

VISA 2012/87813-1875-0-PC

L'apposition du visa ne peut en aucun cas servir  
d'argument de publicité

Luxembourg, le 2012-10-08

Commission de Surveillance du Secteur Financier



## VALARTIS RUSSIAN MARKET FUND

*an investment company with variable capital*  
*(société d'investissement à capital variable)*

*organised as an undertakings for collective investment in transferable securities*  
*(organisme de placement collectif en valeurs mobilières)*

*incorporated in and under the laws of the Grand Duchy of Luxembourg*

VAT Registration No. LU21668963

## PROSPECTUS

25 SEPTEMBER 2012

## CONTENTS

1. MANAGEMENT AND ADMINISTRATION.....	6
2. DEFINITIONS .....	8
3. PRINCIPAL FEATURES.....	10
4. INTRODUCTION .....	12
5. INVESTMENT OBJECTIVES AND POLICY.....	13
6. INVESTMENT RESTRICTIONS.....	15
7. TECHNIQUES & INSTRUMENTS.....	22
8. PREVENTION OF MONEY LAUNDERING AND AGAINST TERRORISM FINANCING REGULATIONS .....	26
9. APPLICATIONS AND REDEMPTIONS.....	28
10. VALUATIONS, FEES AND EXPENSES.....	33
11. MANAGEMENT .....	38
12. CUSTODIAN.....	40
13. DOMICILIARY, REGISTRAR AND TRANSFER AND ADMINISTRATIVE AGENT .....	41
14. DISTRIBUTION AGREEMENT.....	42
15. TAXATION.....	43
16. RISK FACTORS .....	45
17. DIVIDEND POLICY.....	48
18. GENERAL AND STATUTORY INFORMATION .....	49
19. LIQUIDATION .....	54
20. MERGERS OF CLASSES OF SHARES .....	55
21. CONFLICTS OF INTEREST.....	56

Valartis Russian Market Fund (the **SICAV**) is a *société anonyme* which was incorporated under the laws of the Grand Duchy of Luxembourg as a *société d'investissement à capital variable* and under the name The MC Russian Market Fund. The change of the name of the SICAV from "The MC Russian Market Fund" into "Valartis Russian Market Fund" was approved by the Shareholders at an extraordinary general meeting held on the 25th of September 2012. The SICAV is subject to Part I of the law of 17 December 2010 relating to undertakings collective investment (the **2010 Law**).

The SICAV complies with article 27 of the 2010 Law. The SICAV did not designate a management company.

The Board of Directors of the SICAV is responsible for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that it is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Shares in the SICAV are offered solely on the basis of the information and representations contained in this Prospectus and any further information given or representations made by any person may not be relied upon as having been authorised by the SICAV or its Directors. Neither the delivery of this document nor the allotment or issue of Shares shall under any circumstances create any implication that there has been no change in the affairs of the SICAV since the date hereof.

This Prospectus does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation. The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted and, accordingly, persons into whose possession this document comes are required to inform themselves about, and to observe, such restrictions. Prospective investors should inform themselves as to (a) the legal requirements within their own jurisdictions for the purchase, holding or disposal of Shares in the SICAV, (b) any foreign exchange restrictions which may affect them, and (c) the income and other tax consequences which may apply in their own jurisdictions relevant to the purchase, holding or disposal of Shares in the SICAV.

No person is authorised to give any information or to make any representation other than those contained in this Prospectus, or in the documents referred to in the Prospectus and which can be consulted by the public.

A Key Investor Information Document (**KIID**) for each Class of Shares available must be made available to investors free of charge prior to any subscription for Shares. Prospective investors must consult the KIID pertaining to the relevant Class of Shares in which they intend to invest. Requests for subscription or conversion of Shares will be accepted upon verification by the Board of Directors that the (prospective) Shareholder has received the relevant KIID available on the website of the Promotor at [www.valartisfunds.ch](http://www.valartisfunds.ch) or free of charge at the registered office of the SICAV during normal business hours on any Business Day.

Subscriptions can be accepted only on the basis of the current Prospectus, which is valid only if accompanied by a copy of the latest SICAV's annual report containing its audited accounts, and of the

semi-annual report if this was published after the SICAV's latest annual report. These reports form an integral part of the present Prospectus.

If you are in doubt about the contents of this Prospectus or about your position in relation to the acquisition, holding, disposal or receipt of distributions in respect of shares you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

The SICAV is not a recognised collective investment scheme for the purposes of the Financial Services Act 1986 of the United Kingdom (the **1986 Act**). This Prospectus may only be issued or passed on in the United Kingdom to persons falling within the scope of Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1995 and the Shares in the SICAV may only be promoted in the United Kingdom by an authorised person under the 1986 Act in accordance with the Financial Services (Promotion of Unregulated Schemes) Regulations 1991 as from time to time amended.

The Shares in the SICAV have not been and will not be registered under the United States Securities Act of 1933, as amended (the **1933 Act**) or under any other laws of any state of the United States and, therefore, the Shares may neither be offered, sold or transferred in the United States of America (included its territories and possessions), nor benefit directly or indirectly to a US Person. The Shares in the SICAV being offered hereby have not been approved or recommended by the United States Securities Exchange Commission (the **SEC**) or any state of the United States or other governmental authority and neither the SEC nor any such authority has passed upon the accuracy or adequacy of this document. The non-US financial institutions not participating to the FATCA program or to similar program set up by partner countries having signed an agreement with the United States of America, may be subject to compulsory redemption of their shares at the entry in force and following the terms of such program.

The SICAV is not and will not be registered under United States Investment Company Act of 1940, as amended (the **1940 Act**). Based on interpretations of the 1940 Act by the staff of the SEC relating to foreign investment companies, if the SICAV has more than 100 beneficial owners who are US Persons, it may become subject to the 1940 Act. The Directors will not knowingly permit the number of Shareholders who are US Persons to be more than 80. The Investment Manager will not be registered under the 1940 Act. The attention of US Persons is drawn to the compulsory redemption powers mentioned in Clause 9 of this Prospectus.

The Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the 1933 Act, and the applicable state securities laws, pursuant to registration or exemption therefrom (for example, to qualified institutional buyers in reliance on Regulation 144A or to non-US Persons in offshore transactions in reliance on Regulation S under the 1933 Act). Investors should be aware that they could be required to bear the financial risks of this investment until the SICAV is wound up.

The Shares will not be offered in Russia to Russian residents as such offer may require the authorization of the relevant Russian authorities for the transfer of capital and neither the Shares in the SICAV nor this document have been registered in Russia under Russian federal or local laws for the purposes of selling Shares in Russia to Russian residents.

The registration of the SICAV pursuant to the 2010 Law does not require any Luxembourg authority to approve or disapprove either the adequacy of this Prospectus or the portfolio of securities held by the SICAV. Any representation to the contrary is unauthorised and unlawful. The above information is for general guidance only. Prospective applicants for Shares should inform themselves as to the legal requirements applying, any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Prospective investors' attention is also drawn to Clause 16.

The personal data of the subscriber and/or distributor are handled by KBL European Private Bankers S.A., Kredietrust Luxembourg S.A. and European Fund Administration S.A. (**EFA**) to enable them to manage the SICAV administratively and commercially, to enable operations to be handled pursuant to the stipulations of the Prospectus and the service contracts, to ensure that payments received are correctly assigned, that general meetings are held correctly and shareholder certificates correctly drawn up if necessary. The subscriber or distributor has the right to access his/her data in order to modify, correct or update them.

The SICAV draws the investors' attention to the fact that any investor will only be able to fully exercise his investor rights directly against the SICAV, notably the right to participate in general shareholders' meetings if the investor is registered himself and in his own name in the shares' register of the SICAV. In cases where an investor invests in the SICAV through an intermediary investing into the SICAV in his own name but on behalf of the investor, it may not always be possible for the investor to exercise certain shareholder rights directly against the SICAV. Investors are advised to take advice on their rights.

## 1. MANAGEMENT AND ADMINISTRATION

<b>Board of Directors</b>	Philipp LEIBUNDGUT Chairman	Valartis Bank AG Sihlstrasse 24 CH-8001 Zürich
	Walter FETSCHERIN Director	Former Swiss Ambassador to Russia
	André HEUSSER Director	Valartis Bank S.A. 2-4, Place du Molard CH-1211 Geneva
	André SCHMIT Director	Kredietrust Luxembourg S.A. 11, Rue Aldringen L - 1118 Luxembourg
	Bernhard BOLLIGER Director	Valartis Bank AG Sihlstrasse 24 CH-8001 Zürich
<b>Conducting Officers (Délégués à la gestion journalière)</b>	André SCHMIT	Kredietrust Luxembourg S.A. 11, Rue Aldringen L - 1118 Luxembourg
	Bernhard BOLLIGER	Valartis Bank AG Sihlstrasse 24 CH-8001 Zürich
<b>Investment Manager Distributor</b>	Valartis Bank AG	Sihlstrasse 24 CH-8001 Zürich
<b>Investment Adviser</b>	Valartis International Ltd	RG Hodge Plaza, 3 <sup>rd</sup> Floor Wickhams Cay 1 Road Town, Tortola British Virgin Islands
<b>Custodian Principal Paying Agent</b>	KBL European Private Bankers S.A.	43, boulevard Royal L-2955 Luxembourg

**Domiciliary Agent  
Registrar and  
Transfer Agent  
Administrative  
Agent**

Kredietrust Luxembourg S.A.

11, rue Aldringen  
L-2960 Luxembourg

**Auditor**

Ernst & Young

6, rue Jean Monnet  
L-2180 Luxembourg

## 2. DEFINITIONS

<b>Articles</b>	The Articles of Incorporation of the SICAV
<b>Board of Directors</b>	The board of directors of the SICAV
<b>Business Day</b>	Any day on which banks are open for business in all of London, Luxembourg-City, Moscow, and Geneva
<b>Class of Shares</b>	Class A, Class B, Class C and Class D Shares differentiating themselves by their fee structure, minimum investment level and their currency
<b>CSSF</b>	<i>Commission de Surveillance du Secteur Financier</i> , regulatory body of the financial sector in Luxembourg
<b>EUR</b>	The currency of the European Union Member States who have adopted the Single Currency.
<b>Euroclear System</b>	Clearing system for Subscriptions and Redemptions
<b>Hire Act</b>	The US “Hiring Incentives to Restore Employment Act” of 18 April 2010
<b>Issue Price</b>	The price at which the Shares in the SICAV are issued
<b>Moody's</b>	Moody's Investor Services, Inc.
<b>Net Asset Value or NAV</b>	The Net Asset Value of the SICAV calculated in accordance with the provisions of the Articles
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>Redemption Price</b>	The price per Share at which Shares in the SICAV are redeemed, calculated as described in Clause 9
<b>Regulated Market</b>	A market functioning regularly, which is regulated, recognized and open to the public, as defined in the Directive 2004/39/EC on markets in financial instruments
<b>Russian Federation or Russia</b>	Those regions, territories, republics, areas and cities which from time to time constitute the geographic area recognised as “Russia”



<b>Russian Companies</b>	Those corporations, joint stock companies, economic societies, trusts and other entities created, registered and otherwise established in the Russian Federation and those created, registered and otherwise established outside the Russian Federation operating or investing primarily in the Russian Federation or deriving a preponderant part of their income from the Russian Federation
<b>S &amp; P</b>	Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc.
<b>Shares</b>	Shares in the SICAV of no par value
<b>Shareholder</b>	A holder of Shares as recorded in the SICAV's register of Shares
<b>UCI</b>	Undertaking for collective investment within the meaning of the 2010 Law
<b>UCITS</b>	Undertaking for collective investment in transferable securities within the meaning of the 2010 Law
<b>United States</b>	The United States of America, any state, territory, or possession thereof, any area subject to its jurisdiction, the District of Columbia, or any enclave of the United States Government or its agencies or instrumentalities
<b>USD or US\$</b>	The currency of the United States
<b>US Person</b>	Has the meaning ascribed to such term in the Regulation S of the 1933 Act and include US entities and US resident individuals as construed under the Hire Act and implementing regulations known under the acronym FATCA

### 3. PRINCIPAL FEATURES

The following is a summary of the principal features of the SICAV and should be read in conjunction with the full text of this Prospectus from which it is derived.

#### **The SICAV**

The SICAV is an open-ended investment company incorporated in Luxembourg on 13 May 1996. The Shares in the SICAV are listed on the Luxembourg Stock Exchange. It qualifies as an UCITS under Part I of the 2010 Law.

#### **Investment Objective**

The investment objective of the SICAV is to achieve long-term capital appreciation through investing in Russian Companies, as well as companies in Eastern Europe, the C.I.S. and elsewhere within the limits set forth in Clause 6.

#### **Subscriptions and Redemptions**

Shares may be offered on each Business Day at the Issue Price and redeemed on any Business Day at the prevailing Redemption Price.

The minimum subscription is for:

<b>Class of Shares</b>	<b>Minimum subscription amount</b>
Class A Shares	USD 250,000.-
Class B Shares	USD 10,000.-
Class C Shares	EUR 250,000.-
Class D Shares	USD 1,000,000.-

This minimal amount may be waived at the discretion of the Board of Directors. Details of additional charges payable on the issue of Shares are set out in Clause 9.

#### **Dividend Policy**

Capital gains, interest, dividends and other income received will be automatically reinvested, and no dividend will be paid to shareholders, as it is the SICAV's objective to achieve long term capital appreciation. Nonetheless, the Board of Directors may decide to propose a dividend to the general meeting of the shareholders if the Board of Directors deems this to be in their best interest, due for example to changes in the macroeconomic or fiscal environment.

#### **Taxation**

Under current Luxembourg law, the SICAV will not be liable to taxation in Luxembourg on its net income or capital gains, nor are dividends paid by the SICAV liable to any Luxembourg withholding tax. The SICAV is, however, liable in Luxembourg to a tax of 0.05% per annum of its net assets (see further in Clause 15).

**Risk Factors**

An investment in the SICAV carries substantial risks. The risks inherent in investment in the Russian Federation are of a nature and degree not typically encountered in investing in securities of companies listed on major security markets worldwide. There can be no assurance that the SICAV's investment objective will be achieved and investors should be aware that investment results may vary substantially over time. An investment in the SICAV is not intended to be a complete investment program for any investor. Prospective investors should carefully consider whether an investment in the SICAV is suitable for them in the light of their circumstances and financial resources (see further in Clause 16).

## 4. INTRODUCTION

The SICAV was incorporated on 13 May 1996 in the Grand Duchy of Luxembourg as a *Société d'Investissement à Capital Variable* under the name The MC Russian Market Fund, registered with the Luxembourg Register of Commerce and Companies under number B 54.765 and authorized by the CSSF on 17 May 1996.

On 30 September 2011, an extraordinary general meeting of the shareholders of the SICAV decided to amend the Articles in order to convert the SICAV from an UCI governed by part II of the 2010 Law to a UCITS governed by part I of the 2010 Law.

The shareholders of the SICAV resolved at the extraordinary general meeting held on 25 September 2012 to rename the SICAV “Valartis Russian Market Fund”.

## **5. INVESTMENT OBJECTIVES AND POLICY**

The objective of the SICAV is to achieve long-term capital appreciation through investing at least two thirds of the SICAV's net assets in Russian companies or companies exercising their predominant economic activity in Russia. The SICAV may also invest in companies in Eastern Europe, the C.I.S. and elsewhere up to a maximum of one third of its total net assets.

In order to achieve its objectives, the SICAV may also invest up to 10% of its net assets in shares/units of undertakings for collective investment (investing their assets or a part of them according to the investment policy of the SICAV, the Investment Manager of the SICAV committing that on a consolidated basis at least two thirds of the net assets of the SICAV will be invested in Russian companies or companies exercising their predominant economic activity in Russia).

The SICAV will not invest in any company where the Investment Manager considers such investment would not be in the best interests of the Shareholders.

The SICAV should not hold large cash positions but may do so if it believes that the investment climate requires such a decision, meaning if substantial unfavourable changes of the social, political or economic situation in countries where investments for the SICAV are made, or Shares of the SICAV are distributed.

The SICAV may use derivatives for the purpose of hedging or for an efficient portfolio management, to complete or to get such exposure to the Russian equity market. Please refer to Clause 7.

### **5.1. Typical investors' Profile**

An investment in the SICAV is only suitable for investors who are able to accept significant losses and a high level of volatility.

### **5.2. Risk factors and Investment Restrictions**

There are a number of risks associated with an investment in the Shares. Potential Investors' attention is drawn to the risk factors set out in Clause 16.

If Russian domestic shares are bought, these must be listed on the "Russian Trading System Stock Exchange" or the "Moscow Interbank Currency Exchange".

No more than 25% of the SICAV's assets may be invested in securities whose return represents "savings income" pursuant to Council Directive 2003/48/EC of 3 June 2003 concerning the taxation of savings income.

### **5.3. Temporary or defensive investments**

During periods when the Investment Manager believes that conditions, whether political or economic, are unfavourable, the SICAV may, for temporary or defensive purposes (and subject to the principle of risk diversification) invest up to 100% (by way of exception to Clause 6.2) the available liquid assets in short-term (less than 12 months to maturity) debt securities or hold cash or deposit. These securities in which the SICAV can invest will consist of (a) obligations of governments of OECD countries and their respective agencies; (b) bank deposits and bank obligations (including overnight paper, certificates of deposit, time deposits and bankers' acceptances) denominated in any OECD currency; (c) floating rate securities and other instruments denominated in any currency issued by OECD governments or international or supra-national organisations; (d) corporate commercial paper and other short-term corporate debt obligations; and (e) repurchase agreements with banks and broker-dealers with respect to such securities. The SICAV intends to invest in such short-term debt securities rated, at the time of investment, "A" or higher by Moody's or S&P or, if unrated by either rating agency, in the opinion of the Investment Manager, of equivalent credit quality.

## 6. INVESTMENT RESTRICTIONS

Unless more restrictive rules are provided, the investments of the SICAV shall comply with the following limits and restrictions:

### 6.1. The SICAV will invest only in:

- (i) transferable securities and Money Market Instruments listed or dealt in on a Regulated Market; and/or transferable securities and Money Market Instruments dealt in on another Regulated Market in a Member State of the European Union;
- (ii) transferable securities and Money Market Instruments admitted to official listing on a stock exchange in any other country in Eastern and Western Europe (including Russia), Asia, Oceania, Australia, the American continents and Africa or dealt in on another Regulated Market in the countries referred to above;
- (iii) recently issued transferable securities and money market instruments, provided that the terms of issue include an undertaking that application will be made for admission to official listing on a Regulated Market, a official stock exchanges in another State or on another Regulated Market referred to above under (i) to (ii) and that such a listing will be obtained within one year of the date of issue;
- (iv) UCITS authorized according to the Directive 2009/65/EC as amended and/or other UCIs within the meaning of Article 1, paragraph (2) of the said Directive, whether they be located in an EU Member State or not, provided that:
  - such other UCIs are authorized under laws which provide that they are subject to supervision considered by the CSSF to be equivalent (Hong-Kong, Canada, Japan, Switzerland, the United States of America, Norway, Brazil and Singapore) to that laid down in EU Community law, and that cooperation between authorities is sufficiently ensured;
  - the level of protection for shareholders in the other UCIs is equivalent to that provided for shareholders in a UCITS and in particular that the rules on asset segregation, borrowing, lending, uncovered sales of transferable securities and money market instruments are equivalent to the requirements of Directive 2009/65/EC as amended;
  - the business of the other UCIs is reported in semi-annual and annual reports to enable an assessment of the assets and liabilities, income and expenses over the reporting period;
  - no more than 10% of the UCITS's or the other UCI's net assets can, according to their constitutional documents, be invested in aggregate in units of other UCITS or

other UCIs;

- (v) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than twelve months, provided that the credit institution has its registered office in an EU Member State or, if the registered office of the credit institution is located in a non-EU Member State, provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law.
- (vi) financial derivative instruments, including equivalent cash-settled instruments, dealt in on a Regulated Market; and/or OTC Derivatives, provided that:
  - the underlying consists of instruments covered by Article 41, paragraph (1) of the 2010 Law, financial indices, interest rates, foreign exchange rates or currencies, in which the SICAV may invest according to its investment objectives as stated in the constitutive documents of the SICAV;
  - the counterparties to OTC Derivative transactions are financial institutions subject to prudential supervision, and belonging to the categories approved by the CSSF for the time being only credit institutions and broker-dealers being first-rated class financial institutions specialized in that kind of market (that have their registered office in an EU Member State or in the US or in Canada are used); and
  - the OTC Derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the SICAV's initiative;
- (vii) money market instruments other than those dealt in on a Regulated Market, which are liquid and whose value can be determined with precision at any time, if the issuer or issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that they are:
  - issued or guaranteed by a central, regional or local authority or central bank of an EU Member State, the European Central Bank, the European Union or the European Investment Bank, a non-EU Member State or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more EU Member States belong; or
  - issued by a company any securities of which are dealt in on a Regulated Market; or
  - issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by EU Law, or by an establishment which is subject to and complies with prudential rules considered by the CSSF to be at least as stringent as those laid down by EU Law; or
  - issued by other bodies belonging to the categories approved by the CSSF provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indents above in this paragraph and provided that the issuer is a company whose capital and reserves amount to at least ten million Euros (EUR 10,000,000) and which presents and publishes its



annual accounts in accordance with the fourth Directive 78/660/EEC, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

A maximum of up to 10% of the SICAV's net assets may consist of assets other than those enumerated in Clause 6.1.

## **6.2. The SICAV may hold on ancillary basis cash given that cash level may not exceed 49% of the SICAV's Net Assets**

The SICAV may borrow up to 10% of its net assets on a temporary basis.

For the purpose of this restriction back to back loans for the purpose of acquiring foreign currency are not considered to be borrowings.

## **6.3. Investments in one issuer**

Companies which are included in the same group for the purposes of consolidated accounts, as defined in Directive 83/349/EU, as amended, or in accordance with recognised international accounting rules are regarded as a single body for the purpose of calculating the limits contained in the Clause 6.4. (i) to (v).

## **6.4. Transferable Securities, money market instruments and deposits**

- (i) The SICAV may not invest more than 10% of its net assets in transferable securities and money market instruments issued by the same issuer.
- (ii) For the SICAV, the total value of the transferable securities and money market instruments held, amounting more than 5% per issuer must not exceed 40% of its total net assets.
- (iii) The SICAV may not invest more than 20% of its net assets in deposits made with the same body.
- (iv) The risk exposure to a counterparty of the SICAV in an OTC Derivative transaction may not exceed 10% of its net assets when the counterparty is a credit institution referred to in paragraph 6.1 (v) above or 5% of its net assets in other cases.
- (v) The limit laid down in paragraph 6.4. (i) is increased to a maximum of 35% if the transferable securities and money market instruments are issued or guaranteed by an EU Member State, its local authorities, by a non EU Member State or by public international bodies of which one or more EU Member States are members. The limit is raised to a maximum of 25% for certain Transferable Debt Securities if they are issued by a credit institution having its registered office in an EU Member State and which is subject, by law,

to special public supervision designed to protect the holders of Transferable Debt Securities. In particular, sums deriving from the issue of such Transferable Debt Securities must be invested pursuant to the Law in assets which, during the whole period of validity of such Transferable Debt Securities, are capable of covering claims attaching to the Transferable Debt Securities and which, in the event of bankruptcy of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

- (vi) When the SICAV invests more than 5% of its net assets in such Transferable Debt Securities as referred to in the preceding paragraph and issued by one issuer, the total value of these investments may not exceed 80% of the value of its net assets.

The restriction described in Clauses 6.4. (ii) is not applicable to the investments described in the above paragraph (v).

- (vii) **Notwithstanding the above paragraphs, the SICAV is authorised to invest in accordance with the principle of risk spreading up to 100% of its net assets in transferable securities and money market instruments issued or guaranteed by an EU Member State, by its local authorities, by another member of the OECD or by public international bodies of which one or more EU Member States are members, provided that the SICAV holds transferable securities from at least six different issues, and that transferable securities from one issue do not account for more than 30% of the total net assets of the SICAV.**

- (viii) The limits laid down in Clauses 6.4 (i) and (ii) are raised to a maximum of 20% for investments in shares and/or bonds issued by the same body when, the aim of the Company's investment policy is to replicate the composition of a certain stock or bond index which is recognized by the CSSF, on the following basis:
  - the composition of the index is sufficiently diversified,
  - the index represents an adequate benchmark for the market to which it refers,
  - it is published in an appropriate manner.

The limit of 20% is raised to 35% where that proves to be justified by exceptional market conditions in particular in regulated market where certain transferable securities or money market instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.

## **6.5. Units of other UCIs**

- (i) The SICAV may not invest more than 20% of its net assets in a single UCITS or UCI as defined in Clause 6.1. (iv). For the purposes of applying this investment limit, each compartment of a UCITS or UCI with multiple compartments shall be considered as a separate issuer, provided that the principle of segregation of liabilities of the different compartments is ensured in relation to third parties.

- (ii) Investments in other UCIs may not exceed in aggregate 30% of the net assets of the SICAV.
- (iii) No subscription or redemption fees may be charged to the SICAV if the latter invests in the units of UCITS and/or other UCIs managed directly or by delegation by the Investment Manager or by any other company with which the Investment Manager is linked by common management or control, or by a substantial direct or indirect holding of more than 10% of the capital or votes. Nevertheless, a reduced management fees (maximum of 0.25% per year) may be charged on these investments.
- (iv) If the SICAV invests a substantial proportion of its net assets in other UCITS and/or UCIs then it shall disclose in its Prospectus the maximum level of the management fees that may be charged both to the SICAV and to the other UCITS and/or UCIs in which it intends to invest. In its annual report the SICAV shall indicate the maximum percentage of management fees charged both to the SICAV itself and to the UCITS and/or other UCI in which it invests.

## **6.6. Combined limits**

- (i) Notwithstanding the individual limits laid down in Clauses 6.4. (i) to (vii), the SICAV may not combine (a) investments in transferable securities or money market instruments issued by a single body; (b) deposits made with a single body; and/or (c) exposure arising from OTC Derivative transactions undertaken with a single body in excess of 20% of its net assets.
- (ii) The limits set out in Clauses 6.4. (i) to (v) may not be combined; thus investments in transferable securities or money market instruments issued by the same body, in deposits or derivative instruments made with this body carried out in accordance with Clauses 6.4 (i) to (v) shall under no circumstances exceed in total 35% of its net assets.

## **6.7. Influence over one Issuer**

- (i) The SICAV may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body;
- (ii) Moreover, the SICAV may acquire no more than:
  - 10% of the non-voting shares of the same issuer;
  - 10% of the Transferable Debt Securities of the same issuer;
  - 25% of the units of the same UCITS and/or other UCI;
  - 10% of the money market instruments issued by the same issuer;
- (iii) The limits laid down in the second, third and fourth indents may be disregarded at the time of acquisition if at that time the net amount of Transferable Debt Securities or money market instruments or the net amount of the transferable securities in issue cannot be

calculated;

(iv) The limits contained in hereabove paragraphs (i) and (ii) are waived as regards to:

- Transferable securities and money market instruments issued or guaranteed by a EU Member State or its local authorities;
- Transferable securities and money market instruments issued or guaranteed by a non-Member State of the European Union;
- Transferable securities and money market instruments issued by public international bodies of which one or more EU Member States are members;
- Shares held by UCITS in the capital of a company incorporated in a non-Member State of the European Union which invests its assets mainly in the transferable securities of issuing bodies having their registered office in that State, where under the legislation of that State, such a holding represents for the UCITS the only way in which it can invest in the transferable securities of issuing bodies of that State. This derogation, however, shall apply only if in its investment policy the company from the non-Member State of the European Union complies with the limits laid down in Articles 43 and 46 and Article 48 (1) and (2) of the 2010 Law. Where the limits set in Articles 43 and 46 of the 2010 Law are exceeded, Article 49 of the 2010 Law shall apply *mutatis mutandis*;
- Shares held by one or several investment companies in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the repurchase of units at unit-holder's requests exclusively on its or their behalf.

## **6.8. Prohibited Transactions**

The SICAV is prohibited from engaging in the following transactions:

- (i) Make investments in, or enter into transactions involving precious metals, commodities or certificates representing them;
- (ii) Purchase or sell real estate or any option, right or interest therein, provided the SICAV may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein;
- (iii) Issue rights to subscribe or warrants in Shares of the SICAV;
- (iv) Enter into uncovered short sales of Transferable Securities or Money Market Instruments, UCITS, UCIs or financial derivative instruments;
- (v) Invest in any assets involving the assumption of unlimited liability of the investor;
- (vi) Mortgage, pledge, hypothecate or in any manner encumber as security for indebtedness any securities owned or held by the SICAV, except as may be necessary in connection with the borrowings permitted by paragraph 6.2. above, on terms that the total market value of the securities so mortgaged, pledged, hypothecated or transferred shall not exceed that proportion of the SICAV's assets necessary to secure such borrowings; the deposit of securities or other assets in a separate account in connection with repurchase, reverse purchase agreements and derivative contracts such as option, forward or financial

futures transactions shall not be considered to be mortgage, pledge, hypothecation or encumbrance for this purpose;

- (vii) Grant loans or act as a guarantor on behalf of third parties. This restriction shall not prevent the SICAV from acquiring Transferable Securities, Money Market Instruments, UCITS, UCIs, or financial derivative instruments which are not fully paid;
- (viii) Underwrite transferable securities of other issues.

## 7. TECHNIQUES & INSTRUMENTS

### 7.1. Financial Futures, Options and Contract For Difference on transferable securities, currencies or financial instruments

To ensure that the portfolio is managed effectively and for hedging purposes, the SICAV may buy and sell call and put options, futures contracts and CFDs (**Contract For Difference**) involving transferable securities, currencies or any other type of financial instrument, provided that these derivative instruments are traded on a regulated market, operating regularly, that is recognized and open to the public, on the understanding, however, that these derivative instruments may also be traded over-the-counter (**OTC**), provided they are contracted with leading financial institutions subject to prudential supervision in accordance with criteria defined by community law specializing in this type of transaction.

#### 7.1.1. Hedging of Market Risks

As a global hedge against the risk of unfavourable stock market movements, the SICAV may sell stock index futures and call options on stock indices or purchase put options thereon. The objective of these hedging operations assumes that a sufficient correlation exists between the composition of the index used and the SICAV's portfolio. In principle, the total commitment resulting from futures contracts and stock index options may not exceed the aggregate estimated market value of the securities held by the SICAV in the corresponding market.

#### 7.1.2. Hedging of Interest Rate Risks

As a global hedge against interest rate fluctuations, the SICAV may sell interest rate futures contracts. For the same purpose, it can also write call options or purchase put options on interest rates or enter into interest rate swaps on a mutual agreement basis with first class financial institutions specialising in this type of operations. In principle the total commitment on futures contracts, options and swap contracts may not exceed the aggregate estimated market value of the assets to be hedged and held by the SICAV in the currency corresponding to those contracts.

#### 7.1.3. Hedging of Currency Risks

In order to protect its assets against the fluctuation of currencies, the SICAV may enter into transactions the purpose of which is the sale of currency futures contracts, sale of call options or the purchase of put options in respect of currencies. The transactions referred to herein may only concern contracts which are traded on a regulated market, operating regularly, recognised and open to the public.

For the same purpose the SICAV may also sell currencies forward or exchange currencies on a mutual agreement basis with first class financial institutions specialising in this type of transactions.

The hedging objective of the transactions referred to above presupposes the existence of a direct relationship between these transactions and the assets which are being hedged and implies that, in principle, transactions in a given currency cannot exceed the total valuation of assets denominated in that currency nor may the duration of these transactions exceed the period for which the respective assets are held.

## **7.2. Securities Lending and Borrowing Repurchase Agreement Transactions (for further details please refer to the CSSF circular 08/356)**

### **7.2.1. Securities lending and borrowing transactions**

The SICAV may enter into securities lending and borrowing transactions provided that they comply with the following rules:

- The SICAV may only lend or borrow securities through a standardized system organized by a recognized clearing institution, through a lending program organized by a financial institution or through a first class financial institution specializing in this type of transaction subject to prudential supervision rules which are considered by the CSSF as equivalent to those provided by Community law.
- As part of lending transactions, the SICAV must receive a guarantee, the value of which must be, during the lifetime of the agreement, equal at any time to at least 90% of the value of the securities lent.
- This guarantee must be given in the form of (i) liquid assets and/or (ii) sovereign OECD bonds, (iii) shares or units issued by specific money market UCIs, (iv) shares or units issued by UCITS investing in bonds issued or guaranteed by first class issuers offering an adequate liquidity, (v) shares or units issued by UCITS investing in shares listed or dealt on a stock exchange of a Member State of the OECD provided they are included in a main index, (vi) direct investment in bonds or shares with the characteristics mentioned in (iv) and (v).

This collateral must be valued on a daily basis and rated AAA or equivalent concerning the shares or units issued by specific money market UCIs. The collateral may be reinvested within the limits and conditions of the CSSF regulations.

### **7.2.2. Repurchase Agreement Transactions**

The SICAV may, on an ancillary or a principal basis, in the description of its investment policy disclosed in the Prospectus, enter into repurchase agreement transactions which consist of the purchase and sale of securities with a clause reserving the seller the right or the obligation to repurchase from the acquirer the securities sold at a price and term specified by the two parties in their contractual arrangement.

The SICAV can act either as purchaser or seller in repurchase agreement transactions or a series of continuing repurchase transactions. Its involvement in such transactions is, however, subject to the following rules:

- (i) The SICAV may not buy or sell securities using a repurchase agreement transaction unless the counterparty in such transactions is a first class financial institution specializing in this type of transaction subject to prudential supervision rules considered by the CSSF as equivalent to those provided by Community law.
- (ii) During the life of a repurchase agreement contract, the SICAV cannot sell the securities which are the object of the contract, either before the right to repurchase these securities has been exercised by the counterparty, or the repurchase term has expired, except to the extent the SICAV has other means of coverage.
- (iii) As the SICAV is exposed to redemptions of its own shares, it must take care to ensure that the level of its exposure to repurchase agreement transactions is such that it is able, at all times, to meet its redemption obligations.

Securities that may be purchased are limited to: (i) short-term bank certificates or money market instruments such as defined within the 2007/16/EC Directive of 19 March 2007 implementing Council Directive 2009/65/EEC on the coordination of laws, regulations, and administrative provisions relating to certain UCITS as regards the clarification of certain definitions (ii) bonds issued or guaranteed by a Member State of the OECD or by their local public authorities or by supranational institutions and undertakings with EU, regional or worldwide scope, (iii) shares or units issued by money market UCIs calculating a daily net asset value and being assigned a rating of AAA or its equivalent, (iv) bonds issued by non-governmental issuers offering an adequate liquidity, (v) shares or units quoted or negotiated on a regulated market of a European Union Member State or on a stock exchange of a Member State of the OECD, on the condition that these shares are included within a main index.

For point (i) and (ii) under this clause, the counterparty risk of the SICAV vis-a-vis one same counterparty may not exceed 10% of its assets when the counterparty is a credit institution having its registered office in the European Union or if it is not the case, it is subject to prudential supervision rules which are considered by the CSSF as equivalent to those provided by Community law (in any other case, the counterparty risk may not exceed 5% of its assets).

The net exposures (i.e. the exposures of the SICAV less the collateral received by the SICAV) to a counterparty arising from securities lending transactions or reverse repurchase / repurchase agreement transactions shall be taken into account in the 20% limit provided for in Article 43 (2) of the 2010 Law pursuant to point 2 of box 27 of the ESMA Guidelines 10-788.

#### **7.2.3. Reinvestment of collateral received in connection with securities lending and repurchase transactions**

The SICAV may reinvest the collateral received in connection with securities lending and repurchase transactions. Reinvestment of the collateral involves risks associated with the type of



investments made. Although the SICAV must avoid an excessive concentration of its reinvestments at issuer and instrument level, the reinvestment of cash received as collateral is not subject to the diversification rules generally applicable to the SICAV. Reinvestment of such collateral may create a leverage effect which will be taken into account for the calculation of the SICAV's global exposure. If the guarantee was given in the form of cash, such cash may be reinvested in:

- (i) shares or units in money market UCIs calculating a daily net asset value and being assigned a rating of AAA or its equivalent,
- (ii) short term bank deposits,
- (iii) money market instruments as defined in Directive 2007/16/EC of 19 March 2007,
- (iv) short term bonds issued or guaranteed by a Member State of the European Union, Switzerland, Canada, Japan or the United States or by their local authorities or by supranational institutions and undertakings with EU, regional or worldwide scope,
- (v) bonds issued or guaranteed by first class issuers offering an adequate liquidity, and
- (vi) reverse repurchase agreement transactions according to the provisions describe under point (ii) hereabove.

## **8. PREVENTION OF MONEY LAUNDERING AND AGAINST TERRORISM FINANCING REGULATIONS**

Pursuant to the law of 12 November 2004 relating to the fight against money laundering and against terrorism financing (as amended) and circulars of the CSSF (ie CSSF circular 08/387 and 10/495) as might be amended from time to time, professional obligations have been outlined to prevent the use of undertakings for collective investments for money laundering or terrorism financing purposes. As a result of such provisions the Registrar and Transfer Agent of the SICAV must ascertain the identity of the subscriber unless the subscription order has come through another professional of the financial sector which is subject to identification requirements equivalent to those required by Luxembourg law.

As a result, the application form of an Investor must be enclosed, in the case of individuals, with, inter alia, a copy of the passport or identification card and/or in the case of legal entities, a copy of the statutes and an extract from the commercial register. Any such copy must be certified to be a true copy by a competent authority (such as for example, an ambassador, consulate, notary or local police or other competent authority in accordance with local law). Such identification procedure may be waived by the Registrar and Transfer Agent in the case of subscription through, in particular, a credit institution, professional of the financial sector or insurance company resident in an EU, EEA or FATF member country having an identification obligation equivalent to that required by Luxembourg law.

The Registrar and Transfer Agent reserves the right to request such information as deemed necessary to verify the identity of a prospective investor. Each of the SICAV and the Registrar and Transfer Agent also reserves the right to request such identification evidence in respect of a transferee of Shares. In the event of delay or failure by the prospective investor or transferee to produce any information required for verification purposes, the Registrar and Transfer Agent may refuse to accept the application or (as the case may be) to register the relevant transfer and (in the case of a subscription of Shares) any funds received will be returned without interest to the account from which the monies were originally debited at the expense of the applicant.

The Registrar and Transfer Agent also each reserves the right to refuse to make any redemption payment to a Shareholder if the SICAV or the Registrar and Transfer Agent suspect or are advised that the payment of any redemption moneys to such Shareholder might result in a breach or violation of any applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or such refusal is considered necessary or appropriate to ensure the compliance by the SICAV, its Directors or the Registrar and Transfer Agent with any such laws or regulations in any relevant jurisdiction.

If, as a result of any information or other matter which comes to his attention, any professional of the financial sector in Luxembourg (including the SICAV, its Directors, the Registrar and Transfer Agent) knows or suspects that another person is engaged in money laundering, such person is required to report such information or other matter pursuant to the relevant anti-money laundering laws Luxembourg and such report shall not be treated as a breach of any restriction upon the disclosure of information imposed by law or otherwise.

In case of refusal by an investor to provide the documents required the application for subscription will not be accepted.

## **9. APPLICATIONS AND REDEMPTIONS**

### **9.1. Late Trading and Market Timing**

The Board of Directors will not knowingly allow investments associated with market timing or late trading practices or other excessive trading practices as such practices may adversely affect the interests of the Shareholders. The Board of Directors shall refuse subscription, conversions or redemptions from Shareholders suspected of such practices and take, as the case may be any other decisions as it may think fit to protect the interests of other Shareholders.

Market timing is to be understood as an arbitrage method through which an investor systematically subscribes and redeems or converts units or share of the same UCI within a short time period, by taking advantage of time differences and/or imperfections or deficiencies in the method of determination of the Net Asset Value of the SICAV.

Late trading is to be understood as the acceptance of a subscription, conversion or redemption order after the time limit fixed for accepting orders (cut-off time) on the relevant day and the execution of such order at the price based on the Net Asset Value applicable to such same day.

### **9.2. Subscriptions**

Shares may be issued on each Business Day at the prevailing Issue Price. Applications for such Shares must be received by the SICAV before 11:30 a.m. (Luxembourg time) on the same Business Day on which the Shares are to be issued.

Applications should generally be made on the Application Form (enclosed with this Prospectus), in writing or by facsimile, which should be sent to:

European Fund Administration  
rue d'Alsace  
P.O. Box 1725  
L-1017 Luxembourg  
Fax: (352) 48 65 61 8002

or

Valartis Bank AG  
Sihlstrasse 24  
CH-8021 Zürich  
Fax: (41) 43 336 81 00

Furthermore, Shares in the SICAV are eligible for purchase through the Euroclear System provided the investor has an established account with Euroclear. Investors wishing to purchase Shares through the Euroclear System should send a formatted instruction in the form used by the

Euroclear System directly to Morgan Guaranty Trust Company of New York, Brussels office as operator of the Euroclear System, quoting the participant's name and account number with Euroclear and referencing the name of the SICAV, and the relevant securities ISIN number.

All purchases and redemptions of Shares made through the Euroclear System are subject to the terms and conditions governing the use of the System, the related operating procedures of the clearing system and applicable law. All securities in the Euroclear System are held on a fungible basis without attribution of specific securities to special securities clearance accounts.

The Euroclear Operator is authorised to disclose to the Investment Manager of the SICAV, or its designated agent, the positions held by the various participants effecting investments in the SICAV through the Euroclear System.

When applying for the first time, investors must subscribe USD 250,000 for Class A Shares, USD 10,000 for Class B Shares, EUR 250,000 for Class C Shares and USD 1,000,000.- for the Class D Shares or more. This minimal amount may be waived at the discretion of the Investment Manager. No fractions of Shares will be issued. Subscriptions will be rounded down to the nearest whole Share and that part of the subscription monies relating to such rounding down will be retained for the benefit of the SICAV.

A subscription fee of up to 4% of the Issue Price may be added upon the issue of Shares following the Initial Offer, except for Class D Shares for which no subscription fee applies. This initial charge will be payable to the Investment Manager or intermediaries who agree to subscribe for or arrange for the subscription of Shares.

Applications are subject to the terms of this document, the Articles of the SICAV and the Application Form. The SICAV reserves the right to refuse any application without having to give any explanation.

**Payment by telegraphic transfer, net of charges, is due in cleared funds within 2 bank business days in Luxembourg following the applicable Net Asset Value, except as may from time to time be decided by the Directors. Payments should be made in the reference currency of the concerned Class of Shares.**

Where subscription monies are not received on the due date, the Board of Directors is not obliged to issue shares on the relevant Business Day. Proceedings may be taken to recover such sums and charge interest on the overdue monies on a daily basis until payment is received in full at such rate as the Board of Directors considers appropriate.

The Board of Directors may from time to time at its discretion determine that no further Shares will be issued by the SICAV if to do so is considered impractical for the efficient operation of the SICAV in accordance with its investment policy.

The SICAV may agree to issue Shares as consideration for a contribution in kind of securities, in compliance with the conditions set forth by Luxembourg law, in particular the obligation to deliver a valuation report from an approved independent auditor ("*réviseur d'entreprises agréé*") which

shall be available for inspection. The securities contributed will be valued at their offer price. Any costs incurred in connection with a contribution in kind of securities shall be borne by the relevant Shareholders.

Shares will be in registered form only and no certificates will be issued in respect thereof. The register of Shares will be kept at the offices of the Registrar and Transfer Agent or his sub-contractor.

	Classes of Shares			
	Class A	Class B	Class C	Class D
<b>Reference Currency</b>	USD	USD	EUR	USD
<b>Minimum Initial Subscription</b>	250,000	10,000	250,000	1,000,000
<b>Minimum Subsequent Subscription</b>	N/A	N/A	N/A	N/A
<b>Subscription Fee</b>	Up to 4%	Up to 4%	Up to 4%	N/A
<b>Redemption Fee</b>	N/A %	N/A	N/A	N/A
<b>Conversion Fee</b>	N/A	N/A	N/A	N/A
<b>Advisory and Management Fee</b>	1% per annum	2.25% per annum	1% per annum	1% per annum
<b>Yearly Incentive Fee</b>	15%	10%	15%	N/A
<b>ISIN Code</b>	LU0066480616	LU0208183011	LU0376698907	LU0376699384
<b>Listing on the Luxembourg Stock Exchange</b>	Yes	No	No	No

### 9.3. Redemptions

A Shareholder may redeem shares on any Business Day at the Redemption Price then ruling. A redemption notice must be received by the SICAV before 11.30 a.m. (Luxembourg time) on the same Business Day on which the Shares are to be redeemed.

Redemption notice should generally be made in writing or by facsimile, which should be sent to:

European Fund Administration  
rue d'Alsace  
P.O. Box 1725  
L-1017 Luxembourg  
Fax: (352) 48 65 61 8002

or

Valartis Bank AG  
Sihlstrasse 24  
CH-8021 Zürich  
Fax: (41) 43 336 81 00

Once given, a redemption notice may not be revoked by Shareholders save where determination of the Redemption Price is suspended in accordance with the terms of the Articles.

Payment of redemption proceeds will be made in the relevant currency of the Class of Shares within 5 Business Days after the relevant Redemption Day. The cost of any administrative expenses will be borne by the SICAV. No redemption fee applies. Contract notes will be dispatched in respect of all redemptions of Shares.

If redemption notices represent, on a Business Day, more than 10% of the total number of Shares in issue, the Board of Directors is entitled to reduce the requests on a pro rata basis and carry out only sufficient redemptions which, in aggregate, amount to 10% of the Shares in issue. Redemption notices for Shares which are not redeemed but which would otherwise have been redeemed will be deferred until the next Business Day and will be dealt with (subject to further deferral if a deferred request exceeds 10% of the Shares in issue) in priority to later redemption notices.

#### **9.4. Temporary Suspension of Issue and Redemption Prices**

The SICAV may suspend the determination of the net asset value per Share of any Class and the issue and redemption of Shares if:

- (i) a stock exchange or another regulated and recognized market (that is a market which is operating regularly and is open to the public), which is a source of pricing information for a significant part of the assets of the SICAV, is closed, otherwise than for ordinary holidays, or in the event that transactions on such a market are suspended, or are subject to restrictions, or are impossible to execute in volumes allowing the determination of fair prices;
- (ii) exchange or capital transfer restrictions prevent the execution of transactions of the SICAV or if purchase or sale transactions of the SICAV cannot be executed at normal rates;
- (iii) the political, economic, military or monetary environment, or an event of *force majeure*, prevent the SICAV from being able to manage normally its assets or its liabilities and prevent the determination of their value in a reasonable manner;
- (iv) when, for any other reason, the prices of any significant investments owned by the SICAV cannot be promptly or accurately ascertained;
- (v) the SICAV or any of the Class of Shares is in the process of establishing exchange parities in the context of a merger or a contribution of assets;
- (vi) when there is a suspension of redemption or withdrawal rights by several companies investment funds in which the SICAV is significantly invested;

- (vii) in case of a decision to liquidate the SICAV or any Class of Shares, on or after the day of publication of the first notice convening the general meeting of shareholders for this purpose.

Any such suspension shall be publicized, if deemed appropriate by the SICAV, and may be notified to applicants for Shares in respect of the applications for which the calculation of the Issue Price has been suspended.

## **9.5. Issue and Redemption Prices**

The Issue and Redemption Price of each Class of Shares will be calculated as at each Business Day by:

- a) Determining the Net Asset Value of the Class of Shares (as described in Clause 10);
- b) Dividing the result of (a) by the number of Shares then in issue or deemed to be in issue in the concerned Class of Shares;
- c) Rounding the result of (b) upwards to the nearest whole hundredth of the currency of the concerned Class of Shares.

## **9.6. Subscription fees**

A subscription fee of up to 4% of the Issue Price, except for Class D Shares for which no subscription fee applies will then be added which sum will be payable to the Investment Manager or intermediaries who agree to subscribe for or arrange for the subscription of Shares.

## **9.7. Listing**

Shares may be listed on the Luxembourg Stock Exchange and quoted in the currency of the Class of Shares.

## **9.8. Conversions between Classes of Shares**

Subject to the respective initial minimum investment thresholds, which also apply for conversions, Shareholders may request the conversion of all or part of their holdings from any Class of Shares into shares of another Class of Shares at a price equal to the respective Issue Price of each Class of Shares.



## 10. VALUATIONS, FEES AND EXPENSES

### 10.1. Valuations

Valuations of the net assets of the Classes of Shares will be carried out on each Business Day. The Net Asset Value of the SICAV will be determined by the Administrative Agent by deducting the liabilities of the SICAV (including without limitation, accrued fees and expenses) from the value of the SICAV's net assets determined on a bid basis in accordance with the Articles. The Net Asset Value will be calculated in USD for Classes A, B and D Shares and in Euro for Class C Shares.

The value of the SICAV's assets shall be determined as follows:

- (i) the value of any cash in hand or on deposit, discount notes, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received, shall be equal to the entire amount thereof, unless the same is unlikely to be paid or received in full, in which case the value thereof shall be determined after making such discount as the Board of Directors may consider appropriate in such case to reflect the true value thereof;
- (ii) the value of all portfolio securities and money market instruments or derivatives that are listed on an official stock exchange or traded on any other regulated market will be based on the last available price on the principal market on which such securities, money market instruments or derivatives are traded, as supplied by a recognized pricing service approved by the Board of Directors. If such prices are not representative of the fair value, such securities, money market instruments or derivatives as well as other permitted assets may be valued at the latest available bid price. If such price is not representative of the fair value, such securities, money market instruments or derivatives may be valued at a fair value at which it is expected that they may be resold, as determined in good faith by and under the direction of the Board of Directors;
- (iii) the value of securities and money market instruments which are not quoted or traded on a regulated market will be valued at a fair value at which it is expected that they may be resold, as determined in good faith by and under the direction of the Board of Directors; investments in private equity securities other than the securities mentioned herein will be valued with the assistance of one or several independent valuer(s) designated by the Board of Directors on the basis of the reasonably foreseeable sales price of the assets concerned, as determined by the relevant independent valuer in accordance with the standards of the valuers' profession, such as the most recent Valuation Guidelines published by the European Venture Capital Association (**EVCA**);
- (iv) transferable debt securities with a remaining maturity of 90 (ninety) days or less in the SICAV will be valued by the amortized cost method which approximates market value;

- (v) the value of the participations in investment funds shall be based on the last available valuation. Generally, participations in investment funds will be valued in accordance with the methods provided by the instruments governing such investment funds. These valuations shall normally be provided by the fund administrator or valuation agent of an investment fund. To ensure consistency within the valuation of the SICAV, if the time at which the valuation of an investment fund was calculated does not coincide with the valuation time of the SICAV, and such valuation is determined to have changed materially since it was calculated, then the net asset value may be adjusted to reflect the change as determined in good faith by and under the direction of the Board of Directors;
- (vi) the valuation of swaps will be based on their market value, which itself depends on various factors (e.g. level and volatility of the underlying asset, market interest rates, residual term of the swap). Any adjustments required as a result of issues and redemptions are carried out by means of an increase or decrease in the nominal of the swaps, traded at their market value;
- (vii) the valuation of derivatives traded over-the-counter (**OTC**), such as futures, forward or option contracts not traded on exchanges or on other recognized markets, will be based on their net liquidating value determined, pursuant to the policies established by the Board of Directors on the basis of recognized financial models in the market and in a consistent manner for each category of contracts. The net liquidating value of a derivative position is to be understood as being equal to the net unrealized profit/loss with respect to the relevant position;
- (viii) the value of other assets will be determined prudently and in good faith by and under the direction of the Board of Directors in accordance with generally accepted valuation principles and procedures.

The Board of Directors, at its discretion, may authorize the use of other methods of valuation if it considers that such methods would enable the fair value of any asset of the SICAV to be determined more accurately.

Where necessary, the fair value of an asset is determined by the Board of Directors, or by a committee appointed by the Board of Directors, or by a designee of the Board of Directors.

The valuation of the SICAV's assets and liabilities expressed in foreign currencies shall be converted into the relevant reference currency, based on the latest known exchange rates.

All valuation regulations and determinations shall be interpreted and made in accordance with generally accepted accounting principles.

For each Class of Shares, adequate provisions will be made for expenses incurred and due account will be taken of any off-balance sheet liabilities in accordance with fair and prudent criteria.

For each Class of Shares, the net asset value per share shall be calculated in the relevant reference currency with respect to each Valuation Day by dividing the net assets attributable to such Class of Shares (which shall be equal to the assets minus the liabilities attributable to such Class of Shares) by the number of shares issued and in circulation in such Class of Shares.

The SICAV's net assets shall be equal to the sum of the net assets of all its Classes of Shares.

In the absence of bad faith, gross negligence or manifest error, every decision to determine the net asset value taken by the Board of Directors or by any bank, company or other organization which the Board of Directors may appoint for such purpose, shall be final and binding on the SICAV and present, past or future shareholders.

## 10.2. Fees and Expenses

### 10.2.1. Investment Manager and Investment Advisers

The SICAV will pay an aggregate management/advisory fee of:

- (i) for Classes A and C Shares, 1% per annum payable quarterly in arrears based and calculated on the average weekly Net Asset Value of the Class of Shares;
- (ii) for Class B Shares, 2.25% per annum payable quarterly in arrears based and calculated on the average weekly Net Asset Value of the Class of Shares.
- (iii) for Class D Shares 1% per annum payable quarterly in arrears based and calculated on the average weekly Net Asset Value of the Class of Shares.

Furthermore, a performance fee equal to 15% for Classes A and C Shares and 10% for Class B Shares of any progression of the Net Asset Value of the valuation day compared to the last Net Asset Value which entailed a payment of performance, multiplied by the number of shares, will be charged to the SICAV. An accrual for the performance fee is made on each valuation day, when appropriate, and the final performance fee will be payable annually, based on the last valuation day of December in each year. If losses are incurred in the Net Asset Value, the performance fee will not be paid until the losses are recovered and there are new profits.

The performance fee will be due only if at the end of the calculation period, the Net Asset Value per share has reached a new all-time high which is higher than the net asset value which has served to the payment of the last performance fees (**high water mark**).

The performance fee is payable annually on the basis of the last valuation day of December of each year.

In calculating the performance fee, the Net Asset Value per share shall be calculated before any accumulated performance fee is deducted. Moreover, it should be noted that the Net Asset Value per share may differ from one Class of Shares to the next, and that separate performance fee

calculations shall be carried out for each of the Classes of Share in the same SICAV, which may result in different performance fees.

The allocation of the above mentioned fees between the Investment Manager and Investment Adviser will be agreed between the two parties from time to time. In no case will the aggregate fees exceed the aforesaid percentages.

#### 10.2.2. Custodian

The fees for KBL European Private Bankers S.A.'s services are charged as specified in Clause 12. The Custodian will be entitled to a fee expressed as a reduced percentage of the net assets of the SICAV, payable monthly, and to a flat transaction fee on all operations relating to receipt or delivery of portfolio securities.

#### 10.2.3. Operating Fees and Expenses

The SICAV will bear the commission and other costs of all transactions carried out by it or on its behalf including:

- (i) the charges and expenses of legal advisers and independent auditors,
- (ii) brokers' commissions (if any) and any issue or transfer taxes chargeable in connection with its securities transactions,
- (iii) all taxes and corporate fees payable to governmental agencies,
- (iv) communications expenses with respect to investor services and all expenses of meetings of Shareholders and of preparing, printing and distributing financial and other reports, proxy forms, prospectuses, Key Investor Information Documents and similar documents,
- (v) the cost of insurance (if any),
- (vi) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business;
- (vii) the cost of obtaining and maintaining the listing of Shares on the Luxembourg Stock Exchange and all other organizational and operating expenses;
- (viii) the fees of the Directors, the Delegates, the Custodian, the Paying Agent, the Domiciliary Agent, the Registrar and Transfer Agent, the Administrative Agent;
- (ix) the costs and expenses incurred in connection with the formation of the SICAV;
- (x) the fees and expenses involved in registering and maintaining the registration of the SICAV with any governmental agency; and
- (xi) the cost of publication of prices and its other operating expenses as well as the listing fees, the custody charges of banks and clearing houses to whom custody of assets are entrusted.

The costs and expenses incurred in connection with the formation of the SICAV and the issue of shares referred to herein, including those incurred in the preparation and publication of this Prospectus and Key Investor Information Documents, all legal and printing costs, certain launch expenses (including advertising costs) and preliminary expenses, were borne by the SICAV,

charged to the classes of Shares on a pro-rata basis of the Net Asset Values at the end of the initial subscription period and amortised over the first five years on a straight line basis.

Each new Class of Shares will bear its own formation expenses which will be amortised over a five years' period starting on the day of opening of the Class of Shares concerned.

Each of the Directors is entitled to remuneration for the services he renders at the rate determined by the SICAV in general meeting from time to time. Each of the Directors will be reimbursed for any expenses incurred during the performance of his duties.

Each Class of Shares is charged with all costs or expenses directly attributable to it plus a proportion of the costs and expenses not attributable to a particular Class of Shares, based on their respective Net Asset Values. All recurring charges will be charged first against current income, then against capital gains, then against assets.

## **11. MANAGEMENT**

### **11.1. Board of Directors**

The Board of Directors is responsible for the overall management and control of the SICAV and will monitor the activities of the entities undertaking the functions for the SICAV.

The Board of Directors will review the operations of the SICAV at regular meetings and for this purpose will receive periodic reports from the Investment Manager detailing the SICAV's performance and providing an analysis of its investments. The Investment Manager will provide such other information as may from time to time be reasonably required by the Board of Directors for the purpose of such meetings.

### **11.2. Investment Manager**

By way of a two party agreement dated 24 October 2011, Valartis Bank AG has been appointed as Investment Manager of the SICAV. The Investment Manager shall have full discretion and authority to manage the accounts of the SICAV on a day-to-day basis by investing, reinvesting, trading and supervising the SICAV's assets in a manner consistent with the investment objectives, policies and restrictions described in this document.

This agreement was made for an unlimited duration and may be terminated by either party giving the other 90 days written notice.

Valartis Bank AG, is a banking institution governed by the Swiss Federal Act on Banking and Savings Institutions of 8 November 1934 and supervised by the Swiss Financial Market Supervisory Authority (**FINMA**). Valartis Bank AG has a branch in Geneva and is owned by Valartis Group AG, a Swiss company listed on the SIX Swiss Exchange.

### **11.3. Investment Adviser**

By way of a two party agreement dated 24 October 2011 Valartis International Ltd has been appointed as Investment Adviser of the SICAV. The Investment Adviser has the responsibility for advising in its duties the Investment Manager on all matters including general economic and stock market conditions, overall investment strategy, research and evaluation of potential investments and sectors on investment for inclusion in the portfolio of the SICAV and analysis of investments in the portfolio of the SICAV.

This agreement was made for an unlimited duration and may be terminated by either party giving the other three months' written notice.

Valartis International Ltd is an institutional asset management and financial advisory firm. Valartis International Ltd, a British Virgin Islands company incorporated on 15 May 1996 with a branch in

Moscow and Saint-Petersburg, is owned by Valartis Group AG, a Swiss company listed on the SIX Swiss Exchange

Valartis International Ltd. manages and advises a number of investment companies and funds focusing on Russia and Eastern Europe, including Eastern Property Holdings Ltd and ENR Russia Invest SA, listed on the SIX Swiss Exchange.

#### **11.4. Delegates**

In application of the provisions of Article 27 of the 2010 Law and the CSSF Circular 03/108, the Board of Directors of the SICAV has delegated the conduct of the SICAV's business to two Delegates:

Mr Bernhard Bolliger,  
Mr André Schmit.

The Delegates are in charge of the management of the SICAV and of ensuring that the different service providers to which the SICAV has delegated certain functions (including those of central administration and distribution) fulfill their responsibilities in accordance with the provisions of the 2010 Law, the Articles, the Prospectus and the contractual provisions governing the relations between the SICAV and each of these. The Delegates must ensure the SICAV complies with its investment constraints and monitor the implementation of the investment policy of the SICAV. The Delegates must make sure that the SICAV uses an appropriate risk management method in accordance with CSSF Circular 07/308 and 11/512.

Furthermore, the Delegates shall provide regular reports to the Board of Directors.

## 12. CUSTODIAN

KBL European Private Bankers S.A., *société anonyme*, having its head office at 43 Boulevard Royal, Luxembourg, was appointed custodian of the securities of the SICAV pursuant to a Custodian Agreement dated 1 July 2003.

The safekeeping of the SICAV's assets has been entrusted to the Custodian Bank which shall fulfil the obligations and duties stipulated by law.

In accordance with banking practice, the Custodian Bank may, under its responsibility, entrust all or part of the assets in its custody to other banking institutions or financial intermediaries.

The Custodian must:

- a) ensure that the sale, issue, re-purchase and cancellation of shares effected by or on behalf of the SICAV are carried out in accordance with the law and the Articles;
- b) ensure that in transactions involving the assets of the SICAV, the consideration is remitted to it within the usual time limits;
- c) ensure that the income of the SICAV is applied in accordance with its Articles.

KBL European Private Bankers S.A. is a bank organised as a *société anonyme* in and under the laws of the Grand Duchy of Luxembourg. As of 31 December 2011, its capital and reserves amounted to EUR 1,292,679,241.52.-.

It is remunerated in accordance with the terms of the said agreement and with usual banking practices in Luxembourg: (borne by the SICAV) a commission up to 0.05 % p.a. (with an annual minimum of EUR 6,200 for the whole SICAV) calculated on the basis of the net asset value of the SICAV payable each month, plus a fixed commission per transaction. Any brokerage fees, correspondent's fee and taxes incurred by the Custodian will be borne by the SICAV.

This agreement was made for an unlimited duration and may be terminated by either party giving the other 90 calendar days written notice.



### **13. DOMICILIARY, REGISTRAR AND TRANSFER AND ADMINISTRATIVE AGENT**

Kredietrust Luxembourg S.A. has its registered office is at 11, rue Aldringen, L-2960 Luxembourg.

Pursuant to the Registrar and Transfer Agency Agreement dated 1 December 2008, the Domiciliary Agency Agreement and the Administrative Agency Agreement dated 1 July 2003. Kredietrust Luxembourg S.A. was appointed as Domiciliary Agent, as Registrar and Transfer Agent and as Administrative Agent of the SICAV. These agreements were made for an unlimited duration and may be determined by either party giving the other 90 days written notice.

As remuneration for its services, the Administrative Agent will receive a maximum of 0.12% p.a. calculated on the basis of the net asset value of the SICAV with an annual minimum of EUR 29,500.

Furthermore, deductions will be made from the assets of the SICAV for all its operating costs including emoluments and certain expenses of the Domiciliary Agent, the Registrar and Transfer Agent and the Administrative Agent.

Kredietrust Luxembourg S.A. acting as Administrative and Registrar and Transfer Agent is authorised to subcontract, whilst retaining full responsibility, to European Fund Administration, *société anonyme*, established in Luxembourg, the execution of all or part of its contractual duties.

## 14. DISTRIBUTION AGREEMENT

As from 1 March 2012, Valartis Bank AG acts as the non-exclusive distributor of the SICAV (the **Distributor**). The Distributor is entitled to delegate its functions to one or more other persons although it shall remain liable for any such person's actions.

In relation to distribution, the Distributor has been appointed to market the sale of Shares of the SICAV. In consideration of its services as distributor, the Distributor is entitled to commission equal to the initial charge payable in respect of each share in the SICAV for which it procures investors

Pursuant to the distribution agreement, the SICAV undertakes to indemnify and hold the Distributor harmless from and against all or claims, actions, liabilities, demands, proceedings or judgments (the **Proceedings**) brought or established against the Distributor by any subscriber or purchaser of any of the Shares or any subsequent purchaser or transferee of any of the same, or by any other person, governmental agency or regulatory body whatsoever (including without limitation any person to whom it delegates its functions, powers and duties hereunder) and against all losses and all reasonable costs, charges and expenses (including legal fees) which the Distributor may suffer or incur (including, but not limited to, all such losses, costs, charges or expenses reasonably suffered or incurred in disputing or defending any Proceedings and/or in establishing its right to be indemnified and/or in seeking advice in relation to any Proceedings) and which in any such case arise directly or indirectly in connection with or out of any breach or alleged breach by the SICAV of any of its obligations and undertakings under the distribution agreement and which does not arise from the negligence or willful default of the Distributor on any failure by the Distributor to perform its obligations.

**It should be noted that prospective and current investors are under no obligation to place subscription or redemption orders through a Distributor and may place such orders directly with the SICAV.**

## 15. TAXATION

It is expected that shareholders in the SICAV will be resident for tax purposes in many different countries. Consequently, no attempt is made in this Prospectus to summarize the taxation consequences for each investor. These consequences will vary in accordance with the law and practice currently in force in a shareholder's country of citizenship, residence, domicile or incorporation and with its circumstances. Before an investment in the SICAV, investors should inform themselves and if necessary consult their tax advisor on the possible tax consequences of subscribing, holding, transferring and redeeming Shares of the SICAV.

### 15.1. Taxation of the SICAV

According to the law and practice currently in force, the SICAV is not subject to any Luxembourg tax on profits or income, nor are any dividends paid by the SICAV subject to any Luxembourg withholding tax.

The SICAV is, however, subject in Luxembourg to a tax of 0.05% per annum ("*Taxe d'Abonnement*") of the Net Asset Value of normal shares, and 0.01% per annum of the Net Asset Value of institutional investors Shares such tax being payable quarterly on the basis of the value of the Net Assets of the SICAV at the end of the relevant calendar quarter.

Income received by the SICAV on its investments may be subject to different non-recoverable withholding taxes in the countries of origin.

### 15.2. Luxembourg taxation of individual resident shareholders

Shareholders are currently and in principle not subject to any Luxembourg income tax on capital gains, income, or withholding tax, or other tax in Luxembourg with respect to their Shares. Nevertheless, exceptions should be noted for:

- (i) a resident Shareholder holding or having held (together with his spouse and minor children, directly or indirectly, at any time during the 5 years preceding the sale) 10% or more of the capital of the SICAV may be subject to tax on capital gains in Luxembourg if either a disposal takes place less than 6 months following the acquisition;
- (ii) certain former Luxembourg residents holding 10% or more of the Shares of the SICAV may be subject to tax on capital gains in Luxembourg;
- (iii) Shareholders who receive dividend or redemption payments within the scope of the Luxembourg law of 21 June 2005, transposing the European Union Savings Directive 2003/48/CE, may be subject to a withholding tax.

Under present Luxembourg tax law, in the case where an individual resident shareholder is a resident for tax purposes of Luxembourg at the time of his death, the Shares are included in his taxable estate, for inheritance tax purposes and gift tax may be due on a gift or donation of Shares, if the gift is recorded in a Luxembourg deed.

### **15.3. Luxembourg taxation of corporate resident shareholders**

Unless a tax allowance or exemption applies, the capital gains realised and the dividends received by a corporate shareholder, whether it is resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which such Shares are attributable, are subject to taxation in Luxembourg.

Unless a tax allowance or exemption applies, a corporate shareholder, whether it is resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which such Shares are attributable, is subject to Luxembourg wealth tax on such Shares.

### **15.4. Taxation of non-resident shareholders**

Except as provided under the Luxembourg law of 21 June 2005 implementing the EC Directive 2003/48/EC dated 3 June 2003, a non-resident shareholder is not subject to any income, withholding, estate, inheritance or other taxes in Luxembourg.

Income received by an individual, resident in a country of the European Union or certain dependent or associated territories, may, depending on the investment strategy of the Class of Shares of the SICAV in which this shareholder holds shares fall within the scope of Directive 2003/48/EC of the Council of Ministers of 3 June 2003 on taxation of income in the form of interest payments and be subject to a 35% withholding tax.

Shareholder may also be subject to taxation in his country of residence under the laws and regulations applicable to him and with which he must comply. Potential investors are advised to check the tax obligations in force in their country of residence.

Prospective shareholders should inform themselves of, and where appropriate take advice on, the law and regulations (such as those relating to taxation and exchange controls) applicable to the subscription, purchase, holding and realisation of shares in the country of their citizenship, residence or domicile.

## 16. RISK FACTORS

### 16.1. Risk considerations that apply to the SICAV

#### 16.1.1. General risks

The principal risks of investing in the SICAV and the circumstances that can cause the value of the investment in the SICAV to decline are described below. The value of the SICAV generally changes daily based on market conditions and other factors. Please note that there are many circumstances which could cause the value of the SICAV to decline and prevent the SICAV from achieving its objective that are not described here.

#### 16.1.2. Market risk

This is the risk that the price of a security held by the SICAV will fall due to changing economic, political or market conditions or disappointing earnings results. It includes company-specific, interest and exchange rate risks as well as changes affecting economic factors such as employment, public expenditure and indebtedness, inflation, changes in investor confidence in certain asset classes (e.g. equities), markets, countries, industries and sectors.

#### 16.1.3. Allocation risk

The SICAV could miss attractive investment opportunities by underweighting markets where there are significant returns, and could lose value by overweighting markets where there are significant declines.

#### 16.1.4. Regulatory risks

Changes in the legal and tax environment.

#### 16.1.5. Credit risk

This is the risk that the issuer of a debt instrument will default on principal and interest payments.

#### 16.1.6. Liquidity risk

The securities purchased by the SICAV may under certain circumstances be traded on the over-the-counter market, where they are subject to liquidity risk, rather than on an organized exchange. This means that they may be harder to purchase or sell at a fair price.

#### 16.1.7. Emerging markets risk

Economic risks inherent to emerging market countries resulting from a potentially unstable political climate; substantial debtor's risk extending to sovereign as well as to corporate issuers from emerging market countries; a legal and tax environment which, from the point of view of a

foreign investor, may suffer adverse changes and which does not protect the rights of investors to the extent customary in western European countries. Furthermore, securities in emerging markets may under certain circumstances not offer the degree of organization and transparency customary to major stock exchanges or regulated markets in OECD countries. Other risks include highly volatile market prices due to limited market capitalization or low effective trading volume of individual securities; limitation of transferability of moneys; currency risk of comparatively weak currencies in which investments are denominated.

By diversifying investments, the portfolio manager endeavours to partially minimize the negative impact of such risks on the value of the SICAV.

## **16.2. Risks associated with the use of derivatives**

### **16.2.1. Risk management process**

The SICAV must ensure that it or the management companies it appoints use a risk management process that makes it possible to control and assess at all times the risks associated with the positions entered into and their impact on the general risk profile of the portfolio, and that also enables a precise and independent valuation of the OTC derivatives. Given the limited use of derivatives, the Board of Directors views the commitment approach as being an appropriate means of assessing the market risk.

The prudent use of derivatives can yield advantages. However, derivatives also entail risks that are different, and in some cases even higher, than those associated with more traditional investments. These risks include the following: market risk, which applies to all forms of investment; management risk, given that the use of derivatives not only requires an understanding of the underlying instrument but also of the derivative itself, without it being possible at the same time to monitor derivative performance under all possible market conditions; and risk of default, i.e. if the counterparty to a derivative transaction fails to comply with the terms of the contract concerned.

In the case of derivatives traded on an exchange, the default risk is generally lower than the risk associated with derivatives that are traded over the counter on the open market, because the clearing agents that assume the function of issuer or counterparty in relation to each exchange-traded derivative provide a performance guarantee. To reduce the overall risk of default, such guarantee is supported by a daily payment system (i.e. cover requirements) maintained by the clearing agent. In the case of derivatives traded over the counter on the open market, there is no comparable clearing agent guarantee, and the SICAV must take the creditworthiness of the counterparty concerned into account in assessing the potential risk of default. There are liquidity risks as it is difficult to buy or sell certain instruments. When derivative transactions are particularly large, or the corresponding market is illiquid (as is the case with many derivatives traded over the counter on the open market), it may under certain circumstances not be possible to execute a transaction or to liquidate a position at an attractive price. The other risks associated with the use of derivatives include the risk of incorrectly valuing or determining the price of derivatives, as well as the risk of insufficient correlation between the derivatives and the

underlying assets, interest rates and indexes. Many derivatives are complex in nature, and they are frequently valued subjectively. Incorrect valuations can result in higher cash payment requirements in relation to counterparties or in a loss at the expense of the SICAV. There is not always a direct or parallel relationship between a derivative and the value of the assets, interest rates or indexes from which it is derived. For these reasons, the use of derivatives by the SICAV is not always an efficient means of attaining the SICAV's investment objective and can at times even have a detrimental effect.

Liabilities arising from derivatives may amount to 100% of the net assets of the SICAV. Hence the possible overall exposure of the SICAV is 200% of its net assets. In addition to this, there is the possibility of temporary borrowing amounting to 10%, so the total risk exposure can be up to 210%. If the risk exposure exceeds the net assets of the SICAV, this leads to an increase in the investment opportunities but also a corresponding increase in the investment risk of the SICAV. If the assumption on which the use of derivatives is based does not materialize, this can have a considerable negative impact on the assets of the SICAV.

The overall exposure to derivatives is calculated by using the commitment approach laid down in CSSF circulars 07/308 and 11/512.

## 17. DIVIDEND POLICY

The General Meeting of the Shareholders will decide every year, upon a proposal from the Board of Directors, as to the use of the balance of the net annual investment revenue of the SICAV. The objective of the SICAV is to obtain a maximum increase in capital value. Therefore, capital gains, interest, dividends and other income received will be automatically reinvested, and no dividend will be paid to shareholders. Nonetheless, the Board of Directors may decide to propose a dividend to the General Meeting of the Shareholders if the Board of Directors deems this to be in the interest of the Shareholders, due for example to changes in the macroeconomic or tax environment.

If a dividend distribution is proposed, such dividends can be distributed independently of any realized net profits. The Board of Directors intend to recommend to the Shareholders the annual distribution, by way of dividend (subject to overall net profits being available for distribution), of substantially all its net investment income. Subject to certain requirements of Luxembourg law, the Directors may, from time to time, decide to distribute interim dividends. Dividends will take the form of a distribution in cash, unless the Shareholders elect to receive, instead of such a dividend, Shares together with, if appropriate, a cash dividend in respect of any fractional entitlement to a Share. Investors should note, however, that most Russian Companies do not currently pay dividends on a regular basis.



## 18. GENERAL AND STATUTORY INFORMATION

### 18.1. The SICAV

The SICAV is an investment company organised as a *société anonyme* under the laws of the Grand Duchy of Luxembourg and qualifies as a *société d'investissement à capital variable* under Part I of the 2010 Law and the law of 10 August 1915, as amended, regarding commercial companies.

The SICAV was incorporated in Luxembourg by notarial deed on 13 May 1996 under the name The MC Russian Market Fund and is registered with *Registre de Commerce et des Sociétés* in Luxembourg under number B 54.765. At the extraordinary general meeting held on 25 September 2012, the shareholders resolved to rename the SICAV “Valartis Russian Market Fund”. The SICAV was incorporated for an indefinite duration. The SICAV may, however, be wound up if two thirds of the votes cast by Shareholders present, in person or by proxy, at a duly convened and quorate meeting, so resolve.

The Articles of the SICAV comprise its constitution. The object of the SICAV is to invest the capital available to it in certain types of assets with the objective of spreading the risks of investment and affording Shareholders the results of the management of its portfolio.

The Articles as in effect on the date hereof have been deposited with the *Registre de Commerce et des Sociétés* where they will be available for inspection.

### 18.2. Share Capital

The share capital of the SICAV will be equal at any time, to the total value of the SICAV's net assets.

Shares carry an equal right to such dividends and other distributions as the Directors of the SICAV may agree to. Every Share carries the right to one vote on resolutions proposed at general meetings exercisable in person or by proxy. On a winding up, the Shares are entitled to the net assets of the SICAV. All Shares will rank *pari passu* amongst themselves.

No Shares carry any preference or pre-emption rights. There are no outstanding options or any special rights relating to any of the Shares.

A maximum of four names may be entered in the register as joint holders of any Shares. Joint Shareholders must designate a common representative for the exercise of all rights attaching to the Shares.

### 18.3. General Meetings of Shareholders

The annual general meeting of shareholders of the SICAV will be held in Luxembourg at 10.00 a.m. on the fourth Monday of the month of April of each year (or if such day is not a business day in Luxembourg, on the next following business day in Luxembourg).

Shareholders of any Class of Shares may hold, at any time, general meetings to decide on any matters which relate exclusively to such Class of Shares. Notices of general meetings and other notices are given in accordance with Luxembourg law. Notices will specify the place and time of the meeting, the conditions of admission, the agenda, the quorum and voting requirements.

The notice of any general meeting of Shareholders may provide that the quorum and the majority at a general meeting shall be determined according to the Shares issued and outstanding at midnight (Luxembourg time) on the fifth day prior to the general meeting of Shareholders (the **Record Date**) and the right of a shareholder to attend a general meeting of shareholders and exercise the voting rights attached to his Shares shall be determined by reference to the Shares held by this Shareholder at the Record Date.

### 18.4. Transfer and Compulsory Divestment of Shares

Shares are transferable by written instrument of transfer signed by (or in the case of a transfer by a body corporate, signed on behalf of or sealed by) the transferor and the transferee and containing the name and address of the transferor and the transferee. The instrument of transfer shall be in such form as the Board of Directors approves.

Shareholders wishing to transfer Shares must sign the transfer in the exact name in which the Shares are registered, indicate any special capacity in which they are signing and supply all other required details. The transfer shall take effect upon the registration of the transferee in the Share register unless the Board of Directors decides to prevent the transfer.

The Board of Directors may suspend the registration of transfers for no more than a total of 30 days in any year.

The Articles permit the Board Directors in certain circumstances, including those where it may be detrimental to the SICAV, to require a sale to the SICAV, to restrict or prevent the ownership of, its Shares by any person, firm or corporate body including, without limitation, any US person. The Articles provide that the price to be paid for any Shares so purchased will be the Net Asset Value attributable to those Shares. This power may be used, *inter alia*, to prevent or stop the SICAV's assets from becoming or being "plan assets" for ERISA and/or to ensure compliance with the following two paragraphs:

- (i) if Shares are offered to US Persons such offer will be pursuant to an exemption from registration under the 1933 Act. Likewise, after the initial sale, sales or transfers of Shares in the United States to a US Person may be made only in a transaction otherwise exempt from registration under the 1933 Act; and

- (ii) shares may not be sold or transferred to a US Person if to do so would cause the SICAV not to comply with the exemption provided under Section 3(c)(1) of the 1940 Act. The Board of Directors will, therefore, not knowingly permit the number of Shareholders who are US Persons to exceed 80.

## **18.5. Publication of Prices**

The most recent Issue and Redemption Prices will be available at the registered office of the SICAV on request and for Shares listed on the Luxembourg Stock Exchange will be notified without delay to the Luxembourg Stock Exchange.

## **18.6. Directors' Interests**

No shareholding qualification for Directors is required under Luxembourg law. The Directors or companies of which they are officers or employees may, however, subscribe for Shares in the SICAV. Their applications will rank *pari passu* with all other applications.

No Director has any interest, direct or indirect, in the promotion of or in any assets which are proposed to be acquired, disposed of by or leased to the SICAV and no Director has a material interest in any contract or arrangement entered into by the SICAV which is unusual in nature or conditions or significant in relation to the business of the SICAV.

## **18.7. Directors' Remuneration**

The Articles provide that the remuneration of the Directors in respect of services rendered or to be rendered to the SICAV shall be determined by a decision of the Shareholders. Total fees and expenses are not expected to exceed US\$100,000 in any one year. The Directors may also be repaid all traveling, hotel and other reasonable out of pocket expenses properly incurred by them in attending and returning from meetings of the Board of Directors or any committee of the Directors or general meetings of the SICAV or in connection with the business of the SICAV.

## **18.8. Transactions with Directors**

No contract or other transaction between the SICAV and any other company or firm shall be affected or invalidated by the fact that any one or more of the Directors or officers of the SICAV is interested in, or is a director, associate, officer or employee of, such other company or firm. Any Director or officer of the SICAV who serves as a director, officer or employee of any company or firm with which the SICAV shall contract or otherwise engage in business shall not, by reason of such affiliation with such other company or firm, be prevented from considering and voting or acting upon any matters with respect to such contract or other business.

In the event that any Director or officer of the SICAV may have in any transaction of the SICAV an interest opposite to the interests of the SICAV, such director or officer shall make known to the Board of Directors such opposite interest and shall not consider or vote on any such transaction, and such transaction and such director's or officer's interest therein shall be recorded in the minutes of the Board of Directors and reported to the next succeeding general meeting of shareholders, unless the decision of the Board of Directors related to ordinary operations entered into under normal conditions.

#### **18.9. Reimbursement of Expenses**

The SICAV may reimburse any Director and other officer for expenses reasonably incurred by them in connection with any action, suit or proceeding to which they may be made a party by reason of their capacity as a Director or officer of the SICAV or, at the request of the SICAV, for having been a director or officer of any other company of which the SICAV is a shareholder or a creditor and by which they are not entitled to be reimbursed, except in relation to matters as to which they shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or misconduct.

#### **18.10. Definition of US Person**

A US Person shall have the meaning ascribed to such term in the 1933 Act and shall include any other person as the Board of Directors may decide pursuant to any other US regulations and laws or applicable law.

#### **18.11. Miscellaneous**

Save as otherwise disclosed in this document, no commissions are payable and no discounts, brokerages or other special terms have been granted by the SICAV in connection with the issue of the Shares.

Save as otherwise disclosed in this document, no amount or benefit has been paid or given, or is intended to be paid or given, to any promoter.

No share or loan capital of the SICAV is under option or has been agreed conditionally or unconditionally to be put under option.

The SICAV has not established and does not intend to establish a place of business in Great Britain.

## **18.12. Documents available for Inspection**

Copies of the following documents may be inspected free of charge during normal business hours on any Business Day in Luxembourg at the registered office of the SICAV:

- (i) the Articles of the SICAV;
- (ii) the Prospectus, the KIIDs and the application form for Shares of the SICAV;
- (iii) the Custodian Agreement and Paying Agency Agreement;
- (iv) the Domiciliary Agency Agreement;
- (v) the Registrar and Transfer Agency Agreement;
- (vi) the Administrative Agency Agreement;
- (vii) the Investment Management Agreement;
- (viii) the Investment Advisory Agreement;
- (ix) the latest annual and half-yearly financial statements.

## **18.13. Complaints Handling**

Information on the procedures in place for the handling of complaints by prospective investors and/or Shareholders is available at the registered office of the SICAV.

## **18.14. Financial Statements and Reports**

Financial periods will end on 31 December in each year. The annual report, containing the audited consolidated financial accounts expressed in USD, of the SICAV in respect of the preceding financial period and the accounts of the SICAV will be made available at its registered office at least 15 days before the annual general meeting. Unaudited semi-annual reports at 30 June will be made available within two months of the relevant date. Copies of all financial reports will be available at the registered office of the SICAV and of the distributors, if any.

## **18.15. Notices**

Notices and relevant communications are notified to Shareholders by appropriate means.

## 19. LIQUIDATION

In the event that the Net Asset Value falls below two-thirds of the minimum net asset value required by law, the Board of Directors will be obliged to submit a resolution to a general meeting of shareholders as to whether or not the SICAV should be wound up. No quorum applies to such a meeting and a decision to wind up may be taken by a simple majority of the Shares present or represented at the meeting. If the Net Asset Value falls below a quarter of the minimum net asset value required by law a decision to wind up may be taken by Shareholders in general meeting holding one quarter of the Shares present or represented at the meeting. The minimum net asset value required by law is presently EUR 1,250,000.

If the SICAV should be liquidated, its liquidation will be carried out by one or more liquidators appointed pursuant to the 2010 Law regarding undertakings for collective investment. The net proceeds of the liquidation will be distributed by the liquidators to Shareholders of each Class of Shares in proportion to their holdings of Shares in the Class of Shares. Moneys to which Shareholders are entitled upon the liquidation of the SICAV, and which are not claimed by those entitled thereto prior to the close of liquidation, will be deposited in escrow at the *Caisse de Consignation* in Luxembourg. Any amounts not claimed from escrow within 30 years will be liable to be forfeited in accordance with the provisions of Luxembourg law.

In the event that for any reason the value of the total net assets in any Class of Shares has not reached or has decreased to an amount determined by the Board of Directors to be the minimum level for such Class of Shares to be operated in an economic rationalisation or in case of any substantial change in the economic or/and political environment, the Board of Directors may decide to liquidate any Class of Shares. The SICAV shall serve a written notice to the holders of Shares of the relevant Class of Shares, which will indicate the reasons of the liquidation.

## **20. MERGERS OF CLASSES OF SHARES**

Any merger of a Class of Shares of the SICAV with another Class of Shares of the SICAV or of another UCITS shall be decided by the Board of Directors unless the Board of Directors decides to submit the decision for such merger to a meeting of Shareholders of the Class(es) of Shares concerned.

In such case, no quorum is required for this meeting and decisions are taken by the simple majority of the votes cast. However, in case of a merger of one or more Class(es) of Shares or the SICAV where, as a result, the SICAV ceases to exist, the effective date of the merger shall be decided by the general meeting of Shareholders resolving in accordance with the quorum and majority requirements set forth in the Articles. Such notification shall be provided at least thirty (30) days before the last date for requesting repurchase or redemption or, as the case may be conversion without additional charge.

Any merger of a Class of Shares shall be subject to the provisions on mergers set forth in Luxembourg law and any implementing regulation.

## 21. CONFLICTS OF INTEREST

The Investment Manager, the Custodian, the Administrative Agent and their respective affiliates, directors, officers and shareholders (collectively the **Parties**) are or may be involved in other financial, investment and professional activities which may cause conflict of interest with the management and administration of the SICAV.

These include the management of other collective investment schemes, purchase and sale of securities, brokerage services, custody and safekeeping services and serving as directors, officers, advisors, distributors or agents of other collective investment schemes or other companies, including companies and investment funds in which the SICAV may invest.

The Investment Manager, certain affiliate companies of these services providers may be remunerated by portfolio managers, distributors or sponsors of investment funds, in which the SICAV invests, for the access by such portfolio managers, distributors or sponsors of investment funds to the infrastructure and networks established by the Investment Manager, certain affiliate companies of these services providers.

Shareholders of the SICAV should be aware that the terms of the placing arrangements with such trading portfolio managers may provide, in pertinent part, for the payment of fees up to a significant portion of an investment manager's total management and performance-based fees or of a portion of the brokerage commissions generated by the underlying investment funds, calculated by reference to the amounts invested in such underlying investment funds through the Investment Manager, affiliate companies of these services providers.

Although such arrangements, when they exist, may create potential conflicts of interest for the Investment Manager between their duties to select portfolio managers based solely on their merits and its interest in assuring revenue in the context of the placing arrangements if this issue is not properly dealt with, the Shareholders of the SICAV should note that the Investment Manager shall at all time (i) act in the best interest of the SICAV in the due diligence process carried out prior to the selection of any relevant underlying investment fund and (ii) ensure that all investment/disinvestment decisions in the management of the assets of the SICAV are never influenced or affected by any of the terms of such placing arrangements.

Each of the Parties will respectively ensure that the performance of their respective duties will not be impaired by any such involvement that they might have. In the event that a conflict of interest does arise, the Board of Directors of the SICAV and the relevant Parties shall endeavour to ensure that it is resolved fairly within reasonable time and in the interest of the Shareholders of the SICAV.



**APPLICATION FORM**  
**VALARTIS RUSSIAN MARKET FUND**  
**Société d'Investissement à Capital Variable**  
**11, rue Aldringen, Luxembourg**  
**R.C.S. LUXEMBOURG B 54 765**

---

The undersigned :

NAME / COMPANY: .....

ADDRESS .....

.....

having received and read the present Prospectus of VALARTIS RUSSIAN MARKET FUND (the SICAV) hereby apply

- for allocation of ..... class A shares in Valartis Russian Market Fund (ISIN Code LU0066480616)
- for allocation of ..... class B shares in Valartis Russian Market Fund (ISIN Code LU0208183011)
- for allocation of ..... class C shares in Valartis Russian Market Fund (ISIN Code LU0376698907)
- for allocation of ..... class D shares in Valartis Russian Market Fund (ISIN Code LU0376699384)

Shares will be issued and delivered as registered share(s) with confirmation of the shareholding.

Payment will be made within 2 bank business days in Luxembourg following the applicable Net Asset Value to KBL European Private Bankers S.A.  
43, boulevard Royal  
L-2955 LUXEMBOURG

IBAN Account N° LU17 7050 5224 6926 1000 of "VALARTIS RUSSIAN MARKET FUND"  
by bank transfer, banker's draft, for subscription in class A, B and D shares

IBAN Account N° LU85 7050 5924 6926 0500 of "VALARTIS RUSSIAN MARKET FUND"  
by bank transfer, banker's draft, for subscription in class C shares

in favour of the account of VALARTIS RUSSIAN MARKET FUND

Signed and accepted in ..... on .....  
(month/day/year)

.....  
Signatures

**This application is only accepted by the SICAV if an office copy (certified by an embassy, consulate or a public notary) of the passport or identity card of the applicant (beneficial owner) is joined to this application form.**

**APPLICATION FORM  
VALARTIS RUSSIAN MARKET FUND  
Société d'Investissement à Capital Variable  
11, rue Aldringen, Luxembourg  
R.C.S. LUXEMBOURG B 54 765**

---

The undersigned :

NAME / COMPANY: .....

ADDRESS .....

.....

having received and read the present Prospectus of VALARTIS RUSSIAN MARKET FUND (the SICAV) hereby apply

- for allocation of ..... class A shares in Valartis Russian Market Fund (ISIN Code LU0066480616)
- for allocation of ..... class B shares in Valartis Russian Market Fund (ISIN Code LU0208183011)
- for allocation of ..... class C shares in Valartis Russian Market Fund (ISIN Code LU0376698907)
- for allocation of ..... class D shares in Valartis Russian Market Fund (ISIN Code LU0376699384)

Shares will be issued and delivered as registered share(s) with confirmation of the shareholding.

Payment will be made within 2 bank business days in Luxembourg following the applicable Net Asset Value to KBL European Private Bankers S.A.  
43, boulevard Royal  
L-2955 LUXEMBOURG

IBAN Account N° LU17 7050 5224 6926 1000 of "VALARTIS RUSSIAN MARKET FUND"  
by bank transfer, banker's draft, for subscription in class A, B and D shares

IBAN Account N° LU85 7050 5924 6926 0500 of "VALARTIS RUSSIAN MARKET FUND"  
by bank transfer, banker's draft, for subscription in class C shares

in favour of the account of VALARTIS RUSSIAN MARKET FUND

Signed and accepted in ..... on .....  
(month/day/year)

.....  
Signatures

**This application is only accepted by the SICAV if an office copy (certified by an embassy, consulate or a public notary) of the passport or identity card of the applicant (beneficial owner) is joined to this application form.**