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# PHILEAS L/S EUROPE

## PROSPECTUS

A UCITS-compliant *fonds commun de placement* (FCP)

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**October 2017**

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PHILEAS ASSET MANAGEMENT  
60, rue de Prony  
75017 - Paris

[www.phileas-am.fr](http://www.phileas-am.fr)

Asset management company certified by the French Financial Markets Authority (AMF) under number: GP-11000010

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# PROSPECTUS

## A UCITS-compliant investment fund

### GENERAL CHARACTERISTICS

#### I - Legal form

➤ **Legal form**

Mutual Investment Fund (*fonds commun de placement*)

➤ **Name**

PHILEAS L/S EUROPE

➤ **Legal form and member-state in which the investment fund was created**

Mutual Investment Fund (*fonds commun de placement*) governed by French law

➤ **Inception date and expected term**

The Fund was created on 11 April 2011 for a term of 99 years as of that date.

➤ **Investment management summary:**

Type of units	ISIN code	Income distribution	Currency	Minimum initial subscription	Minimum amount of later subscriptions	Initial net asset value	Target investors
I EUR units	FR0011023910	Accumulation	Euro	€100,000	Nil	€100	All investors, especially legal entities
I GBP units	FR0011335355	Accumulation	Pounds sterling	£100,000	Nil	£107	All investors, especially legal entities
R EUR units	FR0011024298	Accumulation	Euro	€1000	Nil	€100	All investors
RD EUR units	FR0013288941	Accumulation	Euro	€1000	Nil	€110.91	All investors
S EUR units	FR0011024363	Accumulation	Euro	Nil	Nil	€100	Management company staff, immediate family, FCPE funds for management company personnel

The five types of units are fractioned into ten thousandths of units.

➤ **Where to obtain the latest annual report and latest interim statement**

The latest annual and interim reports shall be sent within one week upon written request made by a unit holder to:

PHILEAS ASSET MANAGEMENT  
60, rue de Prony  
75017 Paris, France  
Tel: 01 40 54 47 26  
Email: contact@phileas-am.fr

These documents are also available at [www.phileas-am.fr](http://www.phileas-am.fr). Additional explanations may be obtained by contacting the management company, whose particulars are provided above.

## II - Directory

➤ **Management company**

The management company was authorised on 01.03.2011 by the French Markets Authority (AMF) under number GP-11000010 (general licence)

PHILEAS ASSET MANAGEMENT SAS  
60, rue de Prony  
75017 Paris, France

➤ **Depositary, custodian, processing of subscription and redemption orders**

CACEIS BANK  
1-3 place Valhubert  
75206 Paris Cedex 13, France

➤ **Delegated accounting and administrative manager**

CACEIS FUND ADMINISTRATION  
1-3 place Valhubert  
75206 Paris Cedex 13, France

➤ **Statutory auditor**

MAZARS  
Represented by M. Gilles Dunand-Roux  
61, rue Henri Regnault  
92075 Paris-La Défense Cedex, France

➤ **Marketing agent**

PHILEAS ASSET MANAGEMENT SAS  
60, rue de Prony  
75017 Paris, France

The list of distributors is not comprehensive insofar as the Fund is listed on Euroclear. Some distributors may therefore not be mandated by, or known to, the management company.

➤ **Advisers**

None

## **OPERATING AND MANAGEMENT PROCEDURES**

### **I – General characteristics**

#### ➤ **Characteristics of units or shares**

##### ▪ **ISIN codes**

- I EUR units: FR0011023910
- I GBP units: FR0011335355
- R EUR units: FR0011024298
- RD EUR units: FR0013288941
- S EUR units: FR0011024363

##### ▪ **Nature of rights attached to units**

Each unit holder enjoys a joint ownership right to Fund assets that is in proportion to the number of units owned.

##### ▪ **Securities administration**

The Fund is administered by the depositary, CACEIS BANK, through Euroclear France.

##### ▪ **Voting rights**

As the Fund is composed of jointly-owned securities, no voting rights are attached to the units held. Decisions regarding the Fund are made by the management company in the interests of unit-holders.

##### ▪ **Form of units**

All Fund units are in bearer form.

##### ▪ **Decimalisation**

Each unit may be fractioned into ten thousandths.

#### ➤ **Year-end date**

The end of the Fund's accounting year is the last Paris market trading day of December of each year.

#### ➤ **Information on tax treatment**

Depending on the subscriber's tax regime, country of residence, or the jurisdiction, any capital gains and income incurred from the ownership of Fund units may be subject to taxation. The subscriber should consult a tax adviser as to the possible consequences of buying, selling or redeeming fund units under the laws of your country or tax residence, ordinary residence or of your domicile.

Neither the Management Company nor the promoters accept any responsibility whatsoever for the tax consequences that may arise for investors as a result of a decision to buy, hold, sell or redeem fund units.

Pursuant to U.S. tax regulations, commonly referred to as FATCA (Foreign Account Tax Compliance Act), Unitholders might have to provide the Management Company or its agent with some information, including without limitation, identification information such as personal identify and places of residence (tax residence and domicile) in respect of each undertaking for collective investment, to ensure that the "US Person" are identified within the meaning of FATCA.

This information may be provided to the United States tax authorities by the French tax authorities.

Failure by any Unitholder to comply with this requirement could result on a 30% withholding tax levied on US sourced cash flows. Notwithstanding any diligences carried out by the Management Company in respect of FATCA, Unitholders are encouraged to ensure that the broker they used to invest into this AIF qualifies as Participating FFI.

In general, fund unitholders should consult their tax adviser or their usual account manager to determine the tax rules applicable to their particular circumstances.

### **II - Specific provisions**

#### ➤ **Classification**

A diversified UCITS-compliant *fonds commun de placement (FCP)* governed by French law.

➤ **Investment objective**

The objective over the course of the recommended investment horizon is to achieve an absolute return that is decorrelated from the equity markets, with volatility less than that of the equity markets as measured by the DJ Stoxx 600 index. The Fund is managed through long and short equity market positions chosen on a discretionary basis.

➤ **Benchmark**

The Fund seeks to achieve an absolute return and therefore does not seek to follow or replicate the performance of an index.

However, *ex-post* performance may be compared to that of capitalised EONIA. EONIA (Euro Overnight Index Average) is the average overnight rate on the euro zone interbank market. EONIA is calculated by the European Central Bank and is available at: [www.euribor.org](http://www.euribor.org).

➤ **Investment Strategy**

**General principles**

Financial management is based on a long/short equity strategy, which combines:

- the taking of long positions on the equity markets (the long portfolio);
- the taking of short positions in order to hedge long positions (the short portfolio), mainly through the use of listed equity index futures and over-the-counter contracts for difference (CFDs) or equity swaps. CFDs and equity swaps can be used to borrow a stock and sell it within the same contract.

Cash not used in the taking of long/short equity positions is invested in investment grade fixed-income products, debt securities, and money-market instruments.

The Fund's performance results from the performance of the long portfolio minus the performance of the short portfolio.

Equity positions held (both long and short) are selected as a result of a discretionary investment process based on a financial analysis of fundamentals (see "Investment process" below).

The Fund's net exposure (i.e., long positions minus short positions) averages between -20% and +20% of NAV. The Fund's gross exposure (i.e., long positions plus short positions) is capped at 200%, as the Fund may hold up to 100% of its assets in forward financial instruments, in order to hedge all its assets.

The Fund is invested in equities listed on regulated European markets (the European Economic Area plus Switzerland). Investments in "emerging" European countries may only be made on an ancillary basis. The Fund also reserves the right to invest in the United States and Canada up to 20% of its assets.

The Fund may invest in all sectors.

The Fund may invest in shares of all market capitalisations. Small and mid-caps (i.e., with less than 2 billion euros in market capitalisation) may not exceed 20% of assets.

**Investment process**

Investments are selected on the basis of the following process:

▪ **Strategic review**

The manager analyses the strategic environment of the sector in which the company operates, including the following points:

- the pace of growth (in prices and volumes) of the market and its degree of cyclicity;
- the average profitability of the various players;
- the degree of sector concentration;
- the intensity of competition;
- barriers to entry and exit;
- substitute products, if any;
- customers' negotiating clout;
- suppliers' negotiating clout.

The manager then analyses the company's competitive positioning within its sector, including:

- its market share and recent trends in its market share;

- its price/product positioning;
- its competitive advantages.

#### ▪ **Accounting review**

The review and critical analysis of the company's main accounting choices is a systematic prerequisite for financial review. The accounting review is based on the published financial statements and notes to those statements.

The accounting review focuses on the following items:

- revenue accounting method;
- method of consolidating subsidiaries and financial stakes;
- capitalised costs;
- costs considered non-recurrent;
- amortisation methods;
- deferred taxes;
- method for valuing intangible assets;
- pension liability accounting;
- off-balance sheet commitments.

#### ▪ **Financial review**

The financial review deals with the following points:

- profitability profile over the course of the cycle (margins and asset rotation rate, free cash flow capacity);
- growth profile (the company's ability to locate and fund investment projects generating satisfactory profitability);
- review of financial structure (whether the company's financial structure fits its risk profile).

#### ▪ **Valuation**

Based on the aforementioned reviews, the manager models projections for the company.

These projections are used to make a valuation on the basis of a multi-criteria approach combining the following techniques, where applicable:

- market multiples of comparable companies;
- transaction multiples;
- discounting of cash flow;
- sum of the parts.

The valuation obtained is then compared to the market price to decide whether the stock is overvalued or undervalued.

The manager assesses the reasons, if any, for overvaluation or undervaluation, as well as any catalysts likely to make the share price converge towards its estimated value.

Based on the valuation obtained, the manager sets a buying and selling target price.

Stocks offering the most upside potential are targeted for purchase and inclusion in the long portfolio. Stocks offering the least upside potential are targeted for sale in the short portfolio.

#### ▪ **Targeted profiles**

The following profiles are targeted:

- Long portfolio: rising revenue (above-average profitability, possibly undercapitalised, moderate growth, undervalued), turnaround stories (restructuring with a wide margin of balance sheet security);
- Short portfolio: "structural value destroyers" (profitability below the cost of capital over the length of the cycle), shrinking revenues (mature markets, weakening of the marketing model), insufficiently profitable growth companies;
- Intra-sector pair-trades: asymmetrical profitability/growth profile, attractive relative valuations.

### **Portfolio construction**

#### ▪ **Structure**

The Fund is constructed around approximately 10 sector sub-portfolios that may themselves comprise several sectors with similar characteristics. The main sub-portfolios are:

- Food, beverages, personal and home care;
- Specialist retail, consumer goods, luxury products;
- Food retail;
- Defence, aeronautics;
- Capital goods, chemicals;
- Building, building materials;
- Infrastructures, utilities;
- Telecom operators;
- Media;
- Business services;

- Healthcare;
- Automobile;

▪ **Hedging**

The manager strives to maintain sufficient hedges against:

- market risk, by monitoring and constantly adjusting the Fund's net exposure;
- specific equity risk by controlling the Fund's net sector exposure, liquidity biases (gross and net exposure to small and mid-caps), and financial structure bias (percentage of enterprise value represented by debt in the long portfolio and short portfolio);
- foreign exchange risk, through the use of forward currency instruments (swaps).

▪ **Diversification**

The manager assesses the level of Fund concentration and seeks to limit over-exposure to too few instruments.

▪ **Liquidity**

The manager assesses the instantaneous liquidity of long positions and short positions and seeks:

- to maintain sufficient overall liquidity to honour any redemptions;
- to maintain even liquidity between the long portfolio and short portfolio.

**Portfolio management**

The manager constantly monitors trends in parameters likely to alter the conclusions of his earlier analyses and factors them into his price targets, where applicable.

Changes to the Fund are made on the basis of buying and selling target prices set at the moment of the valuation phase, with a one- to two-year investment horizon (strategic changes).

The manager also seeks tactically to exploit market volatility to seize opportunities to add to or reduce existing positions.

Regarding losing positions, the preferred risk indicator is the portfolio's overall drawdown, i.e., the monitoring of rolling instantaneous losses compared to the previous NAV high-water mark.

➤ **Instruments used**

The Fund is invested on a discretionary basis in the following assets:

▪ **Equities**

The Fund may hold 0% to 100% of its assets in equities listed on regulated European markets (the European Economic Area plus Switzerland). Investments in "emerging" European countries may only be made on an ancillary basis. The Fund may also invest in equities listed in the United States and Canada up to 20% of its assets.

The Fund may invest in shares of all market capitalisations. Small and mid-caps (with less than 2 billion euros in market capitalisation) may not exceed 20% of assets.

▪ **Shares or units of other mutual funds**

The Fund may hold 0% to 10% of its assets in units or shares of French or European UCITS of all classifications.

▪ **Debt securities and money market instruments**

For purposes of managing Fund cash, in addition to investing in money-market funds, the Fund may hold 0% to 100% of its assets in term deposits and in negotiable debt securities of private or public issuers. These instruments shall have the following characteristics:

- no more than 12 months of initial or residual life;
- issuer based in a European Economic Area country, Switzerland, the United States or Canada;
- rated at least BBB- or the equivalent by at least one ratings agency (S&P, Moody's or Fitch Ratings).

▪ **Fixed-income products**

To limit equity risk exposure while helping to achieve the performance objective, the Fund may hold 0% to 25% of its assets in French or foreign fixed-income products, i.e., bonds or convertible bonds, without sector or geographical restrictions. They are selected on the basis of credit ratings and yields on offer with no modified duration objective for the portfolio. These instruments must be rated at least BBB- or the equivalent by at least one ratings agency (S&P, Moody's or Fitch Ratings).

▪ **Derivatives**

The Fund may transact in forward financial instruments in an amount up to 100% of its assets.

Transaction markets are French or foreign regulated markets or over-the-counter markets.



For currency hedging purposes, the Fund may take currency swap or forward currency positions. Currency risk shall amount to no more than 20% of the Fund's net assets regarding euro-denominated I, R, RD and S units. I units (GBP) are systematically hedged for euro/sterling exposure. This policy may not guarantee a perfect hedge at all times.

In order to adjust net exposure to equity risk – within a range of between -20% and +20% of assets – positions may be taken on the following instruments:

- listed equity index futures,
- listed equity or equity index options,
- CFDs (contracts for difference) and equity swaps. These vanilla over-the-counter contracts are used to take long or short positions on equities. In their operating principle, CFDs are similar to equity swaps with set maturities. CFDs replicate the movement of prices and flows of the underlying shares but do not involve the transfer of share ownership. The Fund does not undertake arbitrage transactions on maturities and uses only CFDs or equity swaps based on a single underlying asset. CFDs may present liquidity risks. CFDs are used within a contractual framework with counterparties selected based on strict procedures.

▪ **Cash loans**

While its purpose is not to borrow cash, the Fund may find itself in a debt position, due to flow-related transactions (e.g., ongoing investments/divestments, redemptions). The Fund may borrow cash within an authorised limit of 10% of assets.

▪ **Temporary acquisitions and sales of securities**

The Fund may temporarily divest securities to achieve its investment objective and optimise its income. Remuneration procedures pertaining to temporary divestments of securities are provided under the “fees and commissions” section.

➤ **Risk profile**

The Fund will mainly be invested in financial instruments selected by the management company. Such instruments are subject to market trends and random market shifts.

Net asset value may be exposed to the risks detailed below. It is expressly stipulated that this list may not be complete. Potential investors must seek advice before buying Fund units.

▪ **Risk of loss of capital**

There is a risk that initially invested capital will not be fully repaid. The Fund offers no capital guarantee.

▪ **Discretionary management risk and risk incurred from the strategies used**

The manager initiates long and short positions, respectively, when he anticipates rises and declines in the underlying shares. These anticipations may be mistaken and could lead to poor Fund performance. When the managers initiate a short position (through a CFD or a futures contract) and the underlying asset increases in value, the position can become loss-making and lead to a decline in net asset value. Similarly, when a long position is initiated (via a CFD, a share or a future) and the underlying asset loses value, the position can become loss-making and lead to a decline in the Fund's net asset value.

▪ **Equity risk**

As the Fund is exposed between -20% and +20% to the equity markets, it is subject to shifts in those markets and could therefore see its net asset value fall significantly.

▪ **Risk incurred from investments in small and mid-caps**

The Fund may hold up to 20% of its assets in equities having market capitalisations of less than two billion euros. Small and mid-caps trade in low volumes and prices may fall more steeply and rapidly than in the case of large caps. Although the manager seeks to maintain an even weighting of these shares between the long portfolio and short portfolio, net asset value could be negatively affected.

▪ **Interest rate risk**

Interest-rate risk is the risk that interest rates will fall if investments have been made at floating rates or that interest rates will rise if investments have been made at fixed rates. An unfavourable shift in interest rates can lead to a decline in the Fund's net asset value.

▪ **Credit risk**

Credit risk is the risk of downgrade of the issuer of a negotiable debt security or bond. Such a downgrade results in a decline in the price of the security concerned, in turn leading to a decline in the net asset value of the Fund holding the security.

▪ **Currency risk**

Currency risk is the risk that the currencies in which the investments are made will lose value vs. the base currency. Shifts in exchange rates can have a positive or negative influence on the value of these instruments. The manager can hedge this risk in full or in part. Currency risk shall not amount to more than 20% of the Fund's net assets regarding euro-denominated I, R, RD and S units. I GBP units are systematically hedged for euro/sterling risk. This policy may not guarantee a perfect hedge at all times.

▪ **Counterparty risk**

The Fund's use of over-the-counter financial instruments and temporary divestments of securities incur counterparty risk. The operating rules for such transactions and the mechanisms for margin calls and related collateral comply with the applicable regulations. However, in the event of default by a counterparty, non-compliance with commitments contracted by this counterparty could result in a decline in net asset value.

➤ **Guarantee or protection**

N/A

➤ **Target investors**

Fund units are meant for all subscribers, retail and institutional. R and RD units are authorised for all subscribers. I units are authorised for all subscribers, especially legal entities. S units are only for management company personnel, their immediate family, and FCPE funds for company personnel.

Units of this fund have not been registered in accordance with the US Securities Act of 1933. They may therefore not be offered or sold, either directly or indirectly on behalf of or for the benefit of a US person, as defined in "Regulation S". Furthermore, units of this fund may not be offered or sold, either directly or indirectly, to US persons and/or to any entities held by one or more US persons as defined by the US Foreign Account Tax Compliance Act (FATCA).

The Fund is likely to serve as a vehicle for accounting-unit life insurance contracts with insurance companies.

➤ **Typical investor profile**

The Fund is meant for investors seeking active management of a diversified portfolio through equity strategies targeting returns which demonstrate low correlation to equity market trends.

The amount that is reasonable for each investor to invest in this Fund depends on his personal situation. The investor should consider this investment in relation to his overall personal wealth and current and future financial requirements, but also in relation to his risk appetite or his preference for more prudent investments. He is also urged to sufficiently diversify his investments so that he is not exposed solely to the risks of this Fund.

In buying units in this Fund, the subscriber assumes all risks specified in the risk profile.

➤ **Recommended investment horizon**

The Fund is adapted to investors having an investment horizon of at least 24 months.

➤ **Allocation of income**

Fund income is fully capitalised.

➤ **Characteristics of the unit classes**

Type of units	ISIN code	Income distribution	Currency	Minimum initial subscription	Minimum amount of later subscriptions	Initial net asset value	Target investors
I EUR units	FR0011023910	Accumulation	Euro	€100,000	Nil	€100	All subscribers, especially legal entities

I GBP units	FR0011335355	Accumulation	Pounds Sterling	£100,000	Nil	£107	All subscribers, especially legal entities
R EUR units	FR0011024298	Accumulation	Euro	€1000	Nil	€100	All subscribers
RD EUR units	FR0013288941	Accumulation	Euro	€1000	Nil	€110.91	All subscribers
S EUR units	FR0011024363	Accumulation	Euro	Nil	Nil	€100	Management company personnel (employees with permanent contracts and three months of seniority, as well as managers), their immediate family, <i>FCPE</i> funds for management company personnel

The five types of units are fractioned in ten thousandths of units.

➤ **Subscription and redemption procedures**

Subscription and redemption orders are centralised by CACEIS BANK on each net asset value (“NAV”) calculation and publication day, until 2:30pm. Subscriptions and redemptions are carried out based on the following NAV. NAV is calculated on a daily basis.

Unit-holders should remember that CACEIS BANK applies the aforementioned cut-off time to distributors. These distributors may therefore apply their own cut-off times that may be earlier than the aforementioned cut-off times, to give them time to forward orders to CACEIS BANK.

➤ **Agent in charge of receiving subscriptions/redemption requests**

Subscription and redemption requests are processed by CACEIS BANK.  
CACEIS BANK  
1-3 place Valhubert  
75206 Paris Cedex 13, France

➤ **Frequency at which NAV is calculated**

Net asset value is calculated on a daily basis.  
The schedule of days on which NAV is not published is based on the official calendar of legal holidays provided in Article L.3133-1 of the French Labour Code.

➤ **Where and how NAV is published**

The Fund’s net asset value is available on request from PHILEAS ASSET MANAGEMENT and at the company’s website: [www.phileas-am.fr](http://www.phileas-am.fr).

➤ **Fees and commissions**

▪ **Entry and exit charges:**

Entry and exit charges are levied in addition to the subscription price paid by the investor and are deducted from the redemption price. Charges retained by Fund offset expenses borne by the Fund upon investment or divestment of assets entrusted to it. Non-retained charges are attributed to the management company, the marketing agent, etc.

Fees charged to the investor, levied on entry and exit charges	Basis	Rate structure (applicable to all types of units)
Subscription commission not accruing to the Fund	Net asset value X number of units	5% max
Entry charges retained by the Fund	Net asset value X number of units	Nil
Redemption commission not accruing to the Fund	Net asset value X number of units	Nil
Exit charges retained by the Fund	Net asset value X number of units	Nil

▪ **Ongoing charges**

Ongoing charges include management and operating fees to cover all the expenses invoiced directly to the Fund, except for execution fees. Transaction costs include intermediary fees (brokerage, stock exchange taxes etc.), and transfer commissions, which may be paid by the custodian and the management company, if applicable.

The following charges are in addition to ongoing charges:

- performance fees. These reward the management company when the Fund exceeds its objectives. These fees are therefore charged to the investment Fund;
- transfer commissions charged to the investment Fund.
- a portion of income from temporary acquisitions and sales of securities.

Charges invoiced to the Fund	Basis	Rate structure
Ongoing charges, VAT included	NAV	I EUR units: 1.20% maximum, including taxes, annually I GBP units: 1.20% maximum, including taxes, annually R EUR units: 2% maximum, including taxes, annually RD EUR units: 1% maximum, including taxes, annually S EUR units: 0.25% maximum, including taxes, annually
Performance fee	NAV	I EUR units, I GBP units, R EUR units and RD EUR units: a maximum of 20% (including taxes) of the net outperformance beyond capitalised EONIA: + 1% with High Watermark S EUR units: Nil
Transfer commissions charged by the management company	Payable per transaction	Nil

Transaction fee paid to the depositary	Payable per transaction	A flat fee of €12 to €40 (including taxes), depending on the transaction venue CFD: a flat fee of €12 to €60 (including taxes), depending on the underlying asset
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▪ **Performance fee**

The performance fee is based on a comparison between Fund performance and the benchmark rate during the Fund's reference period, as defined below.

- The benchmark NAV used for calculating performance is NAV after operating and management fees and before the performance fee.

- The benchmark rate is EONIA +1%.

- The benchmark period is one year.

The performance fee is paid to the management company based on an annual schedule and is provisioned over the course of the financial year, as follows:

- In the event that the Fund outperforms the benchmark rate on the year to date, a provision is set aside when NAV is calculated. This provision is equal to no more than 20%, including taxes, of the calculated outperformance.

- Provisions are set aside incrementally only if performance has exceeded the high-watermark (i.e., the upper threshold since the last date on which a performance fee was paid).

- If the Fund underperforms the benchmark between two NAV calculations, any provision previously included shall be adjusted through a write-back. Provision write-backs shall be capped at previous allocations to provisions.

- When units are redeemed during the financial year, a portion of the provision for calculated performance fees is set aside and paid to the management company, prorated to the number of units redeemed.

▪ **Securities lending**

The Fund may engage in securities lending in order to fulfill its investment objectives. Income on those transactions is fully accrued to the fund.

➤ **Selection of intermediaries**

PHILEAS ASSET MANAGEMENT selects and assesses intermediaries among those with which it is in contact, and in the best interests of its investors, by retaining only those which offer the utmost efficiency in their specific fields.

This selection is based on a multi-criteria approach that includes:

- intermediation costs;

- quality of execution (best-execution capacity in accordance with current regulations);

- quality of administration (sending of confirmations, quality of back office, etc.);

- quality of marketing follow-up.

### III – Marketing information

➤ **Subscriptions and redemptions**

Subscription and redemption orders are centralised by CACEIS BANK on each net asset value ("NAV") calculation and publication day, until 2:30pm. Subscriptions and redemptions are carried out based on the following NAV. NAV is calculated on a daily basis.

CACEIS BANK  
1-3 place Valhubert  
75206 Paris Cedex 13, France

➤ **Fund documents**

Documents pertaining to the Fund and its net asset value may be viewed and downloaded at [www.phileas-am.fr](http://www.phileas-am.fr)

Any information on the Fund may also be obtained by contacting the management company directly:

PHILEAS ASSET MANAGEMENT  
60, rue de Prony  
75017 Paris, France  
Tel.: 01 40 54 47 26  
E-mail: [contact@phileas-am.fr](mailto:contact@phileas-am.fr)

## IV – Investment rules

➤ **Regulatory ratios applying to the Fund**

The Fund must comply with the rules of Articles R.214-1 *et seq.* of the French Monetary and Financial Code pertaining to UCITS holding less than 10% in units of other UCITS.

If, despite all the care taken in complying with these rules, a breach in limits should occur that is beyond the control of PHILEAS ASSET MANAGEMENT, the company shall seek to rectify this situation as soon as possible and in the best interests of unit-holders.

➤ **How Fund exposure is calculated**

Fund exposure is calculated using the linear method.

## V – Rules for valuing and recognising assets

➤ **Asset valuation principles**

The Fund complies with the accounting rules laid down by current regulations.

The calculation of net asset value is delegated to CACEIS FUND ADMINISTRATION. PHILEAS ASSET MANAGEMENT retains responsibility for calculating net asset value and at all times possesses its own estimate of the Fund's financial assets, based on the sources of financial data in its possession.

▪ **Financial instruments and securities traded on a regulated market**

Financial instruments and securities traded on a regulated market are valued on the basis of:

- the market closing price (the main trading venue by default, and the actual trading venue on an exceptional basis);
- the day's closing price or clearing price (main sources: Calyon and Bloomberg) for listed derivatives;
- the median market closing price (source: Bloomberg BGN or, failing that, a specific contributor) for bonds and similar securities.

▪ **Exchange rates**

The spot exchange rate used to convert into euros those assets and liabilities denominated in a currency other than the euro is the Reuters WMR price, based on the closing auction price at 2:30 p.m. GMT.

▪ **Financial instruments not traded on regulated markets**

CFDs and equity swaps are priced at the closing market price of the underlying asset.

▪ **Other instruments**

Fund units are priced on the basis of the latest known net asset value.

Financial instruments for which no price has been established on valuation day, or the price of which has been adjusted, are valued at their likely value under the management company's liability. These valuations and relative supporting data are made available to the Statutory Auditor during inspections and audits.

➤ **Accounting methods**

▪ **Recognition of interest and income from fixed-income investments**

Income is recognised on the basis of the accrued income method.

▪ **Recognition of costs of acquiring and divesting financial instruments**

Recognition is done on a fees-included basis.

**PHILEAS L/S EUROPE**  
**RULES**

A UCITS-compliant *fonds commun de placement* (FCP)

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# INVESTMENT FUND RULES

## A UCITS-compliant investment fund

### SECTION 1 – ASSET AND UNITS

#### ARTICLE I – JOINT OWNERSHIP UNITS

Fund owners' rights are expressed in units, with each unit corresponding to the same fraction of Fund assets or, where applicable, subfund assets. Each unit holder is entitled to a right of joint ownership over the Funds' assets that is proportional to the number of units held.

The Fund has a term of 99 years from its inception date, except in the event of early liquidation or extension as provided in the present rules.

The characteristics of the various categories of units, and terms and conditions of acquisition thereof, are set forth in the Fund's simplified prospectus and detailed memorandum.

The various categories of units may:

- be subject to different income distribution regimes (distribution or accumulation)
- be denominated in different currencies;
- be charged different ongoing charges;
- be charged different entry and exit charges;
- have different nominal values.

The Board of Directors of the management company may decide that the units be sub-divided, pooled or split into tenths, hundredths, thousandths or ten thousandths, these being referred to as fractional units.

Provisions herein governing the issue and redemption of units are applicable to fractional units, the value of which shall always be proportional to the value of the proportion they represent. All other provisions herein governing units apply to fractional units without need for further specification, unless otherwise stated.

The Directors of the management company may decide, at their own discretion, to sub-divide the units by issuing new units, which shall be allocated to unit-holders in exchange for their existing units.

#### ARTICLE II - MINIMUM ASSETS

Units may not be redeemed if the Fund's net asset value falls below the regulatory limit; in this case, and unless assets move back above this amount in the meantime, the management company shall within 30 days make the necessary arrangements for the merger or dissolution of the Fund.

#### ARTICLE III – ISSUANCE AND REDEMPTION OF UNITS

Units may be issued at any time at the holders' request on the basis of NAV plus entry charges, if applicable.

Subscriptions and redemptions are performed under the conditions and according to the procedures specified in the simplified prospectus and detailed memorandum.

Units of the Fund may be listed on a stock exchange in accordance with current regulations.

Subscriptions must be paid in full on the day when the net asset value is calculated. They must be paid exclusively in cash.

Redemptions shall be paid out exclusively in cash, unless the Fund is liquidated and unit-holders have given their consent to repayment in securities. The custodian will settle the payment within no more than five days after unit valuation.

Pursuant to Article L 214-30 of the French Monetary and Financial Code, both redemption and issuance of Fund units may be temporarily suspended by the management company when warranted by exceptional circumstances and when this is in the best interests of unit-holders, particularly if redemption requires the prior realisation of Fund assets. When these exceptional circumstances no longer exist and after the realisation of assets, where applicable, the suspension of unit redemptions and issuance may be extended, but by no more than 30 days.

When the net asset value of the Fund is lower than the amount specified by the regulations, no further units may be redeemed.

Except in the case of inheritance or inter-vivos donations, any assignment or transfer of units between holders, or by holders to third parties, shall be deemed to constitute a redemption followed by a subscription. In the case of a third-party assignee, the assignment or transfer consideration must, where applicable, be supplemented by the beneficiary in order to be at least equal to the minimum subscription required by the simplified prospectus and the full prospectus.

The asset manager can restrict or prevent (i) the holding of units by any individual or legal entity not entitled to hold units under the terms of the "Target investors" section of the prospectus (hereinafter, the "Non-Eligible Person") and/or (ii) the registration in the Fund's register of unitholders or the transfer agent's register (the "Registers") of any intermediary who does not come under one of the categories indicated below ("Non-Eligible Intermediary"): active Non-Financial Foreign Entities (active NFFEs), US Persons who are not Specified US Persons and Financial Institutions that are not Non-Participating Financial Institutions\*, and passive Non-Financial Foreign Entities (passive NFFEs).

The terms followed by an asterisk (\*) are defined in the Agreement between the government of the French Republic and the government of the United States of America intended to improve compliance with tax obligations internationally and implement the law concerning respect for tax obligations applicable to foreign accounts signed on 14 November 2013. At the time of writing these Management Regulations, the text of this Agreement is available here: [http://www.economie.gouv.fr/files/usa\\_accord\\_fatca\\_14nov13.pdf](http://www.economie.gouv.fr/files/usa_accord_fatca_14nov13.pdf)

To this end, the management company can:

- (i) refuse to issue any units if it seems that said issue would or could result in said units being held by a Non-Eligible Person or a Non-Eligible Intermediary being entered in the Registers;
- (ii) request that all information which it deems necessary in order to determine whether or not the beneficial owner of the units in question is a Non-Eligible Person be provided at any time from any intermediary whose name appears in the Registers of unitholders, accompanied by a solemn declaration; and
- (iii) if it considers that the beneficial owner of the units is a Non-Eligible Person or that a Non-Eligible Intermediary is entered in the Registers of unitholders of the Fund, proceed with the compulsory redemption of all the units held by the Non-Eligible Person or all the units held via the Non-Eligible Intermediary, after a period of 10 working days. The compulsory redemption shall be carried out using the last known net asset value, increased if applicable by the applicable charges, fees and commissions, which shall be borne by the unitholders concerned by the redemption.

In accordance with Article L. 214-30, paragraph 2 of the French Monetary and Financial Code, the Fund may cease issuing units in the following cases:

- Under objective circumstances entailing the closure of subscriptions, such as a maximum number of units issued, a maximum asset value attained, or the expiry of a specified subscription period. These objective circumstances are defined in the detailed memorandum of the Fund.
- In the event of exceptional circumstances affecting Fund activity.

#### **ARTICLE IV – NET ASSET VALUE CALCULATION**

The net asset value shall be calculated in accordance with the valuation rules specified in the detailed memorandum of the full prospectus.

In-kind contributions shall comprise only securities, shares or contracts permissible as mutual fund asset components, and shall be valued in accordance with valuation principles applicable to NAV calculations.

## **SECTION II – FUND OPERATIONS**

#### **ARTICLE V – MANAGEMENT COMPANY**

The Fund is managed by the asset management company in accordance with policy defined for the Fund.

The management company shall act in all circumstances on behalf of the unit-holders and has the exclusive right to exercise the voting rights attached to the securities held in the Fund.

#### **ARTICLE Va - OPERATING RULES**

Instruments and deposits eligible for inclusion as Fund assets and investment rules are outlined in the detailed memorandum of the full prospectus.

#### **ARTICLE VI –CUSTODIAN**

The custodian holds Fund assets, processes the management company buy and sale orders and also receives instructions on the exercising of subscription or allocation rights attached to shares held in the Fund. It also handles all receipts and payments.

The custodian must ensure the legality of all decisions made by the management company. If applicable, the custodian must take all protective measures that it deems useful. In the event of a dispute with the management company, it informs the French Financial Markets Authority (AMF).

#### **ARTICLE VII – STATUTORY AUDITOR**

A statutory auditor shall be appointed for six financial years by the management company, subject to the consent of the French Financial Markets Authority.

The auditor performs the procedures and checks provided under applicable laws. Specifically, it certifies the fair presentation and the legality of the financial statements and of the accounting information contained in the management report.

The statutory auditor may be reappointed.

The statutory auditor shall inform the French Financial Markets Authority and the Fund management company of any anomalies or inaccuracies which come to light in the course of its assignments.

Asset valuation and the determination of exchange terms pertaining to conversions, mergers or split transactions are carried out under the supervision of the statutory auditor.

The statutory auditor shall assess and value any in-kind contribution and draw up a report, under its own responsibility, relating to valuation and payable consideration.

The statutory auditor certifies the accuracy of the composition of assets and other items prior to publication.

The statutory auditor's fees shall be set by mutual agreement with the management company under a work schedule specifying the duties deemed necessary.

In the event of liquidation, the statutory auditor shall determine the asset value and draw up a report on the terms and conditions of the liquidation.

The statutory auditor shall certify positions serving as the basis for any interim distribution. The auditor's fees are included in the management fees.

#### **ARTICLE VIII - FINANCIAL STATEMENTS AND MANAGEMENT REPORT**

At the close of each financial year, the management company shall draw up summary documents and a report on Fund management during the elapsed financial year.

The inventory is certified by the custodian, and all the documents listed above are checked by the statutory auditor.

The management company shall make these documents available to unit-holders within four months of the end of the financial year and shall inform them of the level of income due to them. These documents shall either be sent by post, on the unit-holders' express request, or made available to them at the offices of the management company or custodian.

## **SECTION III – INCOME DISTRIBUTION PROCEDURES**

### **ARTICLE IX**

Income for the financial year is equal to interest, arrears, dividends, premiums and bonuses, director's fees, and all income generated from the securities in the Fund's portfolio (and/or each subfund), plus income on momentarily available sums and minus management fees and borrowing costs.

Distributable amounts shall be equal to the net income for the financial year plus items carried forwards, plus or minus the balance of accrued income relating to the elapsed financial year.

The management company shall decide on the allocation of income.

For each category of units, the Fund has opted for pure capitalisation, i.e., distributable sums are fully capitalised, with the exception of those that must, by law, be distributed.

## **SECTION IV – MERGERS, DEMERGERS, WINDING UP, LIQUIDATION**

### **ARTICLE X – MERGERS AND DEMERGERS**

The management company may either merge all or part of the Fund's assets into another fund under its management, or split the Fund into two or more funds under its management.

Funds may not be merged or demerged until one month after unit-holders have been notified. They give rise to the delivery of a new certificate specifying the number of units owned by each unit holder.

### **ARTICLE XI – WINDING UP AND EXTENSIONS**

If Fund assets remain below the amount specified in Article 2 above for a period of 30 days, the management company shall wind up the Fund and so inform the French Financial Markets Authority, unless it is merged with another investment fund.

The management company may dissolve the Fund early; it shall so notify unit-holders of its decision and as of that date subscription or redemption requests shall no longer be accepted.

The management company shall also dissolve the Fund if a request is made for the redemption of all its units, if the custodian's appointment is terminated and no other custodian has been appointed, or upon expiry of the Fund's term, unless such term is extended.

The management company shall inform the French Financial Markets Authority in writing of the scheduled date and selected winding-up procedure. It shall then send the French Financial Markets Authority the statutory auditor's report.

Extension of a fund may be decided by the management company in agreement with the custodian. The decision must be taken at least three months before the fund's scheduled expiry date and made known to the unit-holders and the AMF.

### **ARTICLE XII - LIQUIDATION**

In the event of dissolution the management company shall be in charge of liquidation transactions. For this purpose, they shall receive broader powers to sell the Fund's assets, settle liabilities, if any, and allocate the balance in cash or in securities to the unit-holders.

The statutory auditor and the custodian shall continue to perform their duties until the end of the liquidation transactions.

## **SECTION V - LITIGATION**

### **ARTICLE XIII – JURISDICTION, ELECTION OF DOMICILE**

Any litigation relating to the Fund that may arise during its life or upon its liquidation, either between the unit-holders, or between them and the management company or the custodian, is subject to the jurisdiction of the competent courts.