been distributed or reinvested by the Fund and therefore has not yet become taxable for the investor (such as accrued interest from fixed-rate securities). Interim profits generated by the Fund are subject to income tax when units are redeemed or sold by resident taxpayers. The tax withholding on interim profits totals 25 percent (plus solidarity surcharge and, if applicable, church tax).

The interim profits paid as part of the purchase price upon acquisition of units can be offset by individual investors as negative income against income tax in the year in which they were paid if an income adjustment procedure is carried out and reference is made thereto both upon publication of the interim profit and in the tax data to be certified by the auditors. They are already taken into consideration for purposes of withholding, thus reducing tax liability. If the interim profit is not published, each year 6 percent of the consideration for the redemption or sale of the Fund unit has to be recognised as interim profit. For business investors,

<sup>11</sup> Section 11 Paragraph 3 InvStG.

the interim profit paid is an integral part of the acquisition costs, which do not need to be corrected. When investment units are redeemed or sold, the interim profit received forms an integral part of the proceeds. No correction is necessary.

Interim profit amounts are also regularly included in the statements and performance reports provided by the banks.

### 30.10. Consequences of the merger of investment funds

If a domestic investment fund is merged with another domestic investment fund, 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. The same applies for the transfer of all assets of a domestic investment fund to a domestic joint-stock investment company with variable capital or a sub-fund of a domestic joint-stock investment company with variable capital. If the investors of the transferring investment fund receive a cash payment in a merger plan<sup>12</sup> it is treated as a distribution of other income. Income generated by the transferring investment fund that has not yet been distributed is allocated to the investors on the transfer date as so-called income equivalent to distributions for tax purposes.

### 30.11. Transparent, semi-transparent and non-transparent taxation for investment funds

The taxation principles mentioned above (so-called transparent taxation for investment funds pursuant to the German Investment Tax Act (hereinafter "InvStG")) only apply if the Fund falls under the grandfathering provisions of the InvStG<sup>13</sup>. For this purpose, the Fund must have been launched before 24 December 2013 and comply with the investment provisions and borrowing limits under the former German Investment Act. Alternatively, and at the latest after the end of the grandfathering period, the Fund must comply with the fiscal investment provisions under the InvStG. These are the principles with which the Fund must comply in making investments in order to be treated as an investment fund for tax purposes. In addition, in both cases, all bases of taxation pursuant to the tax disclosure requirement must also be disclosed in accordance with the provisions in Section 5 Paragraph 1 InvStG.<sup>14</sup> If the Fund purchased units in other investment funds,<sup>15</sup> the above taxation principles apply only if (i), the target Fund either falls under the grandfathering provisions of the InvStG fulfils the investment provisions pursuant to the InvStG and (ii) the management company for these target funds also meets the fiscal disclosure requirements.

The company strives to fulfil the fiscal investment provisions or, in the case of grandfathering provisions, to meet the investment guidelines and borrowing limits under the Investment Act and to disclose all bases of taxation that are accessible to it. The required disclosure cannot be guaranteed,

<sup>12</sup> Section 190 Paragraph 2 No. 2 KAGB.

<sup>13</sup> Section 22 Paragraph 2 InvStG.

<sup>14</sup> Section 5 Paragraph 1 InvStG.

<sup>15</sup> Section 10 InvStG.

however, especially if the Fund has acquired units in investment funds, and the management company for these funds does not fulfil the fiscal disclosure requirements. In this case, the distributions and the interim profits of the respective units of the investment fund, as well as 70 percent of the increase in value of the respective target fund during the prior calendar year (but being no less than 6 percent of the redemption price), shall be stated as taxable income for the Fund.<sup>16</sup> However, in a ruling dated 9 October 2014, the European Court of Justice ruled in Case 326/12 that this flat-rate taxation was in violation of European Law. As part of an interpretation in line with European law, proof of the actual amount of income may be provided by investors. The Company also endeavours to disclose all bases of taxation outside Section 5 Paragraph 1 InvStG (in particular, gains on equities, real estate gains and interim profits).

Insofar as the investment provisions and borrowing limits under the former German Investment Act or the fiscal investment provisions under the German Investment Tax Act (InvStG) are not observed, the Fund is to be treated as an investment company. Taxation is based on the principles for investment companies.<sup>17</sup>

### 30.12. EU Savings Tax Directive/ Interest Information Regulation

The Interest Information Regulation ("ZIV"), with which the Directive concerning the taxation of interest income<sup>18</sup> is being implemented, is intended to ensure the effective taxation of interest income of natural persons in the territory of the EU. The EU has concluded treaties with several third-country states (in particular Switzerland, Liechtenstein, the 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 credit institution (acting as paying agent) to an individual residing in a European country other than Germany or in specific third-country states is reported by the German credit institution to the German Federal Central Tax Office, which ultimately reports the interest income to the local foreign tax offices.

Correspondingly, interest income received by a natural person residing in Germany from a European credit institution outside Germany or in specific third-country 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 EU or in the participating third-country states who maintain their custody accounts or accounts in another EU country and earn interest income. Switzerland, in particular, has agreed to withhold taxes of 35 percent. As part of the tax documentation, the investor receives a certificate which can be used to have the deducted withholding tax applied to his income return.

The private investor has the alternative option of applying for exemption from withholding abroad by

authorising the foreign bank to voluntarily disclose his interest income. This allows the financial institution to waive withholding and instead report the income to the legally prescribed tax authorities.

According to the Interest Information Regulation, the Company must indicate for the 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 percent of the assets of the Fund consist of claims within the meaning of the Interest Information Regulation, the paying agents, which ultimately use the data reported by the Company, are not required to notify the German Federal Tax Office. Otherwise, if the 15 percent limit is exceeded, this triggers an obligation for the paying agents to report the interest component contained in the distribution to the German Federal Tax Office.
- If the 25 percent limit is exceeded, the interest component contained in the redemption or sale of the units must be reported. In the case of a distributing fund, the interest component 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.

### 30.13. FATCA and other international reporting systems

The agreement between the USA and the Federal Republic of Germany to improve international tax compliance and implement FATCA (the "USA-Germany Agreement") was concluded with the aim of enabling the implementation of the provisions of the Foreign Account Tax Compliance Act of the US Hiring Incentives to Restore Employment Act ("FATCA") in Germany. FATCA prescribes a reporting system and a potential 30 per cent withholding tax on certain payments made from US sources or sources attributable to US sources or, in relation to US assets, paid to certain recipient categories, including a financial institution not based in the US (a "foreign financial institution" or "FFI") that does not comply with FATCA provisions and is not otherwise tax-exempt. Under the USA-Germany Agreement, certain financial institutions ("reporting financial institutions") must report certain information about their US account holders to the German Federal Central Tax Office (which, in turn, forwards the information to the US tax authorities). It is currently not assumed that the Company is a "reporting institution" in this sense, as the Fund is expected to be an FFI and therefore comply with FACTA provisions. Should the Fund not be an FFI complying with the FACTA provisions, the Company aims to have the Fund treated as FACTA-compliant by fulfilling the conditions of the reporting system that are the subject of the USA-Germany Agreement. However, it cannot be assured that the Fund will be able to comply with FATCA provisions; if the Fund is not able to do so, a 30% withholding tax may be levied on payments that the Fund receives from US sources or sources attributable to US sources or in relation to US assets, which could reduce the amounts available to the Fund for payments to investors.

A number of countries have concluded multilateral agreements based on the Standard for Automatic

<sup>16</sup> Section 6 InvStG.

<sup>17</sup> Section 18 and 19 InvStG

<sup>18</sup> 2003/48/EC of the Council of 3/6/2003, Official Journal of the EU No. L 157 p. 38.

Exchange of Financial Account Information in Tax Matters published by the Organisation for Economic Co-operation and Development (OECD). Following implementation into German law, certain financial institutions (also described as “reporting financial institutions”) are required to send the German tax authorities certain information about investors from countries that are parties to these agreements (the German tax authorities, in turn, forward this information to the relevant tax authorities). The Fund is currently not expected to qualify as a reporting financial institution.

In light of the above, Fund investors are required to provide certain information to the Company in order to fulfil reporting system requirements. Please be aware that the Company has ruled that US persons may not hold units in the Fund.

### 30.14. Investment tax reform

The draft for an investment tax reform law essentially provides that from 2018, certain domestic fund income (dividends/rent/capital gains from property) is to be taxed at fund level. If this draft is passed into law in this form, distributions, pre-paid lump sums and gains from the sale of Fund units would be generally taxable, taking into consideration any partial exemptions, at the investor level.

Partial exemptions act to offset the existing burden at Fund level, so that investors, subject to certain requirements, receive a tax-free portion of the income generated by the Fund as a lump sum. However, this mechanism does not guarantee that a full set-off will be achieved.

As at 31/12/2017, for tax purposes, a (short) financial year shall be deemed to have ended, irrespective of the Fund’s actual financial year-end. Distributable income as at 31/12/2017 may therefore be considered as having been received. At this time, investors’ Fund units are to be considered as sold and on 1/1/2018 as reacquired. A gain under the draft law from the notional sale of units is not to be considered as having been received by investors until the time the units are actually sold.

### 30.15. Notice

The information on taxes is based on current tax law and regulations. The information is directed towards individuals 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 legislative or judicial actions or decrees issued by the tax authorities.

## 31. Outsourcing

The Company has outsourced the following activities in full or in part to other companies:

- Swap collateral management, BlackRock Investment Management (UK) Ltd.,
- IT support, BlackRock Investment Management (UK) Ltd.,
- Internal audit, BlackRock Investment Management (UK) Ltd.,
- Compliance monitoring, BlackRock Investment Management (UK) Ltd.,
- Counterparty risk, BlackRock Investment Management (UK) Ltd.,

- Investment Company bookkeeping and finance, BlackRock Investment Management (UK) Ltd.,
- Middle office (including trade operations, corporate actions), BlackRock Investment Management (UK) Ltd.,
- Fund administration, State Street Bank GmbH,
- Collateral management (securities lending), State Street Bank GmbH,
- Control function for administration / collateral management (securities lending), BlackRock Investment Management (UK) Ltd.,
- Securities lending, BlackRock Institutional Trust Company, N.A.,
- EMIR reporting, BlackRock Investment Management (UK) Ltd.,
- Trade and collateral management for futures transactions, BlackRock Investment Management (UK) Ltd.,
- Portfolio management of pension funds, BlackRock Investment Management (UK) Ltd.,
- Index licensing, BlackRock Fund Advisors,
- Management of master securities data, BlackRock Investment Management (UK) Ltd.

## 32. Annual and semi-annual reports; auditors

The annual and semi-annual reports can be obtained from the Company and the Custodian Bank.

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich, has been appointed to audit the Fund and its annual reports.

## 33. Payments to unitholders; distribution of reports and other information

The contract with the Custodian Bank ensures that investors receive distributions, if the distribution of dividends or other income is provided for by the Investment Fund, and that units can be redeemed. The investor information mentioned in this Sales Prospectus may be obtained as described under Point 1.1.

## 34. Other investment funds managed by the Company

The Company also manages the following investment funds not included in this Sales Prospectus:

- a) UCITS investment funds
- iShares Core DAX® UCITS ETF (DE)
  - iShares DivDAX® UCITS ETF (DE)
  - iShares MDAX® UCITS ETF (DE)
  - iShares TecDAX® UCITS ETF (DE)
  - iShares EURO STOXX 50 UCITS ETF (DE)
  - iShares EURO STOXX Select Dividend 30 UCITS ETF (DE)
  - iShares EURO STOXX UCITS ETF (DE)
  - iShares Dow Jones Eurozone Sustainability Screened UCITS ETF (DE)
  - iShares STOXX Europe 50 UCITS ETF (DE)

iShares STOXX Europe Select Dividend 30 UCITS ETF (DE)  
 iShares STOXX Europe 600 UCITS ETF (DE)  
 iShares STOXX Europe Large 200 UCITS ETF (DE)  
 iShares STOXX Europe Mid 200 UCITS ETF (DE)  
 iShares STOXX Europe Small 200 UCITS ETF (DE)  
 iShares ATX UCITS ETF (DE)  
 iShares Dow Jones U.S. Select Dividend UCITS ETF (DE)  
 iShares NASDAQ-100® UCITS ETF (DE)  
 iShares Nikkei 225® UCITS ETF (DE)  
 iShares Dow Jones Global Titans 50 UCITS ETF (DE)  
 iShares Dow Jones China Offshore 50 UCITS ETF (DE)  
 iShares Dow Jones Asia Pacific Select Dividend 30 UCITS ETF (DE)  
 iShares Dow Jones Industrial Average UCITS ETF (DE)  
 iShares Diversified Commodity Swap UCITS ETF (DE)  
 iShares Pfandbriefe UCITS ETF (DE)  
 iShares Euro Government Bond Capped 1.5-10.5yr UCITS ETF (DE)  
 iShares Euro Government Bond Capped 1.5-2.5yr UCITS ETF (DE)  
 iShares Euro Government Bond Capped 2.5-5.5yr UCITS ETF (DE)  
 iShares Euro Government Bond Capped 5.5-10.5yr UCITS ETF (DE)  
 iShares Euro Government Bond Capped 10.5+yr UCITS ETF (DE)  
 iShares eb.rexx® Government Germany UCITS ETF (DE)  
 iShares eb.rexx® Government Germany 1.5-2.5yr UCITS ETF (DE)  
 iShares eb.rexx® Government Germany 2.5-5.5yr UCITS ETF (DE)  
 iShares eb.rexx® Government Germany 5.5-10.5yr UCITS ETF (DE)  
 iShares eb.rexx® Government Germany 10.5+yr UCITS ETF (DE)  
 iShares EURO STOXX Banks 30-15 UCITS ETF (DE)  
 iShares EURO STOXX Telecommunications 30-15 UCITS ETF (DE)  
 iShares SLI UCITS ETF (DE)

c) UCITS Sub-Funds of iShares (DE) I Investmentaktiengesellschaft mit Teilgesellschaftsvermögen  
 iShares STOXX Global Select Dividend 100 UCITS ETF (DE)  
 iShares STOXX Europe 600 Automobiles & Parts UCITS ETF (DE)  
 iShares STOXX Europe 600 Banks UCITS ETF (DE)  
 iShares STOXX Europe 600 Basic Resources UCITS ETF (DE)  
 iShares STOXX Europe 600 Chemicals UCITS ETF (DE)  
 iShares STOXX Europe 600 Construction & Materials UCITS ETF (DE)  
 iShares STOXX Europe 600 Financial Services UCITS ETF (DE)

iShares STOXX Europe 600 Food & Beverage UCITS ETF (DE)  
 iShares STOXX Europe 600 Health Care UCITS ETF (DE)  
 iShares STOXX Europe 600 Industrial Goods & Services UCITS ETF (DE)  
 iShares STOXX Europe 600 Insurance UCITS ETF (DE)  
 iShares STOXX Europe 600 Media UCITS ETF (DE)  
 iShares STOXX Europe 600 Oil & Gas UCITS ETF (DE)  
 iShares STOXX Europe 600 Personal & Household Goods UCITS ETF (DE)  
 iShares STOXX Europe 600 Real Estate UCITS ETF (DE)  
 iShares STOXX Europe 600 Retail UCITS ETF (DE)  
 iShares STOXX Europe 600 Technology UCITS ETF (DE)  
 iShares STOXX Europe 600 Telecommunications UCITS ETF (DE)  
 iShares STOXX Europe 600 Travel & Leisure UCITS ETF (DE)  
 iShares STOXX Europe 600 Utilities UCITS ETF (DE)

### 35. Instruction on the right of revocation under Section 305 KAGB (door-to-door sales)

1. If the purchase of units in open-ended investment funds is transacted on the basis of verbal negotiations outside of the permanent business premises of the party selling the units or brokering their sale, then the purchaser is entitled to revoke his purchase agreement in writing notice and without stating reasons within a period of two weeks (e.g. by letter, fax, e-mail). The right of revocation applies even if the party selling the units or brokering their sale does not have any permanent business premises.
2. The revocation notice period does not commence until the copy of the application to conclude the contract has been delivered to the buyer or a statement of purchase has been sent to him, containing instructions on the right of revocation that satisfy the requirements of Section 360 Paragraph 1 BGB [German Civil Code]. Sending notice of revocation prior to the deadline is sufficient for observing the time limit. If the beginning of the period is in dispute, the burden of proof is on the seller. The revocation must be declared in writing, indicating the person making the statement, including his/her signature; no justification is required.
3. The revocation must be sent to  
 BlackRock Asset Management Deutschland AG  
 Max-Joseph-Strasse 6  
 80333 Munich, Germany  
 Fax: +49 (0)89 42729 5999  
 E-mail: info@iShares.de
4. The right of revocation does not apply if the seller can prove that the purchaser is not a consumer within the meaning of Section 13 BGB, or if he called on the investor to conduct



negotiations leading to the sale of the units as a result of a previous order in accordance with Section 55, Paragraph 1 of the Industrial Code [GewO]).

5. If the right of revocation is exercised after the investor has made payments, the Company is obliged to repay any costs paid – incrementally as the purchased units are transferred back, if necessary – in addition to an amount corresponding to the value of the purchased units on the day after the notice of revocation was received. The right of revocation cannot be waived.
6. The foregoing also applies to the sale of units by the investor.

## 36. Conflicts of interest

Relationships within the BlackRock Group and the PNC group.

Parent holding company of the Company is BlackRock, Inc., a company incorporated in Delaware, U.S. PNC Bank N. A. is a major shareholder in BlackRock, Inc.

At the conclusion of securities transactions for the Fund, companies of the PNC Group may provide securities commission services, foreign exchange services and banking services and other services or act as sales representatives at their normal terms and conditions and benefit from them.

Commissions to brokers and sales representatives correspond to market conditions and any volume or other discounts as well as soft commissions in cash are forwarded to the Fund.

If it considers it appropriate, the Company may make use of the services of companies of the PNC Group provided that (a) their commissions and other terms and conditions are generally comparable to offers by unaffiliated brokers and sales representatives on the relevant market and (b) this is consistent with the principles for achieving the best possible results.

In accordance with these principles, some of the investment transactions for the Fund are entered into by brokers/dealers of the PNC Group, which are expected to belong to a relatively small group of global companies, to each of which a larger part the business is transferred than to other companies.

Subject to the foregoing and the restrictions that were set by the Company, it is possible that the Company or any other company in the BlackRock Group, the PNC Group and the managing directors of the companies listed (a) participate in the Fund or in transaction for or with the Fund, or that any other relationship with other people, leading to a potential conflict with their obligations to society, and (b) conclude transactions with companies of the PNC Group or make use of their services while they fulfil these commitments, without them being required to account for the profits or fees from the activities.

Conflicts of interest may arise, for example, because the relevant company of the BlackRock Group and/or the PNC Group:

- (a) enters into transactions for other customers;
- (b) has directors or employees who are the directors or shareholders of a company, or deal in secu-

rities of that company or are otherwise involved in that company, the securities of which are held or traded by the Company in its own name or in the name of a third party;

(c) profits, under certain circumstances, from a commission, a fee, a price premium or price discount that is not paid by the Company in connection with an investment transaction;

(d) is active as an agent for the company with respect to transactions in which it occurs simultaneously as an agent for their other own customers;

(e) acts as principal for its own account with investments and/or currencies with the Company or its shareholders;

(f) enters into transactions in units of an undertaking for collective investment or of another company for which one of the companies of the BlackRock Group or the Bank of America Group acts as a manager, operator, bank, consultant or trustee;

(g) also settles transactions for the Company that are in connection with placements and/or new issues through one of its other affiliates acting as principal for its own account or receiving a broker commission.

Certain securities may be – as described above – considered suitable as actual or potential investments both for the Fund and for other investment funds of the Company as well as the Fund and customers of other companies in the BlackRock Group.

Because of different investment objectives and other factors, a particular security may be purchased for one or one or more of these investment funds or customers but sold for others.

If the purchases or sales of securities on behalf of the Fund or those customers are pending valuation at about the same time, such transactions, to the extent practicable, will be settled in a way that is appropriate for all participating investment funds or customers. There may be cases in which the purchase or sale of securities on behalf of one or more funds or customers of the BlackRock Group are disadvantageous for other funds or customers of the BlackRock Group.

The following should be considered with regard to BlackRock Funds, even though the information is not necessarily relevant to the investment funds managed by the Company.

If opposing positions (i.e. long and short) are established, held or settled for the same securities at the same time for different funds or customers, this could damage the interests of the funds and/or customers on one side or the other. For BlackRock, this could represent a conflict of interest, especially if BlackRock or the participating portfolio manager receives a higher fee for one activity compared to another. This activity may result from the fact that the securities of different portfolio management teams will be assessed differently, or that risk management strategies are implemented and certain guidelines and procedures do not generally apply in these situations.

This conflict can also arise if within the same portfolio management teams there are long-only man-

dates and long-short mandates or short-only mandates or in the implementation of risk management strategies. If there are mandates of this type within the same portfolio management team, short positions for a security in some portfolios for which there are long positions in other portfolios, or long positions for a security in some portfolios for which there are short positions in other portfolios, may only be settled in accordance with established guidelines and procedures.

This is to ensure that an appropriate fiduciary principle prevails and that counteracting transactions are carried out in such a way that no particular customer group is systematically given preference to or put at a disadvantage. The BlackRock Compliance Group monitors these guidelines and procedures and can require changes or the discontinuation of certain activities in order to keep conflicts to a minimum. Exceptions to these guidelines and procedures are subject to approval by the Compliance Group.

Different views regarding the short and long-term performance of a security that would justify entering into different positions for the same securities at the same time would, for example, fall under the fiduciary principle. For long-only accounts in this sense, it might be inappropriate to sell the security, while it might be useful for short-term oriented accounts with a short mandate to take a short-term short position in the security. The attempt to neutralise the impact of the performance of a specific line of a company by establishing an opposing position in another company whose business is essentially comparable with the relevant segment can also be based on this principle.

Due to the efforts of BlackRock to handle such conflicts effectively, customers may not be able to take advantage of certain investment options, or it may be that BlackRock settles transactions in a different way than if these conflicts did not exist. This in turn can affect investment performance.

The companies of the BlackRock Group may, with respect to the BlackRock Funds (or parts of a BlackRock Funds) for which they provide investment management and advisory services, contract with brokers (including, but not restricted to brokers that are associated with BlackRock), that directly or through a third party or comparable relations provide research or execution services for BlackRock. The requirement is that in the view of the BlackRock Group they represent a legally defensible and appropriate support for the relevant companies in the BlackRock Group in investment decision processes or execution of orders and it can reasonably be expected that the Company as a whole benefits from the provision of these services and this benefits the performance of the BlackRock Funds. These research or execution services include – where authorised under the applicable laws – research on companies, industries and securities, economic and financial information and analysis, and software for quantitative analysis. The results received through these research or execution services may be used not only for the account whose commissions have been used to pay for these services, but are also for other customer accounts of the BlackRock Group. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general adminis-

trative goods or services, computer hardware, general office equipment or premises, membership fees, employee salaries or direct money payments. If BlackRock uses the money from commission payments from their customers for the provision of research or execution services, the companies of the BlackRock Group do not have to pay for those products and services themselves. Companies of the BlackRock Group may make use of research or execution services claim that fall within the scope of order execution, clearing and/or settlement services of a specific broker/dealer. If a company of the BlackRock Group uses research or execution services on this basis, the same conflicts may exist as those in connection with the provision of such services through agreements with third parties. For example, the research is effectively paid for by the customer commissions, which are also used to pay for the execution, clearing and execution services provided by the broker/dealer. They are therefore not paid by that company of the BlackRock Group.

Each company of the BlackRock Group may, subject to the best execution principle, endeavour to implement these orders through brokers that provide research or execution services within the scope of such agreements. This ensures the continuous provision of research or execution services that the company of the BlackRock Group is certain are useful for their investment decision and order fulfilment processes. A company in the BlackRock Group may pay higher fees or apparently higher fees than they would otherwise have paid to obtain research or execution services, if this company in the BlackRock Group determines in good faith that the commission paid is appropriate in relation to value of the research or execution services provided. BlackRock Group believes that its investment research and order execution processes will be improved if commission money is used for the provision of research or execution services. At the same time, this improves the prospects for higher investment returns.

BlackRock Group, without prior notice to customers of the BlackRock Group, may decide to change the agreements described above, or decide to bind themselves to varying degrees by the extent allowed by the applicable laws.

Definitions for the following terms mentioned in this number:

“BlackRock Funds”: Funds managed by the BlackRock Group but not by BlackRock Asset Management Deutschland AG.

“BlackRock Group”: Companies of BlackRock, Inc. and its subsidiaries and persons affiliated with the Company.

“PNC Group”: Company of the PNC Group whose ultimate holding company is PNC Bank, N.A.

# Overview of existing unit classes.

## 37. Overview of existing unit classes of the iShares eb.rexx® Money Market UCITS ETF (DE) Investment Fund

<b>Name of unit class</b>	iShares eb.rexx® Money Market UCITS ETF (DE)
German Securities Code (WKN)	WKN A0 Q4 RZ
Listed on a stock exchange	yes
Level of management fee	0.12 %
Level of issue premium	2%; no issue premium if purchased via stock exchange
Level of redemption fee	1%; no redemption fee if sold via stock exchange

# General Investment Conditions.

General Investment Conditions governing the legal relationship between the investors and BlackRock Asset Management Deutschland AG, Munich, Germany (hereinafter referred to as the "Company"), for the Directive-Compliant Investment Funds (hereinafter referred to as "UCITS Funds") managed by the Company in accordance with the UCITS Directive. These "General Investment Conditions" are valid only in combination with the "Special Investment Conditions" established for each respective individual UCITS Fund.

## § 1 General provisions.

1. The Company is an Investment Management Company subject to the provisions of the German Investment Code (Kapitalanlagegesetzbuch – KAGB).
2. The Company shall invest the funds placed 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 KAGB and separated from its own assets in the form of UCITS investment funds. Certificates (unit certificates) will be issued by the Company regarding the rights of the investors resulting therefrom.
3. The UCITS Fund is subject to supervision by the Federal Financial Supervisory Authority (BaFin) on assets for collective investment, in accordance with the KAGB. The business purpose of the UCITS Fund is limited to investment in accordance with a defined investment policy within the framework of collective asset management using the assets deposited with it; operational activity and active entrepreneurial management of the assets held are excluded.
4. The legal relationship between the Company and the investor is governed by the General Investment Conditions (GIC) and the Special Investment Conditions (SIC) of the UCITS Fund and the KAGB.

## § 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 tasks and duties of the Custodian Bank are governed by the custodian agreement concluded with the Company, in accordance with the KAGB and GIC and SIC.
3. The Custodian Bank may outsource custodial tasks to another company (sub-custodian) pursuant to Section 73 KAGB. Please refer to the Sales Prospectus for details.
4. The Custodian Bank shall be liable to the UCITS Fund or to the investors for the loss of a financial instrument held in custody by the Custodian Bank or by a sub-custodian to whom the

custody of financial instruments has been transferred according to Section 72 para. 1 KAGB. The Custodian Bank is not liable if it can prove that the loss is due to external events whose consequences were unavoidable despite all reasonable countermeasures. Further claims arising out of the provisions of civil law on the basis of contracts or torts are not affected. The Custodian Bank shall also be liable to the UCITS Fund or to the investors for all other losses that they incur if the Custodian Bank fails to meet its obligations under the provisions of the KAGB, whether negligently or intentionally. The Custodian Bank's liability remains unaffected by any transfer of custody tasks referred to in Paragraph 3, Sentence 1.

## § 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 necessary expertise, diligence, care and conscientiousness. In performing its duties, it acts independently of the Custodian Bank and exclusively in the interests of the investors.
2. The Company has the right to use the money deposited with it by the investors to acquire assets, resell these assets 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 193, 194 and 196 KAGB that are not part of the UCITS Fund at the time the transaction is concluded. Section 197 KAGB remains unaffected.

## § 4 Investment principles.

The Company shall specify in the SIC which assets may be acquired for the UCITS Fund. The UCITS Fund will be invested directly or indirectly based on the principle of risk diversification.

## § 5 Securities.

Provided that the SIC do not include any additional restrictions, the Company may, subject to Section 198 KAGB, only acquire securities on behalf of the UCITS Fund if:

- a) they are admitted for 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 for trading or included in another regulated market in a member state of the European Union or in another state that is a party to the Agreement on the European Economic Area,
- b) are admitted for trading exclusively on a stock exchange outside the member states of the European Union or outside other states that are party to the Agreement on the European Economic Area, or they are admitted for trading or included in another regulated market in one of these states,

- provided the choice of such stock exchange or regulated market is permitted by BaFin<sup>19</sup>,
- c) their terms of issue require application for admission 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 admission to trading or inclusion in another regulated market in a member state of the European Union or in another state that is a party to the Agreement on the European Economic Area, and admission or inclusion of these securities takes place within one year after their issue,
  - d) their terms of issue require application for admission to trading on a stock exchange or admission to trading or inclusion in another regulated market outside the member states of the European Union or outside other states that are party to the Agreement on the European Economic Area, provided the choice of such stock exchange or regulated market is permitted by BaFin and admission or inclusion of these securities takes place within one year after their issue,
  - e) they are equities to which the UCITS Fund is entitled in a capital increase from Company assets,
  - f) they are acquired in exercising subscription rights belonging to the UCITS Fund,
  - g) they are financial instruments that meet the criteria listed in Section 193 Paragraph 1 Sentence 1 No. 8 KAGB.

Securities may only be acquired in accordance with Sentence 1 letters a) to d) if additionally the requirements of Section 193 Paragraph 1 Sentence 2 KAGB are met. Subscription rights arising from securities which may be acquired under this Section, Section 5, may also be acquired.

## § 6 Money market instruments.

1. Provided that the SIC do not include any additional restrictions, the Company may acquire on behalf of the UCITS Fund, subject to Section 198 KAGB, instruments normally dealt in on the money market and interest-bearing securities with a residual term of no more than 397 days at the time of their acquisition or whose interest rate, in accordance with the issue conditions, is regularly – and at least once each 397-day period – adjusted to reflect current market conditions or whose risk profile corresponds to the risk profile of this type of security (money market instruments). Money market instruments may only be acquired for the UCITS Fund if they:
  - a) are admitted for 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 for trading or included in another regulated market in a member state of the European Union or in another state that is a party to the Agreement on the European Economic Area,

- b) are admitted for trading exclusively on a stock exchange outside the member states of the European Union or outside other states that are party to the Agreement on the European Economic Area, or they are admitted for trading or included in another regulated market there, provided the choice of such stock exchange or regulated market is permitted by BaFin<sup>20</sup>,
- c) are issued or guaranteed by the European Union, the German Federal Government, a special-purpose fund of the German Federal Government, a German federal state, another member state or another central, regional or local authority or by the central bank of a European Union member state, the European Central Bank or the European Investment Bank, a non-EU member state or, in case of a federal state, by one of the members making up the federation, or by a public international body to which one or more EU member states belong,
- d) are issued by a company whose securities are traded on the markets referred to in a) and b),
- e) if they are issued or guaranteed by a credit institution that is subject to supervision that meets the criteria defined by European Union law, or a credit institution that is subject to the prudential rules considered by BaFin as equivalent to those laid down in European Union law, and which complies with such rules, or
- f) are issued by other bodies and comply with the requirements of Section 194 Paragraph 1 Sentence 1 No. 6 KAGB.

2. Money market instruments as defined in Paragraph 1 may only be acquired if they comply with the requirements of Section 194 Paragraphs 2 and 3 KAGB.

## § 7 Bank accounts.

The Company may also hold, on behalf of the UCITS Fund, bank accounts containing deposits with a maturity not exceeding twelve months. The accounts, which must be 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 prudential rules considered by BaFin as equivalent to those laid down in European Union law. Unless specified otherwise in the SIC, these bank accounts may be denominated in foreign currencies.

## § 8 Investment fund units.

1. Unless specified otherwise in the SIC, the Company may, on behalf of the UCITS Fund, acquire units in investment funds pursuant to Directive 2009/65/EC (UCITS). Units in other domestic investment funds and joint-stock investment companies with variable capital and units in

<sup>19</sup> The list of stock exchanges is published on the BaFin website. [www.bafin.de](http://www.bafin.de)

<sup>20</sup> The list of stock exchanges is published on the BaFin website. [www.bafin.de](http://www.bafin.de)

open-ended EU AIFs and foreign open-ended AIFs may be acquired if they meet the requirements of Section 196 Paragraph 1 Sentence 2 KAGB.

2. The Company may only acquire units of domestic investment funds and investment stock companies with variable capital, EU UCITS, open-ended EU AIFs and foreign open-ended AIFs if, in accordance with the Investment Conditions or the Articles of Association of the investment management company, the joint-stock investment company with variable capital, the EU investment fund, the EU management company, the foreign AIF or the foreign AIF management company, a total not exceeding 10 percent of the value of their assets may be invested in units of other domestic investment funds, joint-stock investment companies with variable capital, open-ended EU investment funds or foreign AIFs.

## § 9 Derivatives.

1. Unless specified otherwise in the SIC, in managing the UCITS Fund, the Company may acquire derivatives in accordance with Section 197 Paragraph 1 Sentence 1 KAGB and financial instruments with derivative components in accordance with Section 197 Paragraph 1 Sentence 2 KAGB. It may – depending on the type and extent of derivatives and financial instruments with derivative components used – use either the simple or qualified approach within the meaning of the provided for in the statutory instrument on risk management and risk measurement in the use of derivatives, securities lending and repurchase agreements in investment funds (“DerivateV”) issued pursuant to Section 197 Paragraph 3 KAGB when calculating the market risk limits established under Section 197 Paragraph 2 KAGB on the use of derivatives and financial instruments with derivative components.
2. If the Company uses the simple approach, it may only make regular use of the following basic forms of derivatives, financial instruments with a derivative component or combinations of these derivatives, financial instruments with a derivative component or combinations of underlying securities permitted under Section 197 Paragraph 1 Sentence 1 KAGB in the UCITS Fund. Complex derivatives based on permitted underlying securities pursuant to Section 197 Paragraph 1 Sentence 1 KAGB may only be used for a negligible proportion. The weighted market risk attributable to the UCITS Fund, to be calculated as provided for in Section 16 DerivateV, may at no time exceed the value of the Fund.

The basic forms of derivatives are:

- a) Forward contracts on the underlying values pursuant to Section 197 Paragraph 1 KAGB with the exception of investment units pursuant to Section 196 KAGB;
- b) Options or warrants on the underlying securities pursuant to Section 197 Paragraph 1 KAGB with the exception of investment fund units pursuant to Section 196 KAGB and on futures contracts as defined in letter a), if they have the following characteristics:

- aa) exercising is possible either during the entire term or at the end of the term and
- bb) at the time of being exercised, the option value is linearly based on the positive or negative difference between the underlying price and the market price of the underlying security and becomes nil if the difference has the other leading sign;
- c) Interest-rate swaps, currency swaps or interest-rate/currency swaps;
- d) Options on swaps according to letter c), to the extent that they display the characteristics described in letter b) under letters aa) and bb) (swaptions);
- e) Credit default swaps relating to a single underlying security (single-name credit default swaps).

3. If the Company uses the qualified approach, it may invest, subject to a suitable risk management system, in any financial instruments with a derivative component or derivatives that are derived from an underlying security that is permitted under Section 197 Paragraph 1 Sentence 1 KAGB.

The potential risk amount for the market risk (“risk exposure”) attributable to the UCITS Fund may at no time exceed two times the potential risk amount for the market risk of the associated benchmark assets pursuant to Section 9 DerivateV. Alternatively, the risk exposure may at no time exceed 20 percent of the value of the UCITS Fund.

4. In these transactions, the Company may under no circumstances deviate from the investment policies and limits listed in the GIC and the SIC or in the Sales Prospectus.
5. The Company will use the derivatives and financial instruments with a derivative component for the purpose of hedging, more efficient portfolio management and to produce additional returns, when and to the extent that it considers this to be in the interests of the investors.
6. In calculating the market risk limit for the use of derivatives and financial instruments with a derivative component, the Company may at any time switch between the simple and the qualified approach pursuant to Section 6 Sentence 3 DerivateV. The change does not require the approval of BaFin. However, the Company must report the change to BaFin without delay and announce it in the next semi-annual or annual report.
7. The Company will observe the guidelines of DerivateV when derivatives and financial instruments with derivative components are used.

## § 10 Other investment instruments.

Unless specified otherwise in the SIC, the Company may invest up to 10 percent of the value of a UCITS fund in other investment instruments pursuant to Section 198 KAGB on behalf of the UCITS Fund; this limit includes investments in companies that are not admitted for trading on a stock exchange nor admitted to another regulated market or included in such market.

The investments in a company acquired under Section 198 KAGB must not exceed 10 percent of the capital of that company.

## § 11 Issuer and investment limits.

1. In its management of assets, the Company must comply with the limitations and restrictions specified in the KAGB, DerivateV and in the Investment Conditions.
2. Securities and money market instruments, including securities purchased and money market instruments of the same issuer may be acquired up to 5 percent of the value of the UCITS Fund; however, up to 10 percent of the value of the UCITS Fund's assets may be invested in these securities if the total value of transferable securities and money market instruments of such issuers does not exceed 40 percent of the value of the UCITS Fund.
3. The Company may invest no more than 35 percent of the value of the UCITS Fund in bonds, borrowers' notes or money market instruments issued or guaranteed by the German Federal Government, a German state, the European Communities, a member state of the European Union or its local authorities, another state that is a party to the Agreement on the European Economic Area or another state or an international organisation to which at least one member state of the European Union belongs.
4. The Company may invest no more than 25 percent of the value of the assets of the UCITS Fund in covered bonds and municipal bonds, as well as in bonds issued by credit institutions having their registered offices in a member state of the European Union or in another state that is a party to the Agreement on the European Economic Area, if those credit institutions are legally subject to special public supervision intended to protect the holders of such bonds, and if the sums deriving from the issue of such bonds are invested in conformity with the law in assets that, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and that, in the event of default of the issuer, would be used on a priority basis for the repayment of the principal and payment of the accrued interest. If the Company invests more than 5 percent of the value of the UCITS Fund in bonds of a single issuer as defined in Sentence 1, the total value of these bonds may not exceed 80 percent of the value of the UCITS Fund.
5. The limit in Paragraph 3 for securities and money market instruments of a single issuer in accordance with Section 206 Paragraph 2 KAGB can be exceeded provided that the Special Conditions provide for this while indicating the respective issuers. In these cases, the securities and money market instruments held for account of the UCITS Fund must originate from at least six different issues, whereby no more than 30 percent of the value of the UCITS Fund may be held in a single issue.
6. The Company may only invest up to 20 percent of the value of the UCITS Fund in bank accounts with a single credit institution pursuant to Section 195 KAGB.

7. The Company must ensure that a combination of:

- a) transferable securities or money market instruments issued by a single establishment,
- b) deposits at this institution, and
- c) the weighted counterparty risk of the transactions entered into with this institution,

does not exceed 20 percent of the value of the UCITS Fund. Sentence 1 applies to the issuers and guarantors indicated in Paragraphs 3 and 4, with the proviso that the Company must ensure that a combination of the assets indicated in Sentence 1 and weighted amounts do not exceed 35 percent of the value of the respective Investment Fund. The respective individual upper limits remain unaffected in both cases.

8. The bonds, borrowers' notes and money market instruments specified in Paragraphs 3 and 4 are not taken into consideration when applying the 40 percent limits specified in Paragraph 2. Notwithstanding the provision in Paragraph 7, the limits specified in Paragraphs 2 to 4 and Paragraphs 6 to 7 may not be combined.
9. The Company may invest no more than 10 percent of the value of the UCITS Fund in units of investment funds pursuant to Section 8, unless

- a) the following requirements with respect to such units are met:

the UCITS, the AIF or the manager of the AIF of which the units are acquired, is subject to supervision on assets for collective investments in the country in which it has its registered office. The business purpose of the UCITS Fund is limited to investment in accordance with a defined investment policy as part of a collective asset management approach using the funds deposited in it; operational functions and the active entrepreneurial management of assets held are excluded.

Investors may, in principle, exercise the right to redeem their units or shares at any time.

The respective investment assets will be invested directly or indirectly based on the principle of risk diversification.

At least 90 percent of the investments of the respective Investment Fund are made in the following assets:

- (i) Securities
- (ii) Money market instruments
- (iii) Derivatives
- (iv) Bank accounts
- (v) Units or shares in domestic and foreign investment funds which comply with the requirements of this paragraph 9 a) or b) ("Investment Funds")
- (vi) Investments in companies, if the market value of these investments can be determined, and
- (vii) Unsecuritised loan receivables for which a promissory note is issued.

Under the regulatory and contractual investment limits applying to the investment fund, no more than 20 percent of the value

of the assets are invested in companies that are not admitted for trading on a stock exchange nor admitted to another regulated market or included in such market.

The level of investment of the assets in a company must be less than 10 percent of the capital of that company.

Only a short-term loan may be taken out and only up to 10 percent of the value of the investment assets.

For AIF, the Investment Conditions of the investment fund must reflect the above requirements, and for UCITS they must reflect the relevant regulatory requirements, or

- b) the investment fund is subject to grandfathering protection under tax law with regard to investment tax law.
10. The Company may invest no more than 20 percent of the value of the UCITS Fund in units of a single investment fund pursuant to Section 196 Paragraph 1 KAGB. The Company may invest no more than 30 percent of the value of the UCITS Fund in investment fund units pursuant to Section 196 Paragraph 1 Sentence 2 KAGB. The Company may acquire on behalf of the UCITS Fund no more than 25 percent of issued units of another open-ended domestic, EU or foreign investment fund that invests in assets in accordance with the principle of risk diversification as defined in Sections 192 to 198 KAGB. The limits under Paragraph 9 are not affected.

## § 12 Merger.

1. In accordance with Sections 181 to 191 KAGB, the Company may
  - a) transfer all assets and liabilities of this UCITS Fund to another domestic UCITS Fund or a new domestic UCITS Fund created thereby, an EU UCITS or a UCITS investment stock corporation with variable capital; or
  - b) absorb all the assets and liabilities of another open-ended investment fund, an EU UCITS or a joint-stock company with variable capital into this UCITS Fund.
2. The merger requires the approval of the competent supervisory authority. Sections 181 to 191 KAGB provide details on the process.
3. The UCITS Fund may only be merged with an investment fund that is not a UCITS if the acquiring or newly formed investment fund remains a UCITS. In addition, the merger of an EU UCITS into the UCITS Fund may take place in accordance with the provisions of Article 2 Paragraph 1p (iii) of Directive 2009/65/EC.

## § 13 Securities loan.

1. The Company may grant a securities loan, which can be terminated at any time, on behalf of the UCITS Fund to a securities borrower at a market rate after transfer of sufficient collateral pursuant to Section 200 Paragraph 2 KAGB. The market value of securities to be lent, combined with the market value of those securities already lent on behalf of the UCITS Fund to the same securities borrower, including its group companies within the meaning of Section 290 of

the German Commercial Code (Handelsgesetzbuch), may not exceed 10 percent of the value of the UCITS Fund's assets.

2. If the collateral for the securities transferred by the securities borrower is provided as credit balances, the credit balances must be maintained in blocked accounts in accordance with Section 200 Paragraph 2 Sentence 3 No. 1 KAGB. Alternatively, the Company may make use of the option to invest these credit balances in the currency of the credit balance in the following assets:
  - a) in high-quality bonds issued or guaranteed by the German Federal Government, a German state, the European Union, a member state of the European Union or its local authorities, another state that is a party to the Agreement on the European Economic Area or another state,
  - b) in short-term money market funds in accordance with the guidelines adopted by BaFin on the basis of Section 4 Paragraph 2 KAGB, or
  - c) by way of a repurchase agreement with a financial institution that guarantees the repayment of the accrued balance at any time.

The UCITS Fund receives the income from the invested 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 SIC whose corporate objective is the settlement of international securities transactions for third parties, and which deviates from the requirements of Sections 200 and 201 KAGB, if the regulations governing this system guarantee that investors' interests are upheld and the right of termination at any time under Paragraph 1 remains unaffected.
4. Unless specified otherwise in the SIC, the Company may also grant securities loans in relation to money market instruments and investment units, provided such assets may be acquired for the UCITS Fund. The provisions of Paras. 1 to 3 apply analogously.

## § 14 Securities repurchase agreements.

1. The Company may conclude securities repurchase agreements, which can be terminated at any time, with credit institutions or financial services institutions for valuable consideration as specified under Section 340 b Paragraph 2 of the German Commercial Code (HGB) on behalf of the UCITS Fund on the basis of standardised master agreements.
2. The securities repurchase agreements must be based on securities that may be acquired by the UCITS Fund in accordance with its Investment Conditions.
3. The repurchase agreements must have a maximum term of twelve months.
4. Unless specified otherwise in the SIC, the Company may also grant securities repurchase agreements in relation to money market instruments and investment units, provided such



assets may be acquired for the UCITS Fund. The provisions of Paras. 1 to 3 apply analogously.

## § 15 Borrowing.

Short-term borrowing by the Company on behalf of all the investors of amounts of up to 10 percent of the value of the UCITS Fund is permissible if the terms of the borrowing are at market rates and the Custodian Bank approves the borrowing.

## § 16 Unit certificates.

1. The unit certificates are bearer certificates, each of them representing one or more Investment Fund units.
2. The units may differ, in particular, with respect to appropriation of income, issue premiums, redemption fees, management fees, minimum investment amount, currency of account, unit value, hedging transactions, or a combination of these characteristics (unit classes). The details are specified in the SIC.
3. At a minimum, the unit certificates bear the handwritten or facsimile signatures of the Company and 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 genuine owner.
5. The rights of investors and the rights of investors of a unit class will be represented by a global certificate. The right to demand issuance of individual certificates shall be excluded.

## § 17 Issue and redemption of unit certificates, suspension of redemption.

1. In principle, the number of units issued and of the corresponding unit certificates is not restricted. The Company reserves the right to temporarily suspend or terminate the issue of units.
2. Units may be acquired from the Company, the Custodian Bank, or from or through third parties.
3. Investors may request the redemption of their units by the Company. The Company is obligated to redeem the units on behalf of the UCITS Fund at the currently valid redemption price. The Custodian Bank is the redemption agent.
4. The Company nevertheless retains the right to suspend the redemption of units pursuant to Section 98 Paragraph 2 KAGB in exceptional circumstances when suspension appears necessary to protect the interests of the investors.
5. The Company shall inform investors of the suspension in accordance with Paragraph 4 and the resumption of the redemption of units by way of a notice in the Bundesanzeiger and, in addition, in a financial or daily newspaper with sufficient circulation or in the electronic information media designated in the Sales Prospectus. Investors shall be informed of the suspension and the resumption of redemption of units immediately after the announcement in the

Bundesanzeiger by means of a durable medium.

## § 18 Issue and redemption prices.

1. For the calculation of unit issue and redemption prices, the market values of the assets (net asset value) belonging to the UCITS Fund less borrowings undertaken and other liabilities (net asset value) is determined and divided by the number of units in circulation (unit value). If special unit classes for the UCITS Fund are introduced in accordance with Section 16, Paragraph 2, then the unit value and the issue and redemption prices shall be determined separately. The assets are valued in accordance with Sections 168 and 169 KAGB and the Regulation on the Content, Scope and Presentation of Accounting for Funds, Investment Stock Corporations and Investment Limited Partnerships and on the Valuation of Assets held by Investment Funds (Investment Accounting and Valuation Ordinance - KARBV).
2. The issue price is the unit value of the UCITS Fund plus any issue premium established in the SIC pursuant to Section 165, Paragraph 2 (8) KAGB. The redemption price is the unit value of the UCITS Fund plus any redemption fee established in the SIC pursuant to Section 165, Paragraph 2 (8) KAGB.
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 SIC.
4. Issue and redemption prices will be determined on each exchange trading day. Unless specified otherwise in the SIC, 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 Sales Prospectus.

## § 19 Expenses.

Fees and other expenses payable to the Company, the Custodian Bank and third parties, which can be charged to the UCITS Fund, are specified in the SIC. The SIC detail the manner, the amount, and the calculation basis for any fees in excess of those specified in the preceding sentence.

## § 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 UCITS Fund in accordance with Section 101 Paras. 1, 2 and 4 KAGB.
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 103 KAGB.
3. If the right to manage the UCITS Fund is transferred to another investment management company during the financial year or the UCITS Fund is merged into another Investment Fund or an EU UCITS, 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 Paragraph 1.

4. If a UCITS Fund is liquidated, the Custodian Bank shall prepare a liquidation report annually, and on the date on which the liquidation is completed, that meets the requirements of an annual report in accordance with Paragraph 1.
5. The reports can be obtained from the Company and the Custodian Bank and other locations to be listed in the Sales Prospectus and the Key Investor Information; they will also be published in the Bundesanzeiger.

## § 21 Termination and winding-up of the UCITS Fund.

1. The Company may, with six months' notice, cease management of the UCITS Fund through publication of this intention in the Bundesanzeiger and in the annual report or semi-annual report. Investors must be informed immediately by means of a durable medium of the announcement of a termination in accordance with Sentence 1.
2. The right of the Company to manage the UCITS Fund lapses when the termination becomes effective. In this case, the UCITS Fund or the right of disposal of the UCITS Fund is transferred to the Custodian Bank, which will wind it down and distribute it to investors. During the winding-up period, the Custodian Bank may claim fees due for its settlement activities and the reimbursement of expenses incurred in the winding-up. With the approval of BaFin, the Custodian Bank can refrain from this assignment, in which case management of the UCITS Fund shall be transferred to another investment management company in accordance with the existing Investment Conditions.
3. The Company must prepare a liquidation report for the period ending on the date on which its right to manage lapses pursuant to Section 99 KAGB; this liquidation report must fulfil the requirements of an annual report in accordance with Section 20 Paragraph 1.

## § 22 Change of the investment management company and the Custodian Bank

1. The Company may transfer the management and disposal rights over the Fund to another investment management company. The transfer is subject to the prior approval of BaFin.
2. The approved transfer shall be published in the Bundesanzeiger and in the annual report or the semi-annual report. Investors must be informed immediately by means of a durable medium of the announcement of a transfer in accordance with sentence 1. The transfer shall take effect

no earlier than three months after its publication in the Bundesanzeiger.

3. The Company may change the Custodian Bank for the Fund. The change must be approved by BaFin.

## § 23 Changes to the Investment Conditions.

1. The Company is entitled to change the Investment Conditions.
2. Amendments to the Investment Conditions require the prior approval of BaFin. To the extent that the changes set forth in Sentence 1 above affect the UCITS Fund's investment principles, they require the prior approval of the Supervisory Board of the Company.
3. All planned amendments shall be published in the Bundesanzeiger and, in addition, in a financial or daily newspaper with sufficient circulation or in the electronic information media designated in the Sales Prospectus. The planned changes and their effective dates must be stated in any publication made in accordance with Sentence 1. In the event of amendments to costs as defined in Section 162 Paragraph 2 (11) KAGB, amendments to the investment principles of the UCITS Fund as defined in Section 163 Paragraph 3 KAGB or amendments related to significant investor rights, investors must be informed simultaneously with the publication pursuant to Sentence 1 of the significant contents of the proposed amendments to the Investment Conditions and the background thereto, as well as information on their rights pursuant to Section 163 Paragraph 3 KAGB by means of a durable medium and in an understandable way in accordance with Section 163 Paragraph 4 KAGB.
4. The amendments enter into force at the earliest on the day after their publication in the Bundesanzeiger; amendments to costs and to the investment principles, however, do not enter into force until three months after the corresponding publication.

## § 24 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 non-exclusive place of jurisdiction shall be the registered office of the Company.

# Special Investment Conditions for the UCITS Fund iShares eb.rexx<sup>®</sup> Money Market UCITS ETF (DE).

Special Investment Conditions governing the legal relationship between the investors and BlackRock Asset Management Deutschland AG, Munich, Germany (hereinafter referred to as the "Company"), for the investment fund managed by the Company in accordance with the UCITS Directive **iShares eb.rexx<sup>®</sup> Money Market UCITS ETF (DE)**. (hereinafter referred to as the "UCITS Fund") are valid only in combination with the "General Investment Conditions" (hereinafter referred to as "GIC") that have been established by the Company for each UCITS Fund.

## Investment policies and restrictions.

### § 1 Assets.

1. The Company may acquire the following assets for the UCITS Fund:
  - a) Securities pursuant to Section 5 of the GIC,
  - b) Money market instruments pursuant to Section 6 of the GIC,
  - c) Bank accounts pursuant to Section 7 of the GIC,
  - d) Derivatives pursuant to Section 9 GIC,
2. Investment fund units pursuant to Section 196 KAGB and other investment instruments pursuant to Section 198 KAGB may not be acquired.

### § 2 Securities lending and repurchase agreements.

With regard to the investment principles and restrictions, Sections 13 and 14 of the GIC must be followed and they apply by analogy to other non-securities assets that may be acquired for the UCITS Fund.

### § 3 Investment restrictions.

1. The UCITS Fund must predominantly consist of money market instruments of the eb.rexx<sup>®</sup> Money Market universe.
2. The Company may invest more than 35 percent of the value of the UCITS Fund in securities and money market instruments of the Federal Republic of Germany. The money market instruments held for account of the UCITS Fund must originate from at least six different issues, whereby no more than 30 percent of the value

of the UCITS Fund may be held in a single issue.

3. The securities and money market instruments of the Federal Republic of Germany purchased under repurchase agreements shall be counted towards the investment restrictions in accordance with Section 208 KAGB.
4. No more than 10 percent of the value of the UCITS Fund may be invested in securities as defined by Section 5 of the GIC. Bank accounts held for the UCITS Fund shall be included in this amount.
5. The securities and money market instruments purchased under repurchase agreements shall be counted towards the investment restrictions in accordance with Section 206 Paragraphs 1 to 3 KAGB.
6. No more than 10 percent of the value of the UCITS Fund may be held in bank accounts as defined by Section 7 Sentence 1 of the GIC. The securities held for the UCITS Fund and the amounts paid by the Company as lender shall be included.

### § 4 Derivatives.

1. The Company may invest, subject to a suitable risk management system, in any derivatives that may be acquired for the UCITS Fund that are derived from assets pursuant to Section 1 Paragraph 1 a) or b) or from recognised financial indices, interest rates, exchange rates or currencies. In particular, this includes options, futures contracts and swaps as well as combinations thereof.
2. The Company will use the derivatives listed in Paragraph 1 for the purpose of achieving a performance matching the performance of the eb.rexx<sup>®</sup> Money Market (Total Return Index).

### Unit classes.

### § 5 Unit classes.

1. Unit classes as defined in Section 16 Paragraph 2 of the GIC may be formed for the UCITS Fund; these differ with respect to appropriation of income, issue premiums, redemption fees, management fees, minimum investment amount, currency, unit value, hedging or a combination of these characteristics. The creation of unit classes is permitted at any time and is at the discretion of the Company.
2. The unit value is calculated separately for each unit class by allocating the costs of launching new unit classes, the distributions (including any taxes that may be payable from the fund's assets), the management fee including income adjustment if applicable, exclusively to this unit class.
3. The existing unit classes are listed individually in the Sales Prospectus and in the annual and semi-annual reports. The structural characteristics defining the unit classes (appropriation of income, issue premiums, redemption fees, management fees, minimum investment amount, currency, unit value, hedging or a combination of these characteristics) are described in detail in the Sales Prospectus and in the annual and semi-annual reports.

4. Currency hedge transactions may only be concluded for a single currency unit class. The only permissible currency hedge instruments are foreign currency forward transactions, currency futures, currency option transactions and currency swaps, as well as other currency hedge transactions to the extent that they are analogous to the derivatives pursuant to Section 197 Paragraph 1 KAGB. Expenses and income based on a currency hedge transaction shall be allocated exclusively to the respective currency unit class.

## Unit certificates, issue price, redemption price, redemption of units and expenses.

### § 6 Unit certificates.

1. The rights of the investors are registered exclusively in unit certificates when the UCITS Fund is created.
2. The investors own an equity interest in the assets of the UCITS Fund as co-owners in proportion to the number of units held.

### § 7 Issue and redemption prices.

1. The Company indicates the issue premiums and redemption fees charged for each unit class in the Sales Prospectus, the Key Investor Information and in the annual and semi-annual reports.
2. Depending on the unit class, the issue premium is up to 2 percent of the unit value. The Company is free to charge a lower issue premium for one or more unit classes, or all of them. The Company shall provide information on the redemption fee in the Sales Prospectus in accordance with Section 165 Paragraph 3 KAGB.
3. Depending on the unit class, the redemption fee is up to 1 percent of the unit value. The Company is free to charge a lower redemption fee for one or more unit classes, or all of them. The Company shall receive the redemption fee. The Company shall provide information on the issue premium in the Sales Prospectus in accordance with Section 165 Paragraph 3 KAGB.

### § 8 Expenses.

1. For managing the UCITS Fund, the Company receives from the assets of the UCITS Fund a fee of up to 0.30 percent per annum of the net asset value, depending on the unit class determined each exchange trading day in accordance with Section 18 Paragraph 1 of the GIC. The Company is free to charge a lower management fee for one or more unit classes, or all of them. The Company indicates the management fee charged for each unit class in the Sales Prospectus and in the annual and semi-annual reports. The management fee will be paid in advance in monthly instalments out of the UCITS Fund.
2. The management fee specified in Paragraph 1 shall cover services rendered by the Company for the UCITS Fund, including the expenses of the Custodian Bank, legally required printing,

mailings, and publications associated with the UCITS Fund, and for annual report audits conducted by auditors of the Company.

3. The following expenses are not covered by Paragraph 1:
  - a) Expenses resulting from the purchase and sale of assets (transaction costs);
  - b) Customary bank custody fees, including the customary bank charges for the custody of foreign securities abroad and related taxes, if applicable;
  - c) Expenses related to day-to-day account management;
  - d) Expenses incurred in the assertion and enforcement of the legal claims of the UCITS Fund;
  - e) Expenses for providing information to investors of the UCITS Fund by means of a durable medium, with the exception of expenses for providing information in the case of fund mergers.

Such expenses may be charged to the UCITS Fund in addition to the management fee charged in accordance with Paragraph 1.

4. The Company may receive up to 40 percent of the income from the conclusion of securities lending transactions on the account of the UCITS Fund as an overall fixed fee to cover expenses incurred in the preparation and execution of such securities lending transactions.

## Appropriation of income and financial year.

### § 9 Distribution.

1. In the case of the distributing unit classes, the Company generally distributes, net of costs, the proportionate interest, dividends and income from investment fund units, as well as fees from loans and securities repurchase agreements received on behalf of the UCITS Fund during the financial year, taking into account the appropriate income netting. Capital gains and other income - taking into account the appropriate income equalisation - can also be used proportionally for distributions.
2. The final distribution takes place within four months after the close of the financial year. In addition, the Company may carry out interim distributions during the year.
3. The interim distribution amount is at the discretion of the Company. The Company is not obliged to distribute all distributable income pursuant to Paragraph 1 accumulated up to the date of the interim distribution; it may carry ordinary income forward to the next distribution date.
4. Interim distributions are intended to minimise any discrepancy between the performance of the UCITS Fund and that of the Underlying Index.
5. Distributable pro rata income pursuant to Paragraph 1 may be carried forward for distribution in subsequent financial years if the amount of the income carried forward does not exceed 15 percent of the respective value of the UCITS

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

6. In the interests of maintaining equity, some pro rata income, or in exceptional cases, all income, may be set aside for accumulation in the UCITS Fund.
7. If no unit classes are formed, the income is distributed.

## § 10 Reinvestment.

In the case of accumulating unit classes, the Company reinvests in the UCITS Fund the interest, dividends and other income obtained on behalf of the UCITS Fund during the financial year and not used to cover costs, taking into account the appropriate income netting, as well as the capital gains

from the accumulating unit classes on a pro rata basis.

## § 11 Financial year.

The financial year of the UCITS Fund begins on 1 April and ends on 31 March.

## § 12 Name.

The rights of unitholders who acquired units originally named "iShares eb.rexx® Money Market (DE)" remain unaffected.

