

# **JULIUS BAER SPECIAL FUNDS**

**A SICAV UNDER LUXEMBOURG LAW**

## **PROSPECTUS**

**GENERAL PART: 31<sup>ST</sup> MARCH 2015**

Special Part B: 31<sup>st</sup> March 2015

Subscriptions are validly made only on the basis of this prospectus or the Key Investor Information Document in conjunction with the most recent annual report and the most recent semi-annual report where this is published after the annual report.

No information other than that contained in this prospectus or in the Key Investor Information Document may be given.



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## **II. Special Parts**

Special Part B: Julius Baer Special Funds – SMART EQUITY UCITS ETF WORLD,  
Julius Baer Special Funds – SMART EQUITY UCITS ETF EUROPE,  
Julius Baer Special Funds – SMART EQUITY UCITS ETF EMERGING MARKETS  
and  
Julius Baer Special Funds – SMART EQUITY UCITS ETF ASIA

## 1. INTRODUCTION

JULIUS BAER SPECIAL FUNDS ("the Company" or "JULIUS BAER SPECIAL FUNDS") is a "*société d'investissement à capital variable*" (SICAV) established in accordance with the Luxembourg law of 10<sup>th</sup> August 1915 in its current version ("the 1915 Law") and is authorised in Luxembourg as an undertaking for collective investments in transferable securities (UCITS) under Part I of the law dated 17<sup>th</sup> December 2010 ("the 2010 Law").

The Company has an "umbrella structure", which means that various subfunds ("Subfunds") can be created that reflect different investment portfolios, and that can be issued in different categories of shares. The Company is authorised to appoint different specialist financial service providers, each acting under the supervision of the Board of Directors (as described in the section "Investment Managers and Investment Advisers"), as investment advisers respectively investment managers for one or more Subfunds.

This prospectus consists of a general part ("General Part"), containing all provisions which are applicable to all Subfunds and special parts ("Special Part"), describing the Subfunds and containing any provisions applicable to them. The complete prospectus, in the Special Parts, contains all Subfunds, and is available for inspection by the shareholders at the registered office of the Company. The prospectus may be amended or supplemented at any time. In that case, the shareholders will be informed accordingly.

In addition to the prospectus (General Part and Special Parts), a document containing key investor information will be published for each share category and will be remitted to each subscriber before he/she subscribes to shares ("Key Investor Information Document"). Each subscriber declares with the subscription to the Shares that he/she has received the Key Investor Information Document prior to subscribing.

Under the 2010 Law, the Company is authorised to produce one or more special prospectuses for the distribution of Shares in one or more Subfunds or for one specific distribution country. The special prospectuses always include the General Part and the relevant Special Part(s). As the case may be, they may also contain additional provisions relating to the country in which the Subfund(s) in question is/are authorised for public offering and distributed.

The Board of Directors of the Company is authorised to issue shares ("Shares") without par value relating to the relevant Subfund, and as described in the section "Description of Shares" or in the relevant Special Part, both distributing and accumulating Shares ("Share Category") can be issued for each Subfund. The Company may issue Share Categories with different minimum subscriptions, dividend policies and fee structures. The respective Share Categories issued in a Subfund are defined in the relevant Special Part of the Subfund in question. The distribution of Shares of determined Subfunds or Share Categories can be restricted by the Company to certain countries. Furthermore the above mentioned Share Categories can be setup in different currencies.

The issue of Shares takes place at prices quoted in the currency of the Subfund in question, respectively in the currency of the Share Category in question. As described in the Special Part, a selling fee may additionally be charged. Details of the subscription period and the terms and conditions for the initial issue of each Subfund are given in the Special Part. The Company may issue Shares in new, additional Subfunds at any time. The complete prospectus and, where applicable, the relevant special prospectuses will be amended accordingly.

Investors may purchase Shares either directly from the Company or via an intermediary, which acts in its own name but for the investor's account. In the latter case an investor may not necessarily assert all his/her investor's rights directly against the Company. For details reference is made to the section "Issue of Shares / Application Procedure", under "Nominee Service".

Shares may be redeemed at a price described in the section "Redemption of Shares". Shares may be switched using the formula described in the section "Switching of Shares".

The individual Share Categories of the Company may be quoted on the Luxembourg Stock Exchange and/or on other stock exchanges. Insofar as it is intended to engage a market maker in connection with such a stock exchange listing and/or calculate and publish an indicative net asset value, the Special Part shall provide further details in this regard.

**Subscriptions are only accepted on the basis of the valid prospectus or the Key Investor Information Document in conjunction with (i) the most recent annual report of the Company or (ii) the most recent semi-annual report where this is published after the annual report.**

The Shares are offered on the basis of the information and descriptions contained in this prospectus (or the Key Investor Information Document) and the documents referred to in it. Other information or descriptions by any persons must be regarded as being unreliable.

This prospectus, the Key Investor Information Document and any special prospectuses do not constitute an offer or advertisement in those jurisdictions where such an offer or advertisement is prohibited, or in which persons making such offer or advertisement are not authorised to do so, or in which the law is infringed if persons receive such offer or advertisement.

**Potential purchasers of Shares are responsible for informing themselves about the relevant foreign exchange regulations and on the legal and tax regulations applicable to them.**

The information in this prospectus and each special prospectus is in accordance with the current law and rules and regulations of the Grand Duchy of Luxembourg, and may thus be subject to alterations.

In this prospectus, figures in "Swiss Francs" or "CHF" refer to the currency of Switzerland; "US Dollars" or "USD" to the currency of the United States of America; "Euro" or "EUR" to the currency of the European Economic and Monetary Union; "£ Sterling" or "GBP" to the currency of Great Britain; "Japanese Yen" or "JPY" to the currency of Japan; "Singapore Dollars" or "SGD" to the currency of Singapore.

#### **Sales Restrictions**

Because Shares in the Company are not registered in the USA in accordance with the United States Securities Act of 1933, they may neither be offered nor sold in the USA including the dependent territories unless such offer or such sale is permitted by way of an exemption from registration in accordance with United States Securities Act of 1933.

Shares in the Company may neither be offered nor sold to any US American benefit plan investor. For this purpose, a "benefit plan investor" means any (i) "employee benefit plan" within the meaning of Section 3(3) of the US Employee Retirement Income Security Act of 1974, as amended ("ERISA") that is subject to the provisions of Part 4 of Title I of ERISA, (ii) individual retirement account, Keogh Plan or other plan described in Section 4975(e)(1) of the US Internal Revenue Code of 1986, as amended, (iii) entity whose underlying assets include "plan assets" by reason of 25% or more of any class of equity interest in the entity being held by plans described in (i) and (ii) above, or (iv) other entity (such as segregated or common accounts of an insurance company, a corporate group or a common trust) whose underlying assets include "plan assets" by reason of an investment in the entity by plans described in (i) and (ii) above.

Further information can be obtained at [www.jbfundnet.com](http://www.jbfundnet.com).

## 2. ORGANISATION AND MANAGEMENT

The Company's registered office is at 25, Grand-Rue, L-1661 Luxembourg, Grand Duchy of Luxembourg.

### Board of Directors of the Company

#### Chairman

Martin Jufer	Member of the Group Management Board, GAM Group; Head of Operations, Swiss & Global Asset Management Ltd., Zurich, Switzerland
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#### Members

Andrew Hanges	Member of the Group Management Board, GAM Group; Head of Operations GAM and Region Head UK, London, United Kingdom
Me Freddy Brausch	Partner, Linklaters LLP, Luxembourg, Grand Duchy of Luxembourg
Jean-Michel Loehr	Independent Director Luxembourg, Grand Duchy of Luxembourg
Dirk Spiegel	Managing Director, Head Legal & Compliance, Swiss & Global Asset Management, Zurich, Switzerland

### Advisory Council of the Board of Directors

A representative for each Subfund may be named in the corresponding Special Part of this prospectus.

### Management Company and Domiciliary Agent

Swiss & Global Asset Management (Luxembourg) S.A., 25, Grand-Rue, L-1661 Luxembourg

### Board of Directors of the Management Company

#### Chairman

Martin Jufer	Member of the Group Management Board, GAM Group; Head of Operations, Swiss & Global Asset Management Ltd., Zurich, Switzerland
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#### Members

Andrew Hanges	Member of the Group Management Board, GAM Group; Head of Operations GAM and Region Head UK, London, United Kingdom
Michele Porro	Member of the Group Management Board, GAM Group; Region Head Continental Europe, Zurich, Switzerland
Yvon Lauret	Independent Director, Luxembourg, Grand Duchy of Luxembourg
Michel Malpas	Independent Director, Luxembourg, Grand Duchy of Luxembourg

### Managing directors of the Management Company

Ewald Hamlescher	Managing Director, Swiss & Global Asset Management (Luxembourg) S.A., Luxembourg
Steve Kieffer	Managing Director, Swiss & Global Asset Management (Luxembourg) S.A., Luxembourg



**Custodian bank,  
Central administration, principal paying agent and domiciliary agent  
Registrar and transfer agent**

State Street Bank Luxembourg S.A., 49, Avenue John F. Kennedy, L-1885 Luxembourg

**Investment Manager and Investment Adviser**

The Company and the Management Company have appointed various investment managers, respectively investment advisers and may appoint additional ones.

**Distributors**

The Company, respectively the Management Company, has appointed distributors and may appoint additional distributors to sell Shares in various legal jurisdictions.

**Auditor of annual report**

PricewaterhouseCoopers Société coopérative, 400, route d'Esch, L-1471 Luxembourg, has been appointed auditor of the annual report.

**Legal adviser**

Linklaters LLP, 35, Avenue John F. Kennedy, L-1855 Luxembourg, has been appointed legal adviser of the Company.

**Supervisory Authority in Luxembourg**

Commission de Surveillance du Secteur Financier ("CSSF"), 110, route d'Arlon, L-2991 Luxembourg.

Further information and documents on the Company and the individual Subfunds may also be consulted on the web site [www.jbfundnet.com](http://www.jbfundnet.com), on which investors can also find a form for submitting complaints.

Supplementary information on the organisation of the individual Subfunds is contained in the relevant Special Part.

### 3. INVESTMENT OBJECTIVES AND POLICY

The investment objectives of the Board of Directors in relation to each individual Subfund are described in the Special Part, in the section "Investment objectives and policy".

Where this prospectus, and the Special Parts in particular, refer to a "recognised country", this means a member state of the Organisation for Economic Cooperation and Development ("OECD") and all other countries of Europe, North and South America, Africa, Asia and of the Pacific Rim (hereinafter "**recognised country**").

Further, in the pursuit of the investment objectives, the Subfunds may employ investment techniques and financial instruments as described in the section "**Special investment techniques and financial instruments**", in compliance with the guidelines and limits set according to Luxembourg law.

**Although the Company will do its utmost to achieve the investment objectives of each Subfund, there can be no guarantee to which extent these objectives will be reached. Consequently, the net asset values of the Shares may increase or decrease and positive or negative returns of different levels may arise. Consequently, a Shareholder runs the risk that he/she may not recover the amount originally invested. Depending on the orientation of the individual Subfunds this risk may differ from Subfund to Subfund. It is also noted that there are increased risks in relation to the settlement of the Company's securities transactions, and above all the risk that the securities may be delivered late or not at all. Currency risks may also arise for shareholders whose reference currency differs from the investment currency of a Subfund. The description of the Subfunds in the relevant Special Part shall not be construed as a recommendation to acquire Shares in a particular Subfund. Rather, each shareholder should consult his/her financial adviser regarding the acquisition of Shares in the Company and the selection among the Subfunds and their Share Categories.**

The performance of each Subfund is illustrated in the Key Investor Information Document.

### 4. INVESTOR PROFILE

The investor profile of each Subfund is described in the relevant Special Part of the prospectus.

### 5. INVESTMENT LIMITS

#### 1. Investments in securities, money market instruments, deposits and derivatives

These investments comprise:

- (a) Transferable securities and money market instruments:
  - which are admitted to or dealt in on a regulated market (as defined in Directive 2004/39/EC);
  - which are dealt in on another regulated market in a member state of the European Union ("EU") which is recognised, open to the public and operates regularly;
  - which are admitted to official listing on a stock exchange in a non-EU state<sup>1</sup> or is traded on another regulated market of a non-EU state which is recognised, open to the public and operates regularly;
  - resulting from new issues, provided the terms of issue contain an undertaking to apply for official listing on a stock exchange or another regulated market which is recognised, open to the public and operates regularly, and that the admission will be obtained within one year of the issue.
- (b) Sight deposits or deposits repayable on demand maturing in no more than 12 months with qualified credit institutions whose registered office is located in a member state of the EU or in a member state of

<sup>1</sup> As used in Directive 2009/65/EC, a non-EU state is a country which is not a member of the EU.

the OECD or in a country that has ratified the resolutions of the Financial Actions Task Force ("FATF" or Groupe d'Action Financière Internationale "GAFI") ("qualified credit institutions").

- (c) Derivatives, including equivalent cash-settled instruments, which are dealt in on a regulated market as specified in (a), first, second or third indent, and/or OTC (over the counter) derivatives provided that:
- the underlying securities are instruments as defined by Article 41 para. 1 of the 2010 Law or are financial indices, interest rates, foreign exchange rates or currencies in which the Subfund may invest according to its investment objectives;
  - the counterparties in transactions with OTC derivatives are institutions subject to supervision belonging to the categories approved by the Commission de Surveillance du Secteur Financier (CSSF); and
  - the OTC derivatives are subject to reliable and verifiable valuations on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at the initiative of the Company at their fair value.
- (d) Shares in UCITS authorised in accordance with Directive 2009/65/EC and/or other UCIs within the meaning of Article 1 (2), first and second indent of Directive 2009/65/EC having their registered office in a member state of the EU or a non-EU state, provided that:
- such other UCIs are authorised in accordance with legal requirements which submit them to prudential supervision considered by the CSSF to be equivalent to that under the EU community law and that there is sufficient guarantee of cooperation between the authorities;
  - the level of protection for unitholders of such other UCIs is equivalent to the level of protection for unitholders of a UCITS and in particular that the requirements for segregation of the fund's assets, borrowing, lending and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of Directive 2009/65/EC;
  - the business activities of the other UCIs are subject to semi-annual and annual reports which enable an assessment of the assets and liabilities, income and operations over the reporting period;
  - the UCITS or this other UCI, whose units are to be acquired may, according to its constitutional documents, invest in total no more than 10% of its net asset value in units of other UCITS or other UCIs.

If the Company purchases units in other UCITS and/or other UCIs which are managed directly or indirectly by the same Management Company or by another company to which the Management Company is linked by common administration or control or by a significant direct or indirect shareholding, the Management Company or the other company may not charge the Company any fees for subscription or redemption of shares in other UCITS and/or UCI.

A Subfund may invest in other Subfunds of the Company, subject to the prerequisites laid down in Article 181 paragraph 8 of the 2010 Law.

- (e) Money market instruments which are not traded on a regulated market and fall under the definition of Article 1 of the 2010 Law, provided the issue or issuer of these instruments is itself subject to regulations concerning the protection of savings and investors, and provided:
- they are issued or guaranteed by a central governmental, regional or local authority or the central bank of an EU member state, the European Central Bank, the EU or the European Investment Bank, a non-EU state or, in the case of a federal state, one of the members making up the federation, or by a public international institution to which at least one EU member state belongs; or
  - they are issued by an undertaking whose securities are traded on the regulated markets designated in 1. (a); or
  - they are issued or guaranteed by an establishment subject to supervision in accordance with the criteria defined by EU Community law, or by an institution which is subject to and complies with

prudential rules which in the opinion of the CSSF are at least as stringent as those under EU Community law; or

- they are issued by other issuers belonging to a category approved by the CSSF provided such instruments are subject to investor protection regulations which are equivalent to those of the first, second or third indent and provided the issuer is either a company with own funds of at least ten (10) million Euro which presents and publishes its annual accounts in accordance with the provisions of the 4<sup>th</sup> Directive 78/660/EEC, or an entity within a group comprising one or more companies listed on an official stock exchange which is dedicated to the financing of that group, or is an entity which is dedicated to the financing of the securitisation of vehicles which benefit from a banking liquidity line.
- (f) However:
- the Company may invest no more than 10% of the net asset value per Subfund in transferable securities and money market instruments other than those referred to in (a) to (e);
  - the Company may not acquire precious metals or certificates representing them.
- (g) The Company may hold ancillary liquid assets.

## 2. Investment restrictions

- (a) The Company may invest no more than 10% of the net asset value of each Subfund in transferable securities or money market instruments of one and the same issuer. The Company may invest no more than 20% of the net asset value of each Subfund in deposits made with one and the same institution.

The risk exposure to counterparty in OTC-derivatives transactions by the Company must not exceed the following percentages:

- 10% of the net asset value of each Subfund if the counterparty is a qualified credit institution;
- and otherwise 5% of the net asset value of each Subfund.

In the case of UCITS, the aggregate risk exposure is determined either by using the Commitment Approach or by means of a model approach (Value-at-Risk model), which takes into account all general and specific market risks that may lead to a significant change in the value of the portfolio. If the Commitment Approach is used, the aggregate risk associated with derivatives (market risk) of each Subfund must not exceed the net asset value of the Subfund concerned. If a Subfund uses a Value-at-Risk (VaR) method to calculate its aggregate risk, the calculation of the VaR is based on a 99% confidence interval. The holding period corresponds to one month (20 days) for the purpose of calculating the aggregate risk.

The aggregate risk in relation to each individual Subfund is calculated according to either the Commitment Approach or the VaR model (Absolute VaR or Relative VaR with the corresponding benchmark), as listed in the table below.

Subfund	Relative VaR / Absolute VaR / Commitment Approach	Benchmark used to calculate the risk exposure (only in the case of Relative VaR)
SMART EQUITY UCITS ETF WORLD	Commitment Approach	/
SMART EQUITY UCITS ETF EUROPE	Commitment Approach	/
SMART EQUITY UCITS ETF EMERGING MARKETS	Commitment Approach	/
SMART EQUITY UCITS ETF ASIA	Commitment Approach	/

The aggregate risk of the underlying instruments must not exceed the investment limits set out in (a) to (f). The underlying instruments of index-based derivatives do not have to take these investment limits into account. However, if a derivative is embedded in a transferable security or money market instrument, it must be taken into account for the purpose of the provisions of this section.

- (b) The total value of the issuers' securities and money market instruments in which a Subfund invests more than 5% of its net asset value must not exceed 40% of its net asset value. This limitation does not

apply to deposits or OTC derivative transactions made with financial institutions subject to prudential supervision.

- (c) Irrespective of the individual maximum limits under (a), a Subfund may invest not more than 20% of its net asset value with a single institution in a combination of:
- transferable securities or money market instruments issued by this institution and/or
  - deposits made with this institution and/or
  - OTC derivatives transactions undertaken with this institution.

- (d) The limit stated in (a), first sentence, is raised to 35% if the transferable securities or money market instruments are issued or guaranteed by an EU member state or by its local authorities, by a non-EU state or by public international institutions of which at least one EU member state is a member.

- (e) The limit stated in (a), first sentence, is raised to 25% for certain debt securities if they are issued by a credit institution with its registered office in an EU member state which is subject, by law, to special prudential supervision designed to protect investors in debt securities. In particular, sums deriving from the issue of these debt securities must be invested in conformity with the law in assets which, during the whole period of validity of the debt securities, are capable of covering claims attaching to the debt securities and which, in case of failure of the issuer, would be used on a priority basis for the repayment of principal and of the accrued interest.

If a Subfund invests more than 5% of its net asset value in the debt securities referred to in the above paragraph and which are issued by a single issuer, the total value of such investments may not exceed 80% of the net asset value of the Subfund concerned.

- (f) The transferable securities and money market instruments mentioned in (d) and (e) are not taken into account in the calculation of the limit of 40% referred to in (b).

The limits stated in (a) to (e) may not be combined, and thus investments in accordance with (a) to (e) in transferable securities or money market instruments of one and the same issuer or in deposits with the said issuer or in derivatives made with that issuer may not exceed a total of 35% of the net asset value of a Subfund.

Companies which are included in the same group for the purpose of consolidated accounts as defined in the Directive 83/349/EEC or in accordance with recognised international accounting rules are regarded as a single issuer for the purpose of calculating the aforementioned limits.

The investments by a Subfund in transferable securities and money market instruments within the same group may cumulatively not exceed 20% of its net asset value, this being without prejudice to (e) above.

- (g) **Notwithstanding points (a) to (f), the Company is authorised in accordance with the principle of risk diversification to invest up to 100% of a Subfund's net asset value in securities and money market instruments from different issues, which are issued or guaranteed by an EU member state or by its local authorities, by a member state of the OECD or by public international organisations of which at least one EU member state is a member, provided, however, that the Subfund must hold securities and money market instruments of at least six different issues, whereby the securities and money market instruments of each single issue may not account for more than 30% of the net asset value of the Subfund concerned.**

- (h) Without prejudice to the limits laid down in (j), the limits laid down in (a) for investments in shares and/or debt securities issued by the same issuer may be raised to a maximum of 20% if the investment strategy of the Subfund is to replicate the composition of a certain stock or debt index recognised by the CSSF. This depends on the following conditions:

- that the composition of the index is sufficiently diversified;
- that the index represents an adequate benchmark for the market to which it refers;
- that the index is published in an appropriate manner.

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

- (i) A Subfund may acquire units of target funds as defined in section 5.1 (d) above, up to a maximum of 10% of its net asset value if no investments in target funds beyond this limit are permitted in the relevant Special Part of the prospectus.

(j)

- (A) The Company or the Management Company acting in connection with all of the investment funds which it manages and which qualify as a UCITS may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuer.

- (B) Moreover, the Company may acquire no more than:

- 10% of the non-voting shares from the same issuer;
- 10% of debt securities from the same issuer;
- 25% of the units of the same target fund;
- 10% of the money market instruments of any single issuer.

The limits laid down in the second, third and fourth indents may be disregarded at the time of acquisition if at that time the gross amount of debt securities or money market instruments or the net amount of the shares in issue cannot be calculated.

Paragraphs (A) and (B) shall not apply:

- to transferable securities and money market instruments issued or guaranteed by a EU member state or its local authorities;
- to the transferable securities and money market instruments issued or guaranteed by a non-EU state;
- to transferable securities and money market instruments issued by public international institutions of which one or more EU member states are members;
- to shares held by the Company in the capital of a company incorporated in a non-EU state which invests its assets mainly in the securities of issuers having their registered office in that state, where under the legislation of that state, such a holding represents the only way in which the Company can invest in the securities of issuers of that state. This derogation, however, shall only apply if in its investment policy the company from the non-EU state complies with the limits laid down in (a) to (f) and (i) and (j) (A) and (B). Where the limits set in (a) to (f) and (i) are exceeded, (k) shall mutatis mutandis apply;
- to shares held by the Company alone or together with other UCIs in the capital of subsidiary companies which, exclusively on its own or their behalf carry on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the redemption of shares at the request of investors.

(k)

- (A) The Company need not comply with the limits laid down herein if exercising subscription rights attaching to transferable securities and money market instruments which form part of its assets. While ensuring observance of the principle of risk diversification, each Subfund may derogate from the rules set out in (a) to (h) for a period of six months following the date of its admission.
- (B) If the Company exceeds the limits referred to in (A) for reasons beyond its control or as a result of the exercise of subscription rights, it must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its shareholders.

(l)

- (A) The Company may not borrow. However, the Company may acquire foreign currencies by means of a "back-to-back" loan.
- (B) By way of derogation from paragraph (A), the Company may per Subfund (i) borrow up to 10% of its net asset value provided that the borrowing is on a temporary basis, and (ii) borrow up to 10% of its net asset value provided that the borrowing is to make possible the acquisition of immovable property essential for the direct pursuit of its business; in no case may such borrowings and those referred to in (i) together exceed 15% of the net asset value concerned.

- (m) The Company or the custodian bank may not grant loans or act as guarantor for third parties for the account of the Subfund, without prejudice to points (a) to (e) under point 1. This shall not prevent the Company from acquiring transferable securities or money market instruments or shares in target funds or financial instruments referred to in (c) and (e) under point 1 which are not fully paid.
- (n) The Company or the custodian bank may not carry out uncovered sales of transferable securities, money market instruments, shares in target funds or financial instruments referred to in (c) and (e) under point 1.
- (o) The Company may hold liquid assets which, under certain circumstances, may amount up to 49% of the assets of the respective Subfund.

### **3. Further investment guidelines**

- (a) The Company will not acquire securities which entail unlimited liability.
- (b) The fund's assets must not be invested in real estate, precious metals, precious metal contracts, commodities or commodity contracts.
- (c) The Company can implement further investment restrictions in order to comply with the requirements in countries in which Shares shall be offered for sale.

## **6. SPECIAL INVESTMENT TECHNIQUES AND FINANCIAL INSTRUMENTS**

In the interests of efficient management or for hedging purposes, the Company may make use of the following investment techniques and financial instruments for each Subfund. If foreseen accordingly in the Special Part of this prospectus, the Company may also use derivative financial instruments for investment purposes. It must at all times comply with the investment restrictions stated in Part I of the 2010 Law and in the section "Investment limits" in this prospectus, and must in particular be aware of the fact that the underlying of derivative financial instruments and structured products used by each Subfund have to be taken into account in the calculation of the investment limits stated in the previous section. The Company, when using special investment techniques and financial instruments, will at all times observe the investment limits as specified by the requirements of CSSF Ordinance 10-4 and by the Luxembourg or European regulations as issued from time to time.

In respect of each Subfund, the Company will also take into account the requirement to maintain an appropriate level of liquidity when employing special investment techniques and financial instruments (particularly in the case of derivatives and structured products).

### **6.1. OPTIONS ON SECURITIES**

The Company may, for each Subfund and regarding the permitted investments, buy and sell call or put options as long as they are traded on a regulated market, or over the counter (OTC) options provided the counterparties of such transactions are first class financial institutions specialising in transactions of this kind.

## **6.2. FINANCIAL FUTURES, SWAPS AND OPTIONS ON FINANCIAL INSTRUMENTS**

Subject to the derogations listed below, futures and options on financial instruments are, as a matter of principle, limited to contracts traded on regulated markets. OTC derivatives may only be concluded if the counterparties are first class financial institutions which specialise in transactions of this kind.

### **a) Hedges against market risks and risks associated with stock market performance**

For the purpose of hedging against poor market performance, the Company may, for each Subfund, sell forward transactions and call options on share price indexes, bond market indexes or other indexes or financial instruments or buy put options on share price indexes, bond market indexes or other indexes or buy financial instruments or enter into swaps in which the payments between the Company and the counterparty depend on the development of certain share price indexes, bond market indexes or other indexes or financial instruments.

As these call and put transactions are for hedging purposes, there must be a sufficient correlation between the structure of the securities portfolio to be hedged and the composition of the stock index employed.

### **b) Hedges against interest rate risks**

For the purpose of hedging against the risks associated with changes in interest rates the Company may sell interest rate futures and call options on interest rates, buy put options on interest rates and enter into interest rate swaps, forward rate agreements and options on interest rate swaps (swaptions) with first class financial institutions specialising in transactions of this kind as part of OTC transactions for each Subfund.

### **c) Hedges against inflation risks**

For the purpose of hedging against risks resulting from an unexpected acceleration of inflation, the Company may conclude so-called inflation swaps with first class financial institutions specialising in this type of transaction as part of OTC transactions or make use of other instruments to hedge against inflation for each Subfund.

### **d) Hedges against credit default risk and the risk of a deterioration in a borrower's credit standing**

For the purpose of hedging against credit default risk and the risk of losses owing to a deterioration in the borrower's credit standing, the Company may engage in credit options, credit spread swaps ("CSS"), credit default swaps ("CDS"), CDS (index) baskets, credit-linked total return swaps and similar credit derivatives with first class financial institutions specialising in transactions of this kind as part of OTC transactions for each Subfund.

### **e) Non-hedging transactions ("active management")**

For each Subfund, the Company may use financial derivatives for the purposes of efficient portfolio management for each Subfund. For instance, the Company may buy and sell forward contracts and options on all types of financial instruments and use derivatives with a view to managing currency fluctuations.

The Company can also enter into interest and credit swaps (interest rate swaps, credit spread swaps ("CSS"), credit default swaps ("CDS"), CDS (index) baskets, etc.), inflation swaps, options on interest rate and credit swaps (swaptions), but also swaps, options or other transactions in financial derivatives in which the Company and the counterparty agree to swap performance and/or income (total return swaps, etc.) for each Subfund. This also comprises so-called contracts for difference – ("CFD"). A contract for difference is a contract between two parties - the buyer and the seller - which stipulates that the seller will pay the buyer the difference between the current value of an asset (a security, an instrument, a basket of securities or an index) and its value at the time of entering into the contract. If the difference is negative, the buyer owes the seller the (corresponding) payment. Contracts for difference allow the Subfunds to take synthetic long or short positions with a variable collateral provision, where - unlike with futures contracts - the maturity date and the size of the contract are not fixed. The counterparties must be first class financial institutions which specialise in such transactions.

### **f) Securities forward settlement transactions**

In the interests of efficient management or for hedging purposes, the Company may conclude forward transactions with broker/dealers acting as market makers in such transactions, provided they are first class financial institutions specialising in this type of transaction and participate in the OTC markets. The transactions



in question include the purchase or sale of securities at their current price; delivery and settlement then take place on a later date that is fixed in advance.

Within an appropriate period in advance of the transaction settlement date, the Company can arrange with the broker/dealer either for it to sell or buy back the securities or for it to extend the time limit, all realised profits or losses from the transaction being paid to the broker/dealer or paid by it to the Company. However, the Company concludes purchase transactions with the intention of acquiring the securities in question.

The Company can pay the normal charges contained in the price of the securities to the broker/dealer in order to finance the costs incurred by the broker/dealer because of the later settlement.

### **6.3. EFFICIENT PORTFOLIO MANAGEMENT – OTHER INVESTMENT TECHNIQUES AND—INSTRUMENTS**

In addition to investments in derivatives, the Company may also make use of other investment techniques and instruments based on securities and money market instruments such as repurchase agreements (repurchase or reverse repurchase transactions) and securities lending transactions pursuant to the terms of the CSSF Circular 08/356 (as last amended and any replacement circular) and the Guidelines of the European Securities and Markets Authority ESMA/2012/832, as implemented in Luxembourg by the CSSF Circular 13/559 (as last amended by the CSSF Circular 14/592), as well as any other guidelines introduced in this regard. Investment techniques and instruments based on securities and money market instruments that are used for the purposes of efficient portfolio management, including derivatives that are not used for direct investment purposes, shall fulfil the following criteria:

- a) they are economically appropriate in that they are used cost-effectively;
- b) they are used with one or more of the following specific aims:
  - i. To reduce risk;
  - ii. To cut costs;
  - iii. To generate additional capital or revenue for the Company, associated with a risk that is compatible with the risk profile of the Company and the relevant Subfunds of the Company and with the applicable rules on risk diversification;
- c) their risks are appropriately captured by the Company's risk management process; and
- d) they may not result in any change to the Subfund's declared investment objective or be associated with any substantial supplementary risks compared with the general risk strategy as described in the prospectus or the key investor information.

Potential techniques and instruments for efficient portfolio management are detailed below and are subject to the conditions described below.

Furthermore, such transactions may be entered into for 100% of the assets held by the Subfund concerned provided that (i) their scope remains appropriate or the Company is entitled to recall the securities that have been lent so that it is always in a position to meet its redemption obligations and (ii) such transactions do not jeopardise the management of the Company's assets in line with the investment policy of the Subfund concerned. Risk monitoring must be carried out in line with the Company's risk management process.

Efficient portfolio management may possibly have a negative impact on the return for shareholders.

Efficient portfolio management may lead to direct and indirect operational costs that are deducted from the revenue. These costs shall not include hidden charges.

Care shall also be taken to ensure that no conflicts of interest are created to the detriment of investors as a result of efficient portfolio management techniques being applied.

### **6.4. SECURITIES LENDING**

For the purposes of generating additional capital or income or reducing costs and risks in the context of a standardised system and pursuant to the provisions of the CSSF Circular 08/356, (as last amended and any replacement circular) and the Guidelines of the European Securities and Markets Authority ESMA/2012/832 and

other guidelines introduced in this regard, the Company is permitted to lend securities of a Subfund to third parties. The Company is permitted, on the basis of a standardised system and taking into account the provisions of the CSSF Circular 08/356, to lend securities of a Subfund to third parties (up to a maximum of 100% of the estimated total value of the instruments of the Subfund, provided the Company has the right to terminate the contract at any time and recover the lent securities), although such transactions may only be carried out by recognised clearing houses such as Euroclear or Clearstream SA or other recognised national clearing houses or using highly rated financial institutions specialised in this type of transaction, and according to their terms of business. The counterparty to the securities lending agreement must be subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU Community law. The rights to refund must in principle be protected by collateral security to a value which at the time the contract is entered into and throughout the lending term at least corresponds to the estimated total value of the relevant lent securities; this can be done through the provision of collateral security in the form of fixed-term deposits or securities which are issued or guaranteed by OECD member states, their local authorities or institutions of a supranational or regional character, or by other highly rated issuers, or else through the provision of collateral security in the form of shares in highly rated companies (on condition that hedging is provided against any fall in price between the time the collateral security is created and the time the lent security in question is returned), with such collateral security remaining blocked, on behalf of the Company, until expiry of the applicable securities lending transaction.

The Company must have the right to terminate at any time any securities lending agreement into which it has entered or to recall any security that has been lent.

All revenues arising from efficient portfolio management techniques, net of direct and indirect operational costs/fees, shall be returned to the respective Subfund.

From the gross revenues from securities lending, the services connected to it will be paid, such as particularly the depositary, lending agent, indemnification, consisting of a minimum amount and a pro-rate participation, as well as a remuneration for risk and collateral management, legal and IT support to the Management Company. The Management Company will ensure that only market-compliant costs will be applied. The remaining revenues will be fully credited to the respective Subfund.

The Company shall further ensure that the volume of securities lending is maintained at an appropriate level or that the Company is entitled to have the lent securities returned in a manner that ensures that it is always in a position to meet its redemption obligations and that such transactions do not jeopardise the management of the assets of the Subfunds in accordance with its investment policy.

The risk exposures to a counterparty resulting from securities lending and OTC financial derivatives should be combined in order to calculate the counterparty risk pursuant to the Section "Risks in conjunction with the use of derivatives and other special investment techniques and financial instruments".

Non-cash collateral received may not be sold, re-invested or pledged during the term of the transaction. Cash collateral received should only be:

- placed on deposit with credit institutions described in Article 50(f) of the UCITS Directive;
- invested in high-quality government bonds;
- used for the purpose of reverse repurchase transactions provided that the transactions are with credit institutions subject to supervision and the Company is able to recall at any time the full amount of cash on accrued basis;
- invested in short-term money market funds as defined in the CESR's Guidelines on a Common Definition of European Money Market Funds.

Re-invested cash collateral must be diversified in accordance with the diversification requirements applicable to non-cash collateral.

The Section "Risks in conjunction with the use of derivatives and other special investment techniques and financial instruments" contains further risk information in this regard.

## 6.5 SECURITIES REPURCHASE AGREEMENTS

The Company may, taking into account the provisions of the CSSF Circular 08/356 and the investment policy of the relevant Subfund, for that Subfund engage in repurchase agreements ("Repurchase Agreements") and reverse repurchase agreements ("Reverse Repurchase Agreements") involving the purchase and sale of securities where the seller has the right or obligation to repurchase the securities sold from the buyer at a fixed price and within a certain period stipulated by both parties upon conclusion of the agreement.

The Company may effect repurchase transactions either as a buyer or a seller. However, any transactions of this kind are subject to the following guidelines:

- Securities may only be purchased or sold under a repurchase agreement if the counterparty is a first class financial institution specialising in transactions of this kind and is subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU Community law.
- As long as the repurchase agreement is valid, the securities bought cannot be sold before the right to repurchase the securities has been exercised or the repurchase period has expired.
- In addition, it must be ensured that the volume of repurchase agreements of each Subfund is structured in such a way that the Subfund can meet its redemption obligations towards its shareholders at any time.

If the Company agrees repurchase transactions for a Subfund, it must be able to either recall the underlying securities or terminate the transaction at any time. Repurchase Agreements that do not exceed seven days should be considered as transactions that allow the assets to be recalled at any time by the Company.

If the Company enters into a Reverse Repurchase Agreement it should ensure that it is able at any time to recall the full amount of cash or to terminate the Reverse Repurchase Agreement on either an accrued basis or a mark-to-market basis. In cases where the cash is callable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement should be used for the calculation of the net asset value. Reverse repurchase agreements that do not exceed seven days should be considered as arrangements on terms that allow the assets to be recalled at any time by the Company. The Company must publish the total amount of outstanding repurchase transactions as at the reference date in its yearly and half-yearly reports.

## 6.6. MANAGEMENT OF COLLATERAL FOR OTC DERIVATIVES AND EFFICIENT PORTFOLIO MANAGEMENT TECHNIQUES

The following provisions are in line with the requirements of the Guidelines of the European Securities and Markets Authority ESMA/2012/832, which may be amended in future.

1. Collateral received ("collateral") in connection with OTC derivative transactions and efficient portfolio management techniques, such as e.g. in the context of repurchase transactions or securities lending, must at all times fulfil all of the following criteria:

- (a) Liquidity: Any collateral received other than cash should be highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. Collateral received should also comply with the provisions of Article 48 of the Law of 2010.
- (b) Valuation: Collateral received should be able to be valued on a daily basis, and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place.
- (c) Issuer credit quality: Collateral received should have a high credit rating.
- (e) Diversification: Collateral should be sufficiently diversified in terms of countries, markets and issuers. The criteria of sufficient diversification in terms of the concentration of the issuers is deemed to be fulfilled when a Subfund receives from the counterparty a collateral basket, in which the maximum exposure towards a particular issuer does not exceed 20% of the net asset value. If a Subfund is exposed to different counterparties, the different baskets of collateral should be aggregated to calculate the 20% limit of exposure to a single issuer.

By way of derogation from this sub-paragraph, the Subfunds may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a Member State, one or more of its local authorities, a third country, or a public international body to which one or more Member States belong. Such Subfunds should receive securities from at least six different issues, but securities from any single issue should not account for more than 30% of the Subfund's net asset value. Subfunds that intend to be fully collateralised in

securities issued or guaranteed by a Member State should disclose this fact in the respective special part of the prospectus. Subfunds should also identify the Member States, local authorities, or public international bodies issuing or guaranteeing securities which they are able to accept as collateral for more than 20% of their net asset value.

(f) Immediate availability: The Company must be able to realise the collateral at any time without reference to the counterparty or requiring the counterparty's approval.

2. Subject to the above criteria, collateral admissible for any Subfund must meet the following requirements:

(a) Liquid assets such as cash or short-term bank deposits, money market instruments as defined in Directive 2007/16/EC of 19 March 2007, letters of credit or "pay upon first request" suretyships issued by a first-class credit institution that is not linked to the counterparty;

(b) Bonds issued or guaranteed by a member state of the OECD.

3. Where there is a title transfer, the collateral received should be held by the depositary or its representative. For other types of collateral arrangement, the collateral can be held by a third party custodian that is subject to prudential supervision and unrelated to the provider of the collateral.

4. The Company has introduced a haircut strategy for each class of assets received as collateral. A haircut is a deduction from the value of collateral to take account of a deterioration in the valuation or in the liquidity profile of the collateral over time. The haircut strategy takes into account the characteristics of the respective assets, including the credit standing of the issuer, price volatility and the outcome of stress tests performed as part of collateral management. Subject to existing transactions with the counterparty concerned, which may include minimum amounts for the transfer of collateral, the Company intends applying a haircut of at least 2% to collateral received (as defined in No. 2b), at least corresponding to the counterparty risk.

5. Risks and potential conflicts of interest in conjunction with OTC derivatives and efficient portfolio management

(a) Specific risks are associated with OTC derivative transactions, efficient portfolio management and the management of collateral. Further information in this regard is provided in this prospectus in the Section "Risks in conjunction with the use of derivatives and other special investment techniques and financial instruments" and also in the comments on the risks associated with derivatives, counterparty risk and depositary counterparty risk. These risks may expose shareholders to an elevated risk of loss.

(b) The combined counterparty risk arising from a transaction with OTC derivatives or techniques for efficient portfolio management may not exceed 10% of the assets of a Subfund if the counterparty is a credit institution based in the EU or in a country in which, according to the Luxembourg supervisory authority, the supervisory system is equivalent to that applicable in the EU. In all other cases this limit is 5%.

#### **6.7. TECHNIQUES AND INSTRUMENTS FOR HEDGING CURRENCY RISKS**

For the purpose of hedging against currency risks the Company may at a stock exchange or on another regulated market, or in the context of OTC transactions, conclude currency futures contracts, sell currency call options or buy currency put options in order to reduce *exposure* to the currency that is deemed to present a risk or to completely eliminate such risk and to shift into the reference currency or into another of the permissible currencies that is deemed to present less risk for each Subfund.

Currency futures and swaps may be executed by the Company in the open market with first class financial institutions specialising in transactions of this kind.

#### **6.8 STRUCTURED PRODUCTS**

The Company may use structured products in the interests of efficient management or for hedging purposes for any Subfund. The range of structured products includes in particular credit-linked notes, equity-linked notes, performance-linked notes, index-linked notes and other notes whose performance is linked to basic instruments which are permitted in accordance with Part I of the Law of 17 December 2010 and the associated implementing regulations. For this, the counterparty must be a first class financial institution specialising in this type of transaction. Structured products are combinations of other products. Derivatives and/or other investment techniques and instruments may be embedded in structured products. In addition to the risk features of

securities, those of derivatives and other investment techniques and instruments therefore also have to be noted. In general, they are exposed to the risks of the markets or basic instruments underlying them. Depending on the structure, they may be more volatile and thus entail greater risks than direct investments, and there may be a risk of a loss of earnings or even the total loss of the invested capital as a result of price movements on the underlying market or in the basic instrument.

#### **6.9 SWAPS AND DERIVATIVES WITH COMPARABLE PROPERTIES**

The Subfunds may invest in total return swaps or other derivatives with comparable properties, which can be defined as follows:

- The underlyings of the total return swaps or other derivatives with comparable properties include in particular individual equities or bonds, baskets of equities or bonds, or financial indices that are permitted in accordance with paragraphs 48-61 of ESMA Guidelines 2012/832. The components of the financial indices include, among others, equities, bonds, derivatives on commodities. The investment policy of the various Subfunds includes further details on the deployment of total return swaps or other financial instruments with comparable properties, which may have different underlyings and strategies compared with those described above
- The counterparties in such transactions are highly rated financial institutions specialised in transactions of this kind.
- The failure of a counterparty may have a negative impact on the return for shareholders. The asset manager intends to minimise counterparty performance risk by only selecting counterparties with a good credit rating and by monitoring any changes in those counterparties' ratings. Additionally, these transactions are only concluded on the basis of standardised framework agreements (ISDA with Credit Support Annex; *Deutscher Rahmenvertrag* with *Besicherungsanhang*, or similar). The Credit Support Annex or *Besicherungsanhang* defines the conditions under which collateral is transferred to or received from the counterparty in order to reduce the default risk associated with derivative positions and thus the negative impact on the return for shareholders should a counterparty fail.
- The counterparties in the case of total return swaps or other financial instruments with comparable properties have no discretionary power with regard to how the portfolio of a Subfund is composed or managed or with regard to the underlyings of these derivative financial instruments. Similarly, the counterparty's consent is not required for the execution of such transaction. Any deviation from this principle is detailed further in the Subfund's investment policy.
- Total return swaps or derivatives with comparable properties will be included in the calculation of the investment restrictions.

#### **6.10. INVESTMENTS IN FINANCIAL INDICES PURSUANT TO ARTICLE 9 OF THE GRAND DUCAL ORDINANCE OF 8 FEBRUARY 2008**

The Company may invest in Derivatives with indices as their underlying, and may increase the diversification limits for an index component pursuant to Article 44 of the Law of 2010.

Diversification limits may be increased in exceptional market circumstances if one or more components of an index occupy a dominant position within a given market, sector or segment. A domination position may be created as a result of special economic or market developments or as a result of market, sector or segment-specific restrictions. Further details in this regard are provided where applicable in the relevant Subfund's investment policy.

The Company shall invest in derivative financial instruments with indices as their underlying that generally include a half-yearly or yearly adjustment of the index composition ("rebalancing frequency"). A distinction should be made between the following cases:

- In the case of derivatives that are traded on a stock market, the rebalancing merely changes the calculation but has no direct or indirect impact on the costs of the corresponding Subfund.
- In the case of OTC derivatives, the counterparty will generally not physically hold the index components but will secure its position primarily using derivative instruments. If transactions take place as a consequence of

rebalancing, these should be carried out on very liquid derivative markets so that the impact on the costs of the relevant Subfund is kept low.

#### **6.11. RISKS ASSOCIATED WITH THE USE OF DERIVATIVES AND OTHER SPECIAL INVESTMENT TECHNIQUES AND FINANCIAL INSTRUMENTS**

Prudent use of these derivative and other special investment techniques and financial instruments may bring advantages, but does also entail risks which differ from those of the more conventional forms of investment and in some cases may be even greater. The following general outline covers important risk factors and other aspects relating to the use of derivative and other special investment techniques and financial instruments and on which the shareholders should be informed before investing in a Subfund.

- Market risks: These risks are of general nature and are present in all types of investments; the value of a particular financial instrument may change in a way that can be detrimental to the interests of a Subfund.
  - Monitoring and control: Derivatives and other special investment techniques and financial instruments are specialised products which require different investment techniques and risk analyses than equities or bonds. The use of derivatives requires not just knowledge of the underlying instrument, but also of the derivative itself, although the performance of the derivative cannot be monitored under all the possible market conditions. The complexity of such products and their use in particular require suitable control mechanisms to be set up for monitoring the transactions and the ability to assess the risks of such products for a Subfund and estimate the developments of prices, interest rates and exchange rates.
  - Liquidity risks: Liquidity risks arise when a certain stock is difficult to acquire or dispose of. In large-scale transactions or when markets are partially illiquid (e.g. where there are numerous individually agreed instruments) it may not be possible to execute a transaction or close out a position at an advantageous price.
  - Counterparty risks: There is a risk that a counterparty will not be able to fulfil its obligations (Performance risk) and/or that a contract will be cancelled, e.g. due to bankruptcy, subsequent illegality or a change in the tax or accounting regulations after the conclusion of the OTC derivative contract and/or that the counterparty will fail to meet one of its financial obligations or liabilities towards the Subfund (credit risk). This relates to all counterparties with which derivative, repurchase, reverse repurchase or securities lending transactions are entered into. A direct counterparty risk is associated with trading in non-collateralised derivatives. The respective Subfund can reduce a large proportion of the counterparty risk arising from derivative transactions by demanding that collateral at least in the amount of the commitment be provided by the respective counterparty. If, however, derivatives are not fully collateralised, the failure of the counterparty may cause the Subfund's value to fall. New counterparties are subject to a formal review and all of the approved counterparties are subsequently monitored and reviewed on an ongoing basis. The Company ensures that its counterparty risk and collateral management are actively managed.
  - Counterparty risk in relation to depositary: The Company's assets are entrusted to the depositary for safekeeping. A note should be entered in the depositary's books highlighting that the assets belong to the Company. The securities held by the depositary should be kept separately from other securities/assets of the depositary, thereby reducing although not completely excluding the risk of non-return in the event of the depositary becoming bankrupt. The shareholders are therefore exposed to the risk of the depositary, should it become bankrupt, being unable to meet its obligation to return all of the Company's assets in full. Additionally, a Subfund's cash stocks held with the depositary may possibly not be kept separately from the depositary's own cash or that of other customers, with the result that the Subfund may not be classed as a privileged creditor in the event of the depositary becoming bankrupt.
- The depositary may not hold all of the Company's assets itself but may make use of a network of sub-depositaries, which may not belong to the same corporate group as the depositary. In cases in which the depositary is not liable, shareholders may possibly be exposed to the risk of a sub-depositary becoming bankrupt.
- A Subfund may invest in markets in which the deposit and/or settlement systems are not yet fully developed. The assets of the Subfunds traded on these markets and entrusted to these sub-depositaries may possibly be exposed to risk in cases in which the depositary is not liable.

- Risks associated with credit default swap ("CDS") transactions: The purchase of CDS protection allows the Company, on payment of a premium, to protect itself against the risk of default by an issuer. In the event of default by an issuer, settlement can be effected in cash or in kind. In the case of a cash settlement, the purchaser of the CDS protection receives from the seller of the CDS protection the difference between the nominal value and the attainable redemption amount. Where settlement is made in kind, the purchaser of the CDS protection receives the full nominal value from the seller of the CDS protection and in exchange delivers to him the security which is the subject of the default, or an exchange shall be made from a basket of securities. The detailed composition of the basket of securities shall be determined at the time the CDS contract is concluded. The events which constitute a default and the terms of delivery of bonds and debt certificates shall be defined in the CDS contract. The Company can if necessary sell the CDS protection or restore the credit risk by purchasing call options.

Upon the sale of CDS protection, the Subfund incurs a credit risk comparable to the purchase of a bond issued by the same issuer at the same nominal value. In either case, the risk in the event of issuer default is in the amount of the difference between the nominal value and the attainable redemption amount.

Aside from the general counterparty risk (see "Counterparty risks", above), upon the conclusion of CDS transactions there is also in particular a risk of the counterparty being unable to establish one of the payment obligations which it must fulfil. The different Subfunds which use credit default swaps will ensure that the counterparties involved in these transactions are carefully selected and that the risk associated with the counterparty is limited and closely monitored.

- Risks associated with credit spread swap ("CSS") transactions: Concluding a CSS allows the Company, on payment of a premium, to share the risk of default by an issuer with the counterparty of the transaction concerned. A CSS is based on two different securities with differently rated default risks and normally a different interest rate structure. At maturity, the payment obligations of one or other party to the transaction depend on the differing interest rate structures of the underlying securities.

Aside from the general counterparty risk (see "Counterparty risks", above), upon the conclusion of CSS transactions there is also in particular a risk of the counterparty being unable to establish one of the payment obligations which it must fulfil.

- Risks associated with inflation swap transactions: The purchase of inflation swap protection helps the Company to hedge a portfolio either entirely or partially from an unexpectedly sharp rise in inflation or to draw a relative performance advantage therefrom. For this purpose, a nominal, non-inflation-indexed debt is exchanged for a real claim that is linked to an inflation index. When the transaction is arranged, the inflation expected at this point is accounted for in the price of the contract. If actual inflation is higher than that expected at the time the transaction was entered into and accounted for in the price of the contract, the purchase of the inflation swap protection results in higher performance; in the opposite instance it results in lower performance than if the protection had not been purchased. The functioning of the inflation swap protection thus corresponds to that of inflation-indexed bonds in relation to normal nominal bonds. It follows that by combining a normal nominal bond with inflation swap protection it is possible to synthetically construct an inflation-indexed bond.

On the sale of inflation swap protection, the Subfund enters into an inflation risk which is comparable with the purchase of a normal nominal bond in relation to an inflation-indexed bond: If actual inflation is lower than that expected at the time the transaction was entered into and accounted for in the price of the contract, the sale of the inflation swap protection results in higher performance; in the opposite instance it results in lower performance than if the protection had not been sold.

Aside from the general counterparty risk (see "Counterparty risks", above), upon the conclusion of inflation swap transactions there is also in particular a risk of the counterparty being unable to establish one of the payment obligations which it must fulfil.

- Risks involved in Contracts for Difference ("CFD"): Unlike with direct investments, in the case of CFDs the buyer may be liable for a considerably higher amount than the amount paid as collateral. The Company will therefore use risk management techniques to ensure that the respective Subfund can sell the necessary assets at any time, so that the resulting payments in connection with redemption requests can be made

from redemption proceeds and the Subfund can meet its obligations arising from contracts for difference and other techniques and instruments.

- Other risks / Derivatives: The use of derivative and other special investment techniques and financial instruments also entails the risk that the valuations of financial products will differ as a result of different approved valuation methods (model risks) and the fact that there is no absolute correlation between derivative products and the underlying securities, interest rates, exchange rates and indexes. Numerous derivatives, particularly the OTC derivatives, are complex and are frequently open to subjective valuation. Inaccurate valuations can result in higher cash payment obligations to the counterparty or a loss in value for a Subfund. Derivatives do not always fully reproduce the performance of the securities, interest rates, exchange rates or indexes which they are designed to reflect. The use of derivative and other special investment techniques and financial instruments by a Subfund may therefore in certain circumstances not always be an effective means of achieving the Subfund's investment objective and may even prove counterproductive. The use of derivatives may expose Subfunds to additional risks. Such risks may include inter alia the credit default risk associated with the counterparties the Subfund enters into transactions with, performance risks, or the risk of low liquidity of the derivatives, the risk that changes in the value of the underlying, which the Subfund in question seeks to replicate, are only imperfectly reflected in the changes of the value of the derivatives, or the risk of incurring higher transaction costs than would have been incurred if underlyings had been directly invested.

## 7. THE COMPANY

### General Information

The Company is established as a "société d'investissement à capital variable" (SICAV) in the Grand Duchy of Luxembourg under the current version of the 2010 Law. The Company is authorised to perform collective investments in securities under Part I of the 2010 Law.

The Company was established on 15<sup>th</sup> March 2007 for an indefinite period.

The Company is registered under number B-125.784 in the Luxembourg commercial and companies' register. The articles of association may be consulted and sent out on request. They were published in Luxembourg in the "Mémorial" of 26<sup>th</sup> April 2007. The articles of association were last amended on 14<sup>th</sup> December 2011, as published in the "Mémorial" in Luxembourg on 12<sup>th</sup> January 2012.

The Company's registered office is 25, Grand-Rue, L – 1661 Luxembourg, Grand Duchy of Luxembourg.

### Minimum Capital

The Company's minimum capital is the equivalent to EUR 1,250,000 in Swiss Francs. If one or more Subfunds are invested in Shares of other Subfunds of the Company, the value of the relevant Shares is not to be taken into account for the purpose of verifying the statutory minimum capital. In the event that the capital of the Company falls below two thirds of the minimum capital laid down by law, the Board of Directors of the Company is required to submit the question of liquidation of the Company to a general meeting of shareholders within forty (40) days. The general meeting may resolve the question of liquidation with a simple majority of the shareholders present/represented (no quorum is required).

In the event that the capital of the Company falls below one-fourth of the minimum capital laid down by law, the Board of Directors of the Company is required to submit the question of liquidation of the Company to a general meeting of shareholders, which must be called within the same period. In this case, a liquidation may be resolved by one-fourth of the votes of the shareholders present/represented at the general meeting (no quorum is required).

### Liquidation / Merger

Under the terms of Articles 67-1 and 142 of the 1915 Law, the Company may be liquidated with the approval of the shareholders. The liquidator is authorised to transfer all assets and liabilities of the Company to a Luxembourg UCITS against the issue of Shares in that absorbing UCITS (in proportion to the Shares in the Company in liquidation). Otherwise, any liquidation of the Company is carried out in accordance with



Luxembourg law. Any liquidation proceeds remaining to be distributed to the shareholders but which could not be distributed to them at the end of the liquidation will be deposited in favour of the respective beneficial owner/s with the *Caisse de Consignation* in Luxembourg in accordance with Article 146 of the 2010 Law.

In addition, the Company may resolve or propose the liquidation of one or several Subfunds or a merger of one or several Subfunds with another Subfund of the Company or with another UCITS under Directive 2009/65/EC or with a subfund within such other UCITS, as set out in more detail in the section "Redemptions of Shares".

#### **Independence of each Subfund**

The Company assumes liability in respect of third parties for the obligations of each Subfund only with the respective assets of the relevant Subfund. In the relationship between the shareholders, each Subfund is treated as an independent unit and the obligations of each Subfund are assigned to that Subfund in the list of assets and liabilities.

#### **The Board of Directors**

Details of the Company's Board of Directors are given in the section entitled "Organisation and management". The Company is managed under the supervision of the Board of Directors.

The articles of association contain no provisions with regard to the remuneration (including pensions and other benefits) of the Board of Directors. The expenses of the Board of Directors are paid. Remuneration must be approved by the shareholders in the general meeting.

## **8. CUSTODIAN**

The Company has appointed, State Street Bank Luxembourg S.A., („SSB-LUX“) as the custodian for the assets of all Subfunds.

SSB-LUX has the legal form of a *“société anonyme”* according to the laws of Luxembourg. Its registered office is at 49, Avenue John F. Kennedy, L-1855 Luxembourg.

SSB-LUX was established in 1990 and is registered in the Luxembourg Commercial and Companies' Register (RCS) under number B-37.771. It holds a banking licence in accordance with the Luxembourg law of 5<sup>th</sup> April 1993 on the financial sector and is specialised in custody, fund administration and related services. The equity capital amounts to more than EUR 65 million.

The Company pays the custodian remuneration for its services, which is based on the net asset value of the respective Subfund at the end of each month, and payable monthly in arrears. In addition, the custodian is entitled to payment to recover expenses and the fees charged, in turn, by other correspondent banks.

The custodian agreement provides that all the Company's securities, other authorised assets and cash are to be held by or on behalf of the custodian. The custodian may also, on its own responsibility, assign correspondence banks (sub-custodians) the actual custody of the fund assets. The custodian is also responsible for the payment and collection of the capital, revenues and proceeds from securities bought and sold by the Company.

Under the terms of the 2010 Law, the custodian must ensure that the issue, redemption and annulment of Shares effected by or on behalf of the Company are carried out in accordance with this law and the articles of association of the Company. The custodian must also ensure that in transactions involving the assets of the Company, the proceeds are remitted to it within the usual time limits and that the income of the Company is applied in accordance with its articles of association and this prospectus.

SSB-LUX is part of a company operating globally. In connection with the settlement of subscriptions and redemptions and the fostering of business relations, data and information about customers, their business relationship with SSB-LUX (including information about the beneficial owner) as well as, to the extent legally permissible, information about business transactions may be transmitted to affiliated entities or groups of companies of SSB-LUX abroad, to its representatives abroad or to the management company or the company. These service providers and the management company or society are required to keep the information confidential and use it only for the purposes for which they have been made available to them. The data

protection laws in foreign countries may differ from the Privacy Policy in Luxembourg and provide a lower standard of protection.

## **9. MANAGEMENT COMPANY**

The Company is managed by Swiss & Global Asset Management (Luxembourg) S.A. (the "Management Company"), which is subject to the provisions of Chapter 15 of the 2010 Law.

In addition, the Company is domiciled at the Management Company.

The Management Company was established on 14<sup>th</sup> November 2001, under the original company name Julius Baer (Luxembourg) S.A., for an unlimited period with an initial capital of EUR 125,000. The corporate capital was last increased as of 20<sup>th</sup> April 2005 to EUR 2,125,000 and as of 27<sup>th</sup> October 2009 to currently EUR 4,125,000. It is registered under the number B-84.535 in the Luxembourg commercial and companies' register, where copies of the articles of association are available for inspection and can be received on request. They were published for the first time in the Mémorial in Luxembourg on 10<sup>th</sup> December 2001. The articles of association were last amended on 27<sup>th</sup> October 2009, as published in the "Mémorial" in Luxembourg on 9<sup>th</sup> December 2009.

The Management Company's registered office is at 25, Grand-Rue, L-1661 Luxembourg.

Besides managing the Company, the Management Company currently administers additional undertakings for collective investments.

## **10. CENTRAL ADMINISTRATION AGENT, DOMICILIARY AND PRINCIPAL PAYING AGENT, REGISTRAR AND TRANSFER AGENT**

SSB-LUX has been appointed to provide services as the central administration agent, domiciliary and principal paying agent, registrar and transfer agent. In consideration of the services rendered, SSB-LUX receives a fee for its services which is based on the net asset value of the respective Subfund at the end of each month, payable monthly in arrears.

## **11. GENERAL INFORMATION ON INVESTMENT MANAGEMENT AND INVESTMENT ADVISORY**

### **11.1. ADVISER**

The Company has appointed Swiss & Global Advisory S.A., a company under Luxembourg law having its registered office at 25, Grand Rue, L-1661 Luxembourg, founded on 8<sup>th</sup> January 2002, to advise it on its business activities, specifically regarding general trends in the economy as a whole and their effects on the company's investment activities.

The adviser receives for its activities a fee calculated on the net asset value of each Subfund, as described in the section "Fees and costs".

### **11.2. INVESTMENT ADVISER / INVESTMENT MANAGER**

Aside from the adviser, the Company and the Management Company have authorised various specialist financial service providers as Investment Advisers ("Investment Advisers") respectively Investment Managers ("Investment Managers") to act for one or more Subfunds in this function. The Investment Advisers respectively Investment Managers of each Subfund are listed in the respective Special Part of the prospectus under "Investment Adviser" respectively "Investment Manager".

The Investment Advisers can recommend investments for the respective Subfunds, taking account their investment objectives, policies and limits. Investment Advisers may directly execute investments, provided this is envisaged in the relevant Special Part and subject to the conditions set forth therein.

Investment Managers are by implication entitled to execute investments for the respective Subfunds.

The Investment Managers may, in principle, make investments directly for the corresponding Subfund, taking into account the relevant investment objectives, policy and limits of the Company, and under the ultimate supervision of the Management Company or the Board of Directors or the auditor(s) appointed by the Management Company.

The Investment Adviser and Investment Managers may, in principle, seek assistance from associated companies in the execution of their mandate while retaining responsibility and control, and are authorised to nominate sub-advisers or, with the approval of the Management Company, sub-managers.

The Investment Advisers respectively Investment Managers receive a fee based on the net asset value of the respective Subfund which is indicated under "Fees and costs" in the Special Part for each Subfund. This remuneration is payable monthly in arrears.

The Management Company is not obliged to enter into business with any broker. Transactions may be carried out using the Investment Adviser or Investment Manager or companies associated with it, provided their terms and conditions are comparable with those of other brokers or traders and regardless of their earning any profit from such transactions. All such transactions are subject to the provisions relating to transactions between associated companies as described above in the section "Investment limits". Although the Company generally strives to achieve favourable and competitive commissions, it is not obliged to always pay the cheapest brokerage fee or the most favourable margin.

## **12. PAYING AGENTS AND REPRESENTATIVES**

The Company/Management Company has concluded agreements with various paying agents and/or representatives concerning the provision of certain administrative services, the distribution of Shares or the representation of the Company in various distribution countries. The fees charged by paying agents and representatives will be borne by the Company, as agreed in each case. Furthermore, the paying agents and representatives are entitled to the reimbursement of all reasonable costs that have been duly incurred in connection with the performance of their respective duties.

The paying agents or (processing) establishments required by the local regulations on distribution specified in the various distribution countries, for example correspondent banks, may charge the shareholder additional costs and expenses, in particular the transaction costs entailed by customer orders, in accordance with the particular institution's scale of charges.

## **13. DISTRIBUTORS, LISTING ON THE STOCK EXCHANGE**

The Company/Management Company may, in accordance with the applicable laws, appoint distributors ("Distributors") responsible for the offering and selling of Shares of various Subfunds in all countries in which the offering and selling of such Shares is permitted. Provided that it is stated in the relevant Special Part that a selling fee payable to the Distributors may be charged, the Distributors are authorised to retain a selling fee for the Shares it markets, or else to waive all or part of the selling fee.

A Distributor is authorised, taking into account the applicable national laws and rules and regulation in the country of distribution, to offer Shares in connection with savings plans.

In this respect, the Distributor is authorised in particular:

- a) to offer savings plans of several years' duration, giving details of the conditions and features and of the initial subscription amount and the recurrent subscriptions which may fall below the minimum Share subscriptions applicable in accordance with this prospectus;

- b) to offer, in respect of selling, switching and redemption fees, more favourable terms and conditions for savings plans than the maximum rates for the issue, switching and redemption of Shares otherwise quoted in this prospectus.

The terms and conditions of such savings plans, especially with regard to fees, are based on the law of the country of distribution, and may be obtained from the local Distributor who offers such saving plans.

A Distributor is also authorised, taking into account the applicable national laws and rules and regulations in the country of distribution, to include Shares in a fund-linked life assurance as an investment component, and to offer Shares in such indirect form to the public. The legal relationship between the Company or Management Company, the Distributor/insurance company and the shareholders/policyholders is governed by the life assurance policy and the applicable laws.

The Distributors and SSB-LUX must at all times comply with the provisions of the Luxembourg law on the prevention of money laundering, and in particular the law of 7<sup>th</sup> July 1989, which amends the law of 19<sup>th</sup> February 1973 on the sale of drugs and the combating of drug dependency, the law of 12<sup>th</sup> November 2004 on the combat against money laundering and terrorist financing and of the law of 5<sup>th</sup> April 1993 on the financial sector, as amended, as well as other relevant laws passed by the government of Luxembourg or by supervisory authorities.

Subscribers of Shares must inter alia prove their identity to the Distributor respectively SSB-LUX or the Company, whichever accepts their subscription request. The Distributor respectively SSB-LUX or the Company must request from subscribers the following identity papers: in the case of natural persons a certified copy of the passport/identity card (certified by the Distributor or the local government administration); in the case of companies or other legal entities a certified copy of the certificate of incorporation, a certified copy of the extract from the commercial register, a copy of the latest published annual accounts, the full name of the beneficial owner.

The Distributor must ensure that the aforementioned identification procedure is strictly applied. The Company and the Management Company may at any time require confirmation of compliance from the Distributor or SSB-LUX. SSB-LUX checks compliance with the aforementioned rules in all subscription/redemption requests which it receives from Distributors in countries with non-equivalent anti-money laundering regulations. In case of doubt as to the identity of the party applying for subscription or redemption because of inadequate, inaccurate or lack of identification, SSB-LUX is authorised, without involving costs, to suspend or reject subscription/redemption requests for the reasons cited above. Distributors must additionally comply with all provisions for the prevention of money laundering which are in force in their own countries.

In the case of listed Shares and if the investor decides on buying or selling via the stock exchange, no Distributors shall be involved in the buying and selling of the Shares. As with other listed securities, orders for the buying and selling of Shares via the stock exchange may be placed with a stock exchange member or with a stock broker. The buying and selling of Shares via the stock exchange – in analogy to the buying and selling of other listed securities – shall be executed at current market prices. In addition, broker and stock exchange fees and/or commissions as well as other expenses may be charged.

## 14. CO-MANAGEMENT

In order to reduce current administration costs and achieve broader asset diversification, the Company may decide to manage all or part of a Subfund's assets together with the assets of other Luxembourg UCIs managed by the same Management Company or, as the case may be, by the same investment manager, and established by the same promoter, or have some or all Subfunds co-managed. In the following paragraphs, the words "co-managed units" generally refer to all Subfunds and units with or between which a given co-management arrangement exists, and the words "co-managed assets" refer to the total assets of those co-managed units managed under the same agreement.

Under the co-management arrangement, investment and realisation decisions can be made on a consolidated basis for the co-managed units concerned. Each co-managed unit holds a part of the co-managed assets corresponding to its net asset value as a proportion of the total value of the co-managed assets. This

proportional holding is applicable to each category of investments held or acquired under co-management, and its existence as such is not affected by investment and/or realisation decisions. Additional investments will be allocated to the co-managed units in the same proportion, and sold assets deducted pro rata from the co-managed assets, held by each co-managed unit.

When new Shares are subscribed in a co-managed unit, the subscription proceeds will be allocated to the co-managed units in the new proportion resulting from the increase in the net asset value of the co-managed units to which the subscriptions have been credited, and all categories of investments will be changed by transferring assets from one co-managed unit to the other and thus adapted to the changed situation. Similarly, when Shares in a co-managed unit are redeemed, the required cash may be deducted from the cash held by the co-managed units accordingly, to reflect the changed proportions resulting from the reduced net asset value of the co-managed unit to which the redemptions were charged, and in such cases all categories of investments will be adapted to the changed situation. Shareholders should therefore be aware that a co-management arrangement may cause the composition of the Subfund's portfolio to be influenced by events caused by other co-managed units, such as subscriptions and redemptions. Provided there are not other changes, subscriptions of Shares in a unit with which a Subfund is co-managed will lead to an increase in that Subfund's cash. Conversely, redemptions of Shares in a unit with which a Subfund is co-managed will lead to a reduction in that Subfund's cash. However, subscriptions and redemptions may be held in the specific account opened for each co-managed unit outside the co-management arrangement and through which subscriptions and redemptions must pass. The possibility of large payments and redemptions being allocated to such specific accounts, and of a Subfund ceasing to participate in the co-management agreement at any time, prevent changes in a Subfund's portfolio caused by other co-managed units if these changes are likely to adversely affect the Subfund and the shareholders.

If a change in the composition of a Subfund's assets as a result of redemptions or payments of charges and costs relating to another co-managed unit (i.e. not attributable to the Subfund) would cause a breach of the investment restrictions applying to that Subfund, the assets concerned will be excluded from the co-management arrangement before the changes are carried out, so that they are not affected by the changes.

Co-managed assets of a Subfund may be co-managed only with assets which are to be invested in accordance with investment objectives and investment policy compatible with those of the Subfund's co-managed assets, to ensure that investment decisions are fully compatible with the Subfund's investment policy. Co-managed assets of a Subfund may be managed jointly only with assets for which the custodian bank also acts as custodian, to ensure that the custodian bank can fully comply with its functions and responsibilities under the 2010 Law on undertakings for collective investment. The custodian bank must always keep the Company's assets separate from those of other co-managed units, and must therefore always be able to identify the Company's assets. As co-managed units may be following an investment policy which is not completely the same as that of a Subfund, the joint policy applied may be more restrictive than that of the Subfund.

The Company may end the co-management arrangement at any time and without prior notice.

Shareholders may contact the Company's registered office at any time for information on the percentage of assets which is co-managed, and the units with which such co-management exists at the time of their inquiry. Annual and semi-annual reports are also required to specify the composition and percentage proportions of co-managed assets.

## **15. DESCRIPTION OF SHARES**

### **General**

Shares in the Company have no par value. For each Subfund, the Company will issue only registered shares. No bearer shares will be issued. Ownership of registered Shares is demonstrated by the entry into the book of registered shareholders. As a matter of principle, no physical Share certificates will be issued. A Share acknowledgement will be issued and sent to the shareholder listed in the share register. Shares are also issued in fractions which are rounded up or down to three decimal places.

In addition, it is possible to issue distributing and accumulating Shares within each Subfund. Distributing Shares entitle the shareholder to a dividend as determined at the general meeting of shareholders. Accumulating Shares do not entitle the shareholder to a dividend. When dividend payments are made, the dividend amounts are deducted from the net asset value of the distributing Shares. The net asset value of the accumulating Shares, on the other hand, remains unchanged.

Each Share grants a right to part of the profits and result of the Subfund in question. Unless the articles of association or the law provide otherwise, each Share entitles the shareholder to one vote, which he/she may exercise at the general meeting of shareholders or the separate meetings of the Subfund in question either in person or through a proxy. The Shares do not include rights of priority or subscription rights. Nor are they now or will they in the future be associated with any outstanding options or special rights. The Shares are transferable without restriction unless the Company, in accordance with its articles of association, has restricted ownership of the Shares to specific persons or organisations ("restricted category of purchasers").

As the Company's shares are not registered in the USA under the United States Securities Act of 1933, they may be neither offered nor sold in the USA, including the dependent territories, unless such offer or such sale is permitted by way of an exemption from registration under the United States Securities Act of 1933.

Shares in the Company may neither be offered nor sold to any US American benefit plan investor. For this purpose, a "benefit plan investor" means any (i) "employee benefit plan" within the meaning of Section 3(3) of the US Employee Retirement Income Security Act of 1974, as amended ("ERISA") that is subject to the provisions of Part 4 of Title I of ERISA, (ii) individual retirement account, Keogh Plan or other plan described in Section 4975 (1) of the US Internal Revenue Code of 1986, as amended, (iii) entity whose underlying assets include "plan assets" by reason of 25% or more of any class of equity interest in the entity being held by plans described in (i) and (ii) above, or (iv) other entity whose underlying assets include "plan assets" by reason of an investment in the entity by plans described in (i) and (ii) above. Should the Company be of the opinion that a person not belonging to the restricted category of purchasers is the legal or actual owner of the Shares, either as sole owner or together with another person, and if such person cannot transfer the Shares to an authorised person, the Company may compulsorily redeem all Shares held by the shareholder.

### **Share Categories**

In the corresponding Special Part of the prospectus, the Company may also specify the issue of different Share Categories with different minimum subscription amounts, forms of distribution, fee structures and currencies.

Where a Share Category is offered in a currency other than that of the Subfund concerned, it must be identified as such. For these additional Share Categories the Company may, in relation to the Subfund concerned, hedge the Shares in these Share Categories against the currency of the Subfund. Where such currency hedging is applied, the Company may, in relation to the Subfund concerned and exclusively for this Share Category, perform foreign exchange forward transactions, currency futures transactions, currency options transactions and currency swaps, in order to preserve the value of the currency of the Category against the currency of the Subfund. Where such transactions are performed, the effects of this hedging shall be reflected in the net asset value and hence in the performance of the Share Category. Similarly, any costs due to such hedging transactions shall be borne by the Share Category in which they were incurred. Such hedging transactions may be performed regardless of whether the currency of the Share Category rises or falls in relation to the currency of the Subfund. Therefore, where such hedging is carried out, it may protect the shareholder in the corresponding Share Category against a fall in the value of the currency of the Subfund relative to the currency of the Category, though it may also prevent the shareholder from profiting from an increase in the value of the currency of the Subfund. Shareholders' attention is drawn to the fact that complete protection cannot be guaranteed. Furthermore, no guarantee can be given that the shareholders of the hedged Share Categories will not be exposed to influences of currencies other than the currency of the Share Category concerned.

Notwithstanding the provision of the preceding paragraph concerning the exclusive assignment of the executed transactions to a particular Share Category, it cannot be ruled out that hedging transactions for one Share Category of a Subfund may have a negative influence on the net asset value of the other Share Categories of the same Subfund since there is no legal exclusion of liability for financial obligations between the individual Share Categories.

The Board of Directors of the Company may decide to issue new or further Share Categories for all Subfunds in currencies other than the respective currency of the Subfund. The date of the initial issue (and, where appropriate, the initial issue prices) of such additional Share Categories may be consulted on [www.jbfundnet.com](http://www.jbfundnet.com).

## 16. ISSUE OF SHARES / APPLICATION PROCEDURE

The following information in the section “Issue of Shares / Application Procedure” shall only apply in the case of an acquisition of Shares via Distributors, SSB-LUX or the Company.

Provided that the Shares of the relevant Subfund are admitted for trading on one or more stock exchanges with an active secondary market, Shares may also be acquired via a stock exchange. In the case of an acquisition via a stock exchange, other regulations shall apply that are included in the relevant Special Part of this prospectus as well as in the applicable regulations of the respective stock exchange.

### General Information on the Issue

The Shares are offered for sale on each valuation day following the initial issue.

Subscription requests can either be sent to one of the Distributors, which will forward them to SSB-LUX, or directly to the Company for the attention of SSB-LUX (see below, subtitle “Nominee Service”).

The application procedure (application and confirmation, registration) is laid down in the Special Part under the title “Issue and redemption of Shares (primary market)”.

All subscriptions for Shares in Subfunds received by SSB-LUX no later than 15:00 local time in Luxembourg (the cut-off time) on a valuation day (as defined in the section entitled “Calculation of net asset value”) will be treated at the issue price determined on the following valuation day, as far the Special Part does not provide for provisions which derogate herefrom. Subscriptions received by SSB-LUX after this time are covered by the issue price of the valuation day after the following valuation day. To ensure punctual transmission to SSB-LUX, applications placed with Distributors in Luxembourg or abroad may be subject to earlier cut-off times for the delivery of subscription applications. These times can be obtained from the Distributor concerned.

The Company or the Management Company may set different cut-off times for certain groups of shareholders, for example, for shareholders in countries in which this is justified by a different time zone. If such times are set, the valid cut-off time must, as a matter of principle, be earlier than the time at which the net asset value in question is calculated. Different cut-off times may be agreed separately either with the countries concerned or be published in an appendix to the prospectus or another marketing document used in the countries concerned.

Hence, Shares are subscribed for an unknown net asset value (forward pricing).

Notwithstanding that, the Company or the Management Company may instruct the Transfer Agent not to consider subscription requests as received until the total subscription amount has been received by the custodian bank (“**Cleared Funds Settlement**”). Similar applications received on the same valuation day shall be treated equally. Subscriptions effected according to this procedure will be based on the issue price of the valuation day after receipt of the subscription amount by the custodian bank.

### Issue Price / Selling Fee

The issue price is based on the net asset value per Share on the applicable valuation day, and the issue price is determined or rounded in accordance with the principles detailed in the relevant Special Part of the Subfund in question, additionally of a possible selling fee imposed by the Distributor or the Company, pursuant to the Special Part of the Subfund in question. Further information about the issue price may be requested at the registered seat of the Company.

Pursuant to the Special Part of the Subfund in question, the selling fees payable to a Distributor or to the Company will be expressed as a percentage of the amount invested and may amount to a maximum of 5% of the relevant net asset value. All comparable trades by the Company within a Subfund on one particular day may only be charged the same percentage of the amount invested if the selling fee in question is payable to the Company; except for trades that are not subject to a selling fee, as provided in the Special Part of the Subfund

in question. The Special Part relating to the relevant Subfund may provide for the maximum selling fees to be set lower.

In addition, a Distributor – according to the provisions in the relevant Special Part – is entitled to offer the Shares without a selling fee ("no-load"), and in return, to charge a redemption fee of up to 3% of the relevant net asset value, pursuant to the Special Part of the Subfund in question. The maximum selling and redemption fees may be set at a lower level in the Special Part.

In the case of larger transactions, the Distributor and the Company may waive all or part of the selling fee to which they are entitled. Should the Company waive the selling fee, it must treat similar applications received on the same valuation day equally.

#### **Minimum Investment**

The minimum investment corresponds to the minimum amounts set out in the Special Part relating to the Subfund and/or the minimum number of Shares otherwise determined by the Board of Directors and set out in the relevant Special Part.

#### **Payments**

In principle, shareholders will be recorded in the register and will receive the confirmation for this on the day on which the subscription is booked. Thereby, the total amount of the subscription must be credited to the specified account in the currency of the Subfund respectively the respective Share Categories, during the initial subscription period, within the number of Luxembourg banking days laid down in the relevant Special Part, and after this period within the number of Luxembourg banking days laid down in the Special Part or in accordance with any particular national regulations after the valuation day in question. The Company and the Management Company are entitled without further ado, to re-process or retroactively refuse subscriptions for which the amount subscribed for is not credited within the specified term.

However, if the Company or the Management Company have instructed the Transfer Agent to only consider subscriptions as received once the total amount subscribed has been credited to the Custodian ("Cleared funds settlement"), then the shareholders will be recorded in the register on such day on which the receipt of the amount subscribed is booked.

The subscriber should instruct his bank to transfer the amount due to the SSB-LUX currency account indicated below for the beneficiary, JULIUS BAER SPECIAL FUNDS, together with the exact identity of the subscriber(s), the Subfund(s) whose Shares are to be subscribed, and (if applicable) the currency and which Share Category are subscribed for in the Subfund.

Payments in the respective currencies must have been credited to the following accounts before the time indicated below. In case payments are credited late, the subscriber may be charged debit interest, if applicable:

<b>Currency</b>	<b>Correspondence bank</b>	<b>Account number</b>	<b>Account holder</b>
CHF	BOFAGB3SSWI (Bank of America London)	CH45 0872 6000 0401 0701 6	Swiss & Global AM (Luxembourg) S.A.
EUR	BOFADEFX (Bank of America Frankfurt)	DE40 5001 0900 0020 0400 17	Swiss & Global AM (Luxembourg) S.A.
GBP	BOFAGB22 (Bank of America London)	GB24 BOFA 1650 5056 6840 14	Swiss & Global AM (Luxembourg) S.A.
USD	BOFAUS3N (Bank of America New York)	6550068052	Swiss & Global AM (Luxembourg) S.A.

After settlement of the subscription request, an order confirmation will be issued which will be sent to the shareholder on the day after settlement of the order, at the latest.



### **In-Kind Contribution**

In exceptional cases, a subscription can have the form of an in-kind contribution, in whole or in part, whereby the composition of the in-kind contribution must be consistent with the investment limits described in the General Part and with the investment objectives and policy described in the respective Special Part. Furthermore, the valuation of the in-kind contribution must be confirmed independently by the Company's auditor. The Special Part of the relevant Subfund may contain additional or different provisions in this regard.

### **Several Joint Applicants**

In case of more joint applicants, the application must include the signatures of all applicants. The registrar is authorised to accept instructions from the first-named applicant in the application until receipt of a corresponding confirmation. In the case of savings plans, the Distributor/Company is required to treat all joint applicants equally with regard to their rights relating to the Shares.

### **Nominee Service**

Investors can subscribe Shares directly from the Company. Investors may also purchase Shares in a Subfund by using the nominee services offered by the relevant Distributor or its correspondent bank. A Distributor or its correspondent bank domiciled in a country having equivalent anti money laundering regulations then subscribes and holds the Shares as a nominee in its own name but for the account of the investor. The Distributor or correspondent bank then confirms the subscription of the Shares to the investor by means of a letter of confirmation. Distributors that offer nominee services are either domiciled in countries having equivalent anti money laundering regulations or execute transactions through a correspondent bank domiciled in a country having equivalent anti money laundering regulations.

Investors who use a nominee service may issue instructions to the nominee regarding the exercise of votes conferred by their Shares as well as request direct ownership by submitting an appropriate request in writing to the relevant Distributor or custodian bank.

The Company draws investors' attention to the fact that each investor can only assert his/her investor's rights (in particular the right to take part in shareholders' meetings) in their entirety directly against the Company if the investor him-/herself is enrolled in his/her own name in the Company's register of shareholders. In cases where an investor makes his/her investment in the Company via an intermediary, which makes the investment in its own name but for the investor's account, not all investor's rights can necessarily be asserted by the investor directly against the Company. Investors are advised to obtain information on their rights.

### **Restrictions**

The Company retains the right to reject subscriptions in full or in part. In this case, any payments or credits already made would be returned to the subscriber.

In addition, the Company or the Management Company may refuse to accept new applications from new shareholders for a specific period if this is in the interests of the Company and/or shareholders, including situations where the Company or a Subfund have reached a size such that they can no longer make suitable investments.

Subscriptions and redemptions are made for investment purposes only. Neither the Company nor the Management Company nor SSB-LUX will permit market timing or any other excessive trading practices. Such practices may be detrimental to the performance of the Company or the Subfunds, thereby interfering with the management of the portfolio. To minimise these negative consequences, SSB-LUX and the Company may refuse subscription and switching applications from investors whom they believe to be carrying out, or to have carried out, such practices or whose practices would adversely affect the other shareholders.

The Company may also compulsorily redeem the Shares of a shareholder engaging in or having engaged in such practices. It shall not be liable for any gain or loss resulting from such rejected applications or compulsory redemptions.

The application procedure (application and confirmation, certificates and registration) is described in the Special Part of the Subfund under "Application Procedure".

## 17. REDEMPTION OF SHARES

The following information in the section "Redemption of Shares" fully applies only in the event of redemption of Shares via Distributors, SSB-LUX or the Company.

Provided that the Shares of the relevant Subfund are admitted for trading on one or more stock exchanges with an active secondary market, Shares may also be acquired via a stock exchange. In the case of an acquisition via a stock exchange, other regulations shall apply that are included in the relevant Special Part of this prospectus as well as in the applicable regulations of the respective stock exchange.

### General Information on Redemptions

The shareholder must address an application for redemption of Shares to SSB-LUX in writing, either directly or through a Distributor, no later than 15:00 Luxembourg local time ("fixed time" or cut-off time) on the day before the valuation day on which the Shares are to be redeemed. To ensure punctual forwarding to the Company (attn. SSB-LUX), applications placed with Distributors in Luxembourg or abroad may be subject to earlier cut-off times for the delivery of redemption applications. These times can be obtained from the Distributor concerned.

The Company or the Management Company may set different cut-off times for certain groups of shareholders, for example, for shareholders in countries in which this is justified by a different time zone. If such times are set, the valid cut-off time must, as a matter of principle, be earlier than the time at which the net asset value in question is calculated. Different cut-off times may be agreed separately either with the countries concerned or be published in an appendix to the prospectus or another marketing document used in the countries concerned.

Hence, Shares are redeemed for an unknown net asset value (forward pricing).

A correctly submitted application for redemption is irrevocable, except in the case of and during the period of a suspension or postponement of redemptions.

Applications for redemption received by the Company after the cut-off time, are executed one valuation day later, subject to the restriction that the Company is not obliged to redeem more than 10% of the outstanding Shares of a Subfund on one valuation day or within any period of seven consecutive valuation days. After settlement of the redemption request, an order confirmation is issued, which will be sent to the shareholder on the day after settlement of the order, at the latest.

If, upon execution of a redemption application for part of the Shares of a Subfund, the total number of Shares held in one of these Subfunds falls below a minimum amount set out in the respective Special Part, or below the minimum number otherwise determined by the Board of Directors, the Company is entitled to redeem all remaining Shares in that Subfund owned by that particular shareholder.

Payments are normally made in the currency of the relevant Subfund or Share Category within five (5) bank business days in Luxembourg after the later of the valuation day concerned or the date on which the Share certificates are returned to the Company.

The value of Shares at the time of redemption may be higher or lower than their purchase price depending on the market value of the assets of the Company at the time of purchase/redemption. All redeemed Shares are cancelled.

### Redemption Price / Redemption Fee

The price of each Share offered for redemption ("Redemption Price") is based on the net asset value per Share in the relevant Subfund on the applicable valuation day, determined or rounded in accordance with the principles set out in the relevant Special Part. In order to allow the Redemption Price to be calculated on the valuation day, the Company must have received the redemption application and the Share certificates where these had been sent to the shareholder.

If no selling fee has been charged ("no-load"), the Distributor can charge a redemption fee of up to 3% of the applicable net asset value per Share payable to the Distributor, provided this is specified in the corresponding Special Part of the prospectus. The maximum redemption fee can be specified lower for each Subfund in the Special Part of the prospectus.

Furthermore - regardless of whether a selling fee has been calculated - a redemption fee payable to the Company of up to 3% of the respective net asset value per Share will be charged, provided this is specified in

the corresponding Special Part of the prospectus. The maximum redemption fee can be specified lower for each Subfund in the Special Part of the prospectus.

The Redemption Price may be obtained from the registered office of the Company or from one of the Distributors and is published in the named publication media.

#### **Redemption in Kind**

In special cases, the Company's Board of Directors, upon request of a shareholder, may decide to pay the redemption proceeds to the shareholder in the form of a full or partial redemption in kind. It must be ensured that all shareholders are treated equally, and the Company's auditor must make an independent confirmation of the valuation of the redemption in kind. The Special Part of the relevant Subfund may contain additional or different provisions in this regard.

#### **Redemption Deferral**

The Company is not obliged to redeem more than 10% of all issued Shares in a Subfund on one valuation day or within a period of seven (7) consecutive valuation days. For the purposes of this provision, the switching of Shares of a Subfund is deemed to constitute redemption of the Shares. If, on any valuation day or over a period of seven (7) consecutive valuation days, the number of Shares for which redemption is requested is greater than indicated above, the Company may postpone the redemptions or switches until the seventh valuation day thereafter. Such applications for redemption/switching will take precedence over applications received subsequently. For this purpose, the switching of Shares of a Subfund is deemed to constitute redemption.

If the calculation of the net asset value is suspended or redemption is postponed, Shares offered for redemption will be redeemed on the next valuation day after the suspension of valuation or the postponement of redemption has ended at the net asset value applying on that day, unless the redemption request has previously been revoked in writing.

#### **Liquidation of Subfunds**

If, during a period of sixty (60) consecutive valuation days, the total net asset value of all outstanding Shares of the Company is less than twenty-five million Swiss francs (CHF 25 million) or the equivalent in another currency, the Company may, within three (3) months of such a situation arising, notify all shareholders in writing, upon appropriate notification, that after this time all the Shares will be redeemed at the net asset value on the valuation day therefore determined, less the dealing and other charges determined and/or estimated by the Board of Directors, as described in the prospectus, and the liquidation costs. This remains subject to all legal provisions concerning liquidation of the Company.

If, during a period of sixty (60) consecutive days, the net asset value of a Subfund, for whatever reason, falls below ten (10) million Swiss francs (CHF million) or the equivalent in another Subfund currency, or if the Board of Directors deems it necessary because of changes in the economic or political circumstances that affect the Subfund, the Board of Directors may, having notified the shareholders concerned in advance, redeem all, but not some, of the Shares of the Subfund concerned on the valuation day therefor determined at a Redemption Price which reflects the estimated realisation and liquidation costs for closure of the Subfund concerned, without applying any other redemption fee. The liquidation of a Subfund in conjunction with the compulsory redemption of all affected Shares for reasons other than those of the minimum volume of its net asset value, or due to changes in economic or political circumstances having influence on the Subfund concerned, may only be carried out with the prior agreement of the shareholders in the Subfund to be liquidated at a meeting of shareholders of the Subfund in question, convened in accordance with the regulations. Such resolution may be passed with no quorum requirement and with a majority of 50% of Shares present/represented.

Liquidation proceeds which, at the end of the liquidation of a Subfund, could not be paid out to the shareholders will, in accordance with Article 146 of the 2010 Law, be deposited, in favour of the respective beneficial owner/s, with the *Caisse de Consignation* in Luxembourg and forfeit after thirty (30) years.

#### **Merger of Subfunds**

Furthermore, the Board of Directors may, after having notified the shareholders concerned in advance and in the manner required by law, merge the Subfund with another Subfund of the Company or with another UCITS under Directive 2009/65/EC, or with a subfund within such other UCITS.

A merger resolved by the Board of Directors and which is to be carried out in accordance with the provisions of chapter 8 of the 2010 Law is binding on the shareholders of the Subfund concerned upon expiry of a 30-day period running from the corresponding notification of the shareholders concerned. During this four-week notification period, the shareholders may have their Shares redeemed by the Subfund with no redemption fee, with the exception of the amounts retained by the Company to cover the costs connected with disinvestments. The above-mentioned period shall end five (5) banking days prior to the valuation day that is determining for the merger.

A merger of one or more Subfunds as a result of which the SICAV ceases to exist must be resolved by the general meeting and be recorded by the notary public. No quorum is necessary for such resolutions and a simple majority of the shareholders present or represented shall suffice.

#### **Merger or closure of Share Categories**

Furthermore, the Board of Directors may, after having notified the shareholders concerned in advance, close or merge a share category with another Share Category of the Company. Such a merger or closure is binding on the shareholders concerned upon expiry of a 30-day period running from the corresponding notification of the shareholders concerned. During this period the shareholders may have their Shares redeemed by the Company with no redemption fee. A merger of Share Categories is effected on the basis of the net asset value on the valuation day that is determining for the merger and is confirmed by the auditor of the Company.

## **18. SWITCHING OF SHARES**

The following information regulates the switching of Shares via Distributors, SSB-LUX or the Company. No switching in this sense is possible via a stock exchange, even if the Shares of the relevant Subfund are permitted for trading. Only the selling and buying of the relevant Shares is permitted.

In principle, each shareholder is entitled to apply to switch some or all of his Shares for Shares in another Subfund on a valuation day which is a valuation day for both Subfunds, and to switch within a Subfund from Shares of one Share Category to another Share Category, on the basis of the switching formula below and in accordance with the principles laid down for each Subfund by the Board of Directors.

The Board of Directors may regulate for each Subfund and for each Share Category the possibility of switching in greater detail by means of regulations concerning limitations and restrictions with regard to the frequency of applications for switching, the Subfunds in question, and the levying of any switching fee, described more fully in the Special Part in the section "Switching of Shares".

Shares can be switched on any valuation day at the issue price valid on that date, provided the application for switching is received by the Company (attn. SSB-LUX) by 15:00 Luxembourg time (cut-off time) at the latest on the day preceding the valuation day. The provisions relating to the cut-off time and forward pricing also apply concerning switching of Shares (cf. the sections "Issue of Shares" and "Redemption of Shares").

Applications should be addressed either directly to the Company (attn. SSB-LUX) or to one of the Distributors. The application must contain the following information: The number of Shares in the old and new Subfunds resp. the old and new Share Categories and the value ratio according to which the Shares in each Subfund resp. in each Share Category are to be divided if more than one new Subfund resp. Share Category is intended.

The Company applies the following formula to calculate the number of Shares into which the shareholder would like to convert his holding:

$$A = \frac{[(B \times C) - E] \times F}{D}$$

where:

- A = Number of Shares to be issued in the new Subfund(s) resp. Share Category(ies);
- B = Number of Shares in the Subfund(s) resp. Share Category(ies) originally held

- C = Redemption Price per Share of the Subfund(s) resp. Share Category(ies) originally held, less any selling costs;
- D = issue price per Share of the new Subfund(s) resp. Share Category(ies), less reinvestment costs;
- E = Switching fee, if any (maximum 2% of net asset value) - whereby comparable switching requests on the same day are charged the same switching fee;
- F = Exchange rate; if the old and new Subfunds resp. Share Categories have the same currency the exchange rate is 1.

Any switching fee has to be paid by the investor in favour of the respective Distributor.

## 19. DIVIDENDS

The Board of Directors proposes to the general meeting of shareholders a reasonable annual dividend payment for the distributing Shares in the Subfund, ensuring that the net asset value does not fall below the minimum capital of the Company. Subject to the same limitation, the Board of Directors may also fix interim dividends. In the case of accumulating Shares, no dividend payments are made, but the values allocated to the accumulating Shares are reinvested for the benefit of the shareholders holding them.

The dividends fixed are published on [www.jbfundnet.com](http://www.jbfundnet.com) and as the case may be in other media designated by the Company from time to time.

Distributions take place, in principle, within one month from the fixing of the dividend in the currency of the Subfund or Share Category concerned. At the request of a shareholder holding distributing Shares, the dividends may also be paid in another freely convertible currency using the exchange rates applicable at the time and at the expense of the shareholder. Dividends for distributing Shares are paid to the shareholders entered in the Company's book of registered shareholders.

Claims for dividends which have not been asserted within five (5) years from distribution shall forfeit and revert to the Subfund in question.

## 20. CALCULATION OF NET ASSET VALUE

The net asset value of a Subfund and the net asset value of the Share Categories issued within that Subfund are determined in the relevant currency on every valuation day – as defined below – apart from in the cases of suspension described in the section "Suspension of calculation of net asset value, and of the issue, redemption and switching of Shares". The valuation day for each Subfund will be, as far as the Special Part does not provide for a different regulation regarding a determined Subfund, each bank business day in Luxembourg which is not a normal public holiday for the stock exchanges or other markets which represent the basis for valuation of a major part of the net assets of the corresponding Subfund, as determined by the Company. The total net asset value of a Subfund represents the market value of its assets less its liabilities (the "assets of the Subfunds"). The net asset value per Share of a Share Category of a Subfund is determined by dividing the total net asset value of all Shares of such Category within the relevant Subfund by all outstanding Shares of the same Category of the relevant Subfund. The net asset values of the Subfunds are calculated in accordance with the valuation regulations and guidelines ("valuation regulations") laid down in the articles of association and issued by the Board of Directors.

The valuation of securities held by a Subfund and listed on a stock exchange or on another regulated market is based on the last known listing price on the principal market on which the securities are traded, using a procedure for determining prices accepted by the Board of Directors.

The valuation of securities whose listing price is not representative and all other eligible assets (including securities not listed on a stock exchange or traded on a regulated market) is based on their probable realisation price determined with care and in good faith by or, if applicable, under the supervision of the Board of Directors.

All assets and liabilities in a currency other than that of the Subfund in question are converted using the exchange rate determined at the time of valuation.

The net asset value determined per Share in a Subfund is considered final and binding once it is confirmed by the Board of Directors or an authorised member of the Board of Directors/authorised representative of the Board of Directors, except in the case of a manifest error.

In its annual reports, the Company must include audited consolidated annual reports for all Subfunds in Swiss Francs.

If, in the opinion of the Board of Directors, and as a result of particular circumstances, the calculation of the net asset value of a Subfund in the applicable currency is either not reasonably possible or is disadvantageous for the shareholders in the Company, the calculation of the net asset value, the issue price and the Redemption Price may temporarily be carried out in another currency.

Valuation of the derivatives and structured products used in any of the Subfunds is performed on a regular basis by use of the *mark-to-market* principle, in other words at the last available price.

For individual Subfunds with Shares permitted for trading on one or more stock exchanges, an external service provider may be entrusted with the on-going calculation of indicative net asset values. Any indicative net asset values are not to be confused with the net asset value described here.

## **21. SUSPENSION OF CALCULATION OF NET ASSET VALUE, AND OF THE ISSUE, REDEMPTION AND SWITCHING OF SHARES**

The Company may temporarily suspend the calculation of the net asset value of each Subfund and the issue, redemption and switching of Shares of a Subfund in the following circumstances:

- a) where one or more stock exchanges or other markets which are the basis for valuing a significant part of the net asset value are closed (apart from on normal public holidays), or where trading is suspended;
- b) where in the opinion of the Board of Directors it is impossible to sell or to value assets as a result of particular circumstances;
- c) where the communication technology normally used in determining the price of a security of the Subfund fails or provides only partial functionality;
- d) where the transfer of moneys for the purchase or sale of investments of the Company is impossible; or
- e) in the event of a merger of a Subfund with another Subfund or with another UCIs (or a subfund thereof), if this appears justified for the purpose of protecting the shareholder; or
- f) in the case of a resolution to liquidate the Company: on or after the date of publication of the first calling of a general meeting of shareholders for the purpose of such resolution.

The Company's articles of association provide that the Company must immediately suspend the issue and switching of Shares when an event resulting in liquidation occurs or such is required by the CSSF. Shareholders having offered their Shares for redemption or for switching will be notified of any suspension in writing within seven (7) days, and of the ending of suspension immediately.

If Shares of the Subfund in question are permitted for trading on one or more stock exchanges, a suspension of the calculation of the net asset value or the issue, redemption and/or switching of Shares of such Subfund does not have a direct effect on the market tradability of these Shares. It cannot be ruled out, however, that the respective stock exchange may suspend the trading of the Shares of the Subfund concerned in such a case, in accordance with the applicable stock exchange regulations.

## 22. FEES AND COSTS

### Fee structure

For the activity of the Management Company, the custodian, the central administration agent, the paying agent, the registrar and transfer agent, the Investment Manager or Investment Adviser, the paying agents, the representatives and distributors (if applicable), as well as for additional advisory services and support activities, fees and, where applicable, additional costs will be charged to the respective Subfunds. Details regarding the applicable fee amount and fee structure can be found in the Special Part under the Section “Fees and costs”.

The fees are calculated on each valuation day and are payable monthly in arrears.

### Investments in Target Funds

Subfunds that may invest in other existing UCIs and UCITS as part of their investment policy can incur charges at the level of both the relevant Subfund and the Company. If on behalf of a Subfund shares of a target fund that are managed directly or indirectly by the management company, or by a company to which the latter is linked by common management or control or by a substantial direct or indirect holding (“related target fund”), are acquired, the Company may not debit the investing Subfund for any sales or redemption fees charged by the related target funds.

### Performance Fee

In the case of Subfunds which are more complex to manage, an additional performance related fee may be provided for, to be paid to the Investment Manager respectively Investment Adviser (“**Performance Fee**”), as may be defined with regard to the respective Subfunds in the Special Part.

### Launch Costs

All fees, costs and expenses payable by the Company are first charged against income, and only subsequently against the capital. The costs and expenditure for the organisation and registration of the Company as a UCITS in Luxembourg, which did not exceed EUR 100,000.00, were borne by the Company and written off in equal amounts over a period of five (5) years from the date they arose. The costs of setting-up, launching and registering an additional Subfund are charged to this Subfund by the Company and written off in equal amounts over a period of five (5) years from the date this Subfund was launched.

### Incentives

The Management Company, individual employees thereof or external service providers may, under certain circumstances, receive or grant pecuniary or other advantages which could be regarded as incentives. The principal provisions of the relevant agreements on fees, commissions and/or gratifications not offered or granted in pecuniary form are disclosed in summary form at the registered office of the Company. Details are available upon request from the Management Company.

## 23. TAXATION

The following summary is based on the law and the rules and regulations currently applied in the Grand Duchy of Luxembourg, and are subject to changes.

### 23.1. THE COMPANY

The Company is subject to Luxembourg tax jurisdiction. Under Luxembourg law and the current practice, the Company is neither subject to income tax nor to any tax on capital gains in respect of realised or unrealised valuation profits. No taxes are payable in Luxembourg on the issue of Shares.

The Company is subject to an annual tax of 0.05% of the net asset value as valued at the end of each quarter, and which is payable quarterly. To the extent that parts of the Company’s assets are invested in other Luxembourg UCITS which are subject to the tax, such parts are not taxed.

The net asset value corresponding to a Share Category for “institutional investors” pursuant to the Luxembourg tax legislation, as defined in the particular Special Part, is subject to a reduced tax rate of 0.01% per annum, on

the basis that the Company classifies the shareholders in this Share Category as institutional investors within the meaning of the tax legislation. This classification is based on the Company's understanding of the current legal situation. This legal situation may change, even with retrospective effect, which may result in a duty of 0.05% being applied, even with retrospective effect. Where applicable, the reduced tax may be applied to further Share Categories, as indicated in the relevant specific Special Part.

Capital gains and income from dividends, interest and interest payments originating in other countries may be subject to a non-recoverable withholding tax or capital gains tax in such countries.

## **23.2. THE SHAREHOLDERS**

Under Luxembourg law and current practice, shareholders in Luxembourg are not subject to capital gains tax, income tax, gifts tax, inheritance tax or other taxes (with the exception of shareholders domiciled or resident or having their permanent establishment in Luxembourg).

In accordance with EU Council Directive 2003/48/EC ("Savings Taxation Directive"), EU member states must provide information to the tax authorities of another member state on the payment of interest or similar income where these are paid by a paying agent (as defined in the directive) within their jurisdiction to a person resident in the respective other EU member state (as defined in the directive) ("exchange of information").

The Savings Taxation Directive was transposed into Luxembourg law on 21 June 2005 and most recently amended by the Law of 25 November 2014 ("Interest Taxation Law").

Instead of an exchange of information, the EU member states Austria and Luxembourg agreed withholding tax system for such payments to affected persons over a transitional period. With the Law of 25 November 2014, Luxembourg has put an end to this transitional period and, with effect from 1 January 2015, the withholding tax system will be replaced by the exchange of information.

Non-EU member states, such as Switzerland, Monaco, Liechtenstein, Andorra and San Marino, as well as the Channel Islands, the Isle of Man and dependent or associated territories in the Caribbean, have also introduced measures based on treaties with the EU or with EU member states that correspond with this exchange of information or, during the transitional period, the withholding tax system (e.g. Switzerland).

The applicable taxation rate under the withholding tax system is 35%.

For the assessment of whether a subfund of the company is subject to the Savings Taxation Directive and the Luxembourg Interest Taxation Law, the following investment limits, as reported by the company, are decisive ("affected subfunds"):

- In the case of distributions, if more than 15% of the assets of a subfund are invested in debt claims (as defined in the Interest Taxation Law).
- In the case of the redemption or sale of shares of a subfund, if more than 25% of the assets of a subfund are invested in debt claims (as defined in the Interest Taxation Law).

Consequently, as part of the withholding tax system, a paying agent will levy a withholding tax at the aforementioned rate on the payment of interest or similar income in the case of distributions or redemption proceeds in relation to an affected subfund, if the payment is made directly to a natural person who is resident for tax purposes in another EU member state or certain other dependent or associated territories as mentioned above (the "affected person"), except where the affected person has explicitly authorised the paying agent to disclose or report the payment to the competent foreign tax authority.

The Company reserves the right to refuse applications for the subscription of shares if the information provided by the applicant does not meet the requirements of the Interest Taxation Law and/or the Savings Taxation Directive.

It is the responsibility of investors to seek advice on taxes and other consequences which may result from the subscription, ownership, return (redemption), switching and transfer of Shares – whether via the primary market or the secondary market – including any regulations regarding the control on the movement of capital.



### **23.3. FOREIGN ACCOUNT TAX COMPLIANCE ACT (“FATCA”) OF THE UNITED STATES OF AMERICA (“US”)**

The US have introduced FATCA to obtain information with respect to foreign financial accounts and investments beneficially owned by certain US taxpayers.

In regards to the implementation of FATCA in Luxembourg, the Grand Duchy of Luxembourg has signed a Model 1 intergovernmental agreement with the US on 28 March 2014 (the "Lux IGA"), which will be transposed into Luxembourg legislation according to the terms of the Lux IGA ("Lux IGA Legislation"). Under the terms of the Lux IGA, a Luxembourg resident financial institution ("Lux FI") will be obliged to comply with the provisions of the Lux IGA Legislation, rather than directly complying with the US Treasury Regulations implementing FATCA. A Lux FI that complies with the requirements of the Lux IGA Legislation will be treated as compliant with FATCA and, as a result, will not be subject to withholding tax under FATCA ("FATCA Withholding"), provided the Lux FI properly certifies its FATCA status towards withholding agents.

The Board of Directors considered the Company to be a Lux FI that will need to comply with the requirements of the Lux IGA Legislation and classified the Company and its sub-funds as Sponsored Investment Entities under the Lux IGA. Sponsored Investment Entities qualify for a deemed-compliant status and constitute a Non-Reporting Lux FI under the Lux IGA.

For Sponsorship purposes under the Lux IGA, the Company appointed the Management Company as Sponsoring Entity, which registered in this capacity on the FATCA online registration portal of the US Internal Revenue Service ("IRS") and agreed to perform the due diligence, withholding, and reporting obligations on behalf of the Company ("Sponsoring Entity Service").

As determined in the Lux IGA, the Company retains the ultimately responsibility for ensuring that it complies with its obligations under the Lux IGA Legislation, notwithstanding the appointment of the Management Company to act as Sponsoring Entity to the Company.

In the performance of the Sponsoring Entity Service, the Management Company may use the assistance and contribution of sub-contractors, including the Company's Registrar and Transfer Agent.

Under the Lux IGA Legislation, the Management Company will be required to report to the Luxembourg Tax Authority certain holdings by and payments made to certain direct and indirect US investors in the Company, as well as investors that do not comply with the terms of FATCA or with an applicable Intergovernmental Agreement, on or after 1 July 2014 and under the terms of the Lux IGA, such information will be onward reported by the Luxembourg Tax Authority to the IRS.

Investors not holding investments in the Company directly as shareholders (i.e. legal holder of records) but via one or several nominees, including but not limited to distributors, platforms, depositaries and other financial intermediaries ("Nominees"), should inquire with such Nominees in regard to their FATCA compliance in order to avoid suffering from FATCA information reporting and/ or potentially withholding.

Additional information may be required by the Company, the Management Company or Nominees from investors in order to comply with their obligations under FATCA or under an applicable Intergovernmental Agreement with the US, e.g. to perform or refrain from information reporting and/ or potentially withholding, as applicable.

The scope and application of FATCA Withholding and information reporting pursuant to the terms of FATCA and the applicable Intergovernmental Agreements may vary from country to country and is subject to review by the US, Luxembourg and other countries, and the applicable rules may change. Investors should contact their own tax or legal advisers regarding the application of FATCA to their particular circumstances.

## **24. GENERAL MEETING OF SHAREHOLDERS AND REPORTING**

The annual general meeting of shareholders of the Company takes place in Luxembourg every year at 17:00 on 20<sup>th</sup> October. If this day is not a bank business day in Luxembourg, the general meeting takes place on the following bank business day in Luxembourg. Other extraordinary general meetings of shareholders of the Company or meetings of individual Subfunds or their Share Categories may be held in addition. Invitations to the general meeting and other meetings are issued in accordance with Luxembourg law. They are published in the

Luxembourg Official Gazette ("Mémorial"), in the "Luxemburger Wort" and in other media designated by the Board of Directors. The published notices contain information about the place and time of the general meeting, the requirements for attending the meeting, the agenda and, if necessary, the quorum requirements and majority requirements for resolutions. The invitation may in addition stipulate that the quorum and majority requirements are determined on the basis of the Shares which have been issued and are outstanding at 24.00 hours (Luxembourg time) on the fifth day preceding the general meeting. A shareholder's rights to participate and vote at a general meeting are also determined by the Shares owned at that time.

The Company's financial year begins on 1<sup>st</sup> July and ends on 30<sup>th</sup> June of the following year. The annual financial report, which contains the Company's, respectively Subfund's, audited consolidated annual report, is available at the Company's registered office no later than fifteen (15) days before the annual general meeting. Un-audited semi-annual reports are available at the same place no later than two (2) months after the end of the half year in question. Copies of these reports may be obtained from the national representatives and from SSB-LUX.

In addition to the annual financial reports and semi-annual reports referring to all existing Subfunds, the Company may also produce special annual financial reports and semi-annual reports for one or more Subfunds.

## **25. APPLICABLE LAW, JURISDICTION**

Any legal disputes between the Company, the shareholders, the custodian bank, the Management Company, the domiciliary, principal paying and administrative agent, the registrar and transfer agent, the Investment Advisers respectively Investment Managers, the national representatives and any distribution agents will be subject to the jurisdiction of the Grand Duchy of Luxembourg. The applicable law is Luxembourg law. However, the above entities may, in relation to claims from shareholders from other countries, accept the jurisdiction of those countries in which Shares are offered and sold.

## **26. DOCUMENTS FOR INSPECTION**

Copies of the following documents may be inspected at the registered office of the Company in Luxembourg during normal business hours on business days in Luxembourg and at the offices of the respective national representatives during their business days:

- 1a) the investment advisory agreements, respectively the investment management agreements, the fund administration agreement, agreements with the custodian bank, the administrator, domiciliary and principal paying agent as well as the registrar and transfer agent. These agreements may be amended with the approval of both parties;
- 1b) the articles of association of the Company.

The following documents may be obtained free of charge on request:

- 2a) the currently valid Key Investor Information Document and the full prospectus;
- 2b) the most recent annual and semi-annual reports.

The articles of association, the Key Investor Information Document, the full prospectus and the annual and semi-annual reports are also available on the web site [www.jbfundnet.com](http://www.jbfundnet.com).

In the event of any contradictions between the documents mentioned in the German language and any translations, the German-language version shall apply. This shall be without prejudice to mandatory deviating regulations relating to distribution and marketing in jurisdictions in which Shares of the Company have been lawfully distributed.

# **JULIUS BAER SPECIAL FUNDS**

## **SMART EQUITY UCITS ETF WORLD SMART EQUITY UCITS ETF EUROPE SMART EQUITY UCITS ETF EMERGING MARKETS SMART EQUITY UCITS ETF ASIA**

Four Subfunds of the SICAV under Luxembourg law Julius Baer Special Funds  
established by Swiss & Global Asset Management (Luxembourg) S.A., Luxembourg

### **SPECIAL PART B: 31 MARCH 2015**

This Special Part of the prospectus supplements the General Part with regard to the Subfunds SMART EQUITY UCITS ETF WORLD, SMART EQUITY UCITS ETF EUROPE, SMART EQUITY UCITS ETF EMERGING MARKETS and SMART EQUITY UCITS ETF ASIA.

Should reference be made in this Special Part to the four Subfunds jointly, they are hereinafter referred to as “the Subfunds”.

The provisions below must be read in conjunction with the relevant information in the General Part of the prospectus.

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SMART EQUITY UCITS ETF ASIA

## 1. INITIAL ISSUE OF SHARES IN THE SUBFUND ON THE PRIMARY MARKET

The Shares of the Subfunds were issued by the Company for the first time as follows:

Subfund	Subscription period	Issue price
SMART EQUITY UCITS ETF WORLD	27 – 30 March 2012	USD 100
SMART EQUITY UCITS ETF EUROPE	27 – 30 March 2012	EUR 100
SMART EQUITY UCITS ETF EMERGING MARKETS	27 – 30 March 2012	USD 100
SMART EQUITY UCITS ETF ASIA	27 – 29 March 2012	USD 100

The indicated initial issue price is per Share. Provided that the amount subscribed by an investor is under EUR 500,000.00 or is under the equivalent amount of EUR 500,000.00 in another currency, a front-end load payable to the Company of up to a maximum of 2% of the issue price may be added. If the amount subscribed by an investor is EUR 500,000.00 or the equivalent amount of EUR 500,000.00 in another currency or is above EUR 500,000.00, no front-end load shall become payable (see in this regard also the information in the chapter “Issue and Redemption of Shares (primary market)”).

## 2. INVESTMENT OBJECTIVES AND INVESTMENT POLICY OF THE SUBFUNDS

The investment objective of the Company in relation to the Subfunds

Julius Baer Special Funds – SMART EQUITY UCITS ETF WORLD (“**SMART EQUITY UCITS ETF WORLD**”),

Julius Baer Special Funds – SMART EQUITY UCITS ETF EUROPE (“**SMART EQUITY UCITS ETF EUROPE**”),

Julius Baer Special Funds – SMART EQUITY UCITS ETF EMERGING MARKETS (“**SMART EQUITY UCITS ETF EMERGING MARKETS**”) and

Julius Baer Special Funds – SMART EQUITY UCITS ETF ASIA (“**SMART EQUITY UCITS ETF ASIA**”)

is to achieve long-term capital growth. For this purpose,

**SMART EQUITY UCITS ETF WORLD** will invest at least two thirds of its assets in a widely diversified portfolio of Shares and other equity instruments of companies included in the MSCI ACWI (All Country World Index),

**SMART EQUITY UCITS ETF EUROPE** will invest at least two thirds of its assets in a widely diversified portfolio of Shares and other equity instruments of companies included in the MSCI Europe Index,

**SMART EQUITY UCITS ETF EMERGING MARKETS** will invest at least two thirds of its assets in a widely diversified portfolio of Shares and other equity instruments of companies included in the MSCI Emerging Markets Index, and

**SMART EQUITY UCITS ETF ASIA** will invest at least two thirds of its assets in a widely diversified portfolio of Shares and other equity instruments of companies included in the MSCI AC (All Country) Asia Pacific ex Japan Index.

Instead of investing in Shares and other equity securities of companies, the individual Subfunds may also invest in ADRs (American Depositary Receipts) and GDRs (Global Depositary Receipts) via the relevant Shares and equity securities.

As the Subfunds are actively managed UCITS ETF's the title selection of every Subfund is active and based on a combination of different systematic-quantitative – and therefore rule-based – investment models in order to identify attractive (“buy signal”) or unattractive (“sell signal”) individual titles in the relevant index universe, followed by a final review by the fund management.

Two systematic-quantitative investment models generating buy and sell signals are currently being combined for the selection of titles. The first investment model (a trend model) aims to take advantage of short-term and medium-term price anomalies by identifying patterns for trends and trend reversals via specific technical indicators. The second investment model (a valuation model) aims to identify price anomalies based on medium-term and long-term assessment parameters.

The systematic-quantitative investment models and their relative weight in the Subfunds portfolio will be reviewed on a regular basis by the fund management and, if necessary, adjusted on the basis of the set objective and the defined investment policy.

The fund management will supervise the title selection on the basis of these investment models and, if necessary, actively adapt the results of the title selection insofar as it is deemed not in line with the investment objective, policy, and limits of each Subfund or other special circumstances which would require the fund management to intervene (e.g. extraordinary events relating to an issuer, or events in general, which are not accounted for in the relevant investment model).

The Company may invest up to a total of one third of the assets of the relevant Subfund in other assets permitted within the meaning of Art. 41 (1) of the 2010 Law as well as according to the relevant regulations and supervisory circulars.

In addition, cash can be held and may under certain circumstances account for up to 49% of the assets, by derogation from the two-thirds rule set out above.

The Subfunds may not execute investments in derivative financial instruments for investment purposes or engage in securities lending.

The Subfunds are denominated in the following currencies:

**SMART EQUITY UCITS ETF WORLD** is denominated in USD,

**SMART EQUITY UCITS ETF EUROPE** is denominated in EUR,

**SMART EQUITY UCITS ETF EMERGING MARKETS** is denominated in USD, and

**SMART EQUITY UCITS ETF ASIA** is denominated in USD.

The investments of the Subfunds may be denominated in the above currencies or other currencies. Foreign currency risks can be fully or partially hedged in relation to the above currencies. A depreciation caused by exchange rate fluctuations cannot be ruled out.

### 3. RISK INFORMATION

**No guarantee can be given that the investment objectives will actually be achieved.**

It should be noted that, in the application of the Subfunds' investment policy, the following possible risks may arise:

Because the Subfunds aim to acquire Shares and other equity securities of companies, the risks generally associated with the acquisition of Shares and equity securities of companies may arise, e.g. fluctuations in Share prices or the fact that Shares and equity securities of companies concerning payment entitlement are possibly subordinate to other securities of a company, e.g. bonds.

Investments in the Subfunds **SMART EQUITY UCITS ETF WORLD**, **SMART EQUITY UCITS ETF EMERGING MARKETS** and **SMART EQUITY UCITS ETF ASIA**, either issued by issuers from so-called emerging market countries and/or denominated in currencies of emerging market countries or are economically linked with currencies of emerging market countries, may be acquired on a larger scale. The term "emerging markets" is generally taken to mean the markets of countries that are in the process of developing into modern industrialised countries and thus display a high degree of potential but also involve a greater degree of risk. They include in particular the countries included in the International Finance Corporation Global Composite Index or in the MSCI Emerging Markets Index. In general, investments in emerging market countries are associated with increased risk. In particular, the investments are subject to the following risks:

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SMART EQUITY UCITS ETF EMERGING MARKETS  
SMART EQUITY UCITS ETF ASIA

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- a) the volumes of the securities traded may be low or non-existent on the securities market concerned, which may lead to liquidity shortages and relatively large price fluctuations;
- b) uncertainties surrounding political, economic, legal, and social conditions and the associated dangers of expropriation or seizure, the risk of unusually high inflation rates, prohibitive tax measures and other negative developments;
- c) potentially considerable fluctuations in the foreign-exchange rate, different legal frameworks, existing or potential foreign-exchange transfer restrictions, customs or other restrictions and any laws or other restrictions applicable to investments;
- d) political or other circumstances which restrict the investment opportunities of the Subfund, such as for example restrictions with regard to issuers or industries which are regarded as sensitive from the point of view of national interests; and
- e) the absence of sufficiently developed legal structures for private or foreign investments and of potentially inadequate safeguards with respect to the ownership of private property.

There are further risks in certain investment countries in relation to the settlement of securities transactions, namely the risk that the corresponding securities may be delivered late or not at all in spite of payment having been made by the Subfund. In addition, it is not possible to exclude the risk that securities might have been forged or stolen.

Concerning investments in certain investment countries, attention is drawn to certain risks with regard to ownership and safe custody of securities. In certain investment countries, evidence of ownership of securities consists of entries in the registers of the Company issuing the securities or of its Registrar (which is neither an agent of the custodian bank nor accountable to the latter). In this respect the custodian's duty of supervision is restricted to supervision according to its best efforts within the scope of what is reasonably possible. Share certificates representing shareholdings in companies in certain investment countries are not held in safe custody by the custodian bank or sub-custodian bank or in an effective central safe custody system. As a consequence of this system and owing to the absence of effective government regulation and enforcement, the Company might lose its registration and ownership of securities of certain investment countries as a result of fraud, negligence or simply through oversight. It is also pointed out that such Share certificates are generally available only in the form of photocopies, and as a result, their legal value is open to challenge.

ADRs (American Depositary Receipts) and GDRs (Global Depositary Receipts) are designed to provide exposure to the underlying securities. In the event of suspension or closure of the market or markets on which the underlying assets are traded, there is a risk that the value of ADR/GDR cannot replicate the value of such underlying securities with sufficient accuracy.

#### **4. INVESTOR PROFILE**

The Subfunds are suitable for investors who have experience of volatile investments, in-depth knowledge of the capital markets and who wish to benefit from the trend on the capital markets in order to pursue their specific investment objectives. Investors must expect fluctuations in the value of the investments, which may temporarily even lead to substantial or very substantial loss of value. Each of these Subfunds may be used as a basic or supplemental investment in an overall portfolio.

#### **5. INVESTMENT MANAGER**

Swiss & Global Asset Management Ltd., Hardstrasse 201, P.O. Box, CH-8037 Zurich, Switzerland was appointed as investment manager (see chapter "General information on Investment Management and Investment Advisory" in the General Part of the prospectus).

Swiss & Global Asset Management Ltd. was established in 1990 as a public limited company registered in Switzerland and is a subsidiary of GAM Holding Ltd., Zurich. Swiss & Global Asset Management Ltd. is a fund

Management Company in the sense of the Swiss Collective Investment Scheme Act and as such supervised by the Swiss Financial Market Supervisory Authority ("FINMA"). The authorisation of FINMA includes especially the activities as fund Management Company of Swiss UCI, as representative of foreign UCI(T) in Switzerland and as portfolio manager.

## 6. DESCRIPTION OF SHARES

The Company may issue Shares of the Subfunds in the following categories:

- accumulating "S" Shares (Exchange Traded Funds, distribution primarily via "Stock Exchanges").

The Company will only issue registered Shares. In addition, the Company will issue Share Categories in the accounting currency in accordance with the chapter "Investment objectives and investment policy of the Subfunds" and additionally in Euro (EUR), US Dollar (USD), Swiss Franc (CHF) and British Pound (GBP). Details of the Share Categories and currencies available at any one time may be requested from the Central Administration or the information agents or Distributors.

## 7. DIVIDEND POLICY

With regard to the Subfunds, the Company will only issue accumulating "S" Shares, not distributing Shares.

## 8. FEES AND COSTS

### Management Fee

The Management Fee ("Management Fee") serves as remuneration (a) for the Investment Managers and/or investment advisors and (b) for distributors, together in each case with associated support services. All or part of the Management Fee may be paid to distributors, placement agents and similar financial intermediaries as commission, retrocession or rebate.

The Management Fee may be charged by the Management Company at different rates for individual Subfunds and/or share categories within a given Subfund or may be waived in full. The annual maximum Management Fee is shown in the table below.

### Servicing Fee

In addition, a servicing fee ("**Servicing Fee**") will be debited by the Management Company to each Subfund and/or share category. The Servicing Fee constitutes remuneration for the following services rendered by the Management Company or its appointees and delegates:

- **Custody and Administration Services:** business activities in accordance with custody and sub-custody services, registrar and transfer agency, central administration (fund administration, fund accounting), principal paying agency;
- **Operational Management:** Remuneration of the Management Company for the operational management and supervision of the business activities of the Company; Risk Management; remuneration and expenses of the Board of Directors of the Company; expenses in relation to the convening of general meetings of shareholders; notary fees;
- **Sales and Marketing:** Sales and marketing expenses, further distribution support, licence fees;
- **Regulatory:** Public charges: taxes (particularly the *taxe d'abonnement*); mandatory fund documents (prospectus, KIID, annual and semi-annual reports); auditing fees; costs associated with registration and reporting to supervisory authorities in different distribution countries; listing fees; publication costs for NAVs and corporate actions;
- **Other Services:** Legal and tax services; paying agents and representatives; insurance premiums; and any other costs incurred by the Management Company on behalf of the Company.



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The Servicing Fee may be charged by the Management Company at different rates for individual Subfunds and/or share categories within a given Subfund or may be waived in full. The annual maximum Servicing Fee is shown in the table below.

Both, Management Fee and the Servicing Fee, will be calculated on the basis of the net asset value of the respective Subfund and/or share category and debited to such Subfund and/or such share category on each Valuation Day (as defined in the section "Calculation of net asset value" in the General Part), and will be payable monthly in arrears.

The Management Fee and the Servicing Fee together constitute the Total Expense Ratio (TER) of the respective Subfund and/or share category.

As shown in the table below, the Management Fee and the Servicing are both capped. Any costs exceeding this cap are borne by the Management Company.

Subfunds	Maximum fee p.a. in % of the net asset value (NAV)			
	Share category	Management Fee	Servicing Fee	Total Expense Ratio (TER)
SMART EQUITY UCITS ETF ASIA	S	0.6%	0.28%	0.88%
SMART EQUITY UCITS ETF EMERGING EQUITY	S	0.6%	0.28%	0.88%
SMART EQUITY UCITS ETF EUROPE	S	0.6%	0.18%	0.78%
SMART EQUITY UCITS ETF WORLD	S	0.6%	0.23%	0.83%

## 9. ISSUE AND REDEMPTION OF SHARES (PRIMARY MARKET)

### 9.1. ISSUE OF SHARES

After the initial subscription has expired, the Shares of the Subfunds are issued on every valuation day, at a price ("Issue Price") based on the net asset value of the Shares on the applicable valuation day (see General Part of prospectus, chapter "General information on the issue, redemption, and switching of Shares"). The issue price is rounded off to two decimal places. Provided that the amount subscribed by an investor is under EUR 500,000.00 or is under the equivalent amount of EUR 500,000.00 in another currency, a front-end load payable to the Company of up to a maximum of 2% of the Issue Price may be added. If the amount subscribed by an investor is EUR 500,000.00 or the equivalent amount of EUR 500,000.00 in another currency or is above EUR 500,000.00, no front-end load shall become payable.

### 9.2. APPLICATION PROCEDURE

Investors may subscribe to shares of Subfunds at any time with the central paying agent in Luxembourg named in the General Part of the Prospectus (or, as applicable, with appointed local paying agents or distributors in individual countries). The exact identity of the subscriber, the name of the Subfund and the Share Category being subscribed must be stated.

All subscriptions of Shares in the Subfunds received by the principal paying agent on a valuation day (as described in the General Part of the prospectus, chapter "Calculation of net asset value") by no later than 15:00 hours local time (cut-off time) will be made at the Issue Price determined on the next valuation day. Subscriptions received after this time will be made at the Issue Price of the next valuation day but one.

The total amount of the subscription must be credited to the account indicated in the General Part of this prospectus no later than the date specified in the General Part of the prospectus.

No Share certificates will be delivered. The Company reserves the right to reject applications or to accept them only in part or to request further information and documents. If an application is rejected in full or in part, the subscription amount or the corresponding balance will be transferred back to the applicant.

**9.3. ISSUE OF SHARES AGAINST IN-KIND CONTRIBUTIONS**

The Company may issue Share packages, in whole or in part, against an in-kind contribution in the form of a securities package. This requires a contract with the Company establishing the conditions under which Share packages can be subscribed against the delivery of a securities package. An issue of Shares against delivery of a securities package is only possible from a certain minimum amount that can be requested by the Management Company. The issue of Shares against the delivery of a securities package will be the subject of a report prepared by an independent auditor at the time of the transfer of the Shares in question. The costs for the preparation of such report shall be charged to the investor, whose acquisition of Shares in return for a contribution in kind is the subject of the relevant report.

**9.4. REDEMPTION OF SHARES**

Shares are redeemed on every valuation day by applying to the central paying agent named in the General Part of the Prospectus in Luxembourg (or, if applicable, to local paying agents that may have been appointed in individual countries). The Shares will be redeemed at a price ("Redemption Price") based on the net asset value of the Shares on the applicable valuation day. This Redemption Price is rounded off to two decimal places. Provided that the Redemption Price of the redeemed Shares is under EUR 500,000.00 or is under the equivalent amount of EUR 500,000.00 in another currency, a redemption fee payable to the Company of up to a maximum of 1% of the Redemption Price may be deducted. If the Redemption Price of the redeemed Shares is EUR 500,000.00 or the equivalent amount of EUR 500,000.00 in another currency or is above EUR 500,000.00, no redemption fee shall become payable.

**9.5. REDEMPTION OF SHARES AGAINST IN-KIND REDEMPTIONS**

Furthermore, the Company may redeem Share packages, in whole or in part, against the delivery of a securities package. This also requires a contract with the Company establishing the conditions under which Share packages can be redeemed against the delivery of a securities package. A redemption of Shares against the delivery of a securities package is only possible from a certain minimum amount that can be requested by the Management Company. The redemption of Shares against the delivery of a securities package will be subject of a report prepared by an independent auditor. The costs for the preparation of such report shall be charged to the investor, whose redemption of Shares in return for a redemption in kind is the subject of the relevant report.

**10. SWITCHING OF SHARES (PRIMARY MARKET)**

Shares in the Subfunds SMART EQUITY UCITS ETF WORLD, SMART EQUITY UCITS ETF EUROPE, SMART EQUITY UCITS ETF EMERGING MARKETS and SMART EQUITY UCITS ETF ASIA may be switched with themselves. No switching fee payable to the Distributor or to the Company is charged for such a switch.

Shares in the Subfunds SMART EQUITY UCITS ETF WORLD, SMART EQUITY UCITS ETF EUROPE, SMART EQUITY UCITS ETF EMERGING MARKETS and SMART EQUITY UCITS ETF ASIA may also be switched with Shares of other Subfunds of the Company. Provided that the net asset value of the switched Shares is under EUR 500,000.00 or the equivalent amount of EUR 500,000.00 in another currency, a switching fee payable to the Company of up to a maximum of 1% of the net asset value of the switched Shares may be applicable.

Furthermore, Shares of other Subfunds of the Company may be switched with Shares of the Subfunds SMART EQUITY UCITS ETF WORLD, SMART EQUITY UCITS ETF EUROPE, SMART EQUITY UCITS ETF EMERGING MARKETS and SMART EQUITY UCITS ETF ASIA. Provided that the net asset value of the switched Shares is under EUR 500,000.00 or the equivalent amount of EUR 500,000.00 in another currency, a switching fee payable to the Company of up to a maximum of 2% of the net asset value of the switched Shares may be applicable.

A switch may be made through the paying agents or Distributors. The provisions of the General Part of this prospectus (see the section "General information on the issue, redemption, and switching of Shares", under "Switching of Shares") apply for the switching procedure.

## **11. BUYING AND SELLING SHARES ON THE STOCK EXCHANGE (SECONDARY MARKET)**

It is intended to list the relevant Shares of the Subfunds for trading on one or more stock exchanges ("Secondary Market"). This admission to trading on the Secondary Market also includes appointing one or more market makers. The market maker(s) must provide prices at which Shares can be purchased or sold by investors in order to maintain a market for the traded Shares. The difference (spread) between these buying and selling prices is usually regulated and supervised by the relevant stock exchange so that it cannot exceed a certain maximum permitted value. It is currently intended to apply for the admission of the Share Categories to be listed on the Frankfurt Stock Exchange and/or on one or several other European stock exchanges, with the aim that every Share Category is listed on at least one stock exchange. Market makers are licenced traders in the financial sector based in a member state of the FATF (Financial Action Task Force on Money Laundering) and are therefore obliged to ensure compliance with an identification procedure equivalent to that required by Luxembourg law.

The authorisation of the documents required for the listing in accordance with the listing rules of the stock exchange does not constitute a warranty or a confirmation on the part of such stock exchange with regard to the expertise of the service providers, the adequacy of the information contained in the prospectus, or with regard to the suitability of an investment of Shares for investment or for other purposes.

Shares may be bought and sold on the Secondary Market on the trading days of the relevant stock exchange after the projected listing. Orders for the buying and selling of Shares via a stock exchange may be placed via a stock exchange member or a stockbroker. The buying and selling of Shares must be executed in similar manner as the buying and selling of other securities at the current Share prices, whereby brokering and exchange fees and/or commissions as well as other fees may be charged. Contrary to the issue and redemption of Shares of the Subfunds on the primary market, no selling or redemption fees will be charged by the Company or a Distributor with regard to the buying and selling of Shares on the stock exchange.

On the Secondary Market Shares must be bought and sold using an intermediary (e.g. a market maker or a broker) which can result in additional fees being charged as is described more in depth in the chapter "Buying and Selling Shares on the Stock Exchange (Secondary Market)". Moreover, when buying Shares on the Secondary Market investors may have to pay prices above the current net asset value and investors selling Shares may possibly receive a price below the current net asset value.

It should be noted that the prices on the Secondary Market, where appropriate, may not considerably deviate from the issue and redemption prices relevant for a subscription or redemption via a distribution agent, SSB-LUX or the Company (as described in the above chapter "Issue and Redemption of Shares (primary market)"), and/or from the indicative net asset value (as described below in the chapter "Indicative net asset value per Share"). Despite the appointment of one or several market makers who must provide prices for the Shares, no guarantee can be given that a Secondary Market will always exist for the Shares or that such a market is always and shall remain liquid.

Should a stock exchange, on which Shares of the Subfunds are admitted for trading, be closed, no buying or selling of Shares may take place on such stock exchange.

### **Redemption of Shares on the Primary Market of shares bought on the Secondary Market**

Shares of a Subfund which were bought on the Secondary Market can also be redeemed on the Primary Market, as described in chapter 9.4. Investors can apply for the redemption of their shares directly to the Company through the custodian bank / transfer agent, to the paying agents and Distributors which hold their Shares. In doing so the custodian bank / the transfer agent must be able to determine beyond doubt the identity of the investor in question, the number of shares as well as the details pertaining to the Subfund and the unit class in question. As a result fees are incurred, as described in depth in the chapter "Issue and Redemption of Shares (Primary Market)"

## **12. INDICATIVE NET ASSET VALUE PER SHARE**

It is intended to entrust an external service provider with the task of calculating the indicative net asset value ("iNAV"). The iNAV is a proxy in the form of a real-time estimation of the underactive value per Share. The iNAV

of a Share of a Subfund's Share Category is determined by dividing the total iNAV of all Shares of the relevant Subfund's Share Category on the relevant calculation date by the number of all outstanding Shares of the same Category of the relevant Subfund.

Pursuant to the Guidelines of the European Securities and Markets Authority ESMA/2012/832, as implemented in Luxembourg by the CSSF Circular 13/559, it is expected that the calculating agent underactively determines the iNAV for each Share Category of the Subfunds on a regular basis (every 15 seconds) on stock exchange days and that the iNAV shall be provided by the relevant stock exchange and/or by the suppliers of financial data (e.g. Bloomberg, Reuters, Telekurs) during the trading period of the Shares of the relevant Subfund. The iNAV may also be published on other internet pages.

The calculating agent shall use a similar method of determining the iNAV as it is done for the calculation of the daily net asset value (see the chapter "Calculation of net asset value" in the General Part of the prospectus). However, it cannot be guaranteed that the calculation agent's calculation method shall be the same.

**All published iNAVs on a stock exchange day only represent an indicative underactive estimation of the net asset value that is determined independently from the Company and the Management Company (see the chapter "Calculation of net asset value" in the General Part of the prospectus for the actual net asset value). An indicative estimation of the net asset value of a Share does not represent the official net asset value of such Share or its Issue or Redemption Price and should not be understood as a price at which Shares may be subscribed or redeemed at the Company or State Street Bank Luxembourg S.A. or bought or sold on a Secondary Market.**

### **13. PORTFOLIO TRANSPARENCY**

Up-to-date portfolio information regarding the Top 20 positions of the Subfund is published daily on [www.jbfundnet.com](http://www.jbfundnet.com). Furthermore, all available portfolio information regarding the Subfunds is published on the website mentioned above within four weeks.

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**APPENDIX I: OVERVIEW OF REFERENCE INDICES**

The Subfund is compared to the reference index, see table, in the currency of each Share Category for the purpose of measuring its performance.

	<b>Subfund</b>	<b>Reference indices</b>
1	SMART EQUITY UCITS ETF WORLD	MSCI AC World Daily TR Net USD
2	SMART EQUITY UCITS ETF EUROPE	MSCI Daily Net TR Europe EUR
3	SMART EQUITY UCITS ETF EMERGING MARKETS	MSCI Daily TR Net EM USD
4	SMART EQUITY UCITS ETF ASIA	MSCI Daily TR Net AC Asia Pacific Ex Japan USD

**APPENDIX II: OVERVIEW OF ALL SHARE CATEGORIES AND IDENTIFICATION NUMBERS**

<b>Name of fund: Julius Baer Special Funds</b>	<b>Currency</b>	<b>Share Category</b>	<b>ISIN</b>	<b>active</b>	<b>Currency- hedged Share Category</b>
SMART EQUITY UCITS ETF WORLD	USD	S	LU0747923083	x	
SMART EQUITY UCITS ETF WORLD	EUR	S	LU0747923240	x	
SMART EQUITY UCITS ETF WORLD	CHF	S	LU0747923323		
SMART EQUITY UCITS ETF EUROPE	EUR	S	LU0747923752	x	
SMART EQUITY UCITS ETF EUROPE	CHF	S	LU0747923836		
SMART EQUITY UCITS ETF EMERGING MARKETS	USD	S	LU0747924057	x	
SMART EQUITY UCITS ETF EMERGING MARKETS	EUR	S	LU0747924131	x	
SMART EQUITY UCITS ETF EMERGING MARKETS	CHF	S	LU0747924214		
SMART EQUITY UCITS ETF ASIA	USD	S	LU0747924487	x	
SMART EQUITY UCITS ETF ASIA	EUR	S	LU0747924560	x	
SMART EQUITY UCITS ETF ASIA	CHF	S	LU0747924644		