



## Sales Prospectus with integrated Fund Contract Clariden Leu (CH) Cat Bond Fund

November 2011

**Contractual fund under Swiss law (type "Other funds for traditional investments")**

Clariden Leu (CH) Cat Bond Fund was established by Swiss Investment Company SIC Ltd., Zurich, as the Fund Management Company and Clariden Leu Ltd., Zurich, as the custodian bank.

This is an English translation of the official German prospectus. In case of discrepancies between the German and English text, the German text shall prevail.

## Part I Prospectus

This Prospectus with integrated Fund Contract, the Simplified Prospectus and the most recent annual or semi-annual report (if published after the latest annual report) serve as the basis for all subscriptions of Shares in this Fund.

Only the information contained in the Prospectus, the Simplified Prospectus or in the Fund Contract will be deemed to be valid.

### 1 General information

#### Main parties

##### Fund Management Company:

Swiss Investment Company SIC Ltd.  
Claridenstrasse 19, CH-8002 Zurich  
Postal address: XS, CH-8070 Zurich  
Phone: +41 (0) 58 205 37 60  
Fax: +41 (0)58 205 37 67

##### Custodian Bank, Paying Agent and Distributor:

Clariden Leu Ltd.  
Bahnhofstrasse 32,  
CH-8070 Zurich  
Phone: +41 (0) 844 844 001  
Fax: +41 (0) 58 205 62 56  
e-mail: funds@claridenleu.com  
Website: <http://www.claridenleu.com>

##### Investment Manager:

Clariden Leu Ltd.  
Bahnhofstrasse 32,  
CH-8070 Zurich  
Phone: +41 (0) 844 844 001  
Fax: +41 (0) 58 205 62 56

##### Auditors:

KPMG Ltd  
Badenerstrasse 172,  
CH-8004 Zurich

### 2 Information on the Fund

#### 2.1 General information on the Fund

Clariden Leu (CH) Cat Bond Fund is an investment fund under Swiss law in the category of "Other funds for traditional investments" pursuant to the Swiss Federal Act on Collective Investment Schemes of June 23, 2006. The Fund Contract was drawn up by Swiss Investment Company SIC Ltd. as the Fund Management Company and submitted to the Swiss Financial Market Supervisory Authority with the consent of Clariden Leu Ltd. as the Custodian Bank. The Fund Contract was approved by Swiss Financial Market Supervisory Authority for the first time on December 19/20, 2001.

The Fund is based on a collective investment agreement (Fund Contract), under which the Fund Management Company undertakes to provide the investor with a stake in the Fund in proportion to the number of Fund Shares acquired by the investor, and to manage the Fund independently and in its own name in line with the Fund Contract and the relevant statutory provisions. The Custodian Bank is party to the Fund Contract in accordance with the tasks conferred upon it by the law and the Fund Contract.

In accordance with the Fund Contract, the Fund Management Company is entitled to establish, liquidate or merge different Share Classes at any time, subject to the consent of the Custodian Bank and the approval of the supervisory authority.

There are currently the following Share Classes:

- the CHF A Class;
- the EUR A Class;
- the USD A Class;
- the CHF IA Class;
- the EUR IA Class;
- the USD IA Class.

All these classes are distribution classes.

The currency specified in the names of the individual Share Classes denotes the reference currency. This need not necessarily be the currency in which the investments are made. If investments are not denominated in the reference currency of a Share Class, they will in principle be permanently hedged against the reference currency. The Classes thus differ from each other with regard to the hedging against the respective reference currency. Given that investments are regularly not made on the same scale in the various reference currencies, the hedging transactions are different.

The A Classes are open to all investors. The minimum investment is 1 Share.

The IA Classes differs from the A Classes in that it has a higher minimum investment amount of 500,000 units of the respective reference currency and a lower management fee (cf. §20.1). These Share Classes are open to all investors prepared to make the minimum investment. If redemptions by an investor result in them holding less than the minimum investment amount, the Fund Management Company may pursuant to §6.6 enforce a switch into another Share Class in which the investor is entitled to hold Shares. Insofar as banks and securities dealers hold Shares for the account of their clients, the minimum investment requirement must be met at the level of the client.

The decision on whether the participation criteria have been met lies at the discretion of the Custodian Bank.

In the case of subscriptions of Shares accepted by the Fund Management Company from group companies of Swiss Investment Company SIC Ltd. or Clariden Leu Ltd. (in their own name), compliance with the limits specified in the Fund Contract (minimum initial investment amount/minimum investment holding) may be waived for nine months in respect of establishing and also maintaining Share Classes. This situation of maintaining a Share Class arises when all investors in a Share Class redeem their Shares and Swiss Investment Company SIC Ltd. and/or Clariden Leu Ltd. either remain as the sole investor in that Share Class or subscribe a Share of that Share Class as the sole new investor.

The Share Classes do not constitute segregated pools of assets. Although costs are in principle charged only to the Share Class for which the service in question was rendered, the possibility of a Share Class being held liable for the liabilities of another Share Class therefore cannot be ruled out.

Pursuant to §3.6 of the Fund Contract, the Fund Management Company may manage part or all of the assets of different investment funds jointly (pooling).

## **2.2 Investment objective and policy**

### **2.2.1 Investment objective**

The investment objective of Clariden Leu (CH) Cat Bond Fund is to achieve a return in the reference currency of the individual Share Classes in excess of the 3-month money market rate (Libor) for the respective reference currency. Furthermore, the Fund seeks in principle to achieve a low correlation to the returns on traditional bond and equity investments and low fluctuations in value compared with long-term bond investments.

### **2.2.2 Investment policy**

After deduction of cash and cash equivalents, this Fund invests a minimum of 70% of its assets in insurance-linked securities (ILSs) worldwide of all kinds that are traded on a stock exchange or other regulated market open to the public or over the counter (OTC) and that have their event risks modeled by a modeling agency recognized in the insurance market (AIR (Applied Insurance Research), RMS (Risk Management Solutions), EQECAT or similar). AIR, RMS and EQECAT are independent companies which analyze natural disasters, risks of terrorism, and risks of fire and explosion at industrial plants. Using scientific methods and large databases, they develop models for such events. In these models, the frequency and severity of these catastrophes are applied to the respective event risks, and the loss distributions are calculated. These data are used on the one hand by the reinsurance and insurance industry for risk modeling, while on the other hand a full and detailed analysis of the risk by one of the modeling agencies is added for each outstanding cat bond. These models serve as the basis for the ratings agencies and for bond pricing. Most reinsurance and insurance companies use the services of these firms. In the US, these models and firms are certified (e.g. by the Florida Commission or the US Geological Survey).

Insurance-linked securities are securities where the coupon and/or redemption is dependent on the occurrence of insured events (e.g. natural disasters, explosion and fire catastrophes, aviation catastrophes or similar infrequent insured events). An insured event refers to a phenomenon that occurs at a specific time, in a specific place and in a specific way, thereby triggering the payment of insurance claims. These insured events must always be specified and documented in detail and exceed such high threshold values that the likelihood of them occurring is, on average, once in a century.

Insurance-linked securities are issued in the form of bonds, notes and debenture bonds, or as preference shares. The weighting of preference shares may not exceed 10% of the Fund's assets. The cedant must in principle have a rating of at least BBB- or Baa3 or an equivalent credit rating. In exceptional cases, a cedant may have a lower rating or no rating. In such cases, the cedant must meet their obligations in advance or deposit such as collateral.

Insurance-linked securities are currently traded predominantly over the counter (OTC). The Fund Management Company complies with the following conditions:

- a) OTC transactions may only be engaged in with counterparties classified as financial intermediaries and subject to a public supervisory body in Switzerland or an equivalent authority abroad. Financial intermediaries are banks, fund management companies, insurance companies and securities dealers (according to the definition of the relevant legal provisions in the country of domicile).
- b) Insurance-linked securities may only be acquired over the counter (OTC) if at least one financial intermediary provides prices after the issue and at least three financial intermediaries provide prices within six months of the issue at the latest.

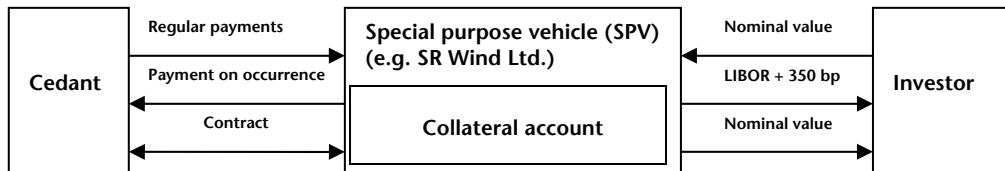
After the deduction of cash and cash equivalents, the Fund Management Company may invest up to 30% of the Fund's assets in (i) indirect investments in ILSs in the form of (ia) units or shares of open-ended investment funds or other open-ended undertakings for collective investment of a similar function (open-ended funds), the units or shares of which are regularly redeemed or repurchased on the basis of their net asset value and which are set up in accordance with the law of a certain country; and (ib) units or shares of closed-ended investment funds, investment companies or other closed-ended undertakings for collective investment of a similar function (closed-ended funds), which are set up in accordance with the law of a certain country and traded on a stock exchange or another regulated market open to the public; (ii) derivative financial instruments pursuant to §12, provided they have as their underlyings insurance-linked securities that are traded on a stock exchange or other regulated market open to the public or OTC, investments in OTC derivatives (OTC transactions) only being permitted if the counterparty is a regulated financial intermediary specializing in such transactions, and if the OTC derivatives can be traded daily or a return to the issuer is possible at any time; (iii) short-term liquid assets in the form of sight or time deposits denominated in a freely convertible currency with terms to maturity not exceeding twelve months and in the form of money market instruments issued by issuers worldwide that are denominated in a freely convertible currency, are liquid, can be readily valued and are traded on an exchange or other regulated market

open to the public; money market instruments which are not traded on an exchange or other regulated market open to the public may be acquired only if the issuer or the issuer is subject to provisions regarding creditor or shareholder/investor protection and if the money market instruments are issued or guaranteed by issuers pursuant to Art. 74.2 CISO.

#### Investment instruments / insurance-linked securities

Insurance-linked securities enable insurance companies to cover liabilities which are triggered by the occurrence of insured events via the capital markets. The legal structure of a special purpose vehicle (SPV) enables a clear and binding distinction to be made between the losses to be paid when insured events occur by the insurance company directly on the one hand and from an insurance-linked security on the other.

The diagram below illustrates the flow of funds between the insurance company (e.g. Swiss Re) that will become the cedant, the special purpose vehicle (SPV) as the issuer of the insurance-linked security (e.g. SR Wind Ltd.) and the investor (Clariden Leu (CH) Cat Bond Fund).



When the securities are issued, the investor pays the par value or full collateral into the SPV. This amount is invested via a collateral account in US government bonds. The cedant periodically pays an insurance premium to the SPV. The investor receives a coupon payment on a quarterly basis, made up of the interest income from the collateral account (Libor) and the insurance premium (e.g. 350 basis points or 3.5% per annum). In addition to the coupon payments, the SPV also ensures the repayment of the par value in normal cases. When a specifically defined insured event occurs, the SPV must pay the agreed insured amount to the cedant. Any remaining amount goes to the investor.

#### Special features and potential risks of these investment instruments and markets

##### *Cedant rating*

The cedant must in principle have a rating of at least BBB- or Baa3 or an equivalent credit rating, so that the periodic payments to the SPV can be deemed as being secured. In exceptional cases, a cedant may have a lower rating or no rating. In such cases, the cedant must meet their obligations in advance or deposit such as collateral.

##### *Duration risk*

Insurance-linked securities are securities with a floating rate of interest, which is periodically adjusted to reflect the current money market rate. As a result, the duration risk is low.

##### *Interest-rate risk*

If money market rates rise or fall, the overall performance of the Fund is affected accordingly. However, the relative performance vis-à-vis the money market as defined in the investment objective is not affected.

##### *The market for insurance-linked securities*

Insurance-linked securities are traded predominantly over the counter (OTC).

OTC transactions may only be effected with counterparties that are either classified as financial intermediaries or subject to a public supervisory body in Switzerland or an equivalent authority abroad. Financial intermediaries in this regard are banks, fund management companies, insurance companies and securities dealers (according to the definition of the relevant legal provisions in the country of domicile).

Insurance-linked securities may only be acquired over the counter (OTC) if at least one financial intermediary provides prices after the issue and at least three financial intermediaries provide prices within six months of the issue at the latest.

#### Derivative financial instruments

The Fund Management Company uses derivative financial instruments for the efficient management of the Fund's assets. However, even under extreme market circumstances, these may not result in a deviation from the investment objectives or change the investment character of the Fund. The Commitment II approach (extended process) will be applied to the assessment of risk.

Derivatives form part of the investment strategy and are not used solely to hedge investment positions.

Both basic forms of derivatives and exotic derivatives may be used, as described in more detail in the Fund Contract (cf. §12), provided the underlying securities are permitted as investments under the investment policy. The derivative transactions may be concluded on either a stock exchange or another regulated market open to the public, or in OTC (over-the-counter) trading. In addition to market risks, derivatives are also subject to counterparty risk, i.e. the risk that the party to the contract may not be able to meet its obligations and may thus cause a financial loss.

In addition to credit default swaps (CDSs), all other types of credit derivatives may be acquired (e.g. total return swaps [TRSs], credit spread options [CSOs], credit linked notes [CLNs]) by which credit risks can be transferred to third parties (so-called risk buyers). The risk buyers receive a premium as compensation. The size of this premium depends, among other things, on the probability of a loss event occurring and the maximum size of the loss; both factors are generally difficult to assess, which increases the risk associated with credit derivatives. The Fund may act as both a risk buyer and a risk seller.

The use of derivatives may have a leverage effect on the Fund's assets or may correspond to a short sale. The total exposure in derivatives may be up to 100% of the net fund assets, and the total exposure of the Fund may thus be up to 200% of its net fund assets. When taking into account the possibility of temporary borrowing amounting up to 25% of the net fund assets pursuant to §12.2, the overall exposure of the Fund may be up to 225% of the net fund assets.

## **Portfolio diversification**

The explanations below provide an overview of the investment restrictions as well as the diversification of risks:

### **Restrictions on the proportion of fund assets invested in any one issuer**

Including derivative financial instruments, the Fund Management Company may invest up to a maximum of 15% of the Fund's assets in securities and money market instruments issued by the same issuer. The total value of the securities and money market instruments of issuers in which more than 10% of the Fund's assets are invested may not exceed 30% of the Fund's assets.

The Fund Management Company may invest up to a maximum of 20% of the Fund's assets in sight and time deposits with the same bank. Both cash and cash equivalents as well as investments in bank deposits must be included in this limit.

The Fund Management Company may invest up to a maximum of 5% of the Fund's assets in OTC transactions with the same counterparty. If the counterparty is a bank domiciled in Switzerland or in a member state of the European Union or another country in which it is subject to supervision equivalent to that in Switzerland, this limit is increased to 10% of the Fund's assets.

Investments, deposits and claims pursuant to the above restrictions and issued by the same issuer/borrower may not in total exceed 20% of the Fund's assets.

The Fund Management Company may invest up to a maximum of 20% of the Fund's assets in units or shares of the same collective investment scheme (target fund).

### **Restrictions on direct, independent insured events**

The total of all investments per direct, independent insured event may not exceed 30% of the Fund's assets. For seasonal insured events, this figure rises to 40% outside the season. Hurricanes in the US between December 1 and May 31 constitute seasonal insured events outside the official season.

#### *Direct, independent insured events*

An insured event is termed "direct" if the occurrence of the first contractually defined insured event means lump-sum payments are made to the cedant. An immediate risk is thus posed by the occurrence of the next insured event. Insurance-linked securities cover insured events that occur independently of one another. For example, there is no link between earthquakes in California, earthquakes in Japan and windstorms in Europe. Insurance-linked securities can therefore be assigned to independent categories.

#### *Seasonal insured events*

Seasonal insured events can only occur as a result of natural phenomena linked to a specific time of year. Examples include winter storms in Europe, typhoons in Japan, willy-willies in Australia, cyclones in India and hurricanes in the US.

With regard to the availability of historical data and official declaration as a risk period, unfortunately only the US can so far provide a clear picture of seasonal event risk. For this reason, the Fund currently restricts itself to treating only hurricanes as a seasonal insured event.

Hurricanes can only arise when the temperature of the sea surface rises above 26.5°C for a prolonged period, a phenomenon which only occurs in the official hurricane season. It should also be remembered that insurance-linked securities are only affected by exceptionally powerful hurricanes. The official hurricane season in the US lasts from June 1 to November 30. As there is no risk outside the official season, up to 40% of the total fund assets may be invested in independent insured events of this type during this period.

### **Restrictions on indirect, independent insured events**

The total of all investments per indirect, independent insured event may not exceed 30% of the Fund's assets. Indirect event risks are subsequent insured events that require the prior occurrence of an independent insured event.

#### *Indirect, independent insured events*

An insured event is termed "indirect" when lump-sum payments are not made to the cedant on the occurrence of the first contractually defined insured event, but rather on the occurrence of the second or third event. No immediate risk is thus posed by the next insured event. Taking an example of an insurance-linked security covering the insured event of windstorms in France: the first event with industry damages of over EUR 5 billion is not covered. Only the second event with industry damages of over EUR 5 billion will result in lump-sum payments. This structure is chosen because, while a cedant may be able to pay initial losses itself, the resources available to cover damages in the second event will often no longer be sufficient.

Direct and indirect insured events occur independently of each other. Once the initial prerequisite – the first insured event – is fulfilled, the corresponding indirect insured events are reclassified as direct insured events.

## **Other forms of risk diversification**

By comparison, reference is made to high-yield corporate bonds, which by virtue of the risk factors they have in common (global economic trend, equity markets, credit spreads) possess a high degree of correlation with one another. In theory, the maximum loss risk per risk factor is therefore 100%. With insurance-linked securities on the other hand, it is possible to invest in risk factors or insured events that are entirely independent of each other, such as earthquakes in California, US hurricanes or earthquakes in Japan. This limits the maximum loss to 30% per risk factor. Although in theory two independent insured events can occur in the same year, given the forecast probability of default the likelihood of this happening is restricted to once in a millennium. Even

losses amounting to 30% have hardly ever been witnessed and have never occurred in simulations of the past 100 years. The two main reasons for this are as follows:

*1. An event risk is covered by several ILSs.*

In the normal course of events, an individual ILS may not exceed 10% of the total fund assets. This is why significant event risks are covered by several ILSs. In the autumn of 2001, for example, it was possible to invest in five ILSs for windstorms in Europe. Because these various ILSs feature different geographical foci, such as France, Germany and the UK, as well as other differences in construction, an extra level of diversification can thus be achieved. It would therefore take a windstorm of unprecedented accuracy and magnitude to deplete the entire collateral of all European windstorm ILSs simultaneously.

*2. Many ILSs are included several times over in the limit calculation.*

While certain ILSs only cover a single event risk, with a total loss only expected every 100 years, many ILSs can cover several event risks at once. If there are, for example, three event risks (a windstorm in Europe, an earthquake in the US and an earthquake in Japan), one of these event risks is likely to materialize once in every 100 years and result in a total loss. However, the individual event risk is only likely to materialize once in every 300 years. As 100% of this ILS is attributed to each event risk, the ILS enters the limit calculation with a value of 300%. This means that the 30% per event risk is rapidly attained. But the low probability of occurrence is not taken into account. In the European windstorm category therefore, there are also ILSs that are likely to produce a total loss only once every 300 years, a factor which significantly improves diversification.

### **Permitted investment techniques**

The Fund Management Company may borrow the equivalent of up to 25% of the net fund assets on a temporary basis. Furthermore, the Fund Management Company may pledge or assign as collateral up to 60% of the net fund assets at the Fund's expense.

### **2.2.3 Specific risks and measures**

Insurance-linked securities entail the following specific risks (NB: this list is not exhaustive):

#### **Event risk:**

Event risk is a prominent feature of insurance-linked securities (ILSs). This is by contrast with traditional bonds, where the risks are primarily dependent on the borrower quality. If an insured event occurs and the defined thresholds are exceeded, the value of an individual investment may be reduced to the extent of a total loss.

The event risk refers to the occurrence of an insured event which exceeds the limits of indemnification of the insurance industry or a cedant. Examples of these types of risk are earthquakes in California and the Midwest of the US, in Japan, New Zealand and Europe; windstorms in Europe, the north-east and south-east coasts of the US, in Hawaii, Puerto Rico and Japan; extreme temperatures (heat/cold); aviation catastrophes; shipping catastrophes; explosion and fire catastrophes; mortality risks. This list is not exhaustive. However, these insured events must always be specified and documented in detail and must exceed such high threshold values that the likelihood of their occurring should on average only be once in a century.

If an insured event (e.g. an earthquake in Japan) occurs and the contractually defined threshold is exceeded, the value of an individual investment may be reduced to the extent of a total loss.

Example: The ILS pays a coupon in USD of Libor plus 3.5%. The bond covers damages arising from earthquakes in California. Once the industry damages have reached the bond's lower threshold value of USD 22.5 billion, the first dollar is lost. Once the upper threshold of USD 31.5 billion has been reached, the entire amount is lost, and the NAV of the Fund is reduced in line with the weighting of this bond in the Fund.

Measures to reduce event risks:

The Fund Management Company ensures that investments are broadly diversified. There is no systematic connection to be expected between the insured events mentioned in the investment policy, and hence essentially no correlation. For each potential insured event, investments are where possible made in ILSs with different individual features (e.g. "Hurricane Texas", "Hurricane Florida", "Hurricane Hawaii and Northeast Coast USA", "Hurricane Florida and Puerto Rico").

The following criteria are of prime importance when diversifying investments:

Diversification by insured event and region.

- The event risks are assigned to individual, independent categories.

Diversification via the sequence of insured events.

- Distribution of the overall risk over direct and indirect event risks

Diversification via the means of measuring losses ("trigger mechanism")

- Distribution of the overall risk over various means of measuring losses such as physical triggers (strength of an earthquake), the size of the industry damages (sum of the damages payments of the insurance industry after a major event), actual loss of the sponsor of the transaction, etc.

Diversification via different ILS sponsors

- Distribution of the overall risk in terms of the type and motivation of the sponsor of an ILS, i.e. by insurer, reinsurer, companies from other industries (telecommunications, film industry, etc)

**Model risk:**

The event probability of insurance-linked securities is based on risk models. These are constantly being revised and developed, but they only represent an approximation of reality. These models are fraught with uncertainty and errors. Consequently, event risks can be significantly under- or overestimated.

Example: Based on extensive simulations, there is a 1.13% probability per year of the lower threshold of an ILS being reached and a 0.47% likelihood of the upper threshold being reached. The expected loss is 0.73% per annum. These figures are to be taken as best-case estimates and correspond to the current view of the insurance industry. Each ILS is based on the current version of the modeling. The models are typically updated annually, providing the best possible opportunity to take into account the influence of climate change, changes in the underlying insured assets, etc.

Measures to reduce model risks:

There are a number of highly specialized and renowned risk modeling firms operating in the market. Various models are thus available for individual insured events and regions. For example, there are a number of ILSs for Hurricane Florida, based on a variety of different models. By diversifying over several models the model risk can be lowered.

The majority of ILSs have two or more ratings. Ratings agencies for their part subject the risk models used to thorough analyses and stress tests.

As part of the due diligence process, the modeling concepts of the risk models used are analyzed and compared with those of similar issues. The models used are examined with a view to their logical structure as well as their acceptance in the reinsurance sector.

**Limited size of market:**

The market for insurance-linked securities is still not very large.

As investments with a high minimum denomination (from USD 250,000), cat bonds can at present only be acquired by qualified institutional investors managing securities investments of at least USD 100 million.

Measures:

The overall size of the market limits the Fund's volume via the investment restrictions. The Fund Management Company reserves the right to temporarily suspend the issue of Fund Shares, especially when investment demand exceeds supply and the investment objective therefore cannot be achieved (see §17.4 of the Fund Contract).

Given the size of the Fund since inception, the minimum denomination does not represent a restriction. Direct investments are only made by institutional investors. This factor is reflected not least in the large blocks bid or offered, which also benefits the Fund. The overall market is characterized by relatively narrow bid/ask spreads and relatively large market depth. Behind the market for ILSs there is an entire market devoted to trading reinsurance policies.

**Details of the investment policy and its restrictions, as well as the approved investment techniques and instruments (especially derivatives and the extent of their use) can be found in the Fund Contract (see Part II, §§7-15).**

**No guarantee can be given that the objective of the investment policy will be achieved. Accordingly, the value of the Shares and the returns they generate may go down as well as up.**

**2.3 Profile of the typical investor**

The Fund is suitable for investors with a medium or long-term investment horizon (3 to 5 years) who are primarily seeking current income. The investors are able to accept temporary fluctuations in the net asset value of the Fund's Shares, and are not dependent on being able to realize the investment on a certain date.

**2.4. Brief information on tax regulations relevant to the Fund**

The Fund has no legal personality in Switzerland. It is not subject to tax on income or capital.

The Swiss federal withholding tax deducted from the Fund's domestic income can be reclaimed in full for the Fund by the Fund Management Company.

Insurance-linked securities consist financially of two components, an income component and an option component. Because the interest payments on the capital invested are distinguishable from the capital gains on the risk premium, ILSs qualify as transparent products. According to the rulings of the Swiss Federal Tax Administration on March 27, 2001 and April 28, 2005, only the income component (the Libor money market rate less a part of the management costs) of the direct and indirect investments is therefore subject to withholding tax.

Income and capital gains realized outside Switzerland may be subject to the relevant withholding tax deductions imposed by the country of investment. Insofar as is possible, these taxes will be reclaimed by the Fund Management Company on behalf of investors resident in Switzerland under the terms of double taxation treaties or other such agreements.

Distributions of income made by the Fund to investors domiciled in Switzerland are subject to Swiss federal withholding tax (source tax) at 35%. Any capital gains paid on a separate coupon are not subject to withholding tax.

Investors domiciled in Switzerland are entitled to reclaim any deducted withholding tax by declaring it in their tax returns or by submitting a separate application for refund.

Distributions of income to investors domiciled outside Switzerland are made free of Swiss withholding tax, provided at least 80% of the fund's income stems from foreign sources, and subject to presentation of confirmation from a bank stating that the Shares in question are held at the bank in the custody

account of an investor domiciled outside Switzerland, and that the distributions of income are credited to this investor's account (bank declaration / affidavit). The Fund Management Company endeavors to ensure that at least 80% of the taxable income accruing to the Fund stems from foreign sources, but cannot guarantee that this will be the case.

If withholding tax is charged to an investor domiciled outside Switzerland due to the lack of a bank declaration, he or she may submit a claim for reimbursement under Swiss law directly to the Swiss Federal Tax Administration in Berne.

The income distributed and/or the interest realized on the sale or redemption of Shares is in principle subject in Switzerland to EU savings tax.

Based on the provisions of the directive issued by the Council of the European Union in respect of taxation of interest income, and under the terms of the agreement reached between Switzerland and the EU as part of bilateral negotiations, Switzerland has undertaken to retain tax on certain interest payments made by investment funds, both in the case of distributions of income and the sale or redemption of fund units, in respect of natural persons whose tax domicile is in an EU member state. This tax is retained at 15% (20% from 2008 and 35% from 2011). Subject to explicit instructions by the recipient of the interest payment, the recipient may make a voluntary disclosure to the fiscal authorities in their tax domicile instead of being subject to this tax retention.

This tax information is based on the current legal situation and practice. It is subject to changes in legislation, the decisions of the courts and the decrees and practices of the tax authorities. This applies in particular – albeit not exclusively – with regard to the regulations on tax retention relating to the EU savings tax.

**Taxation and other tax implications for investors who hold, buy or sell Fund Shares are based on the relevant tax law provisions to which the investors are subject in their country of domicile.**

### **3 Information on the Fund Management Company**

#### **3.1 General information on the Fund Management Company**

The management of the Fund is the responsibility of Swiss Investment Company SIC Ltd., which has its registered office and main administrative office in Zurich. Since its foundation as a joint-stock company (Aktiengesellschaft) in 1986, the Fund Management Company has been active in the fund business.

As at December 31, 2010, the fully paid-up share capital of the Fund Management Company amounted to CHF 5.62 million, divided into 562 registered shares of CHF 10,000 each. The Fund Management Company is ultimately a wholly-owned subsidiary of the Credit Suisse Group, which has its registered office in Zurich.

The Board of Directors of the Fund Management Company currently comprises the following persons:

- Heinz Hofmann, Chairman
- Max Cotting, Vice-Chairman
- Martin Klaus, Director
- Emil Stark, Director

The Executive Board comprises the following persons:

- Markus Hafner, CEO,
- Hansueli Halter, deputy CEO (Head of Compliance)
- Dr. Jürg Leu, Director (Head Product Management)

The Fund Management Company manages a total of 29 collective investment schemes in Switzerland, with assets under management totaling CHF 3.94 billion on December 31, 2010.

#### **3.2 Delegation of investment decisions**

The Fund Management Company has delegated investment decisions to Clariden Leu Ltd., Zurich as Investment Manager. The latter also acts as the Custodian Bank of the Fund. Clariden Leu Ltd. is a bank and as such is subject to the supervision of the Swiss Financial Market Supervisory Authority.

Clariden Leu Ltd. has many years of experience in the management of collective investment schemes. The precise execution of this mandate is governed by an investment management agreement concluded between the Fund Management Company and the Investment Manager on November 17, 2009. The investment management activities will be conducted at Clariden Leu Ltd. by employees in organizational units that are not involved in the performance of the rights and obligations of the Custodian Bank.

Further information on Clariden Leu Ltd. can be found in Section 4 of this Prospectus.

#### **3.3 Delegation of other specific tasks**

The Fund Management Company has also delegated the distribution and marketing of the Fund to Clariden Leu Ltd., Zurich as Principal Distributor. The latter also acts as the Custodian Bank of the Fund. The precise execution of this mandate is governed by an agreement concluded between the Fund Management Company and Clariden Leu Ltd. on December 14, 2009.

Further information on Clariden Leu Ltd. can be found in Section 4 of this Prospectus.

#### **3.4 Exercise of membership and creditors' rights**

The Fund Management Company exercises the membership and creditors' rights associated with the investments of the funds it manages independently and exclusively in the interests of the investors. The Fund Management Company will, upon request, provide investors with information on the exercise of membership and creditors' rights.

In the case of scheduled routine transactions, the Fund Management Company is free to exercise membership and creditors' rights itself or to delegate their exercise to the Custodian Bank or a third party.



In the case of all other events which might have a lasting impact on the interests of the investors, such as, in particular, the exercise of membership and creditors' rights the Fund Management Company holds as a shareholder or creditor of the Custodian Bank or another related legal entity, the Fund Management Company will exercise the voting rights itself or issue explicit instructions. In such cases, it may base its actions on information it receives from the Custodian Bank, the portfolio manager, the company or from third parties or from the press.

The Fund Management Company is free to waive the exercise of membership and creditors' rights.

## 4 Information on the Custodian Bank

Clariden Leu Ltd. acts as the Custodian Bank ("the Custodian Bank"). The Custodian Bank was founded in 1955 as a joint-stock company (Aktiengesellschaft), with its registered office and main administrative office in Zurich. Its share capital currently amounts to CHF 50 million, divided into 500,000 fully paid-up registered shares of CHF 100 par value each. The shareholders' equity (share capital and declared reserves) of the Custodian Bank amounted to CHF 1,301 million on December 31, 2010. The Custodian Bank is primarily active in the fields of asset management and investment advice, as well as the issuing of investment products.

The Custodian Bank is ultimately a subsidiary of the Credit Suisse Group, which has its registered office in Zurich.

The Custodian Bank may delegate the safekeeping of the Fund's assets to third-party custodians and collective securities depositaries in Switzerland or abroad. In such cases, it is liable for applying due diligence when choosing and instructing the third parties, as well as for monitoring their constant compliance with the selection criteria.

The use of third-party custodians and collective securities depositaries means that deposited securities are no longer owned solely by the Fund Management Company, which instead becomes only a co-owner.

## 5 Information on third parties

The Paying Agent, Distributor and Auditors are listed in Section 1 of this Prospectus.

## 6 Further information

### 6.1 Useful information

	Sec. ID no.	ISIN	Minimum investment
Clariden Leu (CH) Cat Bond Fund CHF A Class	1 211 524	CH0012115249	1 Share
Clariden Leu (CH) Cat Bond Fund EUR A Class	1 211 526	CH0012115264	1 Share
Clariden Leu (CH) Cat Bond Fund USD A Class	1 211 527	CH0012115272	1 Share
Clariden Leu (CH) Cat Bond Fund CHF IA Class	3 684 084	CH0036840848	CHF 500,000
Clariden Leu (CH) Cat Bond Fund EUR IA Class	11 233 050	CH0112330508	EUR 500,000
Clariden Leu (CH) Cat Bond Fund USD IA Class	currently not open for subscriptions		USD 500,000

**Listing:** none

**Accounting year:** January 1 to December 31

**Currency of account:** US dollar

#### Reference currencies of the

#### Share Classes:

Clariden Leu (CH) Cat Bond Fund CHF A Class: the Swiss franc  
 Clariden Leu (CH) Cat Bond Fund EUR A Class: the euro  
 Clariden Leu (CH) Cat Bond Fund USD A Class: the US dollar  
 Clariden Leu (CH) Cat Bond Fund CHF IA Class: the Swiss franc  
 Clariden Leu (CH) Cat Bond Fund EUR IA Class: the euro  
 Clariden Leu (CH) Cat Bond Fund USD IA Class: the US dollar

**Shares:** Bearer Shares

As a rule, all Share Classes do not take the form of actual certificates and exist purely as book entries. Investors are not entitled to demand delivery of a Share certificate.

#### Distribution of income:

The net income of the Fund will be distributed to the investors annually at the latest within four months of the end of the financial year in the reference currency of the pertinent Share Class. The Fund Management Company may make additional interim distributions from the income. Up to 30% of the net income including income carried forward from previous financial years may be carried forward to the new account. If the net income in a financial year including income carried forward from previous financial years is less than 1% of the net fund assets and is less than 1.00 per Share in the reference currency of the Share Class concerned, a distribution may be waived and the entire net income may be carried forward to the new account.

## 6.2 Terms for the issue and redemption of Fund Shares

Fund Shares are issued or redeemed on the last bank business day of each month in Zurich. No issues or redemptions will take place on Swiss public holidays (Easter, Whitsun, Christmas, New Year, August 1, etc.), or on days when the stock exchanges and markets in the Fund's main investment countries are closed, or under the exceptional circumstances defined under § 17.5 of the Fund Contract.

Subscription and redemption applications received on a bank business day (order date) by the Custodian Bank by 12 noon (Zurich time) at the latest on the 20<sup>th</sup> day of the current calendar month will be settled on the last bank business day of that month (order date) on the basis of the NAV calculated for that date. The NAV taken as the basis for the settlement of the order is therefore not known when the order is placed (forward pricing). It is calculated on the order date on the basis of the closing prices on the order date. The prices used are based on the provisions of § 16.2 et seq. of the Fund Contract. Orders received by the Custodian Bank after 12 noon on the 20<sup>th</sup> day of the current calendar month will be processed for the following month.

The value date will be three to five bank business days after the valuation date.

The NAV of a Share of a given Class is determined by the proportion of market value of the Fund's assets attributable to that Class, minus any of the Fund's liabilities that are attributed to that Class, divided by the number of Shares of that Class in circulation. It is rounded to 1/100 of one unit of the reference currency of the Share Class concerned.

The issue price of the Shares of a Class is determined by the NAV per Share of the pertinent Share Class calculated on the valuation date plus the issuing commission pursuant to § 19. The redemption price of the Shares of a Class is determined by the NAV per Share of the pertinent Share Class calculated on the valuation date, minus the redemption commission pursuant to § 19.

In accordance with § 18 of the Fund Contract, the Fund Management Company may for the purposes of integrating an in-house bank fund exceptionally allow assets pursuant to § 8 of the Fund Contract to be furnished for inclusion in the Fund instead of a cash contribution (non-cash contribution). The assets pursuant to § 8 to be included in the Fund must be readily valuable and liquid. The Fund Management Company will approve this type of transaction only if it complies fully with the Fund Contract and the Fund's current investment policy, does not have a detrimental impact on the interests of the other investors in any way, and has received the prior approval of the supervisory authority.

Incidental costs for the sale and purchase of investments (standard brokerage charges, fees, taxes, etc.) incurred when investing the amount paid in by the investor, or in the sale of that portion of investments corresponding to a redeemed Share, are charged to the Fund's assets.

The Shares do not take the form of actual certificates and exist purely as book entries. If Share certificates were issued at an earlier date, they must be returned upon submission of a redemption application.

Any taxes and duty due on the issue and redemption of Fund Shares in certain countries will be charged to the investor.

## 6.3 Fees and incidental costs

Fees and incidental costs charged to the investor (excerpt from § 19 of the Fund Contract):

- Issuing commission accruing to the Fund Management Company, Custodian Bank and/or distributors in Switzerland and abroad
  - A Classes a maximum of 5.00%
  - IA Classes a maximum of 2.50%
- Redemption commission accruing to the Fund Management Company, Custodian Bank and/or distributors in Switzerland and abroad
  - A Classes a maximum of 2.0%
  - IA Classes none

Insofar as and to the extent that Shares of the Fund are issued/redeemed in connection with the redemption/issue of units or shares of other collective investment schemes of which Clariden Leu Ltd., Zurich, is the Promoter, the issuing commission may not exceed 2.5% in the case of the A Classes or 0.25% in the case of the IA Classes, and no redemption commission will be charged. This is subject to the prerequisite that an applicant provides the Fund Management Company, the Custodian Bank or their agents with adequate evidence of this fact.

- Commission for the payment of liquidation proceeds 0.50% of the payment amount

Fees and incidental costs charged to the Fund's assets (excerpt from § 20 of the Fund Contract):

- Management fee charged by the Fund Management Company and the Custodian Bank:
  - A Classes a maximum of 2.00%
  - IA Classes a maximum of 1.50%

This covers administration, asset management, distribution, safekeeping of assets, provision of payment services and other tasks of the Custodian Bank.
- Payment commission accruing to the Custodian Bank for the payment of annual income for all Share Classes: a maximum of 0.5% of the gross amount of the distribution

Furthermore, the fees and incidental costs listed under § 20 of the Fund Contract may also be charged to the Fund.

Information on the rates actually used and the commissions actually charged can be found in the annual and semi-annual reports.

The Fund Management Company may pay reimbursements from the distribution component to the following institutional investors who, from the commercial perspective, hold Fund Shares for third parties:

- life insurance companies
- pension funds and other retirement provision institutions
- investment foundations
- Swiss fund management companies
- foreign fund management companies and providers
- investment companies

The Fund Management Company may also pay trailer fees from the distribution component to the following distributors and sales partners:

- authorized distributors
- fund management companies, banks, securities dealers, Swiss Post and insurance companies
- distributors who place Fund Shares exclusively with institutional investors with professional treasury facilities
- asset managers

Total expense ratio (TER) and portfolio turnover rate (PTR)

The coefficient of the total costs charged to the Fund's assets on an ongoing basis (total expense ratio, TER) was:

A Class	2005:	1.75%	IA Class	2005:	n/a
	2006:	1.75%		2006:	n/a
	2007:	1.75%		2007:	n/a
	2008:	1.75%		2008:	1.25%
	2009:	1.70%		2009:	1.23%
	2010:	1.69%		2010:	1.20%

The portfolio turnover rate (PTR) was:

2005:	n/a
2006:	54.90%
2007:	-71.63%
2008:	29.49%
2009:	48.29%
2010:	73.54%

Investments in related collective investment schemes

In the case of investments in other collective investment schemes that are managed directly or indirectly by the Fund Management Company itself or a company with which it is related by virtue of common management or control or by way of a direct or indirect stake of more than 10% of the capital or votes, no issuing and redemption commissions and only a reduced management fee are charged pursuant to §20.4 of the Fund Contract.

Fee splitting agreements and non-pecuniary benefits ("soft commissions")

The Fund Management Company has concluded no fee splitting agreements.

The Fund Management Company has not concluded any agreements in respect of soft commissions.

**6.4 Publications of the Fund**

Further information on the Fund may be found in the latest annual or semi-annual report. The latest information can also be found on the Internet at [www.claridenleu.com](http://www.claridenleu.com).

The Prospectus with the integrated Fund Contract, the Simplified Prospectus and the latest annual or semi-annual report may be obtained free of charge from the Fund Management Company, Custodian Bank or from any Distributor.

Changes to the Fund Contract, Fund Management Company or Custodian Bank, as well as the dissolution of the Fund will be published by the Fund Management Company in the Swiss Official Gazette of Commerce as well as on the Internet platform [www.swissfunddata.ch](http://www.swissfunddata.ch).

Prices are published daily for all Share Classes on the Internet platform [www.swissfunddata.ch](http://www.swissfunddata.ch). The Fund Management Company may at any time have the prices of this Fund published in other media.

## 6.5 Sales restrictions

With respect to the distribution of Shares outside Switzerland, the regulations valid in the country in question apply. The Fund's Shares are not authorized for public distribution outside Switzerland. In particular, they have not been registered under the United States Securities Act of 1933, and Shares may not be offered, sold, resold or delivered directly or indirectly in the United States or to US persons, residents, companies or other legal entities established or managed under US law, unless such action is taken in connection with transactions which do not violate the said Act. In the context of this document, the term "United States" refers to the United States of America, its individual states, territories and possessions as well as all other areas subject to its jurisdiction. US citizens resident outside the United States are entitled to be the beneficial owners of Shares of the Fund in accordance with Regulation S of the Securities Act Release No. 33-6863 (May 2, 1990).

## 6.6 Detailed regulations

All further information on the Fund, such as the method used for the valuation of the Fund's assets, a list of all fees and incidental costs charged to the investor and the Fund, and the appropriation of net income, can be found in detail in the Fund Contract.

# Part II Fund Contract

## I Basic principles

### §1 Fund name; name and registered office of Fund Management Company and Custodian Bank

1. A contractual fund of the type "Other funds for traditional investments" has been established under the name of "Clariden Leu (CH) Cat Bond Fund" (hereinafter referred to as "the Fund") in accordance with Art. 25 et seq. in conjunction with Art. 68 et seq. of the Swiss Federal Act on Collective Investment Schemes of June 23, 2006 (CISA).
2. The Fund Management Company is Swiss Investment Company SIC Ltd., which has its registered office in Zurich.
3. The Custodian Bank is Clariden Leu Ltd., which has its registered office in Zurich.

## II Rights and obligations of the parties to the contract

### §2 The Fund Contract

The legal relationship between the investor on the one hand and the Fund Management Company and the Custodian Bank on the other is governed by the present Fund Contract and the applicable provisions of the legislation on collective investment schemes.

### §3 The Fund Management Company

1. The Fund Management Company manages the Fund at its own discretion and in its own name, but for the account of the investors. It decides in particular on the issue of Shares, the investments and their valuation. It calculates the net asset value and determines the issue and redemption prices as well as distributions of income. It exercises all rights associated with the Fund.
2. The Fund Management Company and its agents are subject to the duties of loyalty, due diligence and disclosure. They act independently and exclusively in the interests of the investors. They implement the organizational measures that are necessary for proper management. They ensure the provision of transparent financial statements and provide appropriate information on the Fund.
3. The Fund Management Company can delegate investment decisions as well as specific tasks, provided this is in the interests of efficient management. It will commission only persons who are qualified to execute the task properly, and must ensure the proper instruction as well as the supervision and monitoring of the performance of the task.

The Fund Management Company is liable for the actions of its agents as if they were its own actions.

4. The Fund Management Company may with the consent of the Custodian Bank submit a change to the present Fund Contract to the supervisory authority for approval (cf. §27).
5. The Fund Management Company can merge the Fund with other investment funds pursuant to the provisions set down under §25 and can dissolve the Fund pursuant to the provisions set down under §26.
6. The Fund Management Company can manage part or all of the assets of different investment funds jointly (pooling), provided these are managed by the same fund management company and the assets are held in safekeeping by the same custodian bank. This must not give rise to any additional costs for the investors. Pooling does not give rise to any liability between the funds involved. The Fund Management Company must at all times be in the position to allocate the investments of the pool to the individual investment funds involved. The pool does not constitute a separate fund in its own right.
7. The Fund Management Company is entitled to receive the fees stipulated in §19 and §20. It is further entitled to be released from the liabilities assumed in the proper execution of its tasks, and to be reimbursed for expenses incurred in connection with such liabilities.

### §4 The Custodian Bank

1. The Custodian Bank is responsible for the safekeeping of the Fund's assets. It handles the issue and redemption of Fund Shares as well as payments on behalf of the Fund.

2. The Custodian Bank and its agents are subject to the duties of loyalty, due diligence and disclosure. They act independently and exclusively in the interests of the investors. They implement the organizational measures that are necessary for proper management. They ensure the provision of transparent financial statements and provide appropriate information on the Fund.
3. The Custodian Bank may delegate the safekeeping of the Fund's assets to third-party custodians and collective securities depositories in Switzerland or abroad. In such cases, it is liable for applying due diligence when choosing and instructing the third parties, as well as for monitoring their constant compliance with the selection criteria. The Prospectus contains information on the risks involved.
4. The Custodian Bank ensures that the Fund Management Company complies with the law and the Fund Contract. It checks whether the calculation of the net asset value and of the issue and redemption prices of the Shares as well as the investment decisions are in compliance with the law and the Fund Contract, and whether the income is appropriated in accordance with the Fund Contract. The Custodian Bank is not responsible for the choice of investments which the Fund Management Company makes in accordance with the investment regulations.
5. The Custodian Bank is entitled to receive the fees stipulated in §19 and §20. It is further entitled to be released from the liabilities assumed in the proper execution of its tasks, and to be reimbursed for expenses incurred in connection with such liabilities.
6. The Custodian Bank is not responsible for the safekeeping of the assets of the target funds in which the Fund invests, unless this task has been delegated to it.

## **§5 The investor**

1. On concluding the contract and making a payment in cash, the investor acquires a claim against the Fund Management Company in respect of a participation in the Fund's assets and income. The investor's claim is evidenced in the form of Fund Shares. Subject to the conditions specified in §18 and the prior approval of the supervisory authority, the Fund Management Company may for the purposes of integrating an in-house bank fund exceptionally allow assets pursuant to §8 to be furnished for inclusion in the Fund (non-cash contribution), provided these assets are readily valuable and liquid.
2. Investors are only obliged to remit payment for the Fund Share(s) they subscribe. They are not held personally liable for the liabilities of the Fund.
3. Investors may at any time request that the Fund Management Company supply them with the necessary information regarding the basis on which the net asset value per Share is calculated. If investors express an interest in more detailed information on specific business transactions effected by the Fund Management Company, such as the exercise of membership and creditors' rights, they must be given such information by the Fund Management Company at any time. The investors may request at the courts of the registered office of the Fund Management Company that the Auditors or another expert investigate the matter which requires clarification and furnish the investors with a report.
4. The investors may terminate the Fund Contract at any time pursuant to §17.2 and demand that their participation in the Fund be paid out in cash. If Share certificates were issued, they must be returned.
5. If requested, the investors are obliged to provide the Fund Management Company, the Custodian Bank and their agents with proof that they comply with or continue to comply with the provisions laid down in the law or the Fund Contract in respect of participation in the Fund or in a Share Class. Furthermore, they are obliged to inform the Fund Management Company, the Custodian Bank and their agents immediately once they no longer meet these prerequisites.
6. The Fund Management Company in conjunction with the Custodian Bank must make an enforced redemption of the Shares of an investor at the current redemption price if:
  - a. this is necessary to safeguard the reputation of the financial market, specifically to combat money laundering;
  - b. the investor no longer meets the statutory or contractual requirements for participation in the Fund.
7. The Fund Management Company in conjunction with the Custodian Bank may also make an enforced redemption of the Shares of an investor at the current redemption price if:
  - a. the participation of the investor in the Fund is such that it could have a significant detrimental impact on the economic interests of the other investors, in particular if the participation could result in tax disadvantages for the Fund in Switzerland or abroad;
  - b. the investor has acquired or holds their Shares in violation of provisions of a law to which they are subject either in Switzerland or abroad, of the present Fund Contract or the Prospectus;
  - c. there is a detrimental impact on the economic interests of the investors, in particular in cases where individual investors seek by way of systematic subscriptions and immediately followed by redemptions to achieve a pecuniary gain by exploiting the time differences between the setting of the closing prices and the valuation of the Fund's assets (market timing).

## **§6 Shares and Share Classes**

1. The Fund Management Company can establish different Share Classes and can also merge or dissolve Share Classes at any time subject to the consent of the Custodian Bank and the approval of the supervisory authority. All Share Classes embody an entitlement to a participation in the undivided assets of the Fund, which are not segmented. This participation may differ due to class-specific costs or distributions or class-specific income, and the various Share Classes may therefore have different net asset values per Share. Class-specific costs are covered by the assets of the Fund as a whole.
2. Notification of the establishment, dissolution or merger of Share Classes will be published in the media of publication. Only mergers are deemed a change to the Fund Contract pursuant to §27.
3. The various Share Classes may differ from one another in terms of their cost structure, reference currency, currency hedging, policy with regard to distribution or reinvestment of income, the minimum investment required and investor eligibility.

Fees and costs are only charged to the Share Class for which the respective service is performed. Fees and costs that cannot be clearly allocated to one Share Class will be charged to the individual Share Classes on a pro rata basis in relation to their proportion of the Fund's assets.

4. There are currently the following Share Classes established under the following names:

- CHF A Class;
- EUR A Class;
- USD A Class;
- CHF IA Class;
- EUR IA Class;
- USD IA Class;

All these classes are distribution classes.

The currency specified in the names of the individual Share Classes denotes the reference currency. This need not necessarily be the currency in which the investments are made. If investments are not denominated in the reference currency of a Share Class, they will in principle be permanently hedged against the reference currency. The Classes thus differ from each other with regard to their hedging against the respective reference currency. Given that investments are regularly not made on the same scale in the various reference currencies, the hedging transactions are different.

The IA Class differs from the A Class in that it has a higher minimum investment amount and lower commission rates. The minimum investment required is specified in the Prospectus. This Share Class is open to all investors prepared to make the minimum investment. If redemptions by an investor result in them holding less than the minimum investment amount, the Fund Management Company may pursuant to §6.6 below enforce a switch into another Share Class in which the investor is entitled to hold Shares. Insofar as banks and securities dealers hold Shares for the account of their clients, the minimum investment requirement must be met at the level of the client.

The decision on whether the participation criteria have been met lies at the discretion of the Custodian Bank.

In the case of subscriptions of Shares accepted by the Fund Management Company from group companies of Swiss Investment Company SIC Ltd. or Clariden Leu Ltd. (in their own name), compliance with the limits specified in the Fund Contract (minimum initial investment amount/minimum investment holding) may be waived for nine months in respect of establishing and also maintaining Share Classes. This situation of maintaining a Share Class arises when all investors in a Share Class redeem their Shares and Swiss Investment Company SIC Ltd. and/or Clariden Leu Ltd. either remain as the sole investor in that Share Class or subscribe a Share of that Share Class as the sole new investor.

5. As a rule, all Share Classes do not take the form of actual certificates and exist purely as book entries. Investors are not entitled to demand delivery of a Share certificate.
6. The Fund Management Company is obliged to instruct investors who no longer meet the requirements for holding a Share Class to undertake within 30 calendar days the necessary measures to ensure that they once again meet the requirements for holding the Share Class concerned, or that their Shares are redeemed within the same period pursuant to §17, or that they are transferred to a person who does meet the aforementioned requirements, or that they are switched into Shares of another Share Class whose requirements the investor does meet. If an investor fails to comply with this demand, the Fund Management Company may, in cooperation with the Custodian Bank, make an enforced switch into another Share Class of the Fund or, should this not be possible, enforce the redemption of the Shares in question pursuant to §5.6.
7. The Prospectus contains specific details on whether fractions of Shares will be issued and if so in what fractions.

### **III Investment policy guidelines**

#### **A Investment principles**

##### **§7 Compliance with investment regulations**

1. In selecting individual investments, the Fund Management Company must adhere to the principle of balanced risk diversification and comply with the percentage limits defined below. These percentages relate to the Fund's assets at market value and must be complied with at all times.
2. If the limits are exceeded as a result of market-related changes, the investments must be restored to the permitted level within a reasonable period, taking due account of the investors' interests. If the limits relating to derivatives pursuant to §12 below are exceeded due to a change in the delta, this is to be rectified within three bank business days at the latest, taking due account of the investors' interests.

##### **§8 Investment policy**

1. The investment objective is to achieve a return in the reference currency of the individual Share Classes in excess of the 3-month money market rate (Libor) for the respective reference currency. Furthermore, the Fund seeks in principle to achieve a low correlation to the returns on traditional bond and equity investments and low fluctuations in value compared with long-term bond investments.
2. The Fund's assets are in principle invested in insurance-linked securities (ILSs) of all kinds that are traded on a stock exchange or other regulated market open to the public or over the counter (OTC), provided the event risks of the said insurance-linked securities are modeled by one of the modeling agencies recognized in the insurance market that are described in the Prospectus. Insurance-linked securities are issued in the form of bonds, notes and loans, or as preference shares. The weighting of preference shares may not exceed 10% of the Fund's assets. The cedant must in principle have a rating of at least BBB- or Baa3 or an equivalent credit rating. In exceptional cases, a cedant may have a lower rating or no rating. In such cases, the cedant must meet their obligations in advance or deposit such as collateral. The term "cedant" is explained in the Prospectus.

3. Insurance-linked securities are securities where the coupon and/or redemption is dependent on the occurrence of insured events. An insured event refers to a phenomenon that occurs at a specific time, in a specific place and in a specific way, thereby triggering the payment of insurance claims. These insured events must always be specified and documented in detail and exceed such high threshold values that the likelihood of them occurring is, on average, every 100 years.

Insurance-linked securities entail the following specific risks (this list is not exhaustive):

- a) Event risk: The event risk refers to the occurrence of an insured event which exceeds the limits of indemnification of the insurance industry or a cedant. Examples of these types of risk are earthquakes in California or Japan, windstorms in Europe, earthquakes in New Zealand, hurricanes in Florida, extreme temperatures, typhoons in Japan. This list is not exhaustive.  
If an insured event (e.g. an earthquake in Japan) occurs and the contractually defined threshold is exceeded, the value of an individual investment may be reduced to the extent of a total loss.
- b) Model risk: The event probability of insurance-linked securities is based on risk models. These are constantly being revised and developed, but they only represent an approximation of reality. These models are fraught with uncertainty and errors. Consequently, event risks can be significantly underestimated.
4. Insurance-linked securities are currently traded predominantly over the counter (OTC). The Fund Management Company complies with the following conditions:
- a) OTC transactions may only be engaged in with counterparties classified as financial intermediaries and subject to a public supervisory body in Switzerland or an equivalent authority abroad. Financial intermediaries are banks, fund management companies, insurance companies and securities dealers (according to the definition of the relevant legal provisions in the country of domicile).
- b) Insurance-linked securities may only be acquired over the counter (OTC) if at least one financial intermediary provides prices after the issue and at least three financial intermediaries provide prices within six months of the issue at the latest.
5. After deduction of cash and cash equivalents pursuant to §9 below, the Fund Management Company invests a minimum of 70% of the Fund's assets worldwide in insurance-linked securities.
6. After deduction of cash and cash equivalents pursuant to §9 below, the Fund Management Company may also invest up to 30% of the Fund's assets as follows:
- a) as indirect investments in ILSs in the form of:
- aa) units or shares of open-ended investment funds or other open-ended undertakings for collective investment of a similar function (open-ended funds), the units or shares of which are regularly redeemed or repurchased on the basis of their net asset value and which are set up in accordance with the law of a certain country; and
- ab) units or shares of closed-ended investment funds, investment companies or other closed-ended undertakings for collective investment of a similar function (closed-ended funds), which are set up in accordance with the law of a certain country and traded on a stock exchange or other regulated market open to the public.

These target funds invest in principle in insurance-linked securities, and may also cover the insurance risks using derivative financial instruments and take up debt.

These target funds may be investment undertakings of all kinds (specifically contractual investment funds, investment companies, unit trusts, limited partnerships) as well as foreign investment funds not authorized for distribution on a commercial basis in Switzerland or that originate from countries not eligible for authorization in Switzerland under the practice of the Swiss Financial Market Supervisory Authority due to the failure to specify equivalent legislation and/or supervision pursuant to Art. 120.2 CISA.

Subject to the provisions of §20.4, the Fund Management Company may acquire units or shares of target funds that are managed directly or indirectly by the Fund Management Company itself or a company with which it is related by virtue of common management or control or by way of a direct or indirect stake of more than 10% of the capital or votes.

- b) derivative financial instruments pursuant to §12, provided they have as their underlyings investments pursuant to Sections 2 and 3 above. The derivatives are either traded on a stock exchange or other regulated market open to the public, or are traded OTC. Investments in derivatives traded OTC (OTC transactions) are only permitted if (i) the counterparty is a regulated financial intermediary specializing in such transactions, and (ii) the OTC derivatives can be traded daily or a return to the issuer is possible at any time. In addition, it must be possible for them to be valued in a reliable and transparent manner.
- c) short-term liquid assets
- ca) in the form of call or time deposits denominated in a freely convertible currency with terms to maturity not exceeding twelve months with banks domiciled in Switzerland or in a member state of the European Union or in another country, provided that the bank is subject to supervision in this country which is equivalent to the supervision in Switzerland, including fiduciary investments (with the Custodian Bank making the investments as a fiduciary at the Fund's risk); and
- cb) in the form of money market instruments issued by issuers worldwide and denominated in a freely convertible currency. The money market instruments must be liquid, it must be possible to value them, and they must be traded on an exchange or other regulated market open to the public; money market instruments which are not traded on an exchange or other regulated market open to the public may only be acquired if the issue or the issuer is subject to provisions regarding creditor or investor protection and if the money market instruments are issued or guaranteed by issuers pursuant to Art. 74.2 CISO.

## §9 Cash and cash equivalents

The Fund Management Company may also hold cash and cash equivalents in an appropriate amount in the Fund's currency of account or in any other currency in which investments are permitted. Cash and cash equivalents comprise bank deposits as well as claims from repurchase agreements at call or on demand with maturities up to twelve months.

## B Investment techniques and instruments

### §10 Securities lending

1. The Fund Management Company may lend all types of securities which are traded on an exchange or other regulated market open to the public. However, it may not lend securities acquired under a reverse repo transaction.
2. The Fund Management Company may lend securities in its own name and for its own account to a borrower ("principal") or appoint an intermediary to put the securities at the disposal of the borrower either indirectly on a fiduciary basis ("agent") or directly ("finder").
3. The Fund Management Company will only carry out securities lending transactions with first-class borrowers or intermediaries which are specialized in transactions of this type, such as banks, brokers and insurance companies, as well as recognized securities clearing organizations that guarantee the proper execution of the securities lending transactions.
4. If the Fund Management Company must observe a notice period, which may not be more than 10 bank business days, before it can legally repossess the loaned securities, it may not lend more than 50% of the eligible holding of a particular security. However, should the borrower or the intermediary contractually guarantee to the Fund Management Company that it may legally repossess loaned securities on the same or following bank business day, then the entire eligible holding of a particular security may be lent.
5. The Fund Management Company must conclude an agreement with the borrower or intermediary whereby the latter pledges or transfers collateral to the Fund Management Company for the purposes of guaranteeing restitution in accordance with Art. 8 CISO-FINMA. The value of the collateral must at all times be equal to at least 105% of the market value of the loaned securities or at least 102% if the collateral consists of (i) liquid assets or (ii) fixed or variable-interest securities that have a current long-term rating of at least AAA, Aaa or the equivalent from a ratings agency recognized by FINMA. Moreover, the borrower or intermediary is liable for ensuring the prompt, unconditional payment of any income accruing during the lending period, as well as for the assertion of other proprietary rights and for the return of securities of the same type, quantity and quality as per the terms of the agreement.
6. The Custodian Bank must ensure that the securities lending transactions are handled in a secure manner in line with the agreements and in particular must monitor compliance with the requirements relating to collateral. For the duration of the lending transactions it will also be responsible for the corporate actions assigned to it under the custody account regulations and for asserting all rights associated with the loaned securities, provided these have not been ceded under the terms of an applicable framework agreement.

### §11 Securities repurchase agreements

1. The Fund Management Company may enter into securities repurchase agreements for the Fund's account. Securities repurchase agreements may be concluded as either repos or reverse repos.  
A "repo" is a legally binding transaction whereby one party (the borrower or repo seller) undertakes to temporarily transfer ownership of specific securities to another (the lender or repo buyer) against remuneration, while the lender undertakes to return to the borrower securities of the same type, quantity and quality at the end of the repo term together with any income earned during such term. The price risk associated with the securities must be borne by the borrower for the duration of the repo transaction.  
From the perspective of the counterparty (lender), a repo is a reverse repo. By means of a 'reverse repo', the Fund Management Company acquires securities for investment purposes and at the same time agrees to return securities of the same type, quantity and quality and to transfer all income received during the term of the reverse repurchase agreement.
2. The Fund Management Company may conduct repurchase agreements in its own name and on its own account with a counterparty ("principal"), or may instruct an intermediary to conclude repurchase agreements with a counterparty either indirectly in a fiduciary capacity ("agent") or directly ("finder").
3. The Fund Management Company will conduct repurchase agreements only with first-class counterparties and intermediaries specializing in transactions of this type, such as banks, brokers and insurance companies or recognized securities clearing organizations that guarantee the proper execution of the repurchase agreements.
4. The Custodian Bank must ensure that the repurchase agreements are conducted in a secure manner and that the contractual terms are complied with. It must ensure on a daily basis that fluctuations in the value of the securities used in the repo transactions are compensated in cash or securities (mark to market). It is also responsible for the corporate actions assigned to it under the custody account regulations and for asserting all rights pertaining to the securities used in the repo transactions, provided these have not been ceded under the terms of an applicable framework agreement.
5. For repo transactions, the Fund Management Company may use all types of securities which are traded on an exchange or other regulated market open to the public. It may not use securities acquired under a reverse repo for repo transactions.
6. If the Fund Management Company must observe a notice period, which may not be more than 10 bank business days, before it can legally repossess the securities used in a repo transaction, it may not use more than 50% of the eligible holding of a particular security for repos. However, should the counterparty or the agent contractually commit to the Fund Management Company that it may legally repossess securities used in a repo transaction on the same or following bank business day, then the entire holdings of a particular security eligible for repo transactions may be used.
7. Engaging in repo transactions is deemed to be taking up a loan pursuant to §13, unless the money received is used to acquire securities of the same type, quality, credit rating and maturity in conjunction with the conclusion of a reverse repo.



8. With regard to reverse repos, the Fund Management Company may only acquire fixed or variable-interest securities issued or guaranteed by the Swiss Confederation, Swiss cantons and municipalities, or by issuers which have the minimum credit ratings required by the supervisory authority.
9. Claims arising from reverse repos are deemed to be cash and cash equivalents pursuant to §9 and not extending a loan pursuant to §13.

## § 12 Derivative financial instruments

1. The Fund Management Company may use derivatives for the efficient management of the Fund's assets. It must ensure that even under extreme market circumstances, the financial effect of the use of derivatives does not result in a deviation from the investment objectives set out in the Fund Contract, the Prospectus and the Simplified Prospectus, and that it does not change the investment character of the Fund. Furthermore, the underlyings of the derivatives must be permitted as investments according to the present Fund Contract.

The collective investment schemes legislation envisages three risk assessment processes for the use of derivatives: Commitment Approaches I and II for "simple investment funds" and the model approach combined with stress tests for "complex investment funds". A modified Commitment Approach II is used for the Fund. Commitment Approach II is an extended process. Both leverage and short selling are permitted.

2. The overall exposure of the Fund associated with derivatives may therefore not exceed 100% of its net assets, and the overall exposure may not exceed a total of 200% of its net assets. When taking into account the possibility of temporary borrowing amounting up to 25% of the net fund assets pursuant to §13.2, the overall exposure of the Fund may be up to 225% of the net fund assets.  
The Fund Management Company must at all times be able to meet the payment and delivery obligations entered into in respect of the derivatives from the Fund's assets in accordance with collective investment schemes legislation.
3. The Fund Management Company may in particular use basic forms of derivatives such as call or put options whose value at expiration is linearly dependent on the positive or negative difference between the market value of the underlying and the strike price and is zero if the difference is preceded by the opposite algebraic sign, credit default swaps (CDSs), swaps, whose payments are dependent on the value of the underlying or on an absolute amount in both a linear and a path-independent manner, as well as futures and forward transactions whose value is linearly dependent on the value of the underlying. It may also use combinations of basic forms of derivatives, as well as derivatives whose economic mode of operation cannot be described by a basic form of derivative or a combination of basic forms of derivatives (exotic derivatives).
4.
  - a) The derivatives will be broken down by the Fund Management Company into the three risk categories of market risk, credit risk and currency risk. If a derivative entails risks in different categories, it will be included in each of the corresponding risk categories with its underlying equivalent. In the case of futures, forwards and swaps, the underlying equivalent is determined by taking the product of the number of contracts and the contract value. In the case of options, it is determined by taking the product of the number of contracts, the contract value and the delta (provided one has been calculated).
  - b) Counterpositions in derivatives on the same underlying and in investments in that underlying may be netted off against one another.
  - c) Counterpositions in different underlyings may be netted off against one another only if they are similar in terms of market risk, credit risk and currency risk and exhibit a high correlation.
  - d) Call options sold and put options purchased may be included in the netting process only if their delta has been calculated.
  - e) For each risk category, the absolute amounts of the underlying equivalents of the derivatives will be added together, subject to any netting in accordance with b to d. In none of the three risk categories may the sum of the underlying equivalents ever exceed the net fund assets.
  - f) Payment obligations in respect of derivatives must at all times be covered by near-money assets, debt securities and rights or equities that are traded on an exchange or other regulated market open to the public, in accordance with collective investment schemes legislation. These near-money assets and investments may be used to cover several derivative positions at the same time, provided these are subject to a market risk or credit risk and are based on the same underlyings.
  - g) Physical delivery obligations in respect of derivatives must at all times be covered by the corresponding underlyings or by other investments, provided the associated risks, such as market risks, currency risks and interest risks, are similar to those of the underlying to be delivered, the investments and the underlyings exhibit a high correlation, the investments and the underlyings are highly liquid and, should delivery be requested, they may be purchased or sold at any time. Underlyings may be used as cover for several derivative positions at the same time, provided these are subject to a market risk, credit risk or currency risk and are based on the same underlyings.
5. The Fund Management Company may use both standardized and non-standardized derivatives. It may conclude transactions with derivatives on an exchange or other regulated market open to the public or in OTC (over-the-counter) trading.
6.
  - a) The Fund Management Company may conclude OTC transactions only with regulated financial intermediaries specialized in such types of transactions that ensure proper execution of the contract. If the counterparty is not the Custodian Bank, the former or the guarantor must meet the minimum credit rating requirements laid down in collective investment schemes legislation under Art. 33 CISO-FINMA.
  - b) It must be possible to reliably and verifiably value an OTC derivative on a daily basis and to sell, liquidate or close out the derivative at market value at any time.
  - c) If no market price is available for an OTC-traded derivative, it must be possible to determine the price at any time based on the market value of the underlyings using appropriate valuation models that are recognized in practice. Moreover, before the conclusion of such transactions, specific offers must be obtained from at least two potential counterparties, and the most favorable offer must be accepted, under due consideration of the price, credit rating, risk distribution and the range of services offered by the counterparties. The conclusion of the transaction and pricing must be clearly documented.
7. In respect of compliance with the statutory and contractual investment restrictions (maximum and minimum limits), derivatives will be factored in in accordance with the legislation on collective investment schemes.

8. The Prospectus contains further information on:
  - the importance of derivatives as part of the investment strategy;
  - the effect of the use of derivatives on the risk profile of the Fund;
  - the counterparty risks attached to derivatives;
  - any increased volatility and increased overall exposure (leverage effect) resulting from the use of derivatives;
  - any use of credit derivatives.

### **§ 13 Taking up and extending loans**

1. The Fund Management Company may not grant loans for the Fund's account. Securities lending transactions pursuant to §10 and securities repurchase agreements taking the form of reverse repos pursuant to §11 are not deemed to be loans within the meaning of this paragraph.
2. The Fund Management Company may borrow the equivalent of up to 25% of the net fund assets on a temporary basis, provided the Custodian Bank approves the terms of the loan when the loan is taken up. Securities repurchase agreements taking the form of repos pursuant to §11 are deemed to be borrowing within the meaning of this paragraph unless the funds obtained are used as part of an arbitrage transaction for the acquisition of securities of the same type, quality, credit rating and maturity in connection with a reverse repo.

### **§ 14 Encumbrance of the Fund's assets**

1. No more than 60% of the net fund assets may be pledged or ownership thereof transferred as collateral by the Fund Management Company at the expense of the Fund.
2. The Fund's assets may not be encumbered with guarantees. An exposure-increasing credit derivative is not deemed to be a guarantee within the meaning of this clause.

## **C Investment restrictions**

### **§ 15 Diversification of risk**

1. The regulations on risk diversification pursuant to §15 must include the following:
  - a) investments pursuant to §8, with the exception of index-based derivatives, provided the index is sufficiently diversified, is representative of the market it relates to and is published in an appropriate manner;
  - b) cash and cash equivalents pursuant to §9;
  - c) claims against counterparties arising from OTC transactions.
2. Companies which form a group in accordance with international accounting regulations are deemed to be a single issuer.
3. Including derivative financial instruments, the Fund Management Company may invest up to a maximum of 15% of the Fund's assets in securities and money market instruments issued by the same issuer. The total value of the securities and money market instruments of issuers in which more than 10% of the Fund's assets are invested may not exceed 30% of the Fund's assets. The provisions of Sections 4 and 5 apply notwithstanding.
4. The Fund Management Company may invest up to a maximum of 20% of the Fund's assets in sight and time deposits with the same bank. Both the cash and cash equivalents pursuant to §9 and the bank deposits pursuant to §8.6ca must be included in this limit.
5. The Fund Management Company may invest up to a maximum of 5% of the Fund's assets in OTC transactions with the same counterparty. If the counterparty is a bank domiciled in Switzerland or in a member state of the European Union or another country in which it is subject to supervision equivalent to that in Switzerland, this limit is increased to 10% of the Fund's assets.
6. Investments, deposits and claims pursuant to Sections 3-5 above and issued by the same issuer/borrower may not in total exceed 20% of the Fund's assets.
7. Investments pursuant to Section 3 above of the same group of companies may not in total exceed 20% of the Fund's assets.
8. The Fund Management Company may invest up to a maximum of 20% of the Fund's assets in units or shares of the same collective investment scheme (target fund).
9. The Fund Management Company may acquire up to a maximum of 10% each of the non-voting equity, debt and/or money market instruments of the same issuer as well as a maximum of 25% of the units or shares of a target fund.

The limit of 10% specified above is increased to 20% if the securities are insurance-linked securities. However, for all of the funds it manages, the Fund Management Company may acquire up to a maximum of 40% of the insurance-linked securities of the same issuer.
10. The restrictions pursuant to Section 9 do not apply if the gross amount of the debt instruments, money market instruments or the units of a target fund cannot be calculated at the time of the acquisition. They also do not apply in the case of securities and money market instruments that are issued or guaranteed by a country or a public-law entity from the OECD or by an international public-law organization to which Switzerland or a member state of the European Union belongs.

11. The total of all investments per direct, independent insured event may not exceed 30% of the Fund's assets. For seasonal insured events, this figure rises to 40% outside the season. Hurricanes in the US between December 1 and May 31 constitute seasonal insured events outside the official season. Detailed information on direct, independent insured events is available in the Prospectus.
12. The total of all investments per indirect, independent insured event may not exceed 30% of the Fund's assets. Indirect event risks are insured events that require the prior occurrence of an independent insured event. Detailed information on indirect, independent insured events is available in the Prospectus.
13. Within the direct and indirect insured event categories, the Fund Management Company seeks to further diversify risk.

## IV Calculation of the net asset value and the issue and redemption of Shares

### § 16 Calculation of the net asset value

1. The net asset value of the Fund and the proportions attributable to the individual Classes are calculated in the accounting currency at the market value as of the end of the financial year and on the last bank business day in Zurich each month.
2. Listed securities or securities traded on another regulated market open to the public will be valued at the current prices paid on the main market. Other investments or investments for which no current market value is available will be valued at the price which would probably be obtained in a diligent sale at the time of the valuation. In such cases, the Fund Management Company will use appropriate and recognized valuation models and principles to determine the market value.
3. For investments traded over the counter (OTC), the best bid price of a financial intermediary (in accordance with §8.4a) available to the Fund Management Company on the last bank business day of the current month will apply.
4. Open-ended collective investment schemes are valued at their redemption price/net asset value. If they are regularly traded on a stock exchange or other regulated market open to the public, the Fund Management Company may value them in accordance with Section 2.
5. The value of money market instruments not traded on a stock exchange or other regulated market open to the public is determined as follows: the valuation price of such investments is successively adjusted in line with the repayment price, taking the net purchase price as the basis and ensuring that the investment returns calculated in this manner are kept constant. If market conditions change significantly, the valuation basis for the individual investments is adjusted to reflect the new market rate of return. If no current market price exists, the values will, as a rule, be based on money market instruments with similar characteristics (issuer quality and place of registered office, issue currency, maturity).
6. Bank deposits are valued on the basis of the amount due plus accrued interest. If there are significant changes in market conditions or credit rating, the valuation principles for time deposits will be adjusted in line with the new circumstances.
7. The net asset value per unit of a given class is determined by the proportion of the market value of the Fund's assets attributable to that Share Class, minus any of the Fund's liabilities that are attributed to that Share Class, divided by the number of Shares of that Class in circulation. It is rounded to 1/100 of one unit of the reference currency of the Share Class concerned.
8. The proportion of the market value of the Fund's net assets (the Fund's assets minus its liabilities) attributable to the individual Share Classes is determined for the first time at the initial issue of more than one Class of Shares (if this occurs simultaneously) or the initial issue of a further Share Class. The calculation is made on the basis of the assets accruing to the Fund for each Share Class. The proportion is recalculated when one of the following events occurs:
  - a) when Shares are issued and redeemed;
  - b) on the pertinent date for distributions, provided that (i) such distributions are only made for individual Share Classes (distribution classes) or provided that (ii) the distributions of the various Share Classes differ when expressed as a percentage of the respective net asset values or provided that (iii) different commissions or costs are charged on the distributions of the various Share Classes when expressed as a percentage of the distribution;
  - c) when the net asset value is calculated, as part of the allocation of liabilities (including due or accrued costs and commissions) to the various Share Classes, provided that the liabilities of the various Share Classes are different when expressed as a percentage of the respective net asset value, especially if (i) different commission rates are applied for the various Share Classes or if (ii) class-specific costs are charged;
  - d) when the net asset value is calculated, as part of the allocation of income or capital gains to the various Share Classes, provided the income or capital gains stem from transactions made solely in the interests of one Share Class or in the interests of several Share Classes but disproportionately to their proportion of the net fund assets.

### § 17 Issue and redemption of Shares

1. Fund Shares are issued on the last bank business day of each month in Zurich. Subscription applications for a given calendar month are to be submitted to the Fund Management Company by 12.00 noon (Zurich time) on the 20<sup>th</sup> day of that calendar month. The issue price of the Shares of a Class is determined by the NAV per Share calculated for the last bank business day of the current calendar month pursuant to §16, plus any issuing commission pursuant to §19.
2. Applications for the redemption of Shares must be received by the Fund Management Company by 12.00 noon (Zurich time) on the 20<sup>th</sup> day of a given calendar month at the latest, in order to be redeemed on the last bank business day of that month in Zurich. The redemption price of the Shares of a Class corresponds to the NAV per Share for the last bank business day of the calendar month determined in accordance with §16.
3. Incidental costs for the sale and purchase of investments (standard brokerage charges, fees, taxes, etc.) incurred by the Fund when investing the amount paid in by the investor, or in the sale of that portion of investments corresponding to a redeemed Share, are charged to the Fund's assets.

4. The Fund Management Company may suspend the issue of Shares at any time, and may reject applications for the subscription or switching of Shares. The Fund Management Company reserves the right to temporarily suspend the issue of Shares, especially when investment demand exceeds supply (market liquidity) and the investment objective consequently cannot be attained.
5. The Fund Management Company may temporarily and by way of exception suspend the redemption of Shares in the interest of all investors under the following exceptional circumstances:
  - a) if a market which is the basis for the valuation of a significant portion of the Fund's assets is closed or if trading on such a market is subject to restrictions or suspended;
  - b) in the event of a political, economic, military, monetary or other emergency;
  - c) if transactions are rendered impossible for the Fund owing to foreign exchange restrictions or restrictions on other asset transfers;
  - d) if redemptions are so extensive that they could have a significant negative impact on the interests of the remaining investors.
6. The Fund Management Company must immediately inform the Auditors and the supervisory authority of the suspension decision. It must also notify the investors in a suitable manner.
7. No Shares will be issued as long as the redemption of Shares is suspended for the reasons given under Section 5a to 5c above.

#### **§ 18 Payments by furnishing assets rather than in cash (non-cash contributions)**

1. For the purposes of integrating an in-house bank fund, the Fund Management Company may exceptionally allow assets pursuant to § 8 to be furnished for inclusion in the Fund in place of a cash contribution. The assets pursuant to § 8 to be included in the Fund must be readily valuable and liquid. The Fund Management Company will approve this type of transaction only if it complies fully with the Fund Contract and the Fund's current investment policy, does not have a detrimental impact on the interests of the other investors in any way, and has received the prior approval of the supervisory authority.
2. The Fund Management Company must prepare a report in which the deposited assets are listed separately and which shows their market value on the transfer date, the number of Shares transferred in return, and any settlement of fractions in cash.
3. The Custodian Bank checks compliance with the duty of loyalty and the other conditions mentioned above in each individual case, and also checks the simultaneous valuation both of the assets to be transferred and the corresponding Fund Shares. It must report any reservations or objections immediately to the Auditors.
4. All relevant transactions are to be stated in the Fund's annual report.

## **V Fees and incidental costs**

#### **§ 19 Fees and incidental costs charged to the investor**

1. For the issuance of Shares, investors can be charged an issuing commission accruing to the Fund Management Company, Custodian Bank and/or distributors in Switzerland and abroad together not exceeding 5.0% of the net asset value in the case of the A Class and not exceeding 2.5% of the net asset value in the case of the IA Class; on the redemption of Shares of the A Class, a redemption commission not exceeding 2% will be charged. Insofar as and to the extent that Shares of the Fund are issued/redeemed in connection with the redemption/issue of units or shares of other collective investment schemes of which Clariden Leu Ltd., Zurich, is the Promoter, the issuing commission may not exceed 2.5% in the case of the A Class or 0.25% in the case of the IA Class, and no redemption commission will be charged. This is subject to the prerequisite that an applicant provides the Fund Management Company, the Custodian Bank or their agents with adequate evidence of this fact. The currently applicable maximum rate is stated in the Prospectus and the Simplified Prospectus.
2. If the Fund is dissolved, the Custodian Bank will charge investors a commission of 0.5% of the NAV of their Shares for disbursing the proceeds of the liquidation.

#### **§ 20 Fees and incidental costs charged to the Fund's assets**

1. For the administration, asset management and distribution of the Fund and to cover the costs incurred, the Fund Management Company charges the Fund an annual all-in fee not exceeding 2.0% p.a. for A Class Shares and not exceeding 1.5% p.a. for IA Class Shares (all-in management fee). This fee is calculated on the basis of the NAV. It is calculated at the end of each month and charged at the end of each quarter on a pro rata basis. Information on the rate actually charged can be found in the annual and semi-annual reports.

The Fund Management Company must disclose in the Prospectus whether it pays reimbursements to investors and/or trailer fees to distributors.

The Fund Management Company bears all costs arising in connection with both the management and the distribution of the Fund, such as:

- annual costs and fees for the authorization and supervision of the Fund in Switzerland and abroad;
- other supervisory body fees;
- costs for printing the annual and semi-annual reports and costs for having them translated into the official languages of Switzerland and English;
- publishing prices and notices to investors;
- fees associated with any listing of the Fund and with distribution in Switzerland and abroad;
- commissions and costs charged by the Custodian Bank for the safekeeping of the Fund's assets, the provision of payment services and the other tasks listed in § 4;
- payment of annual distributions to investors;
- fees charged by the Auditors;
- advertising costs.

2. For the distribution of annual income to the investors, the Custodian Bank charges the Fund a commission not exceeding 0.5% of the gross amount of the distribution for all Share Classes.
3. Furthermore, the Custodian Bank and the Fund Management Company are entitled to reimbursement of the costs incurred for any extraordinary action they may take in the interests of the investors.
4. In addition the Fund bears all the incidental costs incurred in connection with the management of the Fund's assets for the sale and purchase of investments (standard brokerage charges, fees, taxes). These costs are deducted directly from the cost or market value of the investments concerned.
5. If the Fund Management Company acquires units in target funds that are managed directly or indirectly by the Fund Management Company itself or a company with which it is related by virtue of common management or control or by way of a direct or indirect stake of more than 10% of the capital or votes, only a reduced all-in management fee not exceeding 0.25% p.a. may be charged to the Fund's assets in respect of such investments. Furthermore, the Fund Management Company may not charge to the Fund any issuing or redemption commissions of the related target funds.

If the Fund Management Company invests in shares of a related target fund pursuant to the above paragraph that has a lower actual (all-in) management fee than the actual all-in fee pursuant to Section 1, the Fund Management Company may – instead of charging the aforementioned reduced all-in fee on the assets invested in this target fund – charge the difference between the actual all-in fee of the investing fund and the actual (all-in) management fee of the target fund.

6. At the level of the target funds and other investment instruments or undertakings for collective investment, costs and commissions regularly arise that are also borne economically by indirect investors such as the investors in the Fund. Target funds and other investment instruments or undertakings for collective investment may charge performance fees in addition to fixed management fees. Any reductions in commissions, trailer fees, distribution remuneration payments etc. due in respect of investments made for the Fund's account in other non-related investment funds, investment instruments or undertakings for collective investment are credited exclusively to the Fund's assets.
7. The following costs may also be charged to the Fund's assets:
  - customary bank charges in connection with the safe custody of assets by third parties (sub-custody);
  - all taxes and duties levied on the Fund's assets, its income and on any outlays charged to the Fund's assets.

## **VI Financial statements and audits**

### **§21 Financial statements**

1. The Fund's accounting currency is the US dollar.
2. The reference currencies of the individual Share Classes are as follows:
  - Clariden Leu (CH) Cat Bond Fund CHF A Class: the Swiss franc,
  - Clariden Leu (CH) Cat Bond Fund EUR A Class: the euro,
  - Clariden Leu (CH) Cat Bond Fund USD A Class: the US dollar,
  - Clariden Leu (CH) Cat Bond Fund CHF IA Class: the Swiss franc,
  - Clariden Leu (CH) Cat Bond Fund EUR IA Class: the euro,
  - Clariden Leu (CH) Cat Bond Fund USD IA Class: the US dollar.
3. The financial year of the Fund runs from January 1 to December 31.
4. The Fund Management Company will publish an audited annual report for the Fund within four months of the end of the financial year.
5. The Fund Management Company will publish an unaudited semi-annual report within two months following the end of the first half of the financial year.
6. The investor's right to obtain information under §5.3 applies notwithstanding.

### **§22 Audits**

The Auditors will examine whether the Fund Management Company and the Custodian Bank have acted in compliance with the provisions of the Fund Contract, the CISA and the Code of Conduct of the Swiss Funds Association SFA. The Fund's annual report will contain a short report by the Auditors on the published annual financial statements.

## **VII Appropriation of net income**

### **§23**

1. The net income of the Fund will be distributed to the investors annually at the latest within four months of the end of the financial year in the reference currency of the pertinent Share Class. The Fund Management Company may make additional interim distributions from the income. Up to 30% of the net income including income carried forward from previous financial years may be carried forward to the new account. If the net income in a financial

year including income carried forward from previous financial years is less than 1% of the net fund assets and is less than 1.00 per Share in the reference currency of the Share Class concerned, a distribution may be waived and the entire net income carried forward to the new account.

2. Capital gains realized on the sale of assets and rights can be distributed by the Fund Management Company or retained for the purpose of reinvestment.

## VIII Fund publications

### §24

1. The media of publication of the Fund are deemed to be the print media or electronic media specified in the Prospectus. Notification of any change in a medium of publication must be published in the media of publication.
2. The following information must in particular be published in the media of publication: summaries of material amendments to the Fund Contract, indicating the offices from which the amended wording may be obtained free of charge, any change of Fund Management Company and/or Custodian Bank, the creation, dissolution or merger of Share Classes, as well as the liquidation of the Fund. Amendments that are required by law and do not affect the rights of investors or are of an exclusively formal nature may be exempted from the duty to publish subject to the approval of the supervisory authority.
3. Each time Shares are issued or redeemed, the Fund Management Company will publish both the issue and the redemption prices together or the net asset value with a footnote "excluding commissions" for all Share Classes in at least one of the print media or electronic media specified in the Prospectus. Prices are published daily.
4. The Prospectus including the Fund Contract, the Simplified Prospectus, and also the annual and semi-annual reports may be obtained free of charge from the Fund Management Company, the Custodian Bank and all distributors.

## IX Restructuring and dissolution

### §25

#### Mergers

1. Subject to the consent of the Custodian Bank, the Fund Management Company can merge funds by transferring – as of the time of the merger – the assets and liabilities of the fund(s) being acquired to the acquiring fund. The investors of the fund(s) being acquired will receive the corresponding number of Shares in the acquiring fund. The fund(s) being acquired is/are terminated without liquidation when the merger takes place, and the fund contract of the acquiring fund will also apply for the fund(s) being acquired.
2. Investment funds may only be merged if:
  - a) provision for this is made in the relevant fund contracts;
  - b) they are managed by the same fund management company;
  - c) the relevant fund contracts are basically identical in terms of the following provisions:
    - the investment policy, risk diversification, and the risks associated with the investment
    - the appropriation of net income and capital gains
    - the type, amount and calculation of all fees, the issue and redemption commission together with the incidental costs for the purchase and sale of the investments (brokerage fees, charges, duties) that may be charged to the fund's assets or to the investors
    - the redemption conditions
    - the duration of the contract and the conditions of dissolution;
  - d) the valuation of the assets of the funds involved, the calculation of the exchange ratio and the transfer of the assets and liabilities takes place on the same day;
  - e) no costs arise as a result for either the funds or the investors.
3. If the merger is likely to take more than one day, the supervisory authority may approve limited deferment of repayment in respect of the units of the investment funds involved.
4. The Fund Management Company must submit the proposed merger together with the merger schedule and intended changes to the Fund Contract to the supervisory authority for review at least one month before their planned publication. The merger schedule must contain detailed information on the reasons for the merger, the investment policies of the funds involved and any differences between the acquiring fund and the fund(s) being acquired, the calculation of the exchange ratio, any differences with regard to remunerations and any tax implications for the funds, as well as a statement from the competent auditors pursuant to the CISA.
5. The Fund Management Company must publish a notice of the proposed change to the Fund Contract pursuant to §24.2 and the proposed merger together with the merger schedule at least two months before the planned date of merger in the official publications of the funds in question. In this notice the Fund Management Company must inform the investors that they may lodge objections with the supervisory authority within 30 days from the final publication or request redemption of their units in accordance with the provisions of the fund contracts.

6. The auditors must check directly that the merger is being carried out correctly, and submit a report containing their comments in this regard to the Fund Management Company and the supervisory authority.
7. The Fund Management Company must inform the supervisory authority of the conclusion of the merger and publish notification of the completion of the merger, the confirmation from the auditors regarding the proper execution of the merger and the exchange ratio without delay in the official publications of the funds involved.
8. The Fund Management Company must make reference to the merger in the next annual report of the acquiring fund and in the semi-annual report if published prior to the annual report. If the merger does not take place on the last day of the usual financial year, an audited closing statement must be produced for the fund(s) being acquired.

#### **§26 Term of the Fund and dissolution**

1. The Fund has been established for an indefinite period.
2. Either the Fund Management Company or the Custodian Bank may dissolve the Fund by terminating the Fund Contract subject to one month's notice.
3. The Fund may be dissolved by order of the supervisory authority, in particular if at the latest one year after the expiry of the subscription period (launch) or a longer extended period approved by the supervisory authority at the request of the Custodian Bank and the Fund Management Company it does not have net assets of at least 5 million Swiss francs (or the equivalent).
4. The Fund Management Company must inform the supervisory authority of the dissolution immediately and must publish notification in the media of publication.
5. Once the Fund Contract has been terminated, the Fund Management Company can immediately liquidate the assets of the Fund. If the supervisory authority has ordered the dissolution of the Fund, it must be liquidated forthwith. The payment of the liquidation proceeds to investors is the responsibility of the Custodian Bank. If the liquidation proceedings are protracted, payment may be made in installments. Prior to the final payment, the Fund Management Company must obtain authorization from the supervisory authority.

### **X Changes to the Fund Contract**

#### **§27**

If changes are made to this present Fund Contract, or if the merger of Share Classes or a change in the Fund Management Company or Custodian Bank is planned, the investors may lodge objections with the supervisory authority within 30 days of the last relevant notice published. In the event of a change to the Fund Contract (including the merger of Share Classes) the investors can also demand the redemption of their Shares in cash subject to the contractual period of notice. Exceptions in this regard are cases pursuant to §24.2 that have been exempted from the duty to publish with the approval of the supervisory authority.

### **XI Applicable law, jurisdiction**

#### **§28**

1. The Fund is subject to Swiss law, in particular the Swiss Federal Act on Collective Investment Schemes (CISA) of June 23, 2006, the Ordinance on Collective Investment Schemes of November 22, 2006 (CISO), and the Ordinance of the Swiss Financial Market Supervisory Authority on Collective Investment Schemes of December 21, 2006 (CISO-FINMA).

The court of jurisdiction is the court at the Fund Management Company's registered office. The Fund Management Company, the Custodian Bank and the distributors reserve the right to recognize the jurisdiction of countries in which Fund Shares are publicly distributed and the competence of other courts resulting therefrom.

2. Only the German version is valid and binding for the interpretation of the present Fund Contract.
3. The present Fund Contract replaces that of July 2008.
4. The present Fund Contract will enter into force on September 21, 2009.

The Fund Management Company:  
Zurich,  
Swiss Investment Company SIC Ltd., Zurich:

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The Custodian Bank:  
Zurich,  
Clariden Leu Ltd., Zurich:

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## Supplementary Sheet

### Information for investors domiciled in Singapore:

The offer or invitation which is the subject of this Information Memorandum is not allowed to be made to the retail public. This information memorandum is not a prospectus as defined in the Securities and Futures Act, Chapter 289 of Singapore ("SFA"). Accordingly, statutory liability under that Act in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you.

This Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of units may not be circulated or distributed, nor may units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 304 of the SFA, (ii) to a relevant person, or any person pursuant to Section 305(2), and in accordance with the conditions, specified in Section 305 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where units are subscribed or purchased under Section 305 by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the units a/o shares pursuant to an offer made under Section 305 except:

- (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 305(5) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000<sup>1</sup> (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law.

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<sup>1</sup> If the offers are made after Section 103 of the Securities and Futures (Amendment) Act 2009 has come into operation, the required consideration will be reduced to an amount which must not be less than S\$100,000 (or its equivalent in foreign currencies) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets.



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