



# Lupus alpha Sustainable Smaller Pan European Champions

A UCITS fund under German law

## PROSPECTUS

including terms of investment

01 January 2023

Lupus alpha Investment GmbH  
Speicherstraße 49 - 51  
D-60327 Frankfurt am Main, Germany

## **SALES RESTRICTIONS**

Lupus alpha Investment GmbH is not and will not be registered in accordance with the United States Investment Company Act of 1940, as amended. Units in the fund are not and will not be registered in accordance with the United States Securities Act of 1933 as amended, or under the securities legislation of any state of the United States of America. Units in the fund may not be offered or sold in the United States or to US Persons or for the account of US Persons. Potential purchasers of units may be required to state that they are not US Persons, are not acquiring units on behalf of US Persons and will not sell units on to US Persons. US Persons include, inter alia, private individuals who are resident in the United States. Partnerships or corporations may also be US Persons if they have been established in accordance with the laws of the USA or any US state, territory or possession.

## **NOTE ABOUT THE PROSPECTUS**

Fund units are bought and sold on the basis of the Prospectus, the Key Investor Information Document and the General Terms of Investment in conjunction with the Specific Terms of Investment, each as amended from time to time. The General Terms of Investment and Specific Terms of Investment are included in this document after the Prospectus.

The Prospectus is to be provided on request and free of charge to potential purchasers of fund units and to all investors in the fund. It will be supplied together with the most recent published annual report and any subsequent semi-annual report. Potential purchasers of fund units are also to be provided with the Key Investor Information Document free of charge in good time and prior to entering into any agreement.

No information may be provided and no declarations made that deviate from the Prospectus. Any unit purchase based on information or declarations that are not contained in the Prospectus or the Key Investor Information Document is exclusively at the buyer's own risk.

The prospectus is supplemented by the most recent annual report and, if applicable, the semi-annual report published after the annual report.

### **Important legal effects of the contractual relationship**

By the acquisition of the units the investor becomes a co-owner of the assets held by this fund according to fractions. He cannot dispose over the assets. No voting rights are associated with the units.

All publications and Advertising brochures are to be written in German or accompanied by a German translation. Lupus alpha Investment GmbH shall also conduct all communication with its investors in German.

### **Enforcement of rights**

The legal relationship between Lupus alpha Investment GmbH (the "management company") and the investor as well as pre-contractual relations are governed by German law. The registered office of Lupus alpha Investment GmbH is the jurisdiction venue for actions brought by the investor against the management company arising from the contractual relationship. Investors who are consumers (see the definition below) and reside in another EU state may also bring an action before a competent court in their place of residence. The enforcement of court rulings shall be in accordance with the Code of Civil Procedure, the Act on Forced Sale and Sequestration if applicable) or Insolvency Regulations. Since Lupus alpha Investment GmbH is subject to German law, judgments issued in Germany do not have to be recognised prior to their enforcement.

Investors may assert their rights by bringing legal proceedings before the ordinary courts or by way of alternative dispute resolution proceedings, where such a procedure is available.

The management company undertakes to participate in dispute resolution proceedings before a consumer arbitration board. In the event of disputes, consumers may contact the official consumer arbitration board by the Federal Financial Supervisory Authority:

German Federal Financial Supervisory Authority  
Schlichtungsstelle bei der *BaFin*  
Graurheindorfer Straße 108, D-53117 Bonn

[www.bafin.de/schlichtungsstelle](http://www.bafin.de/schlichtungsstelle)

For disputes concerning the application of the rules under the German Civil Code (*Bürgerliches Gesetzbuch*) on remote sales (distance selling) of financial services, the relevant mediation body is the Mediation Body (*Schlichtungsstelle*) of the Deutsche Bundesbank. Its contact details are as follows:

Deutsche Bundesbank  
Schlichtungsstelle  
Postfach 11 12 32  
60047 Frankfurt  
Email: [schlichtung@bundesbank.de](mailto:schlichtung@bundesbank.de)  
[www.bundesbank.de](http://www.bundesbank.de)

The right to bring the matter before the courts shall remain unaffected hereby.

## **Brief information about the management company, the custodian, the auditor and the UCITS fund**

### **Management company (*Kapitalverwaltungsgesellschaft*)**

#### **Lupus alpha Investment GmbH**

Speicherstraße 49-51  
D-60327 Frankfurt am Main, Germany

Tel.: +49 69 365058-7000

Fax: +49 69 365058-8700

www.lupusalpha.de

Frankfurt/Main trade register  
HRB-Nr. 52705

#### **Investor information contact**

##### **Service Center**

Tel.: +49 69 365058-7000

Email: info@lupusalpha.de

### **Capital as of 31 December 2021**

subscribed and paid-in capital: EUR 2.56 million

### **Shareholder**

Lupus alpha Asset Management AG (100%)

### **Supervisory Board**

#### **Chairman**

Dr. Oleg De Lousanoff, lawyer and notary

#### **Vice-chairman**

Dietrich Twietmeyer, Dipl. Agr. Ing.

Dr. Helmut Wölfel, Legal counsel

### **Executive Board**

Dr. Götz Albert

Michael Frick

Ralf Lochmüller

### **Mandates of the Executive Board**

Dr. Götz Albert

Management Board of Directors of Lupus alpha Asset Management AG, Frankfurt am Main

Michael Frick

Management Board of Directors of Lupus alpha Asset Management AG, Frankfurt am Main

Ralf Lochmüller

Spokesman of the Board of Directors of Lupus alpha Asset Management AG, Frankfurt am Main  
Shareholder of Lupus alpha Holding GmbH, Frankfurt am Main

### **Custodian**

Kreissparkasse Köln  
Neumarkt 18-24  
D-50667 Köln

Liabe equity capital as of 31 December 2021  
EUR 2,573.5 million

### **Auditors for the UCITS fund**

KPMG AG Wirtschaftsprüfungsgesellschaft  
The Squire  
Am Flughafen  
D-60549 Frankfurt am Main, Germany

### **Auditors for the management company**

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft  
Friedrich-Ebert-Anlage 35-37  
60327 Frankfurt am Main

The above information is updated in the annual and semi-annual reports.

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## 1. BASIC PRINCIPLES

The fund

### **Lupus alpha Sustainable Smaller Pan European Champions**

(hereinafter "fund ") is an undertaking for collective investments, which collects capital from a number of investors in order to invest it for the benefit of these investors pursuant to a stipulated investment strategy (hereinafter "Investment fund"). The Fund is an investment fund pursuant to the Directive 2009/65/EC of the European Parliament and the Council of 13 July 2009 for the coordination of the statutory and administrative regulations relating to certain undertakings for collective investment in transferable securities (hereinafter "UCITS") within the meaning of the German Capital Investment Code (hereinafter "KAGB"). It is managed by Lupus alpha Investment GmbH (hereinafter "management company").

The management company invests the capital invested with it in its own name for the joint account of the investors according to the principle of risk spreading in the assets that are permitted according to the KAGB, separately from its own assets in the form of funds. The corporate object of the fund is limited to the capital investment pursuant to a stipulated investment strategy within the scope of a collective asset management by means of the funds invested with it; an operative activity and an active entrepreneurial management of the held assets is excluded.

In which assets the management company may invest the monies of the investors and which provisions they have to comply with hereby, may be derived from the KAGB, the associated regulations as well as the German Investment Tax Act (hereinafter "InvStG") and the investment conditions, which regulate the legal relationship between the investors and the management company. The investment conditions comprise a general and a special part ("General Terms of Investment" and "Specific Terms of Investment"). Investment conditions for a public investment fund must be approved by the Federal Financial Supervisory Authority ("BaFin") before they are used. The fund does not belong to the insolvency assets of the management company.

The prospectus, the Key Investor Information Document, the Terms of Investment and the current annual and semi-annual reports are available free of charge from the management company or from [www.lupusalpha.de](http://www.lupusalpha.de) or [www.fundinfo.com](http://www.fundinfo.com).

Additional information about the investment limits of the risk management of this fund, the risk management methods and the most recent developments with the risks and yields of the most important categories of assets are available from the management company upon request in electronic or written form.

If the management company sends further information to individual investors concerning the composition of the fund portfolio or its performance, it will at the same time make this information available to all investors of the

fund. The investors may apply for an electronic access to these data under [www.lupusalpha.de](http://www.lupusalpha.de) under the heading "downloads – mandatory publications – investor information for unit holders". The prerequisite is, among others, the conclusion of a non-disclosure agreement.

The terms of investment are printed at the end of this prospectus in this document. The investment conditions may be changed by the management company. Changes to the investment conditions require an approval by BaFin. Changes to the investment principles of the fund are only permitted under the condition that the management company offers the investors that it will either take their units back without further charges before the changes come into force or that they may exchange their units free of charge against units in investment funds with comparable investment principles if such investment funds are managed by the management company or another company from its group.

The envisaged changes will be announced in the German Federal Gazette and in addition in the electronic information medium [www.fundinfo.com](http://www.fundinfo.com) or on the homepage of the management company under [www.lupusalpha.de](http://www.lupusalpha.de). If the changes relate to remuneration and reimbursements of expenses, which may be taken from the fund, or the investment principles of the fund or essential rights of the investors, the investors will additionally be informed through their custodian banks through a medium, on which information is stored, may be viewed and is depicted unchanged for a duration that is appropriate for the purpose of the information, for example in a paper or an electronic form (so-called permanent data carriers). This information comprises the essential contents of the planned changes, their background, the rights of the investors in connection with the change as well as a reference to where and how further information may be obtained.

The changes shall come into force on the day after they are announced at the earliest. Changes to regulations regarding the remuneration and reimbursements of expenses shall come into force four weeks after their announcement at the earliest if no earlier time was determined with the approval of BaFin. Changes to the previous investment principles of the fund shall also come into force four weeks after their announcement at the earliest.

## 2. MANAGEMENT COMPANY

### **2.1. Corporate name, legal form and registered office**

Since 2001 the management company was permitted to manage money market and investment fund unit funds in addition to securities funds.

The management company has the legal form of a Private Limited Company (GmbH), has a permit as a management company according to the German Capital Investment Code (KAGB).

Since 2001, the management company has been permitted to manage money market and investment fund units in addition to securities funds. After the adjustment to the Investment Act the management company was permitted to manage separate funds, special as well as mixed funds and funds with additional risks conform to the Directive since March 2004. Since July 2009 the management company was permitted to manage separate funds, special as well as mixed funds, other funds and funds with additional risks conform to the Directive.

Within the scope of the adjustment to the German Capital Investment Code, the management company has been permitted to manage UCITS funds pursuant to the UCITS Directive since July 2013.

The management company may further manage the following investment funds according to the German Capital Investment Code since July 2014:

- Mixed investment funds (§ 218 et seq. *KAGB*);
- Other investment funds (§ 220 et seq. *KAGB*);
- Closed-end domestic public AIF pursuant to § 261 et seq. *KAGB* as well as closed-end domestic special AIFs pursuant to § 285 et seq. *KAGB*, which invest in the following assets:
  - The assets pursuant to § 261 Para. 1 Section 4 to 6 *KAGB*,
  - Securities pursuant to § 193 *KAGB*,
  - Money market instruments pursuant to § 194 *KAGB*

and

  - Bank balances pursuant to § 195 *KAGB*.
- Open-ended domestic special AIFs with fixed investment conditions pursuant to § 284 *KAGB*, which invest in the following assets: The assets stated in § 284 Para. 1 and Para. 2 *KAGB* with the exception of the assets stated in § 284 Para. 2 Section 2 lit e), f) and h).
- General open-ended domestic special-AIFs pursuant to Section 282 *KAGB*, – including hedge funds pursuant to Section 283 *KAGB* – which invest in the following assets: The assets stated in § 284 Para. 1 and Para. 2, with the exception of the assets stated in § 284 Para. 2 Section 2 lit e), f) and h).
- EU UCITS, EU AIF and foreign AIFs, the admissible assets of which correspond to those for domestic investment funds.

## 2.2. Management Board/Managing Directors and Supervisory Board

For more detailed information regarding the management and the composition of the Supervisory Board

please refer to the beginning of the sales prospectus in the section "brief details relating to the management company, the custodian and the auditor of the financial statements" and then "management company".

## 2.3. Equity and additional own funds

For more detailed information regarding the subscribed capital as well as regarding the liable equity of the company please refer to the beginning of the sales prospectus in the Section "brief details relating to the capital management company, the custodian and the auditor of the financial statements" and then "capital management company".

The management company is exposed to the professional liability risks arising from the management of investment funds that do not comply with the UCITS Directive, known as alternative investment funds (hereinafter: "AIF"), and which are a result of professional negligence on the part of its bodies or employees, covered by its own funds in the amount of at least 0.01 per cent of the value of the portfolios of all managed AIFs, whereby this amount is checked and adjusted annually. These own funds are covered by the stated liable equity.

## 3. CUSTODIAN

The credit institution Kreissparkasse Köln with registered offices at in D-50667 Köln, Neumarkt 18-24, has assumed the function of fund custodian. The custodian is a credit institution according to German law. Its main activity is current account, deposits and credit business transactions as well as securities transactions.

The *KAGB* envisages a segregation of the management and safekeeping of funds. The Depositary holds the assets in blocked broker or bank accounts. In case of assets, which cannot be held in safekeeping, the custodian will examine whether the management company has acquired the ownership of these assets. It monitors whether the disposals of the management company over the assets comply with the regulations of the *KAGB* and the investment conditions. The investment in bank balances at another credit institution as well as disposals over such bank balances are only permitted with the consent of the custodian. The custodian must grant its consent if the investment or disposal is compatible with the investment conditions and the regulations of the *KAGB*.

In addition the custodian has in particular the following tasks:

- Issue and redemption of the units of the fund,
- ensuring that the issue and redemption of units as well as determination of the unit value comply with the regulations of the *KAGB* and the fund's terms of investment,
- to ensure that in case of transactions conducted for the joint account of the investors it obtains the

current value for its safekeeping within the customary deadlines,

- to ensure that the income of the fund is used according to the regulations of the KAGB and according to the investment conditions,
- monitoring of the borrowing of loans by the management company for the account of the fund and, if applicable, the consent to the borrowing of a loan,
- to ensure that collateral for securities loans is furnished legally effective and is available at all times.

### 3.1. Sub-custodians

The custodian has assigned custodian tasks to other companies (sub-custodians). The sub-custodians commissioned by the custodian are listed at the end of this sales prospectus.

The management company was notified of the list of sub-custodians by the custodian. The management company has checked this information for plausibility. It is, however, dependent on the supply of the information by the custodian and cannot check this for accuracy and completeness in detail. The list of sub-custodians may, however, change at all times. As a rule, not all of these sub-custodians are used for the fund either.

### 3.2. Liability of the custodian

The custodian is principally responsible for all assets, which are held in safekeeping by it or, with its consent, by another body. In the event of the loss of such an asset the custodian will be liable towards the fund and its investors, unless the loss is a result of events beyond the scope of influence of the custodian. For damages, which do not consist of the loss of an asset, the custodian will principally only be liable if it has not fulfilled its obligations according to the regulations of the KAGB at least due to negligence.

### 3.3. Current information pertaining to the custodian

Upon request, the management company will send investors up-to-date information pertaining to the custodian and its obligations, the sub-custodians as well as possible conflicts of interest in connection with the activity of the custodian or the sub-custodians.

## 4. THE FUND

The fund was inceptioned for an indefinite period of time on 5 December 2013.

The investors participate in the assets of the fund in line with the number of their units as co-owners or as creditors according to fractions. The fund is not a sub-fund of an umbrella-construction. The fund currency is the Euro.

Units of three unit classes are currently available, differing in terms of the amounts of the management fee, custodian fee and minimum investment. The unit classes are designated "C", "CT" and "R".

All issued units of a unit class have the same rights. The features of the unit class are described in this prospectus under item 11 "Units" and under item 12.2 "Management and other costs".

## 5. INVESTMENT OBJECTIVES, STRATEGY, -PRINCIPLES AND LIMITS

### 5.1. Investment objective and strategy

Fund managers endeavour to achieve an increase in capital in the medium to long term through positive price performances of fund assets. Fund managers invest in small and medium-sized enterprises in Europe. The focus is on quality companies, which feature an attractive market position, a solid balance sheet and a stable business model.

The fund advertises environmental and/or social characteristics as part of its investment strategy as defined by Article 8 of the Disclosure Regulation but does not specifically target sustainable investments. **Information on environmental and/or social characteristics that are advertised by this fund can be found in the "Disclosure and Taxonomy Regulation" annex to this prospectus.** Further information can be found on the following company website under the heading "Funds", then fund name, then "More information" and then with the document name "Lupus alpha Sustainable Smaller Champions ESG Methodology": <https://www.lupusalpha.de/fonds>

Based on the sustainability risk assessment, the sustainability risks to which the sub-fund may be exposed will probably have a lower impact on the value of the sub-fund's investments in the medium to long term due to the application of the aforementioned sustainability principles.

Securities are selected actively through a comprehensive analysis of the individual management company based on qualitative and quantitative criteria (with stock picking as a central instrument). This is backed by in-person talks with the management of the company.

The fund does not track any securities index. The management company uses the STOXX® Europe TMI Small Net Return EUR Index as a benchmark for the fund. The STOXX® Europe TMI Small Net Return EUR Index is not tracked. Fund managers actively decide on the selection of assets at its own discretion, taking into account the investment strategy set out above. They aim to outperform the benchmark. The fund's composition and performance may deviate from the comparable benchmark a substantially or even fully and on a long-term basis, either positively or negatively.

A comparison of the performance of the fund with the performance of the comparable benchmark may be found

in this sales prospectus under Section 14.1. "Performance".

The investments underlying this fund do not take into account the EU criteria for environmentally sustainable economic activities.

The risks associated with these investment policies are presented in detail in Section 6 "Risk information" and in Section 7 "Explanation of the risk profile of the fund".

**NO ASSURANCE CAN BE GIVEN THAT THE OBJECTIVES OF THE INVESTMENT POLICIES WILL ACTUALLY BE ACHIEVED.**

### 5.2. Investment principles

The assets that are admissible according to the *KAGB* and the investment conditions may be acquired for the fund.

The management company may additionally invest more than 35 per cent of the value of the fund in securities and money market instruments of the issuers named in the section "Investment limits for public issuers". Even if securities are selected carefully, losses resulting from the deterioration of an issuer's financial situation cannot be ruled out. However, by applying modern analysis methods, the management company tries to minimise the existing risks of an investment in securities and to improve the opportunities.

### 5.3. Assets in detail

The management company may acquire the following assets for the account of the fund:

- Securities pursuant to § 193 *KAGB*,
- money market instruments pursuant to § 194 *KAGB*,
- Bank balances pursuant to § 195 *KAGB*,
- Investment units pursuant to § 196 *KAGB*,
- Derivatives pursuant to § 197 *KAGB*,
- So-called other investment instruments pursuant to § 198 *KAGB*.

The management company may acquire these assets within the investment limits in particular presented in the sections "Investment limits for securities and money market instruments including those using derivatives and bank balances". Details relating to these assets and applicable investment limits are presented below.

### 5.4. Securities

The management company may acquire securities of domestic and foreign issuers for the account of the fund,

1. if they are authorised for trading on a stock exchange in a member state of the European Union ("EU") or in another contractual state of the Treaty on the European Economic Area ("EEA") or are authorised on

another organised market in one of these states or are included in these markets,

2. if they are exclusively authorised for trading on a stock exchange outside of the member states of the EU or outside of the other contractual states of the Treaty on the EEA or are authorised on another organised market in one of these states or are included in these markets, insofar as *BaFin* authorised the choice of this stock exchange or this organised market.

Securities from new issues may be acquired if, according to their issue conditions, the authorisation on or inclusion in one of the stock exchanges or organised markets named under 1. and 2. has to be applied for and the authorisation or inclusion is carried out within one year after issue.

The following shall also be deemed securities within this meaning

- Units in closed-end investment funds in a contractual or corporate form, which are subject to a control by the shareholders (so-called corporate control), i.e. the shareholders must have voting rights with regard to essential decisions as well as the right to control the investment policies by means of appropriate mechanisms. The investment fund must, moreover, be managed by a legal entity that is subject to the regulations for the protection of investors, unless the investment fund is accepted in a corporate form and the activity of the asset management is not performed by another legal entity.
- Financial instruments that are collateralised by other assets or are coupled with the development of other assets. Insofar as components of derivatives are embedded in such financial instruments, further requirements will apply so that the management company may acquire these as securities.

The securities may only be acquired under the following prerequisites:

- The potential loss that may be incurred by the fund cannot exceed the purchase price of the security. There must be no obligation to invest additional capital.
- A lack of liquidity of the security acquired by the fund may not lead to the fact that the fund may no longer comply with the statutory stipulations pertaining to the redemption of units. This applied by taking the statutory possibility into consideration to be able to suspend the redemption of units in special cases (cf. Section 11.1 "Issue and redemption of units")
- A reliable valuation of the securities by exact, reliable and common prices must be available; these must either be market prices or be provided by a valuation system that is independent of the issuer of the security.

- Reasonable information must be available with regard to the security, either in the form of regular, exact and comprehensive information of the market about the security or in the form of an, if applicable, associated portfolio.
- The security is tradeable.
- The acquisition of the security is in line with the investment objectives or the investment strategy of the fund.
- The risks of the security are covered by the risk management of the fund to a reasonable extent.

Securities may moreover be acquired in the following form:

- Shares, to which the fund is entitled in case of a capital increase from corporate funds,
- Securities, which are acquired while exercising subscription rights belonging to the fund,

Subscription rights may also be acquired for the fund as securities within this meaning, insofar as the securities, from which the subscription rights stem, may be located in the fund.

### 5.5. Money market instruments

The management company may invest in money market instruments for the account of the fund, which are usually traded on the money market, as well as in interest-bearing securities that alternatively

- at the time of their acquisition for the fund have a term or residual term of a maximum of 397 days.
- at the time of their acquisition for the fund have a term or residual term that is longer than 397 days, the yield of which however must be adjusted regularly to the market based on issuance terms, and at least once in 397 days.
- whose risk profile corresponds with the risk profile of securities that fulfil the criterion of the residual term or that of the interest adjustment.

Money market instruments may be acquired for the fund, if they

1. are authorised for trading on a stock exchange in a member state of the EU or in any other contractual state of the Treaty on the EEA or are authorised on another organised market in one of these states or are included in this market,
2. if they are exclusively authorised for trading on a stock exchange outside of the member states of the EU or in another contractual state of the Treaty on the EEA or in one of these states authorised on an organised market or included in this market, insofar as *BaFin* has authorised the choice of this stock exchange or this market,

3. are issued or guaranteed by the EU, the federal government, a fund of the federal government, a federal state, another member state or another central state, regional or local authority or the Central Bank of a member state of the EU, the European Central Bank or the European Investment Bank, a third country or, if this is a federal state, a constituent state of this federal state or of an international institution under public law, to which at least one member state of the EU belongs,
4. are issued by a management company, whose securities are traded on the markets described under numbers 1 and 2,
5. are issued or guaranteed by a credit institution that is subject to criteria of a supervision that is stipulated according to the law of the EU, or a credit institution, that is subject to and complies with supervision provisions, which are equivalent to those of Community law in the opinion of *BaFin*,
6. are issued by other issuers and the respective issuer
  - a) concerns a management company with equity of at least EUR 10 million, that prepares and publishes its annual financial statements according to the European Directive pertaining to the annual financial statements of stock corporations, or
  - b) concerns a legal entity that is responsible for the financing of this group within a group that comprises one or more listed companies, or
  - c) concerns a legal entity that issues money market instruments backed by liabilities, by using a credit line granted by a bank. These are products, with which credit claims of banks are securitised in securities (so-called Asset Backed Securities).

All stated money market instruments may only be acquired if they are liquid and their value may be precisely determined at all times. Money market instruments are Liquid, which may be sold with limited charges within a sufficiently short period of time. The obligation of the management company is to be taken into consideration hereby to take units in the fund back at the request of the investors and in this case to be in the position to accordingly be able to sell such money market instruments at short notice. An exact and reliable valuation system must, moreover, exist for the money market instruments that enables the determination of the net asset value of the money market instrument and is based on market data or valuation models (including systems, which are based on the amortised acquisition charges). The feature of the liquidity shall be deemed as fulfilled for money market instruments if these are authorised on an organised market within the EEA or are included in this or are authorised on an organised market outside of the EEA or included in this, insofar as *BaFin* has authorised the choice of this market. This shall not apply if indications are available to the management company, which speak against the sufficient liquidity of the money market instruments.

For money market instruments that are not listed on a stock exchange or not authorised for trading on a regulated market (see above under Sections 3 to 6), the issue or the issuer of these instruments must, moreover, be subject to regulations governing the protection of deposits and investors. Reasonable information must be available for these money market instruments that enables an adequate assessment of the credit risks associated with the instruments and the money market instruments must be freely transferrable. The credit risks may, for example, be assessed by a credit rating of a rating-agency. The following requirements will continue to apply to these money market instruments, unless they have been issued or guaranteed by the European Central Bank or the Central Bank of a member state of the EU:

- If they are issued or guaranteed by the following institutions (stated above under Section 3):
  - the EU,
  - the federal government,
  - a fund of the federal government,
  - a federal state,
  - another member state,
  - another central government authority,
  - the European Investment Bank,
  - a non-member state or, in the case of a country that is a federation, a member of the federation,
  - an international institution under public law, to which at least one member state of the EU belongs,

reasonable information regarding the issue or the issue programme or regarding the legal and financial situation of the issuer must be available before the issue of the money market instrument.

- If they are issued or guaranteed by a credit institution that is supervised in the EEA (see above under Section 5) then reasonable information must be available regarding the issue or the issue programme or regarding the legal and financial situation of the issuer before the issue of the money market instrument, which will be updated at regular intervals and in case of significant events. Moreover, data (e.g. statistics) must be available with regard to the issue or the issue programme that enable an adequate assessment of the credit risks associated with the investment.
- If they are issued by a credit institution that is subject to supervisory provisions outside of the EEA, which in the opinion of *BaFin* are equivalent to the requirements from a credit institution within the EEA, then one of the following prerequisites is to be fulfilled:
  - The credit institution maintains a registered seat in a member state of the Organisation for Economic Co-operation and Development (hereinafter "OECD") that belongs to the so-called group of ten

(amalgamation of the most important leading industrial countries – G10).

- The credit institution at least has a rating with a grade that qualifies as a so-called "Investment-Grade". A grade with "BBB" or "Baa" or better within the scope of the credit rating by a rating agency is described as an "Investment Grade".
- By means of a detailed analysis of the issuer it may be proven that the supervisory provisions applicable to the credit institution are at least as strict as those of the law of the EU.
- For the other money market instruments, which are not listed on a stock exchange or are not authorised for trading on a regulated market (see above under Sections 4 and 6 as well as the others stated under Section 3), reasonable information regarding the issue or the issue programme as well as regarding the legal and financial situation of the issuer must be available before the issue of the money market instrument, which is updated at regular intervals and in case of significant events and will be checked by qualified third parties, who are independent of instructions of the issuer. Moreover, data (e.g. statistics) must be available with regard to the issue or the issue programme that enable an adequate assessment of the credit risks associated with the investment.

#### **5.6. Investment limits for securities and money market instruments including those using derivatives and bank balances**

The fund may invest its assets entirely in securities or money market instruments, or in a combination of securities and money market instruments. Of these, at least 51 per cent of the fund's value must be invested in European equities.

All securities held in the fund must fulfil the sustainability criteria described in § 5.1.

##### **5.6.1 General investment limits**

The management company may invest in securities and money-market instruments of the same issuer (debtor) in an amount of up to 10 per cent of the value of the fund. The total value of the securities and money market instruments of these issuers (debtors) may not exceed 40 per cent of the fund. In addition, the management company may only invest 5 per cent of the value of the fund in each case in securities and money market instruments of the same issuer. Securities purchased under a repurchase agreement are offset against this investment limit. The issuers of securities and money market instruments shall also be taken into account within the limits set forth if the securities and money market instruments issued by them are acquired indirectly through other securities included in the fund which are linked to their performance.

### 5.6.2 Investment limit for bonds with special cover assets

The management company may invest up to 25 per cent of the value of the fund in mortgage bonds (*Pfandbriefe*), municipal bonds as well as bonds issued by a credit institution with its registered office in an EU member state or another state that is party to the EEA agreement. The prerequisite is that the funds borrowed with the bonds are invested so that they cover the liabilities of the bonds over their entire term and are primarily determined for the repayments and the interest if the issuer of the bonds ceases to exist. If more than 5 per cent of the value of the fund is invested in such bonds of the same issuer, the total value of such bonds may not exceed 49 per cent of the value of the fund. Securities purchased under a repurchase agreement are offset against this investment limit.

### 5.6.3 Investment limits for public issuers

The management company may respectively invest up to 35 per cent of the value of the fund in bonds, bonded loans and money market instruments of special national and supranational public issuers. These public issuers shall include the federal government, the federal states, member states of the EU or their regional authorities, third countries as well as supranational public institutions to which at least one EU-member belongs.

The management company may invest more than 35 per cent of the value of the fund in bonds, bonded loans and money market instruments of one or more of the following issuers:

- The Federal Republic of Germany
- The federal states:
  - Baden-Württemberg
  - Bavaria
  - Berlin
  - Brandenburg
  - Bremen
  - Hamburg
  - Hesse
  - Mecklenburg-Western Pomerania
  - Lower Saxony
  - North-Rhine Westphalia
  - Rhineland-Palatinate
  - Saarland
  - Saxony
  - Saxony-Anhalt
  - Schleswig-Holstein
  - Thuringia

- European Union:
- As EU Member States:
  - Belgium
  - Bulgaria
  - Denmark
  - Estonia
  - Finland
  - France
  - Greece
  - The Republic of Ireland
  - Italy
  - Croatia

- Latvia
- Lithuania
- Malta
- Poland
- Luxembourg
- Netherlands
- Austria
- Portugal
- Sweden
- Slovakia
- Slovenia
- Spain
- Czech Republic
- Hungary
- Republic of Cyprus
- Romania

- As contractual states of the Treaty on the European Economic Area:
  - Iceland
  - Liechtenstein
  - Norway
- Other member states of the Organisation for Economic Cooperation and Development that are not a member of the EEA:
  - Australia
  - Japan
  - Canada
  - South Korea
  - Mexico
  - New Zealand
  - Switzerland
  - Turkey
  - United States of America
  - Chile
  - Israel
  - United Kingdom of Great Britain and Northern Ireland

Insofar as this possibility is used the securities and money market instruments in the fund must stem from at least six different issues, whereby no more than 30 per cent of the values of the fund may be held in one issue. Securities purchased under a repurchase agreement are offset against this investment limit.

### 5.6.4 Combination of investment limits

The management company may invest a maximum of 20 per cent of the value of the fund in a combination of the following assets:

- Securities or money market instruments issued by the same institution,
- Deposits at this institution, i.e. bank balances,
- Offset amounts for the counterparty risk of the transactions in derivatives entered into with this institution.

With special public issuers (see Section "Investment limits for public issuers") a combination of the aforementioned

assets may not exceed 35 per cent of the value of the Fund. The respective individual upper limits shall remain unaffected.

#### 5.6.5 Investment limits with the use of derivatives

The amounts of securities and money market instruments of an issuer that count towards the aforementioned limits may be lower if hedging derivatives are used whose underlyings are securities or money market instruments of the same issuer. Thus securities or money market instruments of an issuer may be acquired for the account of the fund in excess of the aforementioned limits if the issuer risk that is increased hereby is reduced by hedging transactions again.

#### 5.7. Investment limits for tax reasons

At least 51 per cent of the fund is invested in capital participations within the meaning of § 2 Para. 8 of the German Investment Tax Act (*InvStG*). Capital participations as defined here are:

- units in stock corporations that are authorised for official trading on a stock exchange or authorised on another organised market or included in this market;
- units in stock corporations that are based in a member state of the European Union or in another contractual state of the Treaty on the European Economic Area and are subject to the taxation on earnings for stock corporations there and are not exempted from such tax;
- units in stock corporations that are based in a third country and are subject to a taxation on earnings for stock corporations there in the amount of at least 15 per cent and are not exempted from such tax.

#### 5.8. Bank balances and their investment limits

Up to 49 per cent of the value of the fund may be invested in bank balances that have a maximum term of 12 months. The management company may only invest up to 20 per cent of the value of the fund in bank balances at one credit institution each.

These balances are to be kept on blocked accounts at credit institutions with the registered seat in a member state of the EU or in another contractual state of the Treaty on the EEA. They may also be maintained at credit institutions with the registered seat in a third country, whose supervisory provisions, in the opinion of *BaFin*, are equivalent to those of the law of the EU.

#### 5.9. Investment units and their investment limits

The management company may invest up to 10 per cent of the value of the fund in units in target funds insofar as these are open-ended domestic and foreign investment funds. The management company shall acquire units in all

contractual states of the European Economic Area for the fund.

According to their investment conditions or their statutes the target fund may invest a maximum of up to 10 per cent in units in other open-ended investment funds. The following requirements shall additionally apply to units in AIF:

- The target fund must have been authorised according to legal regulations, which subject it to an effective public supervision for the protection of the investors, and there must be sufficient warranty for a satisfactory cooperation between *BaFin* and the supervisory authority of the target fund.
- The level of protection of the investors must be equivalent to the level of protection of an investor in a domestic UCITS, in particular with regard to the segregation of management and safekeeping of the assets, for the borrowing and granting of loans as well as for short sales of securities and money market instruments.
- The target fund's business activity must be the object of annual and semi-annual reports and allow investors to form an opinion of assets and liabilities as well as income and transactions in the reporting period.
- The target fund must be a mutual fund for which the number of units is not limited and investors have a right to redeem units.

Only up to 20 per cent of the value of the fund may be invested in units in one single target fund. A total of merely up to 30 per cent of the value of the fund may be invested in AIF. The management company may acquire no more than 25 per cent of the issued units of a target fund for the account of the fund.

Target funds may temporarily suspend the redemption of units within the statutory framework. The management company cannot return the units in the target fund at the management company or custodian of the target fund against payment of the redemption price (see also the section "Risk information— risks in connection with the investment in investment units"). On the homepage of the management company it is listed under [www.lupusalpha.de](http://www.lupusalpha.de) whether and to what extent the fund holds units in target funds, which have currently suspended the redemption of units.

#### 5.10. Investment limits for tax reasons

The management company may invest in total up to 10 per cent of the value of the fund in the following other assets:

- Securities, which are not authorities for trading on a stock exchange or not authorised on another organised market or not included in this, however princi-



pally meet the criteria for securities. Notwithstanding the traded or authorised securities the reliable valuation for these securities must be available in the form of a valuation carried out at regular intervals, which is derived from information of the issuer or from a competent financial analysis. Reasonable information regarding the non-authorised or non-included securities or, if applicable, the associated portfolio, i.e. securitised in the security must be available in the form of regular and precise information for the fund.

- Money market instruments are deemed as liquid that can be sold with limited charges within a sufficiently short period of time. Money market instruments are Liquid, which may be sold with limited charges within a sufficiently short period of time. The obligation of the management company is to be taken into consideration hereby to take units in the fund back at the request of the investors and in this case to be in the position to accordingly be able to sell such money market instruments at short notice. For money market instruments, there must also be an accurate and reliable valuation system that can be used to calculate the net asset value of the instrument and that is based on market data or valuation models (including systems based on amortised costs). Money market instruments are deemed liquid if they are admitted to or included in an organised market within the EEA or are admitted to or included in an organised market outside the EEA where *BaFin* has approved the choice of that market.

- Shares from new issues if, according to their investment conditions
  - their authorisation for trading on a stock exchange in a member state of the EU or in another contractual state of the Treaty on the EEA or their authorisation on an organised market or their inclusion in this in a member state of the EU or in another contractual state of the Treaty on the EEA is to be applied for, or
  - their authorisation for trading on a stock exchange or their authorisation on an organised market or the inclusion in this outside of the member states of the EU or outside of the other contractual states of the Treaty on the EEA is to be applied for, insofar as the choice of this stock exchange of this organised market is authorised by *BaFin*,

insofar as the authorisation or inclusion is carried out within one year after the issue.

- Bonded loans, which may be assigned at least twice after the acquisition for the fund and were granted by one of the following institutions:
  - a) the federal government, a fund of the federal government, a federal state, the EU or a member state of the OECD,

- b) another domestic regional authority or a regional government or local authority of another member state of the EU or another contractual state of the Treaty on the EEA, insofar as the demand for the regulation through supervisory requirements from credit institutions and securities companies may be treated in the same manner as a demand from the central state, on the sovereign territory of which the regional government or authority is based,
- c) other public corporations or bodies with the registered seat in the domestic country or in another member state of the EU or another contractual state of the Treaty on the EEA,
- d) companies that have issued securities authorised for trading on an organised market within the EEA or authorised for trading on any other regulated market, which fulfils the essential requirements on regulated markets within the meaning of the directive governing markets for financial instruments in the respective applicable version, or
- e) other debtors, insofar as one of the bodies described in lit. a) to c) has assumed the warranty for the interest yield and repayment.

#### 5.11. Derivatives

**The management company may conduct business with derivatives for the fund as part of the investment strategy. This includes business with derivatives for the efficient portfolio control and in order to generate additional income, i.e. also for speculative purposes. This may lead to an increase in the risk of losses for the fund, at least temporarily.**

A derivative is an instrument, the price of which depends on the price fluctuations or the price expectations of other assets ("underlying asset"). The following statements refer both to derivatives as well as to financial instruments with a derivative component (hereinafter jointly referred to as "derivatives").

The market risk of the fund may double as a maximum by the use of derivatives ("market risk limit"). The market risk is the loss risk that results from fluctuations with the market value of assets held in the fund, which are a result of changes in variable prices or rates of the market such as interest rates, exchange rates, units and commodity prices or of changes with the creditworthiness of an issuer. The management company has to regularly adhere to the market risk limit. It has to determine the capacity utilisation of the market risk limit daily according to statutory stipulations; these may be derived from the regulation governing the risk management and risk measurement with the use of derivatives in investment funds according to the German Capital Investment Code (hereinafter "Derivative Regulation").

In order to determine the capacity utilisation of the market risk limit the management company applies the so-called qualified approach within the meaning of the Derivative Regulation. For this purpose the management company compares the market risk of the fund with the market risk of a virtual comparable fund, which does not contain any derivatives. The derivative-free comparable fund is a virtual portfolio whose value is always exactly equal to the current value of the fund but that does not contain any additional market risk or hedges through derivatives. The composition of the comparable fund must also comply with the investment objectives and investment policy applicable to the fund. The derivative-free comparable fund for the fund consists of derivative-free assets, which may be acquired according to the investment conditions.

**The risk amount for the market risk of the fund may at no time exceed twice the risk amount for the market risk of the associated derivative-free comparable fund by the use of derivatives.**

The market risk of the fund and of the derivative-free comparable fund will respectively be determined by using a suitable own risk model (so-called Value-at-Risk Method).

The management company hereby records the market price risks from all transactions. By the risk model it quantifies the change in value of the assets held in the fund over time. The so-called Value-at-Risk states in this respect a limit for potential losses of a portfolio between two stipulated times expressed in monetary units. This change in value is determined by random events, namely the future developments of the market prices and may therefore not be forecast with certainty. The market risk that is to be determined may respectively only be estimated with a sufficiently high probability.

The management company may – subject to a suitable risk management system – invest in all derivatives for the account of the fund. The prerequisite is that the derivatives are derived from assets that may be acquired for the fund or from the following underlying assets:

- Interest rates
- Exchange rates
- Currencies
- Financial indices, which feature sufficient diversification, represent an adequate reference basis for the market, to which they refer, and are published in an appropriate manner.

These in particular include options, financial futures contracts and swaps as well as combinations of these.

#### *5.11.1 Futures contracts*

Futures contracts are absolute mandatory agreements for both contractual partners, to purchase or sell a certain quantity of a certain underlying asset at a price that is determined in advance at a certain time, the maturity date, or within a certain period of time. The management company may conclude futures contracts for the account of

the fund within the scope of the investment principles on all assets that are admissible pursuant to § 1 of the Specific Terms of Investment.

#### *5.11.2 Option transactions*

Option transactions include that a third party is granted the right against payment (option premium) to request the delivery or the purchase of assets or the payment of a difference during a certain time or at the end of a certain period of time at a price agreed from the start (basic price) or also to acquire corresponding options.

The management company may buy and sell call options and put options as well as trade in warrants for the account of the fund within the framework of the investment principles. The option transactions must refer to securities and money market instruments, interest rates, exchange rates or currencies as well as to financial indices, which feature sufficient diversification, represent an adequate reference basis for the market, to which they refer, and are published in an appropriate manner. The options or warrants must envisage being exercised during the entire term or at the end of the term. Moreover, the option value must depend on a straight-line basis on the positive or negative difference between the basic price and the market price of the underlying asset at the time when it is exercised and become zero if the difference has the other algebraic sign.

#### *5.11.3 Swaps*

Swaps are exchange contracts, with which the cashflows or risks on which the transactions are based are exchanged between the contractual partners. The management company may conclude interest rate swaps, currency swaps, interest rate-currency swaps and variance swaps for the account of the fund within the scope of the investment principles.

#### *5.11.4 Swaptions*

Swaptions are options on swaps. A swaption is the right, not however the obligation, to enter into a precisely specified swap with regard to the conditions at a certain time or within a certain deadline. Incidentally, the principles presented in connection with option transactions shall apply. The management company may only conclude those swaptions for the account of the fund, which consist of the options and swaps described above.

#### *5.11.5 Credit Default Swaps*

Credit Default Swaps are credit derivatives, which enable a potential credit default volume to be transferred to others. In return for the assumption of the credit default risk the seller of the risk pays a premium to its contractual partner. Incidentally, the statement pertaining to swaps shall apply accordingly.

#### *5.11.6 Total Return Swaps*

Total Return Swaps are derivatives, with which all income and fluctuations in value of an underlying asset are exchanged for an agreed premium. The payment of the premium may be agreed both variable as well as fixed. A contractual partner, also risk transferor, thus transfers the entire credit and market risk from the underlying asset to

the other contractual partner, the risk taker. In return, the risk transferor pays a premium to the risk taker.

Total return swaps may be entered into for the fund for either hedging or investment purposes. This also includes transactions for speculative purposes, which may increase the fund's risk of loss, at least temporarily. All eligible assets of the fund may be used as the object or underlying asset of total return swaps. The fund assets may fully consist of transactions in this case, the object of which is Total Return Swaps. The management company expects that, as a rule, no more than 10 per cent of the fund assets are the object of Total Return Swaps. This is, however, merely an estimated value, which may also be substantially exceeded. Income from total return swaps flows into the fund in full after deduction of transaction charges.

The contractual partners for Total Return Swaps are selected according to the following criteria: It concerns a credit and financial services institution with the registered seat in a member state of the EU, another contractual state of the Treaty on the EEA or a third country, whose supervisory provisions, in the opinion of *BaFin*, are equivalent to the law of the EU. In principle, the counterparty must have a minimum credit rating of investment grade, although this requirement may be waived in justified exceptional cases. A credit rating of "BBB-" or "Baa3" or better by a rating agency (for example Standard & Poor's, Moody's or Fitch) is regarded as "investment grade". The specific contractual partner will in the first place be selected the offered contractual conditions as well as their availability into consideration. The management company also observes the financial circumstances of the contractual partners that may be taken into consideration as well as the offered liquidity and the range of services.

#### **5.12. Financial instruments securitised in securities**

The management company may also acquire the financial instruments described above for the account of the fund if these are securitised in securities. The transactions, of which the object is financial instruments, may also only partly be contained in securities (e.g. option-bonds). The statements pertaining to opportunities and risks apply accordingly to those securitised financial instruments, however under the condition that the risk of losses with securitised financial instruments is limited to the value of the security.

#### **5.13. OTC-Derivative transactions**

The management company may conduct both derivative transactions for the account of the fund, which are authorised for trading on a stock exchange or are authorised on another organised market or are included in this, as well as off-market transactions, so-called over-the-counter (OTC) transactions. The management company may only conduct derivative transactions, which are not authorised for trading on a stock exchange or not authorised on another organised market or are not included in this, with suitable credit institutions or financial service institutions on the basis of standardised framework contracts.

In the case of derivatives traded over-the-counter, the counterparty risk in respect of a contracting party is limited to 5 per cent of the value of the fund. If the contractual partner is a credit institution with the registered seat in a member state of the EU, in another contractual state of the Treaty on the EEA or a third country with a comparable standard of supervision, then the counterparty risk may amount to up to 10 per cent of the value of the fund. Derivative transactions traded over-the-counter, which are concluded with a central clearing house of a stock exchange or another organised market as contractual partner will not be offset against the counterparty limits if the derivatives are subjected to a daily valuation at market prices with daily margin compensation. Claims of the fund against an intermediary are, however, to be offset against the limits, even if the derivative is traded on a stock exchange or on another organised market.

#### **5.14. Collateral strategy**

Within the scope of derivative transactions the management company accepts collateral for the account of the fund. The collateral items serve to reduce the default risk of the contractual partner of these transactions in full or in part.

The management company accepts the following assets as collateral with derivative transactions and repurchase agreements:

- Bank balances; also in foreign currency, insofar as this is permitted according to the fund's terms of investment.
- Securities

The collateral provided by a contractual partner must, among others, be adequately diversified in terms of risks with regard to issuers. If several contractual partners provide collateral of the same issuer, these are to be aggregated. If the value of the collateral items of the same issuer provided by one or more contractual partners does not exceed 20 per cent of the value of the fund, the diversification will be deemed as adequate.

Derivatives and repurchase agreements must be collateralised to an extent that ensures that the offset amount for the default risk of the respective contractual partner does not exceed five per cent of the value of the fund. If the contractual partner is a credit institution with the registered seat in a member state of the EU or in another contractual state of the Treaty on the EEA or in a third country, in which the equivalent supervisory provisions apply, then the offset amount for the default risk may amount to ten per cent of the value of the fund.

##### **5.14.1 Strategie für Abschläge der Bewertung (Haircut-Strategie)**

Valuation discounts will be carried out on the admissible collateral stated in section "Collateral strategy" (so-called Haircut). The valuation discount stipulated as a percentage refers to the residual term and not to the total term of the collateral. Valuation discounts for collateral are carried out with a graduated percentage rate, depending on

the type of security, residual term, creditworthiness of the issuer and currency.

#### 5.14.2 Investment of cash collateral

Cash collateral in the form of bank deposits may be held in blocked accounts with the fund's custodian or, with its consent, with another credit institution. The re-investment may only be carried out in government bonds of a high quality or in money with a short term structure. Moreover, cash collateral may be invested by way of a reversed repurchase agreement with a credit institution if the claim for refund of the accrued credit balance is guaranteed at all times.

The management company may accept securities as collateral for the account of the fund within the scope of derivatives and repurchase agreements. If these securities were assigned as collateral, they must be held in safekeeping at the custodian. If the management company has been pledged the securities as collateral within the scope of derivative transactions, they may also be held in safekeeping at another body that is subject to an effective public supervision and is independent of the collateral provider. It is not permitted to reuse the securities.

#### 5.15. Borrowing of loans

Short-term borrowing for the joint account of the investors is permitted in an amount of up to 10 per cent of the value of the fund if the terms and conditions on the loan are customary for the market and the custodian approves the loan.

#### 5.16. Leverage

Leverage describes each method, with which the management company increases the degree of investment of the fund (leverage). Such methods are in particular the borrowing of loans or the acquisition of derivatives with embedded leverage financing. The management company may use such methods for the fund to the extent as described in this sales prospectus. The possibility to use derivatives is presented in section "Investment objectives, strategy, principles and limits assets derivatives". The possibility to borrow loans is explained in the section "Investment objectives, strategy, principles and limits borrowing of loans".

The market risk may be doubled as a maximum through the use of derivatives.

The leverage of the fund is determined from the relationship between the risk of the fund and its net asset value. The calculation of the net asset value is explained in the section "Units", subsection "issue and redemption price". The risk of the fund is calculated according to a gross method. It describes the total amount of the absolute values of all positions of the fund with the exception of bank balances, which are valued in line with the statutory stipulations. It is not permitted to offset individual derivative transactions or security positions against one another (i.e. no consideration of so-called netting and hedging agreements). The management company expects that the risk of the fund calculated according to the gross

method will exceed its net asset value twice as a maximum. Depending on the market conditions the leverage may, however, fluctuate, so that despite the constant monitoring by the management company there may be overlapping of the intended market.

Derivatives may be used by the management company with various objectives, for example for hedging or for the optimisation of the returns. However, the calculation of the total exposures does not make a distinction between the various objectives of the derivative use. For this reason, the sum of the nominal amounts is not an indicator of the fund's risk exposure.

### 6. RISK INFORMATION

**Before deciding to purchase units in the fund, investors should carefully read the following risk information together with the other information contained in this prospectus and take this into account when making their investment decision. The occurrence of one of more of these risks may, on its own or together with other circumstances, have a detrimental effect on the performance of the fund or the assets held in the fund and therefore also have a detrimental effect on the unit value.**

**If the investor sells units in the fund at a time, at which the prices of the assets held in the fund have fallen compared to the time when he acquired the unit, then he will not get the capital invested by him in the fund back or not in full. The investor could partly or (in individual cases) even fully lose his capital invested in the fund. Growth in value cannot be guaranteed. The risk of the investor is limited to the invested total amount. There is no obligation for a subsequent payment in excess of the capital invested by the investor.**

**In addition to the risks and uncertainties described below or in another place in the sales prospectus the performance of the fund may be impaired by various other risks and uncertainties, which are not known at present. The order, in which the following risks are listed, neither contains a statement regarding the probability of its occurrence, nor regarding the extent or the significance with the occurrence of individual risks.**

#### 6.1. Risks of a fund investment

The risks are presented below that are typically associated with an investment in an UCITS. These risks may have a detrimental effect on the unit value, on the capital invested by the investor as well as on the holding period of the fund investment planned by the investor.

##### 6.1.1 Investment of cash collateral

The fund unit value is calculated from the value of the fund, divided by the number of the units put into circulation. The value of the fund corresponds with the total amount of the market values of all assets in the fund minus the total amount of the market values of all liabilities of the fund. The fund unit value is therefore dependent on the value of the assets held in the fund and the amount of the liabilities of the fund. If the value of these assets

falls or if the value of the liabilities increases then the fund unit value will fall.

#### *6.1.2 Investment of cash collateral*

Allocations from the fund reduce fund assets on top of the interest, dividends and income from investment fund units, fees from loan and repurchase transactions, realised capital gains and other income incurred during the financial year for the fund's account and not used to cover costs. Distributions are also possible when no profits have been generated.

#### *6.1.3 Investment of cash collateral*

An economically different performance of the unit classes may result from the different legal statuses of the units of different unit classes. These include, for example, distribution, reinvestment or different levels of management fees. Hence, when there are various levels of management and custodian fees, payments made regularly from the fund assets reduce the respective unit values to a different extent.

#### *6.1.4 Investment of cash collateral*

The tax treatment of capital income depends on the individual circumstances of the respective investor and may be subject to future changes. In case of individual questions – in particular by taking the individual tax situation into consideration – the investor should contact his personal tax adviser.

#### *6.1.5 Investment of cash collateral*

The management company may change the investment conditions with the approval of *BaFin*. Rights of the investor may also be affected hereby. The management company may, for example, change the investment policies of the fund by a change in the investment conditions or it may increase the charges to be charged to the fund. The management company may, moreover, change the investment policies within the investment range permitted by law and by contract and thus without changing the investment conditions and without their approval by *BaFin*. The risk associated with the fund may change hereby.

#### *6.1.6 Suspension of the unit redemption*

The management company may temporarily suspend the redemption of units in exceptional circumstances where it appears necessary to do so, having regard to the interests of the investors. Exceptional circumstances within this meaning may be e.g.: economic or political crises, redemption request to an exceptional extent as well as the closure of stock exchanges or markets, trade restrictions or other factors, which impair the determination of the unit value. In addition *BaFin* may order that the management company has to suspend the redemption of the units if this is necessary in the interest of the investors or the public. The investor cannot return his units during this period of time. The value of fund units may fall during periods when the redemption of fund units is suspended; for example, if during the suspension of the redemption of fund units, the management company is forced to sell assets below market value. The unit value may be lower after the recommencement of the unit redemption than the value before suspension of the redemption. A suspension

may be directly followed by a dissolution of the fund without a renewed re-commencement of the redemption of the units, e.g. if the management company terminates the management of the fund in order to then dissolve the fund. Therefore, the risk exists for the investor that he cannot realise the holding period planned by him and that essential parts of the invested capital are not available to him for an indefinite period of time or are lost in full.

#### *6.1.7 Dissolution of the fund*

The management company has the right to terminate management of the fund. The management company may dissolve the fund in its entirety after termination of the management. The right of disposal over the fund will pass to the custodian after a period of notice of six months. Therefore, the risk exists for the investor that he cannot realise the holding period planned by him. With the transfer of the fund to the custodian other taxes than German tax on earnings may be charged to the fund. If the fund units are booked out of the investor's securities account after termination of the liquidation proceedings, tax on earnings may be charged to the investor.

#### *6.1.8 Assignment of all assets of the fund to another open-ended public investment fund (merger)*

The management company may assign all assets of the fund to another UCITS. The investor may in this case (i) return his units, (ii) or keep the units with the consequence that he becomes an investor in the UCITS that take over the assets, (iii) or exchange these for units in an open-ended public investment fund with comparable investment principles insofar as the management company or a company affiliated herewith manages such an investment fund with comparable investment principles. The same shall apply if the management company transfers all of the assets of another open-ended retail investment fund into the fund. The investor must therefore make an investment decision prematurely once again within the scope of the assignment. Tax on earnings may be due in case the units are returned. With an exchange of the units for units in an investment fund with comparable investment principles tax may be charged to the investor, for example if the value of the received units is higher than the value of the old units at the time of the acquisition.

#### *6.1.9 Transfer of the fund to another management company*

The management company may transfer the fund to another management company. The fund will remain unchanged hereby, as well as the position of the investor. The investor must, however, decide within the scope of the assignment whether he considers the new management company to be just as suitable as the previous one. If he would not like to continue to invest in the fund under new management he must return his units. Tax on earnings may be incurred in this case.

#### *6.1.10 Profitability and fulfilment of the investment objectives of the investor*

It cannot be guaranteed that the investor achieves his desired investment success. The unit value of the fund may fall and lead to losses for the investor. There are no guarantees on the part of the management company or third

parties with regard to a certain minimum payment promise with the return or a certain investment success of the fund. Investors could therefore get a lower amount back than their originally invested amount. A front load that is paid with the acquisition of units or a redemption discount paid with the sale of units may moreover, in particular with an only short investment duration, reduce the success of an investment or even consume it in full.

## **6.2. Risks of the negative performance of the fund (market risk)**

The risks are presented below associated with the investment in individual assets by the fund. These risks may impair the performance of the fund or the assets held in the fund and thus have a detrimental effect on the unit value and on the capital invested by the investor.

### *6.2.1 Value change risks*

The assets, in which the management company invests for the account of the fund, are subject to risks. Losses in value may occur by the fact that the market value of the assets falls compared to the cost price or spot and futures prices develop differently.

### *6.2.2 Capital market risk*

The price or market value development of financial products in particular depends on the development of the capital markets, which on the other hand is influenced by the general position of the world economy as well as the basic economic and political conditions in the respective countries. Irrational factors such as sentiment, opinions and rumours may also have an impact on the general price trend, especially on a stock exchange. Fluctuations in the price and market values may also be the result of changes in the interest rates, exchange rates or the creditworthiness of an issuer.

### *6.2.3 Price change risk of units*

Based on experience units are subject to sharp fluctuations in prices and therefore also the risk of falls in prices. These fluctuations in prices are in particular influenced by the development of the profits of the issuing company as well as the developments of the industry and the overall economic development. The trust of the market players in the respective company may also influence the price development. This in particular applies with companies, whose units have only been authorised for the stock exchange or another organised market over a shorter period of time; with these companies slight changes in forecasts already may lead to sharp movements in prices. If, with a share of the unit the freely tradeable units in the possession of many shareholders (so-called free float) is low smaller purchase and sales orders already may have a substantial implication on the market price and thus lead to higher price fluctuations.

On 26 July 2016 the Investment Tax Reform Act was announced with which among others the German Investment Tax Act and the German Income Tax Act will be amended. According to this, in order to avoid tax structures (so-called Cum/Cum deals) a regulation is envisaged, according to which dividends of German units and income of German profit participation rights similar to

equity will be charged with a definitive capital gains tax. This regulation – as opposed to the main part of this law – came into force retroactively already as of 1 January 2016. It may be summarised as follows:

Unlike in the past, German funds are to be subject to a definitive German capital gains tax of 15 per cent on the gross dividend on the fund input side under certain conditions. This should be the case if German units and German profit participation rights similar to equity are not held by the fund, without interruption, for 45 days within 45 days before and after the time of maturity of the capital gains (= 91-day period) and in these 45 days, not without interruption there are minimum value change risks of 70 per cent ("45-day regulation"). An obligation to pay capital gains directly or indirectly to another person (e.g., through swaps, securities lending transactions, repurchase agreements) also incurs a capital gains tax charge.

In this scope hedging or forward transactions may be harmful, which directly or indirectly protect against the risk from German units or German profit participation rights similar to equity. Hedging transactions through value and price indices are deemed as indirect hedging in this respect. If related parties participate in the fund their hedging transactions may also be harmful.

This leads to various risks. It cannot be excluded that the unit price of a fund turns out to be comparably lower if provisions are formed for a possible tax debt of the fund. Even if the tax debt is not incurred and, therefore, provisions are reversed, the investors may possibly not benefit from a comparably higher unit price, who participated in the fund at the time when the provision was formed. Secondly, the new regulation pertaining to the ex-dividend date could cause purchase and sales prices for relevant units to diverge more than normal, which on the whole might lead to more unfavourable market conditions.

### *6.2.4 Interest change risk*

The investment in fixed-income securities is associated with the possibility that the market interest level changes that exists at the time when a security is issued. If the market interest rises compared to the interest rate at the time of the issue then as a rule the prices of the fixed-income securities will fall. If, on the other hand, the market interest falls the price of fixed-income securities will rise. This price development leads to the fact that the current yield of the fixed-income security approximately corresponds with the current market interest. These price fluctuations will, however, vary considerably depending on the (residual) term of the fixed-income securities. Fixed-income securities with shorter maturities present less price risk than those with longer maturities. Fixed-income securities with shorter terms have, on the other hand, as a rule lower yields than fixed-income securities with longer terms. Money market instruments tend to have less price risks owing to their short term of a maximum of 397 days. In addition the interest rates of various interest-based financial instruments with a comparable residual term that are denominated in the same currency may develop differently.

#### 6.2.5 Risk of negative credit interest

The management company invests liquid funds of the fund at the custodian or other banks for the account of the fund. An interest rate has partly been agreed for these bank balances, which corresponds with the European Interbank Offered Rate (Euribor) minus a certain margin. If the Euribor falls below the agreed margin this will lead to negative interest on the corresponding account. Depending on the development of the interest policies of the European Central Bank both short-, medium as well as long-term bank balances may generate a negative interest yield.

#### 6.2.6 Price change risk of convertible and option bonds

Convertible and option bonds securitise the right to exchange the bond into shares or to acquire shares. The development of the value of convertible and option bonds is therefore dependent on the price development of the share as an underlying asset. The risks of the performance of the underlying units may therefore also have implications on the performance of the convertible and option bond. Option bonds, which grant the issuer the right to offer the investor a number of units, stipulated in advance, instead of the repayment of a nominal amount (Reverse Convertibles), are dependent on the corresponding share price to a substantial extent.

#### 6.2.7 Risks in connection with derivatives transactions

The Company may conclude derivative transactions for the Fund. The purchase and sale of options as well as the conclusion of futures contracts or swaps are associated with the following risks:

- Losses may be suffered by the use of derivatives, which are not foreseeable and may even exceed the amounts employed for the derivative transaction.
- Price changes of the underlying asset may reduce the value of an option or futures contract. If the value is reduced and if the derivative becomes worthless hereby the management company may be forced to allow the acquired rights to lapse. Due to changes in value of the asset upon which a swap is based the fund may also suffer losses.
- A liquid secondary market for a certain instrument may be missing at a given time. A position in derivatives might be, under certain circumstances not be neutralised (closed) in a cost effective manner.
- Due to the leverage of options the value of the fund assets may be influenced more than is the case with the direct acquisition of the underlying assets. The loss risk cannot be determined upon conclusion of the transaction.
- The purchase of options poses the risk that the option is not exercised, because the prices of the underlying assets do not develop as expected so that the option premium paid by the fund lapses. With the sale of options there is the risk that the fund is obliged to purchase assets at a higher price than the current market price or to deliver assets at a lower

price than the current market price. The fund will then suffer a loss in the amount of the price difference minus the collected option premium.

- In the case of futures contracts, there is a risk that the management company may be obliged to bear, for the account of the fund, the difference between the price at the time the contract is entered into and the market price at the time the transaction is closed out or matures. The fund would thus suffer losses. The risk of the loss cannot be determined upon conclusion of the futures contract.
- The, if applicable, necessary conclusion of an offsetting transaction (balancing) involves charges.
- The forecasts made by the management company regarding the future development of underlying assets, interest rates, prices and foreign exchange markets may subsequently prove to be incorrect.
- The assets upon which the derivatives are based cannot be purchased or sold at a per se favourable time or must be purchased or sold at a more unfavourable time.
- The assets upon which the derivatives are based cannot be purchased or sold at a per se favourable time or must be purchased or sold at a more unfavourable time.

With off-market transactions, so-called over-the-counter (OTC) transactions, the following risks may arise:

- An organised market may be lacking, making it difficult or impossible for the management company to sell the financial instruments acquired for the account of the fund on the OTC market.
- The conclusion of an offsetting transaction (balancing) may be difficult, impossible or involve substantial charges owing to the individual agreement.

#### 6.2.8 Risks in connection with the receipt of collateral

The management company receives collateral for derivative transactions. Derivatives may increase in value. The received collateral could then no longer be sufficient in order to cover the delivery or re-assignment claim of the management company against the counterparty in the full amount.

The management company may invest cash collateral on blocked accounts, in government bonds of a high quality or in money market funds with a short term structure. The credit institution, at which the bank balances are held in safekeeping, may however cease to exist. Government bonds and money market funds may feature a negative development. Upon termination of the transaction, the collateral invested may no longer be available in full, although it must be returned by the management company to the fund in the amount originally granted. The fund would then have to bear the losses incurred on the collateral.

#### *6.2.9 Risk with securitisation positions without excess*

The fund may only purchase securities that securitise receivables (securitised exposures) that were issued after 1 January 2011 if the obligor retains at least 5% of the volume of the securitisation as a "deductible" and also complies with further requirements. The management company is therefore obliged to initiate remedial measures in the interest of the investors if securitisations are located in the fund assets that do not comply with these EU standards. Within the scope of these remedial measures the management company could be forced to sell such securitisation positions. Owing to legal stipulations for banks, fund company and insurances there is the risk that the management company cannot sell such securitisation positions or only with substantial price discounts or with a great time delay.

#### *6.2.10 Inflation risk*

The inflation includes a devaluation risk for all assets. This shall also apply to the assets held in the fund. The inflation rate may be higher than the growth in value of the fund.

#### *6.2.11 Currency risk*

Assets of the fund may be invested in another currency than the fund currency. The fund receives the income, repayments and proceeds from such investments in the other currency. If the value of this currency compared to the fund currency then the value of such investments will be reduced and thus also the value of the fund assets.

#### *6.2.12 Concentration risk*

In case a concentration of the investment is carried out in certain assets or markets then the fund is particularly strongly dependent on the development of these assets or markets.

#### *6.2.13 Risks in connection with investment in investment units*

The risks of the units in other investment funds, which are acquired for the Fund (so-called "target funds"), are closely associated with the risks of the assets contained in these target funds or the investment strategies pursued hereby. As the managers of the individual target funds act independently from one another, it may however also occur that several target funds pursue the same or contradictory investment strategies. Existing risks may be accumulated hereby and possible opportunities may cancel each other out. As a rule, it is not possible for the management company to control the management of the target funds. Their investment decisions do not necessarily coincide with the assumptions or expectations of the management company. The management company will often not be aware of the current composition of the target fund in real time. If the composition does not meet its assumptions or expectations, it may only react with a significant delay by redeeming target fund units.

Open-ended investment funds, in which the fund acquires units, could moreover temporarily suspend the redemption of the units. The management company is then prevented from selling the units in the target fund by the fact that it returns these against disbursement of the of the

redemption price to the custodian or custodian of the target fund.

#### *6.2.14 Risks from the investment range*

By complying with the investment principles and limits stipulated by law and the investment conditions, which envisage a very broad framework for the fund, the actual investment policies can also be oriented to primarily acquiring assets e.g. only of a few industries, markets or regions/countries. This concentration on a few special investment sectors can be associated with risks (e.g. narrowness of the market, high fluctuation range within certain economic cycles). The annual report informs retrospectively about the contents of the investment policies for the closed reporting year.

### **6.3. Sustainability risks**

The company analyses, identifies and incorporates sustainability risks as part of its investment-decision and risk management processes, as it believes that doing so can help enhance long-term risk-adjusted investor returns, in accordance with the fund's investment objective. Sustainability risks are events or conditions in the environmental, social or corporate governance fields, the occurrence of which could have actual or potential material impacts on the value of the fund's investments. Sustainability risks may be either risks in their own right or have impacts on other risks and can contribute significantly to risks such as market risks, operational risks, liquidity risks or counterparty risks. Assessing sustainability risks is a complex undertaking and may depend on environmental, social or governance data that are difficult to obtain, incomplete, mere estimates, out-of-date, or otherwise materially inaccurate. Even if such risks can be identified, there is no guarantee that data pertaining to those risks can be properly evaluated.

### **6.4. Risks of the restricted or increased liquidity of the fund and risks in connection with increased subscriptions or redemptions (liquidity risk)**

The risks are presented below that may impair the liquidity of the fund. This may lead to the fact that the fund temporarily or permanently cannot satisfy its payment obligations or that the management company cannot fulfil the return request of investors temporarily or permanently. The investor may, if applicable, not realise a holding period planned by him and the invested capital or parts hereof cannot be available to him for an indefinite period of time. Through the realisation of the liquidity risks the value of the fund assets and therefore the unit value could moreover fall, for example if the management company is forced, insofar as permitted by law, to sell assets for the fund below the market value. If the management company is not in the position to fulfil the return request of the investors this may additionally lead to the suspension of the redemption and, in an extreme case, to the subsequent dissolution of the fund.



#### *6.4.1 Risk from investment in assets*

Assets may also be acquired for the Fund, which are not authorised on a stock exchange or on another organised market or are not included in this. In some cases, it may not be possible to resell such assets, or resale may only be possible at heavily discounted prices or after a long delay. Depending on the market situation, the volume, the time frame and the planned charges, assets admitted to a stock exchange may also not be sold or may only be sold at a high discount. Although only assets may be acquired for the fund, which may principally be liquidated at all times, it cannot be excluded that these may temporarily or permanently only be sold at a loss.

#### *6.4.2 Risk from borrowing of loans*

The management company may borrow loans for the expense of the fund. Loans with a variable interest yield may have a negative effect on the fund assets due to rising interest rates. If the management company must repay a loan and cannot settle it by a follow-up financing or by liquidity available in the fund, it may be forced to sell assets prematurely or at worse conditions than planned.

#### *6.4.3 Risk by increased redemptions or subscriptions*

By purchase and sales orders of investors liquidity will flow into the fund assets or liquidity will flow out of the fund assets. The inflows and outflows may after netting lead to a net inflow or outflow of the –the funds of the fund. This net inflow or outflow can induce the fund manager to purchase or sell assets, through which transaction costs are incurred. This shall in particular apply if, by the inflows or outflows a quota of liquid funds that is envisaged for the fund by the management company is exceeded or fallen short of. The transactions charges incurred hereby will be charged to the fund and may impair the performance of the fund. In case of inflows an increased fund liquidity may have a negative effect on the performance of the fund if the management company cannot invest the funds or not promptly at reasonable conditions.

#### *6.4.4 Risk with public holidays in certain regions/countries*

According to the investment strategy investments should, in particular, be made for the fund in certain regions/countries. Owing to local public holidays in these regions/countries there may be deviations between the trading days on stock exchanges of these regions/countries and valuation days of the fund. The fund may possibly not react on one day, which is not a valuation day, to market developments in the regions/countries on the same day or not trade on the market in said regions/countries on a valuation day, which is not a trading day in these regions/countries. The fund may be prevented hereby from selling assets in the required time. This may have a detrimental influence on the ability of the fund to satisfy return requests or other payment obligations.

### **6.5. Counterparty risk including credit and receivable risk**

The risks are presented below, which may arise for the fund within the scope of a business relationship with another party (so-called counterparty). There is the risk

that the contractual partner may no longer satisfy its agreed obligations. This may impair the performance of the fund and thus also have a detrimental effect on the unit value and the capital invested by the investor.

#### *6.5.1 Counterparty default risk / counterparty risks (except central counterparties)*

By the default of an issuer (hereinafter "Issuer") or a contractual partner (hereinafter "Counterparty"), against which the fund has claims, losses may be incurred for the fund. The issuer risk describes the implication of the special developments of the respective issuer, which besides the general tendencies of the capital markets have an effect on the price of a security. Even if securities are selected carefully, losses resulting from the deterioration of an issuer's financial situation cannot be ruled out. The parties of a contract concluded for the account of the fund may partly or fully cease to exist (counterparty risk). This shall apply to all contracts, which are concluded for the account of the fund.

#### *6.5.2 Risk by central counterparties*

A central counterparty (CCP) enters into certain transactions on behalf of the fund as an intermediary institution, in particular transactions involving derivative financial instruments. In this case he will operate as a buyer towards the seller and as a seller towards the buyer. A CCP hedges his counterparty default risks by a host of protective mechanisms, which enable him at all times to compensate for losses from the transactions that were entered into, for example by so-called incoming payments (e.g. collateralisations). Despite this protective mechanism it cannot be excluded that the CCP ceases to exist, through which claims of the management company for the fund may be affected. This may lead to losses for the fund, which are not hedged.

### **6.6. Operational and other risks of the fund**

Risks are presented below, which for example may arise from insufficient internal processes as well as from human error or system failure at the management company or external third parties. These risks may impair the performance of the fund and thus also have a detrimental effect on the unit value and on the capital invested by the investor.

#### *6.6.1 Risks due to criminal acts, deplorable conditions or natural disasters*

The fund may be the victim of fraud or other criminal actions. It may suffer losses as a result of errors made by employees of the management company or external third parties, or it may be harmed by external events such as natural disasters or pandemics.

#### *6.6.2 Country or transfer risk*

There is the risk that a foreign debtor, despite solvency, cannot make payments within the deadline, not at all or only in another currency owing to a lack of ability to transfer the currency, lack of willingness to transfer of his country of registered seat or for similar reasons. In this case, it may arise that e.g. payments to which the management company has a claim on behalf of the fund may

not arrive, may be made in a currency which is no longer convertible due to foreign exchange restrictions, or may be made in another currency. If the borrower pays in another currency, this position is subject to the aforementioned currency risk.

#### *6.6.3 Legal or political risks*

Investments may be made for the fund in legal systems, in which German law does not apply or in the event of lawsuits the place of jurisdiction is outside of Germany. The resulting rights and obligations of the management company for the account of the fund may differ from those in Germany to the detriment of the fund or the investor. Political or legal developments, including changes in the legal framework in these jurisdictions, may not be noticed by the management company, or may be noticed too late, or may lead to restrictions with regard to assets that may be acquired or have already been acquired. Political or legal developments including the changes to basic legal conditions in these legal systems may not be recognised by the management company or too late or lead to restrictions with regard to the assets that may be acquired or already acquired assets.

#### *6.6.4 Changes in the tax environment, tax risk*

The tax information in this prospectus is based on the currently known legal situation. The brief details on tax regulations apply to persons with unlimited income tax liability in Germany or to persons with unlimited corporate income tax liability. However, no guarantee may be assumed for the fact that the tax assessment does not change due to legislation, case law or degrees of the tax authorities.

#### *6.6.5 Key person risk*

If the investment result of the fund is very positive in a certain period of time this success also possibly depends on the suitability of the acting persons and thus on the right decisions of the management. The personnel composition of the fund management may, however, change. New decision-makers may then possibly act less successfully.

#### *6.6.6 Custodian risk*

The safekeeping of assets in particular overseas involves a loss risk that may result from insolvency or breaches in duties to show care and attention by the custodian or force majeure.

#### *6.6.7 Risks from trading and clearing mechanisms (processing risk)*

With the processing of securities transactions there is the risk that one of the contractual parties delays or does not make the payment as agreed or does not supply the securities within the deadline. This settlement risk also applies to trading in other assets for the fund.

### **7. Explanation of the risk profile of the fund**

The risk profile of the fund is derived from the investment objectives and limits stated in § 5 in combination with the risk information in § 6. The risk profile may vary depending on the market situation and the asset and

may change over the course of time. In addition, interested investors may use the risk indicator from the Key Investor Information Document in order to assess the risk profile (see "What are the risks and what can I hope to get in return?" in the fund's Key Investor Information Document). The Key Investor Information Document may be downloaded free of charge from [www.lupusalpha.de](http://www.lupusalpha.de) or [www.fundinfo.com](http://www.fundinfo.com) or obtained free of charge from the management company upon request.

### **8. INCREASED VOLATILITY**

**The Fund can feature an increased volatility owing to its composition and the use of derivative techniques, i.e. the unit prices can also be subjected to substantial fluctuations upwards and downwards within short periods of time.**

### **9. PROFILE OF THE TYPICAL INVESTOR**

Investing in the fund is suitable for investors who have already gained basic knowledge and experience in financial products and who pursue the goal of asset accumulation or asset optimisation. The investor must be willing and able to bear a significant capital loss up to the complete loss of the capital invested and does not attach any importance to capital protection. The investment horizon should be medium to long-term.

### **10. VALUATION**

#### **10.1. General rules for asset valuation**

##### *10.1.1 Assets authorised on a stock exchange / traded on an organised market*

Assets, which are authorised for trading on a stock exchange or are authorised on another organised market or are included in this as well as subscription rights for the fund will be valorised at the last available tradeable price, which guarantees a reliable valuation, insofar as not otherwise stated in the following section "Special rules for the valuation of individual assets".

##### *10.1.2 Assets not listed on stock exchanges or not traded on organised markets or assets without a tradeable price*

Objects of contract, which are neither authorised for trading on stock exchanges, nor authorised in another organised market or are not included in this or for which no tradeable price is available, will be valued at the current market value, which is appropriate with a careful estimate according to suitable valuation models by taking the current market conditions into consideration, insofar as not otherwise stated in the following Section "Special rules for the valuation of individual assets".

#### **10.2. Special rules for the valuation of individual assets**

##### *10.2.1 Non-listed bonds and bonded loans*

For the valuation of bonds, which are not authorised for trading on a stock exchange or are not authorised on another organised market or not included in this (e.g.

non-listed units, Commercial Papers and deposit certificates), and for the valuation of bonded loans the prices agreed for comparable bonds and bonded loans are, if applicable, the price values of bonds of comparable issuers with a corresponding term and interest yield are used, if necessary with a discount for compensation of the reduced ability for sale.

#### *10.2.2 Options and futures contracts*

The options belonging to the fund and liabilities from an option granted to a third party, which are authorised for trading on a stock exchange or on another organised market or are included in this, will be valued at the respective last available, tradeable price that guarantees a reliable valuation.

The same shall apply for receivables and liabilities from futures contracts sold for the account of the 'fund'. The subsequent payments made for the expense of the fund will be added to the value of the fund by including the valuation profits and valuation losses determined on the stock exchange day.

#### *10.2.3 Bank balances, fixed-term deposits and units in investment funds*

Bank deposits are generally valued at their nominal value plus accrued interest.

Fixed-term deposits are valued at the market value, insofar as the fixed-term deposit may be terminated at all times and the repayment in case of the termination is not carried out at the nominal value plus interest.

Units in investment funds are principally recognised with their last determined redemption price or at the last available, tradeable price, which guarantees a reliable valuation. If these values are not available units in investment funds are valued at the current market value, which with a careful estimate is reasonable according to suitable valuation models by taking the current market conditions into consideration.

#### *10.2.4 Assets denominated in foreign currency*

Assets denominated in foreign currency are converted into Euro based on the Bloomberg daily closing prices.

## **11. UNITS**

The rights of the investors are exclusively securitised in global certificates. Securitised share certificates are securitised exclusively in global certificates. These global certificates are deposited with a central securities depository. The investor has no entitlement to delivery of individual unit certificates. Units may only be purchased for holding in custody accounts. The units are made out to the bearer and are issued for one unit, or the fraction of a unit, or a plurality of units. Upon transfer of a unit certificate, the rights evidenced therein shall also be transferred.

## **11.1. ISSUE AND REDEMPTION OF UNITS**

### *11.1.1 Issue of units*

The number of issued units of all unit classes is in principle not limited. The units of all unit classes may be purchased from the custodian. They are issued by the custodian at the issue price, which for all unit classes is equal to the net asset value per unit ("unit value") plus a front load fee. The calculation of the net asset value is explained in the "Units" section, subsection "Issue and redemption price".

In addition, the acquisition is possible through third parties acting as intermediaries, additional charges may be incurred hereby. The management company reserves the right to temporarily suspend or fully discontinue the issue of units.

The minimum investment amount for "C" class units is EUR 500,000. The minimum investment amount for "CT" class units is EUR 1,000,000. The management company may, at its discretion, accept a lower minimum investment amount.

### *11.1.2 Redemption of units*

Investors may request the redemption of units on each valuation date<sup>1</sup>, irrespective of the minimum investment amount, provided that the management company has not temporarily suspended unit redemption (see the section entitled "Suspension of unit redemption"). Redemption orders are to be placed with the custodian or the management company itself.

The management company undertakes to redeem units at the redemption price applicable on the settlement date, which corresponds to the unit value determined on that day, minus a redemption discount, where applicable. The redemption may also be carried out by the third party acting as an intermediary, additional charges may be incurred hereby.

### *11.1.3 Settlement upon issue and redemption of units*

Unit calls and unit redemptions on the issue and redemption days designated for this purpose that are received by the custodian by 3:00 p.m. on a market-trading day that is also a valuation day, will be settled at the issue price or redemption price of the valuation day. The issue price is payable in the fund currency within two banking days (Frankfurt am Main banking centre) after the relevant valuation date. The payout of the redemption price is carried out in the fund currency within two bank business days (banking centre Frankfurt am Main) after the corresponding valuation day.

Unit calls and unit redemptions on the issue and redemption days designated for this purpose that are received by the custodian after 3:00 p.m. on a market-trading day that is also a valuation day, will be settled at the issue price or redemption price of the next valuation day. The issue price is payable in the fund currency within two banking days (Frankfurt am Main banking centre) after the relevant valuation date. The redemption price is paid out in

<sup>1</sup>Insofar as a minimum investment amount is envisaged.

the fund currency within two bank business days (based on bank business days at Frankfurt am Main, Germany) after the corresponding valuation day.

#### 11.1.4 Suspension of the unit redemption

The management company may temporarily suspend the redemption of the units insofar as exceptional circumstances exist, which allow a suspension to be appear necessary by taking the interests of the investors into consideration. Such extraordinary circumstances exist, for example, if a stock exchange on which a substantial portion of the fund's securities are traded is closed on an unscheduled basis or if the fund's assets cannot be valued. In addition *BaFin* may order that the management company has to suspend the redemption of the units if this is necessary in the interest of the investors or the public.

The management company reserves the right to only take the units back at the then valid redemption price or to exchange these if it has sold assets of the fund without delay, however by safeguarding the interests of all investors. A temporary suspension may be directly followed by a dissolution of the fund without a renewed re-commencement of the redemption of the units (see in this respect section "Dissolution, assignment and merger of the fund").

The management company shall inform the investors by announcement in the German Federal Gazette and additionally on the website [www.fundinfo.com](http://www.fundinfo.com) or under [www.lupusalpha.de](http://www.lupusalpha.de) about the suspension and the re-commencement of the redemption of the units. In addition, the investors will be informed about their custodian banks by permanent data carriers, for example in a paper form or an electronic form.

## 11.2. LIQUIDITY MANAGEMENT

The management company has stipulated written principles and procedures for the fund, which enable it to monitor the liquidity risks of the fund and to guarantee that the liquidity profile of the investments of the fund correspond with the underlying liabilities of the fund.

The principles and procedures comprise:

- The management company monitors the liquidity risks, which may arise on the level of the fund or the assets. It will carry out an estimate of the liquidity of the assets held in the fund hereby in relation to the fund assets and for this purpose will stipulate a liquidity ratio. The assessment of the liquidity includes, for example, an analysis of the trading volume, the complexity of the assets, the number of trading days, which are required for the sale of the respective asset, without exerting an influence on the market price. The management company also monitors the investments in target funds and their redemption principles and thus resulting possible implications on the liquidity of the fund.
- The management company monitors the liquidity risks, which may arise by increased requests of the

investors for unit redemption. In doing so, it forms expectations of changes in net funds taking into account available information about the investor structure and past experience of net historical changes. It takes account of the effects of major call risks and other risks (e.g. reputation risk).

- The management company has stipulated adequate limits for the liquidity risks for the fund. It monitors the compliance with these limits and has stipulated procedures with an exceeding or possible exceeding of the limits.
- The procedures set up by the management company guarantee a consistency between liquidity ratio, the liquidity risk limit and the expected net fund changes.

The management company checks these principles regularly and updates these accordingly.

The management company performs stress tests on a regular basis, at least once a year, which enable it to assess the liquidity risks of the fund. The management company carries out the stress tests based on reliable or current quantitative or, if this is not reasonable, qualitative information. Investment strategy, redemption deadlines, payment obligations and deadlines, within which the assets may be sold, as well as information with regard to general investor behaviour and market developments are included. The stress tests simulate if applicable insufficient liquidity of the assets in the fund as well as in the number and scope of atypical request for unit redemptions. They cover market risks and their implications, including subsequent payment claims, requirements of the collateralisation or credit lines. They take valuation sensitivities under stress conditions into account. They are carried out in a frequency by taking the investment strategy, the liquidity profile, the investor type and the redemption principles of the fund into consideration in a manner that is appropriate for the type of fund.

The return rights under normal and exceptional circumstances as well as the suspension of the redemption are presented in the section "Units– issue and redemption of units – suspension of the unit redemption". The risks associated herewith are explained under "Risk information– risk of the fund investment – suspension of unit redemption" as well as "– Risk of limited liquidity of the fund (liquidity risk)".

## 11.3. STOCK EXCHANGES AND MARKETS

The management company may list the units of the fund on a stock exchange or in organised markets; at present the management company has not availed itself of this option.

It cannot be excluded that the units are also traded on other markets without the consent of the management company. A third party may initiate without the management company's consent that the units are included in

the over-the-counter trade or on another off-market trade.

The market price used as a basis for the stock exchange trading or trading on other markets is not exclusively determined by the value of the assets held in the fund, but also by offer and demand. Therefore, this market price may also deviate from the unit value determined by the management company or the custodian.

#### **11.4. FAIR TREATMENT OF THE INVESTORS**

The management company has to treat the investors of the fund fairly. It may not place the interests of an investor or a group of investors over the interests of another investor or another group of investors within the scope of the control of the liquidity risk and the redemption of units.

The procedures, with which the company ensures the fair treatment of the investors, please see Section "Settlement with unit issue and redemption" as well as "Liquidity management".

#### **11.5. Unit classes**

All units issued in a unit class shall have the same design features. The formation of new unit classes is permissible at the discretion of the management company. The unit classes may differ in particular with regard to the appropriation of income, the front load, the redemption fee, the currency of the unit value, the management fee, the custodian fee, the minimum investment amount or a combination of these features. There are currently three unit classes available. One unit class is designated as unit class "C"; another unit class is designated as unit class "CT"; yet another unit class is designated as unit class "R".

Units issued up to 30 November have been allocated to unit class "C" since 1 December 2020.

When units of a unit class are issued for the first time, their value shall be calculated on the basis of the value determined for the entire fund pursuant to § 168 (1) Sentence 1 German Capital Investment Code (KAGB).

#### **11.6. ISSUE AND REDEMPTION PRICE**

##### *11.6.1 Issue and redemption price*

In order to calculate the issue price and the redemption price for the units of the individual unit classes, the management company determines the value of the assets belonging to the fund every valuation day under the control of the custodian minus the liabilities (net asset value). Dividing the net asset value determined in this way by the number of unit certificates issued in the unit class gives the unit value.

The value for the units of the fund is determined on all German stock exchange days. On statutory public holidays in Germany, which are stock exchange days, as well as on the 24 and 31 December of each year the company and the custodian can refrain from a determination of the

value. The unit value is currently not calculated on New Year's Day, Good Friday, Easter, Easter Monday, May Day, Ascension Day, Whitsun, Whit Monday, Corpus Christi, Day of German Unity, All Saints' Day, Christmas Eve, Christmas Day and Boxing Day, and New Year's Eve.

##### *11.6.2 Suspension of the calculation of the issue and redemption price*

The company can temporarily suspend the calculation of the issue and redemption price under the same pre-requisites as the unit redemption. These are explained in more detail in the previous section "Units – suspension of the unit redemption".

##### *11.6.3 Front load*

When the issue price is fixed, a front load is added to the respective unit value. The front load for unit class "C" is as much as 5.00 per cent, for unit class "CT" as much as 5.00 per cent, and for unit class "R" as much as 5.00 per cent of the unit value. The front load may in particular with a short investment duration reduce the performance of the fund or even consume this in full. The front load essentially represents a remuneration for the distribution of the units of the fund. The management company may pass on the front load to cover distribution services of possible intermediary bodies.

##### *11.6.4 Redemption discount*

A redemption discount is not charged.

##### *11.6.5 Publication of the issue and redemption price*

The issue and redemption prices as well as the net asset value per unit are published regularly on the electronic information platform [www.fundinfo.com](http://www.fundinfo.com).

## **12. COSTS**

### **12.1. Costs with the issue and redemption of the units**

The issue and redemption of the units by the management company or by the custodian is carried out at the issue price (unit value/unit value plus front load or redemption price (unit value/unit value minus redemption discount) without calculation of additional costs.

If the investor acquires units through a third party acting as an intermediary, may charge these higher charges as the front load. If the investor returns units through third parties then these may charge own charges with the redemption of the units.

### **12.2. Management and other costs**

The management company shall receive an annual fee for managing the fund in an amount of up to 1 per cent for unit classes "C" and "CT" and an annual fee of up to 1.50 per cent for unit class "R" of the average net asset value of the fund during the settlement period, calculated in each case from month-end values. The remuneration shall be charged monthly on a pro rata basis.

The management company may further receive, for unit classes "C", "CT" and "R" a performance-related remuneration for the management of the fund in the amount of up to 15 per cent (maximum amount) of the amount by which the unit performance exceeds the performance of the benchmark index at the end of a settlement period (outperformance above the benchmark index, i.e. positive deviation of the unit value performance from the benchmark performance, hereinafter also referred to as "positive benchmark deviation"), but in total not more than up to 2.0 per cent of the average net asset value of the fund in the settlement period calculated from the values at the end of each month.

The costs charged to the fund may not be deducted from the performance of the benchmark index before the comparison.

If the unit value performance at the end of a settlement period falls short of the performance of the benchmark index (i.e., underperformance relative to the benchmark index, or negative deviation of the unit value performance from the benchmark performance, hereinafter also referred to as "negative benchmark deviation"), the management company shall not receive any performance fee. In accordance with the calculation of the performance fee in the event of a positive benchmark deviation, an underperformance amount per unit value is calculated on the basis of the negative benchmark deviation and carried forward into the next settlement period as a negative carry forward ("negative carry forward"). The negative carry forward is not limited by a maximum amount. For the subsequent settlement period, the management company shall only receive a performance fee if the amount calculated from positive benchmark deviation at the end of this settlement period exceeds the negative carry forward from the previous settlement period. In this case, the remuneration claim is calculated based on the difference between the two amounts. If the amount calculated from the positive benchmark deviation does not exceed the negative carry forward from the previous accounting period, both amounts are offset. The remaining underperformance amount per unit value is carried forward again into the next settlement period as a new "negative carryforward". If there is another negative benchmark deviation at the end of the next settlement period, the existing negative carry forward is increased by the underperformance amount calculated from this negative benchmark deviation. Any underperformance amounts of the five preceding settlement periods shall be taken into account in the annual calculation of the remuneration entitlement. If there are fewer than five previous settlement periods for the fund, all previous settlement periods shall be taken into account.

The settlement period will begin on 1 January and end on 31 December of a calendar year. The first settlement period will begin with the inception of the UCITS fund and not end until the second 31 December after inception. The "STOXX® Europe TMI Small Net Return EUR Index" is stipulated as the benchmark index. If the benchmark index should cease to exist the management company will stipulate another appropriate index to replace it.

The performance fee is determined by comparing the performance of the benchmark index with the performance of the unit value, calculated according to the BVI method, during the accounting period. In order to determine the unit value performance of the fund, the unit value at the end of the fiscal year is compared with the unit value at the end of the previous year, whereby distributions and tax payments made to the detriment of the fund are arithmetically added back to the unit value (BVI method).

In accordance with the result of a daily comparison, an arithmetically accrued performance fee shall be set aside in the fund per unit issued or a provision already booked shall be released accordingly. Written back provisions revert to the fund. A performance fee may only be withdrawn if corresponding provisions have been formed.

The performance fee may also be withdrawn if the unit value at the end of the settlement period is lower than the unit value at the beginning of the accounting period ("negative unit value development").

If the benchmark index should cease to exist the management company will stipulate another appropriate index to replace it. The performance fee may also be withdrawn if the unit value at the end of the settlement period is lower than the unit value at the beginning of the accounting period ("negative unit value performance").

The STOXX® Europe TMI Small Net Return EUR Index is administered by STOXX Limited. **STOXX Limited is entered on a public register of benchmark administrators with the European Securities and Markets Authority (ESMA).** Further information on STOXX® Europe TMI Small Net Return EUR Index and STOXX Limited can be found under "Investment objectives, strategy, principles and limitations – Invest objectives and strategy".

The management company has robust written plans in place, setting out actions it would take if the benchmark index materially changed or ceased to be provided.

The custodian receives for its activity an annual remuneration of 0.05 per cent p.a. (however at least EUR 20,000 p.a.). The volume of the fund is calculated as an average value of the respective final month values. The remuneration shall be charged monthly on a pro rata basis.

In addition to the above fees, the following expenses are borne by the fund:

- a) customary bank securities account and account fees, if applicable, including the customary bank charges for the safekeeping of foreign assets overseas;
- b) costs for printing and dispatching the sales documents meant for investors as stipulated by law (annual and semi-annual reports, Prospectus, and Key Investor Information Document);

- c) costs of publishing annual and semi-annual reports, issue and redemption prices and, if applicable, distributions or reinvestments, and the dissolution report;
- d) costs of the preparation and use of a permanent data carrier, except in the event of information about investment assets and information about measures in connection with breaches of investment limits or calculation errors with the unit valuation;
- e) costs for the audit of the fund by the auditor of the financial statements of the fund;
- f) costs for the publication of the taxation bases and the certificate that the tax-related details were determined according to the rules of German tax law;
- g) costs for the assertion and enforcement of legal claims by the management company for the account of the fund as well as the defence against claims made against the management company at the expense of the fund;
- h) fees and charges, which are charged by state bodies with regard to the fund;
- i) costs for legal and tax advice with regard to the fund;
- j) charges as well as all charges, which may be incurred with the acquisition and/or the use or naming of a comparable benchmark or financial index;
- k) charges for the commissioning of voting right authorized agents;
- l) taxes incurred in connection with the remuneration to be paid to the management company, the custodian and third parties as well as the aforementioned expenses including the taxes incurred in connection with the management and safekeeping.
- m) taxes incurred in connection with the remuneration to be paid to the management company, the custodian and third parties as well as the aforementioned expenses including the taxes incurred in connection with management and safekeeping;
- n) costs for the provision of research material or services by third parties in connection with one or more financial instruments or other assets or in connection with issuers or potential issuers of financial instruments or closely related to a particular industry or market in an amount up to 0.12 per cent p.a. of the average net asset value of the fund in the accounting period, as calculated from the values at the end of each month.

Besides the aforementioned remuneration and expenses, the charges incurred in connection with the acquisition and the sale of assets will be charged to the fund.

The management company will not receive any refunds of the remuneration paid to the custodian and to third parties and reimbursement of expenses from the fund.

The management company may pass on parts of its management remuneration to intermediary bodies. The amount of this remuneration is assessed as a rule depending on the brokered fund volume.

### **12.3. Special features with the acquisition of investment units**

In addition to the remuneration for managing the fund, a management fee is charged for the units in target funds held in the fund.

The following types of fees, charges, taxes, commission and other expenses are typically to be indirectly or directly borne by the investors of the fund: Remuneration for the management of the fund (fund management, administrative activities); remuneration of the custodian; customary bank securities accounts charges, if applicable including the customary bank charges for the safekeeping of foreign securities overseas; charges for the printing and sending of the annual and semi-annual reports determined for the investors; charges of the publication of the annual and semi-annual reports, of the Issue and redemption price and if applicable the distributions; charges for the audit of the fund by the auditor of the financial statements of the management company; charges for the publication of the taxation bases and the certificate that the tax-related details were determined according to the rules of German tax law; charges for the distribution.

The front load and redemption discounts are disclosed in the annual and semi-annual report, which were charged to the fund in the reporting period for the acquisition and the redemption of units in target funds. The remuneration is further disclosed, which was charged to the fund by a domestic or foreign company or a company, with which the management company is affiliated by a substantial direct or indirect participation, as a management remuneration for the target fund units held in the fund.

### **12.4. Details of a total cost ratio**

The management charges incurred in the fiscal year for the expense of the fund are disclosed in the annual report and shown as a ratio of the average fund volume ("total cost ratio"). The management charges are composed of the remuneration for the management of the fund, including the performance-related remuneration, the remuneration of the custodian as well as the expenses, which may be additionally charged to the fund (see section "Costs – management and other costs" as well as "special features with the acquisition of investment units"). The total cost ratio does not include any secondary charges and charges, which are incurred with the acquisition and the sale of assets (transaction charges).

### **12.5. Different prices quoted by distributors**

If the investor is advised by a third party on the purchase of units or if the third party acts as an intermediary in the purchase of units, the investor may be charged fees or expense ratios that are not identical to the cost information stated in this Prospectus and in the Key Investor Information Document and that may exceed the total expense ratio stated herein. The reason for this may in particular be that the third party additionally takes the charges of its own activity (e.g. intermediary activity, consultancy or securities account keeping) into consideration. In addition, he will if applicable also take one-off charges into consideration such as front loads and as a rule uses other calculation methods or also estimates for the charges incurred on fund level, which in particular also comprise the transaction charges of the fund.

Deviations in the cost disclosure may arise both in the case of information prior to the conclusion of the contract and in the case of regular cost information on the existing fund investment within the framework of a permanent customer relationship.

### **13. REMUNERATION POLICIES**

Performance-related and entrepreneurial-oriented remuneration for employees is a central component for the design of the management company's remuneration system.

The remuneration of the Management Board is stipulated by the Supervisory Board. For the other employees the employment contract regulates the parameters of the currently valid remuneration system. The employees as well as the Management Board receive a reasonable fixed remuneration for their activity and – insofar as variable remuneration components are paid – the variable remuneration components are in line with the strategic targets and in particular will also be oriented to a sustainable budgeting of the management company.

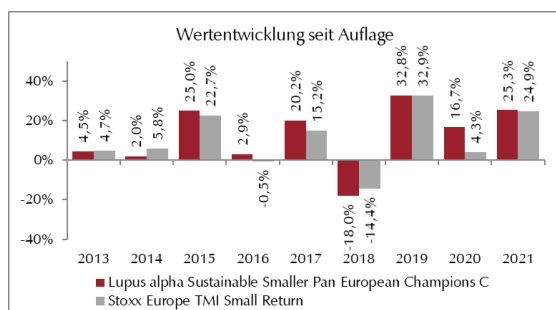
Further Information pertaining to the calculation of the remuneration, to the other granted benefits, the identity of the persons responsible for the allocation of the remuneration and other benefits and further details relating to the current remuneration policies of the management company are available on the website of the management company under [www.lupusalpha.de](http://www.lupusalpha.de) under the heading "Downloads – mandatory publications – implementation remuneration Lupus alpha". A written copy of the current Remuneration Policy is available from the management company free of charge upon request.



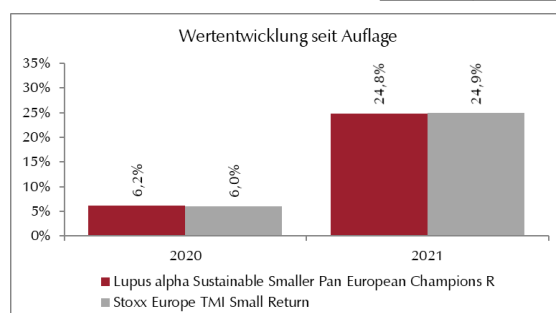
## 14. PERFORMANCE, DETERMINATION AND USE OF INCOME, FISCAL YEAR

### 14.1. Performance

Performance is calculated using the BVI method. The historical performance of the fund does not enable any forecast for the future performance. Front loads and redemption discounts are not taken into consideration with the performance.



Performance p.a.	3 Jahre	5 Jahre	10 Jahre
Lupus alpha Sustainable Smaller Pan European Champions C	8,31%	9,46%	n/a
Stand: 30.12.2021			



Performance p.a.	3 Jahre	5 Jahre	10 Jahre
Lupus alpha Sustainable Smaller Pan European Champions R	n/a	n/a	n/a
Stand: 30.12.2021			

Unit class "CT" was only launched in 2022. Therefore, no information may be provided regarding past performance. Current details relating to the performance of the fund may be taken from the annual and semi-annual reports.

### 14.2. Determination of income and income equalisation procedure

The fund generates income in the form of the interest, dividends and income from investment units incurred during the fiscal year and not used to cover charges. In addition there are payments from repurchase agreements. Further income may result from the sale of assets held for the expense of the fund.

The fund's income is first distributed on the basis of the value ratio of the unit classes and then to the individual units of the respective unit class. The units of different unit classes, therefore, generally participate in the fund's income to a different extent. The same applies to expenses. They are allocated to the individual unit classes according to their value ratio and proportionately reduce

the value of the individual unit in the respective unit class. The investor's entitlement to partial participation in the economic performance is fulfilled solely through a proportionate allocation of income and expenses. The allocation must, therefore, ensure that the total return per euro invested is absolutely the same for all investors.

The accounting of income and expenses, as well as inflows and outflows of funds, shall be designed in such a way that their attribution to a unit class is evident and may be audited by the auditor.

The management company applies a so-called income equalisation procedure for the fund. This prevents that the unit of the income eligible for distribution on the unit price fluctuates as a result of cash inflows and outflows. Otherwise, each cash inflow into the fund during the fiscal year would lead to the fact that less income is available for distribution per unit on the distribution dates than would be the case with a constant number of circulating units. Cash outflows on the other hand would lead to the fact that per unit more income would be available for distribution, than would be the case with a constant number of circulating units.

In order to prevent this the income eligible for distribution during the fiscal year, which the unit buyer must pay as part of the issue price and the seller of units is remunerated as part of the redemption price, will be continuously calculated and entered in the income statement as a position eligible for distribution. It will be taken into account hereby that investors, who for example acquire units shortly before the distribution date, will be refunded the part of the issue price relating to income in the form of a distribution, although their deposited capital did not assist in the occurrence of the income.

### 14.3. Fiscal year

The fiscal year of the fund is the calendar year.

### 14.4. Appropriation of income

For the distributing unit classes, the management company shall distribute to the investors the interest, dividends and income from investment units accrued during the fiscal year for the account of the fund and not used to cover charges, as well as fees from pensions transactions, taking into account the corresponding equalisation paid. Realised capital gains and other income taking into account the corresponding income equalisation may also be used for distribution.

Unrealised capital gains and liquidities may also be distributed.

The management company may thus also use liquid assets for the fund or for distributing unit classes if the planned distribution amount is not covered by interest, dividends or income from investment units or fees from securities lending and repurchase agreements, or by realised capital gains and other income or can be covered by an existing carryforward for distribution in later fiscal years. An allocation from the fund, also known as a distri-

bution of assets, may also occur if, for example, the realised losses are not included in calculating the distribution. The allocation from the fund is included and explained in the fund's annual report.

An allocation from the fund can also be made in full from liquid funds held in the fund.

In the case of unit classes "C" and "R", the income is distributed.

The distribution of the distributing unit classes is carried out annually within four months after the close of the fiscal year. Insofar as the securities account is kept at another bank or Sparkasse, additional charges may be incurred.

For the accumulating unit classes, the management company shall reinvest the interest, dividends and other income accrued during the fiscal year for the account of the Fund and not used to cover costs – taking into account the corresponding income offset – as well as the realised capital gains of the accumulating unit classes in the Fund, on a pro rata basis.

In the case of the "CT" unit class, income is accumulated.

## **15. DISSOLUTION, TRANSFER AND MERGING OF THE FUND OR UNIT CLASS**

### **15.1. Prerequisites for the dissolution of the fund**

The investors are not entitled to request the dissolution of the fund or a unit class. The management company may terminate its right to manage the fund by adhering to a period of notice of at least six months by an announcement in the German Federal Gazette and additionally in the annual report or semi-annual report. The investors will additionally be informed about the termination through their custodian banks by permanent data carrier, for example in a paper form or an electronics form. When the termination becomes effective the right of the management company to manage the fund will lapse.

The management right of the management company will further end if insolvency proceedings are opened over its assets or when the court order becomes final and binding through which the application for the continuation of the insolvency proceedings is rejected due to insufficient assets.

Upon expiry of the management company's right of management, the right of disposal over the fund shall pass to the custodian, which shall wind up the fund and distribute the proceeds to the investors or, with the approval of the Federal Financial Supervisory Authority (*BaFin*), transfer the management to another management company.

### **15.2. Procedure with the dissolution of the fund or unit class**

With the assignment of the right of disposal over the fund to the custodian the issue and redemption of units will be

discontinued and the fund will be wound up. Upon the dissolution of a unit class, the issue and redemption of units of the unit class by the custodian shall cease.

The proceeds from the sale of the assets of the fund minus the charges still to be borne by the fund and the charges caused by the dissolution will be distributed to the investors, whereby these have claims to disbursement of the liquidity proceeds in the amount of their respective units in the fund.

In the event of dissolution of a unit class, investors shall receive the equivalent value of the redemption price of the corresponding unit class, as determined for the last time on the dissolution date.

The management company shall draw up a dissolution report on the day, on which its management right lapses, which meets the requirements of an annual report. By no later than three months after the key date of the dissolution of the fund the dissolution report will be announced in the German Federal Gazette. While the custodian is winding up the fund it will draw up a report annually as well as on the day, on which the winding up is ended, which meets the requirements of an annual report. These reports are also to be announced in the German Federal Gazette no later than three months after the key date.

### **15.3. Assignment of the fund**

The management company may assign the management and disposal right over the fund to another management company. The assignment shall require the prior approval of *BaFin*. The approved assignment will be announced in the German Federal Gazette and additionally in the annual report or semi-annual report of the fund. Investors will also be informed of the planned transfer by their account-holding agent in a durable medium; for example, in hard copy or electronic format. The time at which the transfer becomes effective shall be determined in accordance with the contractual agreements between the management company and the receiving management company. The assignment may, however, become effective three months after its announcement in the German Federal Gazette at the earliest. All rights and obligations of the management company in relation to the fund shall then be transferred to the receiving management company.

### **15.4. Prerequisites for the merger of the fund**

All assets of this fund may, with the approval of *BaFin*, be assigned to another existing investment fund or investment fund that is newly founded by the merger, which must fulfil the requirements from a UCITS that was inceptioned in Germany or in another EU or EEA state.

The assignment will become effective as of the end of the fiscal year of the transferring fund (assignment key date), insofar as no other assignment key date is determined.

### 15.5. Rights of the investors with the merger of the fund

Up to five business days before the planned transfer date, investors have the option of either redeeming their units without a redemption charge and without incurring any further charges, with the exception of charges incurred to cover the dissolution of the fund, or exchanging their units for units in another open-ended public investment fund which is also managed by the management company or a company of the same group and whose investment principles are comparable to those of the fund.

The management company shall inform the investors of the fund prior to the planned transfer date by durable medium, e.g. in paper or electronic form, about the reasons for the merger, the potential effects on the investors, their rights in connection with the merger and about relevant procedural aspects. In addition, the Key Investor Information Document of the investment fund to which the assets of the fund will be assigned shall be sent to the investors. The investor must receive the aforementioned information at least 30 days before the expiry of the deadline for the return or the exchange of his units.

On the assignment key date the net asset value of the fund and of the absorbing investment fund will be calculated, the exchange ratio will be stipulated and the entire exchange process will be audited by the auditor of the financial statements. The exchange ratio is determined according to the ratio of the net asset values of the unit of the fund and the absorbing investment fund at the time of the take-over. The investor will receive the number of units in the absorbing investment fund, which corresponds with the value of his units in the fund.

Insofar as the investors do not exercise their return or exchange right, they will become investors of the absorbing investment fund on the assignment key date. The management company may, if applicable, also stipulate with the management company of the absorbing investment fund that the investors of the fund will receive a payout of up to 10 per cent of the value of their units in cash. The fund will be cancelled with the assignment of all assets. If the assignment takes place during the ongoing fiscal year of the fund the management company must draw up a report on the assignment key date, which meets the requirements from an annual report.

The management company will announce in the German Federal Gazette, and additionally in electronic information media that are designated in this sales prospectus, if the fund was merged with another investment fund managed by the management company and the merger has become effective. Should the fund be merged with another investment fund that is not managed by the management company, then the management company will take over the announcement of when the merger will become effective, which manages the absorbing or newly founded investment fund.

### 16. OUTSOURCING

The management company has assigned the following tasks to other companies:

- Administration of collateral for repurchase agreements and derivative transactions of funds.
- Tasks in the field of portfolio management,
- Data Protection Officers,
- Internal auditing department of the management company,
- Payroll and financial accounting,
- Registrar and Transfer Agent for the umbrella fund "Lupus alpha Fonds",
- Securities transactions for the account of the management company,
- Central administration for the umbrella fund "Lupus alpha Fonds".

There are no conflicts of interest for the management company arising from these outsourcing activities.

### 17. CONFLICTS OF INTEREST

The following conflicts of interest may arise at the management company:

The interests of the investors may conflict with the following interests:

- Interests of the management company and the companies affiliated therewith,
- Interests of the employees of the management company or
- Interests of the other investors in this or other funds.

Circumstances or relationships, which may substantiate conflicts of interest, in particular comprise:

- Incentive systems for employees of the management company,
- Employee transactions,
- Benefits to employees of the management company,
- Reallocations in the fund,
- Key-date-related improvement in the fund performance ("window dressing"),
- Transactions between the management company and the investment assets or individual portfolios managed by it.
- transactions between investment funds or personal portfolios under the company's management,

- aggregation of multiple orders (block trades),
- Commissioning of closely affiliated companies and persons,
- Individual investments of a substantial extent,
- Transactions after the close of trading at the already foreseeable closing price of the current day, so-called "Late Trading".

The management company may receive pecuniary advantages in connection with transactions for the account of the fund, including broker research, financial analyses, market and price information systems, which are used in the interests of the investors when making investment decisions.

The management company will not receive any refunds of the remuneration paid to the custodian and to third parties and reimbursement of expenses from the fund.

To manage conflicts of interest, the management company employs the following organisational measures to identify, prevent, manage, monitor and disclose conflicts of interest:

- Existence of a Compliance department, which monitors the compliance with laws and rules and which is to be informed without delay in case of occurring or indicated conflicts of interest;
- Obligations for disclosure;
- Organisational measures such as
  - Set-up of confidentiality areas for individual departments in order to prevent the abuse of confidential information,
  - Allocation of responsibilities in order to prevent the inappropriate exertion of an influence,
  - The segregation of own trading and customer trading.
- Set-up of a remuneration system that does not create any incentive to place the personal interests over those of the investment funds or investors and customers managed by the management company;
- Rules of conduct for employees with regard to employee transactions, obligations for the compliance with insolvency law;
- Set-up of remuneration systems, which prevent conflicts of interest;
- The management company has implemented regulations for the disclosure and the handling of the acceptance and the granting of benefits;

- Principles for taking account of clients' interests and providing advice that is appropriate for clients and investments, as well as observation of the agreed investment principles,
- The management company has taken measures in order to prevent key date-based improvement of the fund performance ("window-dressing") in the investment funds managed by it;
- The management company takes into account the interests of investors who wish to redeem their fund units in its internal liquidity management;
- Principles for the best possible execution of your order for the acquisition or the sale of financial instruments;
- Principles for the exercising of voting rights;
- Principles for the sharing of partial executions;
- Set-up of order acceptance times (cut-off-times).

## 18. BRIEF DETAILS REGARDING REGULATIONS UNDER TAX LAW

The statements relating to the tax regulations shall only apply to investors, who are liable to tax in Germany to an unlimited<sup>2</sup> extent. We recommend that foreign investors<sup>3</sup> contact their tax advisors before purchasing units in the fund described in this prospectus and clarify the potential tax consequences for them in their home country of purchasing units.

The fund as special purpose assets is principally exempted from corporate income and trade tax. It is, however, partly liable to corporate income tax with its domestic participation income and other domestic income within the meaning of the limited liability to tax with the exception of profits from the sale of units in stock corporations. The tax rate is 15 per cent. Insofar as the taxable income is levied by way of the capital gains tax deduction, the tax rate of 15 per cent already comprises the solidarity surcharge. The investment income is, however, with the private investor as income from capital assets subject to income tax insofar as this exceeds the currently applicable saver's lump sum amount, together with other capital gains. Income from capital assets is principally subject to a tax deduction of 25 per cent (plus solidarity surcharge and if applicable church tax). The income from capital assets also includes income from investment funds (investment income), i.e. the distributions of the fund, the advance lump sums and the profits from the sale of the units.

The tax deduction principally has a deductive effect for the private investor (so-called flat rate capital gains tax on investment income) so that the income from capital assets does not have to be entered in the income tax return

<sup>2</sup> Investors with unlimited tax liability are hereinafter also referred to as tax residents.

<sup>3</sup> Foreign investors are investors who are not subject to unlimited tax liability. These are also referred to below as non-residents for tax purposes.

as a rule. With the undertaking of the tax deduction losses are principally offset already by the custodian bank and foreign withholding taxes stemming from the direct investment are offset.

The tax deduction will however, among others, have no deductive effect if the personal tax rate is less than the flat rate of the gains tax on investment income of 25 per cent. In this case the income from capital assets may be entered in the income tax return. The Inland Revenue Office then applies the lower personal tax rate and offsets the undertaken tax deduction against the personal tax debt (so-called most favourable tax treatment).

If income from capital assets has not been subject to a tax deduction (e.g. because a profit is made from the sale of fund units in a foreign custody account), this must be stated in the tax return. Within the scope of the assessment the income from capital assets is then also subject to the flat rate capital gains tax on investment income of 25 per cent or the lower personal tax rate.

Insofar as the units are held in business assets the income will be entered as business income for tax purposes.

### **18.1. Units in private assets (resident taxpayer)**

#### **18.1.1 Distributions**

Distributions of the fund are principally liable to tax.

However, as the fund meets the tax requirements for an equity fund, 30 per cent of the distributions are tax-free.

The taxable distributions are generally subject to a tax deduction of 25 per cent (plus solidarity surcharge and church tax, if applicable). The tax deduction may be refrained from if the investor is a resident taxpayer and submits an exemption order, insofar as the taxable income parts do not exceed the currently applicable saver's-lump sum amount<sup>4</sup>.

The same applies if a "non-assessment notice" (*Nichtveranlagungsbescheinigung*) has been presented for a person who is not expected to be assessed to income tax.

If the domestic investor holds the units in a domestic custody account, the custodian bank as paying agent shall refrain from deducting tax if it is presented, prior to the specified distribution date, with an exemption order issued in a sufficient amount in accordance with the official model or a non-assessment certificate issued by the tax office for a maximum period of three years. In this case, the investor is credited with the entire distribution without deductions.

#### **18.1.2 Advance lump sums**

The advance lump sum is the amount by which the distributions of the fund within a calendar year fall short of the basic income for this calendar year. The basic income is determined by multiplying the redemption price of the

unit at the beginning of a calendar year by 70 per cent of the basic interest rate, which is derived from the yields of public bonds that may be generated in the long-term. The basic income is limited to the additional amount, which is produced between the first and the last redemption price fixed in the calendar year plus the distributions within the calendar year. In the year of acquisition of the units the advance lump sum is reduced by a twelfth for each full month, which precedes the month of acquisition. The advance lump sum shall be deemed as received on the first workday of the following calendar year.

Advance lump sums are principally liable to tax.

However, as the fund meets the tax requirements for an equity fund, 30 per cent of the advance lump sums are tax-free.

The taxable advance lump sums are, as a rule, subject to the tax deduction of 25 per cent (plus solidarity surcharge and, if applicable, church tax).

The tax deduction may be refrained from if the investor is a resident taxpayer and submits an exemption order, insofar as the taxable income parts do not exceed the currently applicable saver's-lump sum amount<sup>5</sup>.

The same applies if a "non-assessment notice" (*Nichtveranlagungsbescheinigung*) has been presented for a person who is not expected to be assessed to income tax.

If a German-resident investor holds units in a German custody account, the custody account provider will not deduct tax in its capacity as paying agent if it is presented with one of these forms before the date of receipt, i.e. either an exemption form complying with the official model and covering a sufficiently large amount or a non-assessment notice issued by the Tax Office for a period of up to three years. In this case no tax will be remitted. Otherwise, the investor must make the amount of the withholding tax available to the German custodian. For this purpose the custodian bank may collect the amount of the tax to be remitted from an account maintained in its bank and kept in the investor's name without the investor's consent. Insofar as the investor does not object before the inflow of the advance lump sum, the custodian bank may collect the amount of the tax to be remitted from an account kept in the investor's name, insofar as an overdraft facility agreed with the investor for this account was not drawn. Insofar as the investor does not fulfil their obligation to provide the amount of tax to be withheld to the domestic custodian, the custodian must notify the tax office responsible for it. In this case, the investor must declare the advance tax in their income tax return.

#### **18.1.3 Sales gains on investor level**

Gains made on the disposal of units in the fund after 31 December 2017 are subject to the 25 per cent final withholding tax. This shall apply both to units, which were acquired before 1 January 2018 and which are deemed as sold as of 31 December 2017 and as acquired again as of

<sup>4</sup> The saver's lump-sum amount has been EUR 801.00 with a single assessment and with a joint assessment EUR 1,602.00 since 2009.

1 January 2018, as well as to units acquired after 31 December 2017.

However, as the fund meets the tax requirements for an equity fund, 30 per cent of the capital gains are tax-free.

With the profits from the sale of units, which were acquired before 1 January 2018 and those which are deemed as sold as of 31 December 2017 and as acquired again as of 1 January 2018, attention is to be paid that, at the time of the actual sale, the profits from the fictitious sale carried out as of 31 December 2017 are also to be taxed, if the units were actually acquired after 31 December 2008.

Insofar as the units are held in safekeeping in a domestic securities account the custodian bank will carry out the tax deduction by taking possible partial exemptions into consideration. The tax deduction of 25 per cent (plus solidarity surcharge and, if applicable, church tax) may be avoided by the submission of a sufficient exemption order or an NV certificate. If such units are sold at a loss by a private investor then the loss is offsetable against other positive income from capital assets. If the units are held in safekeeping in domestic securities account and positive income from capital assets was generated at the same custodian bank in the same calendar year, the custodian bank will carry out the offsetting of losses.

In case of a sale of the fund units acquired before 1 January 2009 after 31 December 2017 the profit, which is produced after 31 December 2017, is principally tax-free with private investors up to an amount of EUR 100,000. This allowance may only be claimed if these profits are declared towards the Inland Revenue Office that is responsible for the investor.

When determining the capital gain, the profit is to be reduced by the advance lump sums recognised during the period of ownership.

## **18.2. Units in business assets (resident taxpayer)**

### **18.2.1 Refund of the corporate income tax of the fund**

The corporate income tax incurred on fund level can be refunded to the Fund for forwarding to an investor insofar as the investor is a domestic corporation, association of individuals or total assets, which according to the statutes, the foundation business or the other constitutions and according to the actual management exclusively and directly serve non-profit-making, charitable or church purposes or is a foundation under public law, which exclusively and directly serves non-profit-making or charitable purposes, or is a legal entity under public law, which exclusively and directly serves church purposes; this shall not apply if the units are held in a commercial business operation. The same shall apply to comparable foreign investors with the registered seat and management in a foreign state that provides official and debt collection assistance.

The prerequisite for this is that such an investor files a corresponding application and the due corporate income tax

ceases to exist pro rate to his period of possession. Moreover, the investor must have been the beneficial owner of the units under civil law for at least three months before the inflow of the income of the fund that is liable to corporate income tax, without an obligation existing to assign the units to another person. The refund further essentially presumes, with regard to the corporate income tax due on fund level on German dividends and income from German profit participation rights similar to equity that German units and German profit participation rights similar to equity were held by the fund as beneficial owner, for an uninterrupted period of 45 days within 45 days before and after the time of maturity of the capital income and in these 45 days, without interruption, minimum value change risks existed in the amount of 70 per cent.

Proof of the tax exemption and an investment unit portfolio proof issued by the custodian bank are to be enclosed with the application. The investment unit portfolio proof is a certificate created according to an official sample concerning the scope of the units continuously held by the investor during the calendar year as well as the time and scope of the acquisition and the sale of units during the calendar year.

The corporate income tax due on fund level may also be refunded to the fund for forwarding to an investor insofar as the units are held in the fund within the scope of retirement provision or basic pension contracts, which were certified according to the Retirement Provision Contracts Certification Act. This presumes that the provider of a retirement provision or basic pension contract informs the fund within one month after the end of the fiscal year at which time and to what extent units were acquired or sold.

There is no obligation for the fund or the management company to have the corresponding corporate income tax refunded to it for forwarding to the investor.

Owing to the high degree of complexity of the regulation it appears useful to involve a tax adviser.

### **18.2.2 Distributions**

Distributions made by the fund are generally subject to income tax or corporation tax and to trade tax.

However, as the fund meets the tax requirements for an equity fund, 60 per cent of the distributions are tax-free for income tax purposes and 30 per cent for trade tax purposes if the units are held by natural persons as business assets. For taxable corporations 80 per cent of the distributions are generally tax-free for the purpose of corporate income tax and 40 per cent for the purpose of trade tax. For corporations that are life or health insurance companies and at which the units are to be attributed to capital investments, or which are credit institutions and at which the units are to be attributed to the trading book or at which these were acquired with the goal of short-term proprietary trading, 30 per cent of the distributions are tax free for the purpose of corporate income tax and 15 per cent for the purpose of trade tax.

The distributions are, as a rule, subject to the tax deduction of 25 per cent (plus solidarity surcharge).

#### *18.2.3 Advance lump sums*

The advance lump sum is the amount by which the distributions of the fund within a calendar year fall short of the basic income for this calendar year. The basic income is determined by multiplying the redemption price of the unit at the beginning of a calendar year by 70 per cent of the basic interest rate, which is derived from the yields of public bonds that may be generated in the long-term. The basic income is limited to the additional amount, which is produced between the first and the last redemption price fixed in the calendar year plus the distributions within the calendar year. In the year of acquisition of the units the advance lump sum is reduced by a twelfth for each full month, which precedes the month of acquisition. The advance lump sum shall be deemed as received on the first workday of the following calendar year.

Advance lump sums are principally liable to income or corporate income tax and trade tax.

However, as the fund meets the tax requirements for an equity fund, 60 per cent of the distributions are tax-free for income tax purposes and 30 per cent for trade tax purposes if the units are held by natural persons as business assets. For taxable corporations, 80 per cent of the advance lump sums are generally tax-free for the purpose of corporate income tax and 40 per cent for the purpose of trade tax. For corporations that are life or health insurance companies and with which the units are to be attributed to the capital investments, or which are credit institutions and with which the units are to be attributed to the trading book or of which these were acquired with the time of the short-term achievement of an own trading success, 30 per cent of the advance lump sums are tax-free for the purpose of corporate income tax and 15 per cent for the purpose of trade tax.

Advance lump sums are, as a rule, subject to the tax deduction of 25 per cent (plus solidarity surcharge).

#### *18.2.4 Sales gains on investor level*

Gains on the disposal of fund units are generally subject to income tax or corporation tax and trade tax. When determining the capital gain, the profit is to be reduced by the advance lump sums recognised during the period of ownership.

However, as the fund meets the tax requirements for an equity fund, 60 per cent of the distributions are tax-free for income tax purposes and 30 per cent for trade tax purposes if the units are held by natural persons as business assets. For taxable corporations, 80 per cent of the advance lump sums are generally tax-free for the purpose of corporate income tax and 40 per cent for the purpose of trade tax. For corporations that are life or health insurance companies and with which the units are to be attributed to the capital investments, or which are credit institutions and with which the units are to be attributed to the trading book or of which were acquired with the aim of the short-term achievement of an own trading success,

30 per cent of the capital gains are tax-free for the purpose of corporate income tax and 15 per cent for the purpose of trade tax.

The profits from the sale of the units are, as a rule, not subject to any tax deduction.

#### *18.2.5 Negative tax income*

A direct attribution of the negative tax income to the investor is not possible.

#### *18.2.6 Processing taxation*

During the processing of the fund distributions shall only be deemed as income to the extent that these include the growth in value of a calendar year.

### **18.3. Non-resident taxpayer**

If a non-resident taxpayer holds the fund units in safekeeping in the securities account at a domestic custodian bank, the tax deduction on distributions, advance lump sums and profits from the sale of the units will be refrained from, insofar as he proves his capacity as non-resident taxpayer. Insofar as the capacity as non-resident of the custodian bank is not known or is not proven in time, the foreign investors is forced to apply for the refund of the tax deduction in line with the German Fiscal Code. The Inland Revenue Office that is responsible for the custodian bank is responsible.

### **18.4. Solidarity surcharge**

A solidarity surcharge is to be levied on the tax deduction to be remitted on distributions, advance lump sums and profits from the sale of units in the amount of 5.5 per cent. The solidarity surcharge is offsetable against the income tax and corporate income tax.

### **18.5. Church tax**

Insofar as the income tax is levied already by a domestic custodian bank (party liable to deduction) through the tax deduction, the church tax due on this will be levied according to the church tax rate of the religious community, to which the person liable to church tax belongs, as a rule as a surcharge to the tax deduction. The deductibility of the church tax as a special expense will be taken into consideration to reduce tax with the tax deduction already.

### **18.6. Foreign withholding tax**

Withholding tax is partly retained on the foreign income of the fund in the countries of origin. This withholding tax cannot be taken into consideration to reduce tax with the investors.

### **18.7. Consequences of fund mergers**

In the cases of the merger of a domestic fund with another domestic fund there will be no discovery of hidden reserves either on the level of the investors or on the level of the involved funds, i.e. this process is tax-neutral. The same applies to the transfer of all assets of a domestic

fund to a domestic investment joint stock corporation [Aktiengesellschaft] with variable capital or partial corporate assets of a domestic investment joint stock corporation with variable capital. If the investors of the transferring fund receive a cash payment envisaged in the merger plan, this is to be treated as a distribution.

#### **18.8. Automatic exchange of tax information**

The importance of the automatic exchange of information in order to combat cross-border tax fraud and cross-border tax evasion has increased substantially on an international level in the last few years. Therefore, the OECD published by order of the G20 in 2014 a global standard for the automatic exchange of information about financial accounts in tax matters (Common Reporting Standard, hereinafter "CRS"). The CRS was agreed by more than 90 states (participating states) by way of a multilateral treaty. In addition, it was integrated at the end of 2014 with the Directive 2014/107/EU of the Council of 9 December 2014 into the Directive 2011/16/EU with regard to the obligation for the automatic exchange of information in the field of taxation. The participating states (all member states of the EU as well as numerous third countries) will principally apply the CRS from 2016 with reporting obligations from 2017. Merely individual states (e.g. Austria and Switzerland) will be permitted to apply the CRS one year later. Germany implemented the CRS into German law with the Financial Accounts Information Exchange Act of 21 December 2015 and will apply this from 2016.

With the CRS reporting financial institutions (essentially credit institutions) will be obligated to obtain certain information about their customers. If the customers (natural persons or legal entities) concern persons who are liable to reporting and are based in other participating states (these do not include e.g. listed stock corporations or financial institutions) their accounts and securities accounts will be classified as accounts liable to reporting. The reporting financial institutions will then send certain information to their home tax authority for each account liable to reporting. It will then send the information to the home tax authority of the customer.

The information to be transmitted essentially concerns the personal data of the customer liable to reporting (name; address; tax identification number; date of birth and place of birth (with natural persons); country of domicile) as well as information pertaining to the accounts and securities accounts (e.g. account number; account balance or account value; total gross amount of the income as well as interest, dividends or distributions of investment funds); total gross proceeds from the sale or return of financial assets (including fund units)).

Consequently, concretely affected are investors liable to reporting, who maintain an account and/or securities account at a credit institution that is based in a participating state. Therefore, German credit institutions will report information about investors, who are based in other participating states, to the Federal Central Tax Office that forwards the information to the respective tax authorities of the countries of domicile of the investors. Credit institutions

in other participating states will accordingly report information about investors, who are based in Germany, to their respective home tax authorities, which will forward the information to the Federal Central Tax Office. Finally it is conceivable that credit institutions based in other participating states report information about investors, who are based on the other hand in other participating states, to their respective home tax authority, which will forward the information to the respective tax authorities of the countries of domicile of the investors.

#### **19. AUDITORS**

The auditing company KPMG AG Wirtschaftsprüfungsgesellschaft, The Square – Am Flughafen, D-60549 Frankfurt am Main, is commissioned with the audit of the fund and the annual report.

The auditor will audit the annual report of the fund. The results of the audit are to be summarised by the auditor in a special comment; the comment is to be depicted in its full wording in the annual report. With the audit the auditor also has to determine whether the regulations of the KAGB as well as the provisions of the investment conditions have been complied with during the management of the fund. The auditor has to submit the report on the audit of the fund to BaFin.

#### **20th PAYMENTS TO INVESTORS / DISTRIBUTION OF REPORTS AND OTHER INFORMATION**

By the commissioning of the custodian it is ensured that the investors receive the distributions and that units will be taken back.

The most recent annual report and, where applicable, the semi-annual report, the current sales prospectus with the current version of the investment conditions, as well as the Key Investor Information Document are available from the management company or the custodian and at [www.lupusalpha.de](http://www.lupusalpha.de) or [www.fundinfo.com](http://www.fundinfo.com).

Further information may be obtained from the management company. The contact is the Service Center, telephone: 0049 69 365058-7000.

#### **21. FURTHER INVESTMENT FUNDS MANAGED BY THE MANAGEMENT COMPANY**

The management company also manages the following funds, which are not covered by this prospectus:

Investment fund pursuant to the UCITS Directive:

- La Tullius Absolute Return Europe
- Lupus alpha CLO High Quality Invest
- Lupus alpha Dividend Champions
- Lupus alpha Equity Protect
- Lupus alpha Sustainable Convertible Bonds
- Lupus alpha Sustainable Return
- Lupus alpha Volatility Risk-Premium



As well as all Sub-funds of the Umbrella fund "Lupus alpha Fonds":

- Lupus alpha All Opportunities fund
- Lupus alpha Global Convertible Bonds
- Lupus alpha Micro Champions
- Lupus alpha Sustainable Smaller Euro Champions
- Lupus alpha Smaller German Champions

The management company also manages 9 domestic special AIFs.

## **22. Right of revocation with the purchase of outside of the constant business premises**

If the purchase of units in open-ended investment funds is concluded owing to oral negotiations outside of the constant business premises of the party, which sells the units or which acted as an intermediary in the sale, then the buyer is entitled to revoke his purchase declaration in writing and without stating any reasons within a deadline of two weeks (e.g. letter, fax, e-mail). The right of revocation shall also exist if the party, which sells the units or which acted as an intermediary in the sale, has no constant business premises.

The deadline for the revocation shall only begin to run when the copy of the application for the conclusion of the contract has been handed over to the buyer or a purchase settlement has been sent to him and this includes instructions regarding the right of revocation, which satisfies the requirements of § 360 Para. 1 BGB [German Civil Code]. In order to adhere to the deadline the timely sending of the revocation is sufficient. If the start of the deadline is disputed the seller will bear the burden of proof. The revocation shall be declared in writing, stating the person of the declarant including his/her signature, whereby a statement of reasons is not required.

The revocation is to be sent to

**Lupus alpha Investment GmbH**  
Speicherstraße 49-51  
D-60327 Frankfurt am Main, Germany  
Fax: +49 69 365058-8700  
Email: info@lupusalpha.de

A right of revocation shall not exist if the seller proves that either the buyer is not a consumer within the meaning of § 13 BGB or he has visited the buyer for the negotiations, which led to the purchase of the units, owing to a prior order pursuant to § 55 Para. 1 of the German Trade Regulations.

If the revocation is carried out effectively and if the buyer has already made payments then the paid charges and an amount is to be paid out to him by the management company, if applicable, step-by-step against re-assignment of the acquired units, which corresponds with the value of the paid units on the days after the receipt of the declaration of revocation. The right of revocation cannot be waived.

The aforementioned statements shall apply accordingly with the sale of the units of the fund by the investor.

## **23. INFORMATION FOR INVESTORS IN THE REPUBLIC OF AUSTRIA**

UniCredit Bank Austria AG with registered offices at A-1020 Vienna, Rothschildplatz 1, has assumed the function of contact point as defined by Art. 92 RL (EU) 2019/1160. KPMG Alpen-Treuhand GmbH, an auditing and tax consultancy company, with registered office at A-1090 Vienna, Porzellangasse 51, has assumed the function of tax representative for the Republic of Austria.

Redemption and exchange applications for the units may be filed at the Austrian facility in the sense of Art. 92 RL (EU) 2019/1160. Redemption prices, possible distributions and other payments intended for the unit holders will be paid out, at their request, through the Austrian paying agent.

The sales prospectus, the Key Investor Information Document, the Terms of Investment, and the current annual and semi-annual reports are available free of charge from the contact point as defined by Art. 92 RL (EU) 2019/1160, as well as from the management company or at [www.lupusalpha.de](http://www.lupusalpha.de) or [www.fundinfo.com](http://www.fundinfo.com). The net asset value per unit of each sub-fund, the issue, redemption and exchange prices and all other financial information on the fund that is available to unitholders at the registered offices of the fund, are available from the Austrian contact point as defined by Art. 92 RL (EU) 2019/1160.

## **24. FURTHER SALES RESTRICTIONS**

The issued units of this fund may only be offered for purchase or sold in countries, in which such an offer or such a sale is permitted. Unless the company or a third party commissioned by the company has obtained authorisation for public distribution from the local supervisory authorities and the company possesses such authorisation, this sales prospectus and the Key Investor Information Document do not constitute a public offer to acquire investment units, and this sales prospectus or the Key Investor Information Document may not be used for the purpose of such a public offer.

For distribution purposes, this sales prospectus and the Key Investor Information Document may be used only by persons who have received express written consent of the management company (directly or indirectly through commissioned sales agencies). Declarations or assurances of third parties, which are not included in this prospectus or in the documents, have not been authorised by the management company. The documents are publicly available at the registered office of the management company.

## **25. GENERAL INFORMATION PERTAINING TO SUB-CUSTODIANS**

The following information was communicated to the management company by the custodian. The management

company has checked the information for plausibility. It is, however, dependent on the supply of the information by the custodian and cannot check this for accuracy and completeness in detail.

The custodian has assigned the following custodian tasks:

Custody of the assets of the sub-custodians commissioned by Clearstream Banking Frankfurt in accordance with the enclosed list for the relevant markets. The central custodians are not listed in the list, Their involvement is stipulated by law in the respective country. In this respect,

these are market infrastructures and not sub-custodians actively commissioned by the custodian.

The following conflicts of interest could be derived from the sub-custodian activity:

The custodian could not determine any conflicts of interest with regard to the involved sub-custodians.

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## 26. LIST OF SUB-CUSTODIANS

The custodian has commissioned the sub-custodians listed below:

Country	Sub-custodian
<b>Belgium</b>	Banque National Belgique Brussels Euroclear Belgium Brussels KBC Securities N.N. Brussels BNP Paribas Securities Services Paris
<b>Denmark</b>	VP Securities A/S Copenhagen Danske Bank A/S Copenhagen
<b>Germany</b>	Clearstream Banking Frankfurt
<b>Finland</b>	Euroclear Finland Ltd. Helsinki Nordea Bank Finland Plc. Helsinki
<b>France</b>	Euroclear France Paris BNP Paribas Securities Services Paris
<b>Great Britain</b>	Euroclear UK and Ireland Ltd. London Citibank N.A. London
<b>Honkong</b>	Hong Kong and Shanghai Banking Corp. Honkong
<b>Canada</b>	Royal Bank of Canada Toronto, CDS Clearing and Depository Services Inc. Toronto
<b>Italy</b>	Monte Titoli S.P.A. Milano Banca Intesa San Paolo S.P.A. Milano
<b>Luxembourg</b>	LuxCSD S.A.
<b>Netherlands</b>	Euroclear Nederland Amsterdam BNP Paribas Securities Services Paris
<b>Norway</b>	Verdipapirsentralen VPS Oslo DNB Markets Custody ASA Oslo
<b>Austria</b>	Österreichische Kontrollbank Wien Erste Group Bank AG Wien
<b>Sweden</b>	Euroclear Sweden AB Stockholm Skandinaviska Enskilda Banken Stockholm

Country	Sub-custodian
Switzerland	Six SIS AG Zürich UBS AG Zürich
Spain	Iberclear Madrid Banco Bilbao Vizcaya Argentaria S.A. Madrid
USA	Citibank N.A. New York Depository Trust Company New York

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## 27. GENERAL TERMS OF INVESTMENT

General Terms of Investment governing the legal relationship between the investors and Lupus alpha Investment GmbH, Frankfurt ("management company") for the fund managed by the management company pursuant to the UCITS Directive, which apply only in conjunction with the "Specific Terms of Investment" established for the respective UCITS fund.

### § 1 Basic principles

1. The management company is a UCITS management company and is subject to the regulations of the German Capital Investment Code ("KAGB").
2. The management company invests the money deposited with it in its own name for the common account of the investors in the assets permitted by the Investment Code, in accordance with the principle of risk-spreading, keeping them segregated from its own assets in the form of a UCITS fund. Global certificates are issued regarding the thus arising rights of the investors. The object of the UCITS fund is limited to making capital investments using the monies invested in it in accordance with a defined investment strategy, such investments being managed on a collective basis; it may not conduct an operating business or undertake the active entrepreneurial management of the assets held.
3. The legal relationship between the management company and the investor is oriented to the General Terms of Investment (*AABen*) and the Specific Terms of Investment (*BABen*) of the UCITS fund and the *KAGB*.

### § 2 Custodian

1. The management company appoints a credit institution as a custodian for the UCITS fund; the custodian shall act independently from the management company and exclusively in the interest of the investors.
2. The tasks and obligations of the custodian are oriented to the custodian contract concluded with the management company, according to the *KAGB* and the investment conditions.
3. The custodian may outsource custodian tasks to another company (sub-custodian) according to § 73 *KAGB*. The sales prospectus contains more detailed information in this respect.
4. The Depositary shall be liable to the UCITS fund or the investors for any loss of a financial instrument in custody within the meaning of section 72(1) no. 1 of the Investment Code by the Depositary or by a sub-custodian to whom the custody of financial instruments has been transferred in accordance with section 73(1) of the Investment Code. The custodian shall not be liable if it may prove that the loss is a result of external events, the consequences of which

were unavoidable despite all reasonable counter-measures. Further claims, which arise from the regulations of the civil law owing to contracts or illicit acts, shall remain unaffected hereby. The custodian shall also be liable towards the UCITS fund or the investors for all other losses, which they suffer due to the fact that the custodian does not fulfil its obligations according to the regulations of the *KAGB* due to negligence or willful intent. The liability of the custodian shall remain unaffected by a possible assignment of the custodian tasks according to Para. 3 Sentence 1.

### § 3 Fund management

1. The management company acquires and manages the assets in its own name for the joint account of the investors with the required expertise, honesty, care and conscientiousness. It shall act independently from the custodian and exclusively in the interests of the investors when performing its tasks.
2. The management company is entitled to acquire the assets with the money invested by the investors, to sell said assets again and to invest the proceeds otherwise; it is further authorised to carry out all other legal acts arising from the management of the assets.
3. The management company may neither grant monetary loans, nor enter into obligations from a surety or a guarantee contract for the joint account of the investors; it may not sell any assets according to § 193, 194 and 196 *KAGB*, which do not belong to the UCITS fund at the time when the business transaction is concluded. This does not affect section 197 of the Investment Code.

### § 4 Investment principles

The UCITS fund is invested directly or indirectly according to the principle of risk spreading. The management company should only acquire those assets for the UCITS fund, with which an income and/or growth may be expected. It shall determine in the *BABen*, which assets may be acquired for the UCITS fund.

### § 5 Securities

Insofar as the *BABen* do not envisage any further restrictions the management company may only acquire securities for the account of the UCITS fund subject to § 198 *KAGB*, if

- a) they are admitted for trading on an exchange in a member state of the European Union or in another state that is a party to the Agreement on the European Economic Area or are admitted for trading or included in another organised market in one of these states;

- b) they are exclusively admitted for trading on an exchange outside the member states of the European Union or outside the other states that are parties to the Agreement on the European Economic Area or are admitted for trading or included in another organized market in one of these states, insofar as the choice of this exchange or organized market is approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "*BaFin*")<sup>1</sup>,
- c) their admission to trading on a stock exchange in a member state of the European Union or in another state party to the Agreement on the European Economic Area or their admission to an organised market or their inclusion in this market in a member state of the European Union or in another state party to the Agreement on the European Economic Area must be applied for in accordance with the terms of issue, provided that the admission or inclusion of these securities takes place within one year of their issue,
- d) their authorisation for trading on a stock exchange or their authorisation on an organised market or the inclusion in this market outside of the member states or the European Union or outside of the other contractual states of the Treaty on the European Economic Area is to be applied for according to the issue conditions, insofar as the choice of this stock exchange or this organised market is authorised by the Federal Authority and the authorisation or inclusion of these securities is carried out within one year after their issue,
- e) they are units, to which the UCITS fund is entitled with a capital increase from management company funds,
- f) they are acquired while exercising subscription rights, which belong to the UCITS fund,
- g) they are units of closed-end funds that meet the criteria specified in Article 193 (1), sentence 1, no. 7 KAGB;
- h) they are financial instruments, which meet the criteria stated in § 193 Para. 1 Sentence 1 Section 8 KAGB.

The acquisition of securities according to sentence 1 (a)

<sup>1</sup> The stock exchange list is published on the homepage of the Federal Financial Supervisory Authority  
www.bafin.de

<sup>2</sup> see footnote 1.

to this § 5.

## § 6 Money market instruments

1. Insofar as the *BABen* do not envisage any further restrictions, subject to § 198 KAGB the management company may acquire instruments for the account of the UCITS fund, which are usually traded on the money market, as well as interest-bearing securities,

which at the time of their acquisition for the UCITS fund have a residual term of a maximum of 397 days, their interest yield according to the issue conditions will be adjusted in line with the market regularly during its entire term, at least however once in 397 days, or their risk profile corresponds with the risk profile of such securities ("money market instruments").

Money market instruments may only be acquired for the UCITS fund, if they

- a) are admitted to an exchange in a Member State of the European Union or another signatory state to the Agreement on the European Economic Area, or are admitted to or included in an organised market in such a state,
- b) they are exclusively admitted for trading on an exchange outside the member states of the European Union or outside the other states that are parties to the Agreement on the European Economic Area or are admitted for trading or included in another organised market in such a country, insofar as the choice of this exchange or organised market is approved by *BaFin* <sup>2</sup>;
- c) are issued or guaranteed by the European Union, the federal government, a fund of the federal government, a federal state, another member state or another central state, regional or local authority or the Central Bank of a member state of the European Union, the European Central Bank or the European Investment Bank, a third country or, if this is a federal state, a constituent state of this federal state or of an international institution under public law, to which at least one member state of the European Union belongs,
- d) are issued by a management company, whose securities are traded on the markets described under the letters a) and b),
- e) are issued or guaranteed by a credit institution which is subject to supervision in accordance with the criteria laid down in European Union law or by a credit institution which is subject to and complies with supervisory provisions which, in the opinion of the supervisory authority, are equivalent to those laid down in law of European Union, or
- f) issued by other issuers and which meet the requirements of § 194(1) sentence 1 Section 6 KAGB.

2. Money market instruments within the meaning of paragraph 1 may only be acquired if they meet the respective requirements of § 194 (2) and (3) KAGB.

## § 7 Bank balances

The management company may hold bank balances for the account of the UCITS fund that have a maximum term of twelve months. The credit balances to be held in blocked accounts may be held at a credit institution with its registered office in a member state of the European Union or another state party to the Agreement on the European Economic Area; the credit balances may also be held at a credit institution with its registered office in a third country whose supervisory provisions are equivalent to those law of European Union in the opinion of the Federal Financial Supervisory Authority. Insofar as not otherwise determined in the *BABen*, the bank balances may also be denominated in foreign currency.

## § 8 Investment units

1. Insofar as not otherwise determined in the *BABen*, the management company may acquire units in investment funds for the account of the UCITS fund pursuant to the Directive 2009/65/EC (UCITS). Units in other domestic funds and investment joint stock corporations with variable capital as well as units in open-ended EU-AIF and foreign open-ended AIF, may be acquired if they fulfil the requirements of § 196 Para. 1 Sentence 2 *KAGB*.
2. The management company may only acquire units in domestic investment funds and investment stock corporations with variable capital, in EU UCITS, in open-ended EU AIFs and in foreign open-ended AIFs if the terms of investment or the articles of association of the management company, the investment stock corporation with variable capital, the EU investment fund, the EU management company, the foreign AIF or the foreign AIF management company, a total of no more than 10 per cent of the value of its assets may be invested in units in other domestic investment funds, investment stock corporations with variable capital, open-ended EU investment funds or foreign open-ended AIF.

## § 9 Derivatives

1. Unless otherwise stipulated in the Specific Terms of Investment, the management company may use derivatives pursuant to § 197 (1) sentence 1 *KAGB* and financial instruments with a derivative component pursuant to § 197 (1) sentence 2 *KAGB* as part of the management of the UCITS fund. It may – in line with the type and the scope of the used derivatives and financial instruments with a derivative component – either apply the simple or the qualified approach to determine the capacity utilisation of the market risk limit fixed according to § 197 Para. 2 *KAGB* for the use of derivatives and financial instruments with a derivative component within the meaning of the “Regulation governing risk management and risk measurement with the use of derivatives, securities-loans and repurchase agreements in investment funds according to the German Capital Investment Code” (*DerivateV*) issued pursuant to § 197 Para. 3 *KAGB*; more specific details are regulated in the sales prospectus.

2. Insofar as the management company applies the simple approach, it may, as a rule, only use basic forms of derivatives and financial instruments with a derivative component or combination of these derivatives, financial instruments with a derivative component as well as underlying assets that are admissible pursuant to § 197 Para. 1 Sentence 1 *KAGB* in the UCITS fund. Complex derivatives with underlying assets that are admissible pursuant to § 197 Para. 1 Sentence 1 *KAGB* may only be used in a negligible share. The offset amount of the UCITS fund for the market risk that is to be determined according to § 16 *DerivateV* may at no time exceed the value of the fund.

Basic forms of derivatives are:

- a) Futures contracts on the underlying assets according to Section 197 Para. 1 *KAGB* with the exception of investment units according to Section 196 *KAGB*;
- b) Options or warrants on the underlying assets according to § 197 Para. 1 *KAGB* with the exception of investment units according to § 196 *KAGB* and on futures contracts according to lit. a) if they feature the following properties:
  - aa) an exercising of an option is either possible during the entire term or at the end of the term and
  - bb) at the time when it is exercised the option value depends on a straight-line basis on the positive or negative difference between the basic price and the market price of the underlying asset and becomes nil if the difference has the other algebraic sign;
- c) Interest rate swaps, currency swaps and cross-currency swaps;
- d) Options on swaps according to lit. c) if they feature the properties described in lit. b) under lit. aa) and bb) (swaptions);
- e) Credit Default Swaps, which refer to an individual underlying asset (Single Name Credit Default Swaps);
- f) Total Return Swaps, with which all income and fluctuations in value of an underlying assets according to § 197 Para. 1 *KAGB* are exchanged for an agreed premium.

3. Insofar as the management company applies the qualified approach it may – subject to a suitable risk management system – invest in all financial instruments with a derivative component or derivatives that have been derived from an underlying asset that is admissible pursuant to § 197 Para. 1 Sentence 1 *KAGB*.

The potential risk amount for the market risk ("risk amount") that is to be allocated to the UCITS fund may hereby at no time exceed twice the potential risk amount for the market risk of the associated comparable asset pursuant to § 9 *DerivateV*. Alternatively, the risk amount may at no time exceed 20 per cent of the value of the UCITS fund.

4. Under no circumstances may the management company deviate with these business transactions from the investment principles and limits stated in the investment conditions or in the sales prospectus.
5. The management company will use derivatives and financial instruments with a derivative component for the purpose of hedging the efficient portfolio control and for the generation of additional income if and insofar as it considers this necessary in the interest of the investors.
6. When determining the market risk limit for the use of derivatives and financial instruments with a derivative component, the management company may switch between the simple and the qualified approach in accordance with § 6 sentence 3 of the Derivatives Regulation. The shift does not require the approval of the Federal Authority, the management company must, however, report the shift to the Federal Authority without delay and to announce it in the next semi-annual or annual report.
7. With the use of derivatives and financial instruments with a derivative component the management company will comply with the *DerivateV*.

#### § 10 Other investment instruments

Insofar as not otherwise determined in the *BABen* the Company can invest up to 10 per cent of the value of the UCITS fund in other investment instruments pursuant to Section 198 *KAGB* for the account of the UCITS fund.

#### § 11 Issuing limits and investment limits

1. With the management the management company has to comply with the limits and restrictions stipulated in the *KAGB*, in the *DerivateV* and in the investment conditions.
2. Securities and money market instruments including the securities purchased and money market instruments of the same issuer may be acquired up to 5 per cent of the value of the UCITS fund; however up to 10 per cent of the value of the UCITS fund may be invested in these assets if this is envisaged in the *BABen* and the total value of the securities and money market instruments of these issuers do not exceed 40 per cent of the value of the UCITS fund. The issuers of securities and money market instruments shall also be taken into account within the limits set forth in sentence 1 if the securities and money market instruments issued by them are acquired indirectly

through other securities included in the UCITS which are linked to their performance.

3. The management company may invest in bonds, bonded loans and money market instruments, which have been issued or guaranteed by the federal government, a country, the European Union, a member state of the European Union or its regional authorities, another contractual state of the Treaty on the European Economic Area, a third country or by an international organisation, which at least one member state of the European Union belongs to, respectively up to 35 per cent of the value of the UCITS fund.
4. The management company may respectively invest up to 25 per cent of the value of the UCITS fund in mortgage bonds [*Pfandbrief*] and municipal bonds as well as bonds, which have been issued by credit institutions with the registered seat in a member state of the European Union or in another contractual state of the Treaty on the European Economic Area, if the credit institutions are subject to special public supervision owing to statutory regulations for the protection of the bearers of these bonds and the funds borrowed with the issue of the bonds are invested in assets according to the statutory regulations, which during the entire term of the bonds sufficiently cover the liabilities arising from these and which, in case of a default of the issuer, are primarily determined for the due repayments and the payment of the interest. If the management company invests more than 5 per cent of the value of the UCITS fund in bonds of the same issuer according to Sentence 1 then the total value of these bonds may not exceed 80 per cent of the value of the UCITS fund.
5. The limit in Paragraph 3 may be exceeded for securities and money market instruments of the same issuer according to § 206 Para. 2 *KAGB* if this is envisaged by the *BABen* by stating the relevant issuers. In these cases the securities and money market instruments held for the account of the UCITS fund must stem from at least six different issues, whereby no more than 30 per cent of the value of the UCITS fund may be held in one issue.
6. The management company may only invest up to 20 per cent of the value of the UCITS fund in bank assets in accordance with § 195 *KAGB* at the same credit institution.
7. The management company has to ensure that a combination of
  - a) securities or money market instruments, which are issued by the same institution,
  - b) deposits at this institution and
  - c) attributable amounts for the counterparty risk of the transactions conducted with this institution



do not exceed 20 per cent of the value of the UCITS fund. Sentence 1 shall apply to the issuers and guarantors named in Paragraph 3 and 4 with the condition that the management company has to ensure that a combination of the assets and offset amounts stated in Sentence 1 do not exceed 35 per cent of the value of the UCITS fund. The respective individual upper limits shall remain unaffected in both cases.

8. The bonds, bonded loans and money market instruments stated in Paragraph 3 and 4 will not be taken into consideration with the application of the limits of 40 per cent stated in Paragraph 2. The limits stated in Paragraphs 2 to 4 and Paragraphs 6 to 7 may not be accumulated in deviation from the regulation in Paragraph 7.
9. The management company may only invest up to 20 per cent of the value of the UCITS fund in units in one single investment fund according to § 196 Para. 1 KAGB. The management company may only invest a total of up to 30 per cent of the value of the UCITS fund in units in investment funds according to § 196 Para. 1 Sentence 2 KAGB. The management company may acquire no more than 25 per cent of the issued units of another open-ended domestic, EU or foreign investment fund that according to the principle of the risk spreading is invested in assets within the meaning of § 192 to 198 KAGB, for the account of the UCITS fund.

#### § 12 Merger

1. According to § 181 to 191 KAGB the management company may
  - a) assign all assets and liabilities of this UCITS fund to another existing or a new UCITS fund founded hereby or an EU-UCITS or a UCITS investment joint stock corporation with variable capital;
  - b) admit all assets and liabilities of another open-ended public investment fund into this UCITS fund.
2. The merger shall require the approval of the respective responsible supervisory authority. The details of the procedure may be derived from § 182 to 191 KAGB.
3. The UCITS fund may only be merged with a public investment fund that is not a UCITS if the absorbing or newly founded investment fund continues to be a UCITS. Mergers of an EU-UCITS with the UCITS fund may additionally be carried out pursuant to the stipulations of § 2 Para. 1 lit. p Subclause iii of the Directive 2009/65/EC.

#### § 13 Securities lending

1. The Company may grant a securities loan that is terminable at all times to a securities borrower against a remuneration that is suitable for the market after

transfer of sufficient collateral pursuant to Section 200 Para. 2 KAGB for the account of the UCITS fund. The market value of the securities to be assigned may together with the market value of the securities assigned as a securities loan already for the account of the UCITS fund to the same securities borrower including companies belonging to the group within the meaning of § 290 HGB not exceed 10 per cent of the value of the UCITS fund.

2. If the collateral for the assigned securities provided into balances by the securities borrower, the balances must be maintained on blocked accounts pursuant to § 200 Para. 2 Sentence 3 Section 1 KAGB. Alternatively, the management company may take advantage of the possibility to invest these balances in the currency of the balance in the following assets:
  - a) in bonds, which feature a high quality and which have been issued by the federal government, a country, the European Union, a member state of the European Union or a regional authority, another contractual state of the Treaty on the European Economic Area or a third country,
  - b) in money market funds with a short term structure in line with the guidelines issued by the Federal Authority based on § 4 Para. 2 KAGB or
  - c) A reverse repurchase transaction with a credit institution that guarantees the return of the accrued balance at any time.

The UCITS fund is entitled to the income from the investment of the collateral.

3. The management company may also use a system organised by a securities clearing and deposit bank for the brokerage and settlement of securities loans which deviates from the requirements pursuant to Section 200 (1) sentence 3 KAGB if the right of termination at any time pursuant to subsection 1 is not deviated from.
4. Insofar as not otherwise determined in the BABen the management company may also grant securities loans with regard to money market instruments and investment units insofar as these assets may be acquired for the UCITS fund. The regulations of Paragraphs 1 to 3 shall apply accordingly hereto.

#### § 14 Repurchase agreements

1. The management company may enter into securities repurchase agreements within the meaning of § 340b (2) of the German Commercial Code (*Handelsgesetzbuch*) with credit institutions or financial services institutions for the account of the UCITS fund on the basis of standardised framework agreements.
2. The object of repurchase agreements must be securities, which may be acquired for the UCITS fund according to the investment conditions.

3. The repurchase agreements may have a maximum term of 12 months.
4. Unless the Specific Terms provide otherwise, the management company may also conclude repurchase agreements in relation to money market instruments and investment fund units, insofar as the UCITS fund is permitted to acquire these assets. The regulations of Paragraphs 1 to 3 shall apply accordingly hereto.

#### **§ 15 Borrowing of loans**

The management company may borrow short-term loans up to the amount of 10 per cent of the value of the UCITS fund for the joint account of the investors if the conditions for the borrowing of the loan are customary for the market and the custodian approves the borrowing of the loan.

#### **§ 16 Units**

1. The units of the UCITS fund shall be bearer units and shall be certificated in unit certificates or issued as electronic unit certificates.
2. The units may have various design features, in particular with regard to the use of the income, the front load, the redemption discount, the currency of the unit value, the management fee, the minimum investment amount or a combination of these features (unit classes). The details are stipulated in the *BABen*.
3. The units are transferable insofar as not otherwise regulated in the *BABen*. With the transfer of a unit the rights securitised in this unit shall pass. The holder of the unit shall in any case be deemed the beneficiary towards the management company.
4. The rights of the investors or the rights of the investors of a unit class will be securitised in a global certificate. It shall at least bear the handwritten or reproduced signatures of the management company and the custodian.
5. The claim for individual securitisation is excluded.

#### **§ 17 Issue and redemption of units, suspension of the redemption**

1. The number of issued units is principally not limited. The management company reserves the right to temporarily suspend or fully discontinue the issue of units.
2. The units may be acquired from the management company, the custodian or by intermediary acts of third parties. The *BABen* may envisage that units may only be acquired and held by certain investors.
3. The investors may request the redemption of the units from the management company. The management company is obligated to take the units back at

the respective applicable redemption price for the account of the UCITS fund. The redemption body is the custodian.

4. However, the management company reserves the right to suspend the redemption of the units pursuant to § 98 Para. 2 *KAGB* in case of exceptional circumstances, which allow a suspension to appear necessary by taking the interests of the investors into consideration.
5. The management company has to inform the investors by an announcement in the German Federal Gazette and additionally in a business or daily newspaper with a sufficient circulation or in the electronic information media designated in the sales prospectus about the suspension pursuant to Paragraph 4 and the re-commencement of the redemption. The investors are to be informed about the suspension and recommencement of the redemption of the units without delay after the announcement in the German Federal Gazette by means of a permanent data carrier.

#### **§ 18 Issue and redemption price**

1. Unless otherwise specified in the Specific Terms of Investment, the following shall be used for calculation purposes the Issue and redemption price of the units the market values of the assets belonging to the UCITS fund minus the borrowed loans and other liabilities (net asset value) will be determined and divided by the number of units in circulation ("unit value"). If, pursuant to § 16 Para. 2 different unit classes are introduced for the UCITS fund the unit value as well as the issue and redemption price is to be determined separately for each unit class.

The valuation of the assets shall be carried out pursuant to § 168 and 169 *KAGB* and the capital investment accounting and valuation regulation (*KARBV*).

2. The issue price corresponds with the unit value in the UCITS fund, if applicable, plus a front load that is to be fixed in the Specific Terms of Investment pursuant to § 165 Para. 2 Number 8 *KAGB*. The redemption price corresponds with the unit value of the UCITS fund, if applicable, minus a redemption discount that is to be fixed in the *BABen* pursuant to § 165 Para. 2 Number 8 *KAGB*.
3. The settlement key date for unit call orders and redemption orders is no later than the valuation day following the receipt of the unit call order or redemption order, insofar as not otherwise determined in the *BABen*.
4. The Issue and redemption price will be determined each stock exchange trading day. Insofar as not otherwise determined in the *BABen*, the management company and the custodian may refrain from a determination of the value on statutory public holidays, which are stock exchange trading days, as well

as on 24 and 31 December of each year; more specific details are regulated in the sales prospectus.

#### **§ 19 Costs**

The expenses and the payments to which the management company, the custodian and third parties are entitled, which may be charged to the UCITS fund, are stated in the *BABen*. For payments within the meaning of Sentence 1 it is additionally to be stated in the *BABen* according to which method, in which amount and owing to which calculation they are to be paid.

#### **§ 20 Accounting**

1. By no later than four months after the close of the fiscal year of the UCITS fund the management company will publish an annual report including an income and expenses statement pursuant to § 101 Para. 1, 2 and 4 *KAGB*.
2. By no later than two months after the middle of the fiscal year the management company will publish a semi-annual report pursuant to § 103 *KAGB*.
3. If the right to manage the UCITS fund is assigned to another management company during the fiscal year or the UCITS fund is merged with another UCITS fund, a UCITS-investment joint stock corporation with variable capital or an EU-UCITS during the fiscal year then the management company has to draw up an interim report on the assignment key date, which meets the requirements from an annual report pursuant to Paragraph 1.
4. If the UCITS fund is wound up the custodian has to draw up a wind-up report annually as well as on the day, on which the winding-up is completed, which shall meet the requirements from an annual report pursuant to Paragraph 1.
5. The reports are available at the management company and the custodian and further bodies, which are to be stated in the sales prospectus and in the essential investor information; they will further be published in the German Federal Gazette.

#### **§ 21 Termination and winding-up of the UCITS fund**

1. The management company may terminate the management of the UCITS fund with a period of notice of at least six months by announcement in the German Federal Gazette and, in addition, in the annual report or semi-annual report. The investors are to be informed about a termination announced according to Sentence 1 without delay by means of a permanent data carrier.
2. When the termination becomes effective the right of the management company to manage the UCITS fund shall lapse. In this case the UCITS fund respectively the right of disposal over the UCITS fund shall pass to the custodian, which has to wind it up and to

distribute it to the investors. For the time of the winding-up the custodian is entitled to a fee for its work relating to the winding-up as well as to reimbursement of its expenses, which are necessary for the winding-up. With the approval of the Federal Authority the custodian may refrain from the winding-up and distribution and assign the management of the UCITS fund to another management company according to the previous investment conditions.

3. The management company has to draw up a dissolution report on the day, on which its management right lapses according to § 99 *KAGB*, which shall meet the requirements from an annual report according to § 20 Para. 1.

#### **§ 22 Change of management company and custodian**

1. The management company may transfer the right to manage the UCITS fund and dispose over its assets to another investment management company. The transfer requires prior approval from *BaFin*.
2. The approved transfer shall be announced in the German Federal Gazette and also in the annual report or semi-annual report as well as in the electronic information media specified in this prospectus. The transfer shall take effect at the earliest three months after its publication in the German Federal Gazette.
3. The management company may change the custodian for the UCITS fund. The change shall require the approval of the Federal Authority.

#### **§ 23 Changes to the investment conditions**

1. The management company may change the investment conditions.
2. Changes to the investment conditions shall require the prior approval of the *BaFin*.
3. All envisaged changes will be announced in the German Federal Gazette and, in addition, in a business or daily newspaper with a sufficient circulation or in the electronic information media designated in the sales prospectus. In a publication according to Sentence 1 reference is to be made to the envisaged changes and their entry into force. In the event of changes to charges within the meaning of § 162 Para. 2 Number 11 *KAGB*, changes to the investment principles of the UCITS fund within the meaning of § 163 Para. 3 *KAGB* or changes with regard to essential investor rights the investors are, at the same time as with the announcement according to Sentence 1, to be sent the essential contents of the envisaged changes to the investment conditions and their background as well as information about their rights according to § 163 Para. 3 *KAGB* in a comprehensible manner by means of a permanent data carrier pursuant to § 163 Para. 4 *KAGB*. In the event of changes to the previous investment principles, investors

must also be informed of their rights under § 163(3) *KAGB*.

4. The changes shall come into force on the day after their announcement in the German Federal Gazette at the earliest, in the event of changes to the charges and the investment principles, however, not before the expiry of three months after the corresponding announcement.

#### **§ 24 Place of performance**

The place of performance is the registered seat of the management company.

#### **§ 25 Dispute resolution procedure**

The management company undertakes to participate in dispute resolution proceedings before a consumer arbitration board. In the event of disputes, consumers may contact the official consumer arbitration board by the Federal Financial Supervisory Authority (Schlichtungsstelle bei der *BaFin*, Graurheindorfer Straße 108, 53117 Bonn, [www.bafin.de/schlichtungsstelle](http://www.bafin.de/schlichtungsstelle)).

THIS TRANSLATION IS INTENDED FOR CONVENIENCE PURPOSES ONLY AND SOLEY THE GERMAN VERSION IS BINDING

## 28. SPECIAL TERMS OF INVESTMENT

Specific Terms of Investment for the regulation of the legal relationship between the investors and Lupus alpha Investment GmbH, Frankfurt am Main, ("management company") for the fund managed by the management company pursuant to the UCITS Directive

### **„Lupus alpha Sustainable Smaller Pan European Champions “,**

which only apply in conjunction with the "General Terms of Investment" implemented by the management company for this fund.

## **INVESTMENT PRINCIPLES AND INVESTMENT LIMITS**

### **§ 1 Assets**

The management company may acquire the following assets for the UCITS fund:

1. Securities pursuant to § 193 AABen,
2. Money market instruments pursuant to § 194 AABen,
3. Bank balances pursuant to § 195 AABen,
4. Investment units pursuant to § 196 AABen,
5. Derivatives pursuant to § 9 of the General Terms of Investment,
6. Other investment instruments pursuant to Article 10 of the General Terms of Investment.

### **§ 2 Investment limits**

1. The UCITS fund may invest its funds entirely in securities pursuant to Section 1 (1). The securities taken under repurchase agreements shall be counted towards the investment limits of section 206 (1) to (3) KAGB.
2. At least 51 per cent of the value of the UCITS fund shall be invested in European equities that are authorised for official trading on a stock exchange or authorised on another organised market or is included in this market and do not include units in investment funds. Stock selection is based on environmental, ethical and governance sustainability criteria.
3. Up to 49 per cent of the value of the UCITS fund may be invested in money-market instruments, in accordance with § 6 of the "General Terms of Investment". The money market instruments purchased are to be offset against the investment limits of § 206 Para. 1 to 3 KAGB.
4. Securities and money market instruments of the same issuer may be acquired in excess of 5 per cent up to 10 per cent of the value of the UCITS fund if the total value of the securities and money market instruments of these issuers does not exceed 40 per cent of the value of the UCITS fund.

5. The management company may invest in securities and money-market instruments of the following issuers:

- The Federal Republic of Germany
- The federal states:
  - Baden-Württemberg
  - Bavaria
  - Berlin
  - Brandenburg
  - Bremen
  - Hamburg
  - Hesse
  - Mecklenburg-Western Pomerania
  - Lower Saxony
  - North-Rhine Westphalia
  - Rhineland-Palatinate
  - Saarland
  - Saxony
  - Saxony-Anhalt
  - Schleswig-Holstein
  - Thuringia

- European Union:
- As EU Member States:
  - Belgium
  - Bulgaria
  - Denmark
  - Estonia
  - Finland
  - France
  - Greece
  - The Republic of Ireland
  - Italy
  - Croatia
  - Latvia
  - Lithuania
  - Malta
  - Poland
  - Luxembourg
  - Netherlands
  - Austria
  - Portugal
  - Sweden
  - Slovakia
  - Slovenia
  - Spain
  - Czech Republic
  - Hungary
  - Republic of Cyprus
  - Romania

- As contractual states of the Treaty on the European Economic Area:
  - Iceland
  - Liechtenstein
  - Norway
- Other member states of the Organisation for Economic Cooperation and Development that are not a member of the EEA:
  - Australia
  - Japan

- Canada
- South Korea
- Mexico
- New Zealand
- Switzerland
- Turkey
- United States of America
- Chile
- Israel
- United Kingdom of Great Britain and Northern Ireland

respectively invest more than 35 per cent of the value of the UCITS fund.

6. Up to 49 per cent of the value of the assets of the UCITS may be held in bank balances, in accordance with § 7 Sentence 1 of the General Terms of Investment.
7. Up to 10 per cent of the value of the assets of the UCITS may be held in investment units in accordance with § 8 of the "General Terms of Investment". The investment units purchased are to be offset against the investment limits of § 207 and 210 Para. 3 KAGB.

## **UNIT CLASSES**

### **§ 3 Unit classes**

1. Unit classes within the meaning of § 16 para. 2 of the "General Terms and Conditions of Investment" may be established for the UCITS fund which differ with regard to income allocation, issue premium, minimum investment amount, management fee or a combination of these features.
2. Unit classes may be established at any time at the discretion of the management company. The unit value shall be calculated separately for each unit class by allocating the costs of establishing new unit classes, the distributions (including any taxes to be paid out of the fund assets) and the management fee attributable to a specific unit class, including income equalisation where applicable, and exclusively to that unit class.
3. The unit classes existing in each case shall be listed individually both in the sales prospectus and in the annual and semi-annual reports. Characteristic features of the unit classes (income allocation, currency of the unit value, front load, management fee, custodian fee, minimum investment amount or a combination of these features) are described in detail in the prospectus and in the annual and semi-annual reports.

## **UNITS, ISSUE PRICE, REDEMPTION PRICE, REDEMPTION OF UNITS AND CHARGES**

### **§ 4 Units**

The investors participate in the respective assets of the UCITS fund as co-owners according to fractions in the amount of their units.

### **§ 5 Issue and redemption price**

1. The front load is up to five per cent of the unit value. The management company is free to charge a lower issue premium for the UCITS fund or for one or more unit classes or to refrain from charging any issue premium at all.
2. A redemption discount is not charged.

### **§ 6 Charges**

1. The management company shall receive an annual fee for the management of the UCITS fund in an amount of up to 1.50 per cent of the average net asset value of the UCITS fund in the accounting period, calculated in each case from the month-end values. The remuneration shall be charged monthly on a pro rata basis. The management company shall be free to charge a lower remuneration for the UCITS fund or for one or more unit classes or to refrain from charging a remuneration. The management company shall indicate the management fee charged for each unit class in the sales prospectus, the annual report and the semi-annual report.
2. The custodian shall receive an annual fee for its services in an amount of up to 0.05 per cent of the average net asset value of the UCITS fund in the accounting period, calculated from the month-end values (but at least EUR 20,000 p.a.). The remuneration shall be charged monthly on a pro rata basis.
3. The amount withdrawn annually from the UCITS fund in accordance with Clauses 1 and 2 above as remuneration and in accordance with 5 n) as reimbursement of expenses may amount in total to up to 1.67 per cent of the average net asset value of the UCITS fund in the settlement period, calculated from the values at the end of each month.
4. In addition to the above remuneration per unit issued, the management company may receive a performance fee for the management of the fund in an amount of up to 15 per cent of the amount by which the performance of the units exceeds the performance of the benchmark index at the end of a settlement period (outperformance over the benchmark index, i.e. positive deviation of the unit value from the benchmark index), but in total no more than 2.0 per cent of the average net asset value of the fund in the settlement period, calculated from the values at the end of each month.

The charges charged to the UCITS fund may not be deducted from the performance of the benchmark index before the comparison.

If the unit value performance at the end of a settlement period falls short of the performance of the benchmark index (i.e., underperformance relative to the benchmark index, or negative deviation of the unit value performance from the benchmark performance, hereinafter also referred to as "negative benchmark deviation"), the management company shall not receive any performance fee. In accordance with the calculation of the performance fee in the event of a positive benchmark deviation, an underperformance amount per unit value is calculated on the basis of the negative benchmark deviation and carried forward into the next settlement period as a negative carry forward ("negative carry forward"). The negative carry forward is not limited by a maximum amount. For the subsequent settlement period, the management company shall only receive a performance fee if the amount calculated from positive benchmark deviation at the end of this settlement period exceeds the negative carry forward from the previous settlement period. In this case, the remuneration claim is calculated based on the difference between the two amounts. If the amount calculated from the positive benchmark deviation does not exceed the negative carry forward from the previous accounting period, both amounts are offset. The remaining underperformance amount per unit value is carried forward again into the next settlement period as a new "negative carryforward". If there is another negative benchmark deviation at the end of the next settlement period, the existing negative carry forward is increased by the underperformance amount calculated from this negative benchmark deviation. Any underperformance amounts of the five preceding settlement periods shall be taken into account in the annual calculation of the remuneration entitlement. If there are fewer than five previous settlement periods for the fund, all previous settlement periods shall be taken into account.

The settlement period will begin on 1 January and end on 31 December of a calendar year. The first settlement period will begin with the inception of the UCITS fund and not end until the second 31 December after inception.

The "STOXX® Europe TMI Small Net Return EUR Index" is stipulated as the benchmark index. If the benchmark index should cease to exist the management company will stipulate another appropriate index to replace it.

The performance fee is determined by comparing the performance of the benchmark index with the performance of the unit value, calculated according to the BVI method, during the accounting period. In order to determine the unit value performance of the UCITS fund, the unit value at the end of the fiscal year is compared with the unit value at the end of the previous year, whereby distributions and tax payments made to the detriment of the UCITS fund are added back to the unit value (BVI method).

In accordance with the result of a daily comparison, an arithmetically accrued performance fee shall be set aside in the fund per unit issued or a provision already booked shall be released accordingly. Written back provisions revert to the fund. A performance fee may only be withdrawn if corresponding provisions have been formed.

The performance fee may also be withdrawn if the unit value at the end of the settlement period is lower than the unit value at the beginning of the accounting period ("negative unit value development").

5. Besides the aforementioned remuneration the following expenses will be for the expense of the UCITS fund:
  - a) customary bank securities account and account fees, if applicable, including the customary bank charges for the safekeeping of foreign assets overseas;
  - b) costs for the printing and dispatch of the sales documents determined for the investors as stipulated by law (annual and semi-annual reports, sales prospectus, essential investor information);
  - c) costs of publishing annual and semi-annual reports, issue and redemption prices and, if applicable, distributions or reinvestments, and the dissolution report;
  - d) costs of the preparation and use of a permanent data carrier, except in the event of information about investment assets and information about measures in connection with breaches of investment limits or calculation errors with the unit valuation;
  - e) costs for the audit of the UCITS fund by the auditor of the financial statements of the UCITS fund;
  - f) costs for the publication of the taxation bases and the certificate that the tax-related details were determined according to the rules of German tax law;
  - g) The costs of the assertion and enforcement by the management company of legal claims for the account of the UCITS fund and of defence by the management company against claims made against the management company to the detriment of the UCITS fund;
  - h) fees and charges, which are charged by state bodies with regard to the UCITS fund;
  - i) costs for legal and tax advice with regard to the UCITS fund;

- j) charges as well as all charges, which may be incurred with the acquisition and/or the use or naming of a comparable benchmark or financial index;
  - k) charges for the commissioning of voting right authorized agents;
  - l) costs for the analysis of the investment success of the UCITS fund by third parties;
  - m) taxes incurred in connection with the remuneration to be paid to the management company, the custodian and third parties as well as the aforementioned expenses including the taxes incurred in connection with management and safekeeping;
  - n) Costs for the provision of analytical material or services by third parties in relation to one or more financial instruments or other assets or in relation to the issuers or potential issuers of financial instruments or closely related to a particular industry or market up to an amount of 0.12 per cent p.a. of the average net asset value of the UCITS fund in the accounting period calculated from the values at the end of each month.
6. In addition to the fees and expenses above, costs arising in connection with the acquisition and disposal of assets are charged to the UCITS Fund.
7. With the acquisition of units or units, which are managed directly or indirectly by the management company itself or another company, with which the management company is affiliated by an essential direct or indirect participation, the management company or the other company may not charge any front loads and redemption discounts for the acquisition and the redemption. The management company has to disclose the remuneration in the annual report and in the semi-annual report, which was charged to the UCITS fund as a management fee for the units or units held in the UCITS fund by the management company itself, by another management company. The management company shall disclose in the annual report and in the semi-annual report the remuneration charged to the UCITS fund by the management company itself, by another management company or by another company with which the management company is linked by a substantial direct or indirect holding as management remuneration for the units or units held in the UCITS fund.
- UCITS fund and not been used to cover charges, taking into account the related income offset. Realised capital gains, taking into account the related income equalisation, may also be used for distribution.
2. Income that is distributable under Paragraph 1 may be carried forward for distribution in later fiscal years to the extent that the total amount of the forwarded income does not exceed 15 per cent of the respective value of the UCITS fund as of the end of the fiscal year. Income from short fiscal years may be carried forward in full.
3. In the interest of the retaining substance in-come may partly, in special cases also in full, be determined for re-investment in the UCITS fund.
4. The distribution is carried out annually within four months after the close of the fiscal year. Interim distributions are permitted.

#### **§ 8 Accumulation**

For the accumulating unit classes, the management company shall reinvest the interest, dividends and other income accrued during the fiscal year for the account of the UCITS fund and not used to cover charges – taking into account the related income equalisation – as well as the realised capital gains of the accumulating unit classes in the UCITS fund, on a pro rata basis.

#### **§ 9 Fiscal year**

The fiscal year of the UCITS fund will begin on 1 January and end on 31 December of each year.

### **APPROPRIATION OF INCOME AND FISCAL YEAR**

#### **§ 7 Distribution**

1. In principle, the management company shall distribute interest, dividends and other income that has accrued during the fiscal year for the account of the



## 29. An overview of the fund

### Lupus alpha Sustainable Smaller Pan European Champions

WKN		Custodian	
Unit class “C”	A1J9DT		
Unit class “CT”	A2QNXF		
Unit class “R”	A2DTNV		Kreissparkasse Köln
ISIN		Custodian fee	
Unit class “C”	DE000A1J9DT9		
Unit class “CT”	DE000A2QNXF3		0.05 per cent p.a., minimum
Unit class “R”	DE000A2DTNV7		EUR 20.000 p.a.
Time of inception		Comparable benchmark	
Unit class “C”	05 December 2013		
Unit class “CT”	01 February 2022		STOXX Europe TMI Small Net
Unit class “R”	01 December 2020		Return EUR Index
Front load		Fund currency	
Unit class “C”	up to 5.00 per cent		
Unit class “CT”	up to 5.00 per cent		
Unit class “R”	up to 5.00 per cent		Euro
Performance-related remuneration		Other charges	
	For more details, see “Management and other costs” section.		see section “Management and other costs”.
Management fee		Appropriation of income	
Unit class “C”	currently 1.00 per cent p.a.	Unit class “C”	distributing
Unit class “CT”	currently 1.00 per cent p.a.	Unit class “CT”	accumulating
Unit class “R”	currently 1.50 per cent p.a.	Unit class “R”	distributing
End of fiscal year		Overseas distribution	
		Unit class “C”	Austria, France
		Unit class “CT”	Austria
	31 December	Unit class “R”	Austria, France
Minimum investment amount			
Unit class “C”	EUR 500,000		
Unit class “CT”	EUR 1,000,000		
Unit class “R”	No minimum investment amount		

## ADDENDUM DESTINÉ AU PUBLIC EN FRANCE

La Directive Européenne n° 2009/65/CE du 13 juillet 2009 portant coordination des dispositions législatives, réglementaires et administratives concernant certains organismes de placement collectif en valeurs mobilières (OPCVM), instaure des règles communes en vue de permettre la commercialisation transfrontalière des OPCVM qui s'y conforment. Ce socle commun n'exclut pas une mise en œuvre différenciée. C'est pourquoi un OPCVM européen peut être commercialisé en France quand bien même son activité n'obéit pas à des règles identiques à celles qui conditionnent en France l'agrément de ce type de produit.

Le présent addendum fait corps avec le prospectus de « Lupus alpha Sustainable Smaller Pan European Champions » (ci-après dénommé « l'OPCVM ») daté de février 2022.

### 1. Précisions sur les facilités mises à disposition des investisseurs

Conformément à l'article 93, paragraphe 1, de la directive 2009/65/CE, vous trouverez ci-après des informations sur les facilités permettant d'accomplir les tâches visées à l'article 92, paragraphe 1, de la directive :

- **Traitement des ordres de souscription, de rachat et de remboursement et des autres paiements aux porteurs de l'OPCVM :**

Les souscriptions, rachats et remboursements peuvent être adressés à la Société de gestion. Les paiements relatifs aux titres de l'OPCVM seront effectués par la Société de gestion.

- **Fourniture aux investisseurs des informations sur la façon dont les ordres peuvent être passés et comment les produits des rachats et des remboursements sont payés :**

Les informations sur la manière dont les ordres peuvent être passés et comment les produits des rachats et des remboursements sont payés peuvent être obtenues auprès de la Société de gestion.

- **Facilitation du traitement des informations et de l'accès aux procédures et modalités visées à l'article 15 de la directive 2009/65/CE relatives à l'exercice, par les investisseurs, des droits liés à leur investissement dans l'OPCVM dans l'État membre où est commercialisé ce dernier :**

Les informations peuvent être obtenues auprès de la Société de gestion.

- **Mise à disposition des investisseurs des informations et des documents requis en vertu du chapitre IX, dans les conditions définies à l'article 94 :**

Les informations peuvent être obtenues auprès de la Société de gestion.

Le dernier prix d'émission, de vente, de rachat ou de remboursement des titres sont disponibles au siège social de la Société de gestion, sur le site Internet de la Société de gestion ([www.lupusalpha.de](http://www.lupusalpha.de)).

Contact de la Société de gestion pour les besoins des facilités mentionnées ci-dessus :

Lupus alpha Investment GmbH  
Speicherstraße 49-51  
60327 Frankfurt-sur-le-Main  
Tel.: +49 69 365058 7000  
Fax: +49 69 365058 8700

Point de contact pour les investisseurs  
Service Center  
Tel.: + 49 69 365058 7000  
Email: [info@lupusalpha.de](mailto:info@lupusalpha.de)

## **2. Catégories de titres autorisées à la commercialisation en France**

Seules les catégories listées ci-dessous ont reçu, de l'Autorité des marchés financiers (AMF), une autorisation de commercialisation en France.

Nom	Date d'autorisation
Lupus alpha Sustainable Smaller Pan European Champions C	07.06.2022
Lupus alpha Sustainable Smaller Pan European Champions R	07.06.2022

## **3. Conditions de souscription et de rachat**

Parmi les différentes règles de souscriptions et de rachats prévues par le prospectus, la société de gestion peut suspendre temporairement le rachat des parts en cas de circonstances exceptionnelles rendant cette suspension nécessaire compte tenu des intérêts des investisseurs.

La société de gestion applique par ailleurs un dispositif de *swing pricing* partiel. Ce mécanisme ne s'applique que si les excédents de rachats excèdent, le jour d'évaluation concerné, un seuil fixé par la société.

La société détermine le seuil sur la base de plusieurs critères tels que les conditions de marché, la liquidité du marché et l'analyse des risques. Le facteur de *swing pricing* ne dépasse pas 5 % de la valeur nette d'inventaire.

Dans des circonstances de marché exceptionnelles, un facteur de *swing* plus élevé peut être fixé, sans toutefois dépasser 10 % de la valeur nette d'inventaire. La société publie sur son site Internet un avis indiquant une telle augmentation dans ce cas.

## **4. Fiscalité**

L'attention des investisseurs fiscalement domiciliés en France est attirée sur l'obligation de procéder à la déclaration des revenus qui, résultant des cessions ou conversions des parts des fonds, sont soumis au régime des plus-values sur valeurs mobilières.

## ANNEX II

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



<b>Product name:</b> Lupus alpha Sustainable Smaller Pan European Champions (the « fund »)		<b>Legal entity identifier:</b> 529900PG151NHRHZ0A29
<h3 style="color: green;">Environmental and/or social characteristics</h3>		
<b>Does this financial product have a sustainable investment objective?</b>		
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> <b>Yes</b>		<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: __%</b> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ____%</b>		<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20 % of sustainable investments <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> with a social objective  <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>

### What environmental and/or social characteristics are promoted by this financial product?

In implementing the strategy of the fund, environmental and social standards are taken into account in varying weightings. Investments are made in quality companies (small & mid caps) excluding non-sustainable business models (e.g. mining of power plant coal or generation of nuclear power) or compliance with minimum standards (e.g. violations of the UN Global Compact). ESG criteria are also integrated into the fundamental bottom-up analysis. For this purpose, the fund is neither oriented to a reference value nor does it replicate a reference value.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

All investable companies are classified according to environmental, social, ethical and governance criteria. The analysis includes social standards, environmental management, product portfolio and corporate governance. A comprehensive negative screening process excludes stocks that do not meet certain minimum standards. These apply to all securities (i.e. equities) and money market instruments in the portfolio:

#### **Environment**

- Mining of thermal coal > 5% revenue
- Power generation from thermal coal > 10% revenue
- Production and sale of nuclear power > 5% revenue
- Products and services for the nuclear industry > 5% revenue
- Mining and exploration of oil sands & oil shale

#### **Social**

- Violations of the UN Global Compact
- Violations of international human rights conventions and inadequate response of the company
- Violations of ILO core labor standards in own company and supply chain and inadequate response/resolution of the company

#### **Governance**

- Very severe controversies
- Violations of international corruption conventions and inadequate reaction/resolution of the company

#### **Ethics**

- Production/distribution/services of cluster munitions, anti-personnel mines and other controversial weapons
- Production & distribution of military goods > 5% revenue
- Production of tobacco > 5% revenue

All companies that do not violate any of the above exclusion criteria and are not excluded in consideration of principal adverse impacts on sustainability factors (PAIs - see below) are in principle eligible for investment.

The aforementioned revenue limits, norm-based violations / controversies and PAIs are analyzed and checked with data of our external research provider MSCI. Companies for which MSCI has not previously provided analysis are reviewed internally. Information provided by MSCI is also reviewed internally, as portfolio management usually has direct access to the management of the companies under review and can critically review this information. In general, it can be said that the "coverage" of smaller and medium-sized companies in external ESG analyses is worse than that of large companies.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

We commit ourselves to invest at least 20% of the fund's assets in sustainable investments with environmental and/or social objectives. We consider an investment / a company to be sustainable if its products or its operational behavior are aligned or strongly aligned with at least one of the 17 Sustainable Development Goals (SDGs), and at the same time its products and operational behavior are not misaligned or strongly misaligned with any of the other SDGs.

The 17 Sustainable Development Goals (SDGs) are an urgent call for action by all countries. In particular, they are political goals set by the United Nations to ensure sustainable development at the economic, social and environmental dimensions.

For more information, visit <https://sdgs.un.org/>. We apply MSCI ESG methodology when considering contribution to the SDGs. (Sustainable Impact Metrics: <https://www.msci.com/esg-sustainable-impact-metrics>).

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

For the sustainable investments that the fund partially intends to make, a number of negative criteria are also examined in addition to the positive criterion described above. Central is that the business practices as well as the products or services of the company are not misaligned with any of the 17 SDGs. The aim is to ensure that the sustainable investments do not significantly harm any of the environmental or social sustainable investment objectives. Furthermore, in addition to the exclusion criteria described above for the fund as a whole, the following broader criteria for sustainable investments apply:

- Mining of thermal coal > 1% revenue
- Tobacco production
- Revenue with tobacco sales/distribution etc. > 5%

***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The indicators for adverse impacts on sustainability factors are taken into account for the entire fund (not just for the proportion of sustainable investments). The indicators considered and the corresponding methodology can be found in the section on principal adverse impacts on sustainability factors.

***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

For the entire fund (not only for the share of sustainable investments), we exclude companies that violate the OECD guidelines mentioned above.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial

product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



### Does this financial product consider principal adverse impacts on sustainability factors?



Yes, the principal adverse impacts on sustainability factors are considered in the investment process. For this purpose, we have introduced methods for measurement and evaluation and expanded our ESG methodology in such a way that negative influences that exist as a result of investments are limited. The following principal adverse impacts on sustainability factors (PAIs) are considered:

#### Environment

- **Carbon footprint**
- Activities negatively affecting **biodiversity**-sensitive areas

#### Social

- Violations of **UN Global Compact principles** and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- Exposure to **controversial weapons** (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

#### Governance

- **Board gender diversity**
- Cases of insufficient action taken to address **breaches of standards of anti-corruption and anti-bribery**

If an investee company has principal adverse impacts on the sustainability factors mentioned, this generally leads to exclusion. However, in order to offer companies the opportunity to improve on certain factors over time ("transition") we start an engagement process with companies concerning

- **Carbon footprint** (if in the bottom quartile of corresponding IVA-industry). The underlying percentiles are calculated by the company itself based on CO2 data supplied by MSCI. If no data is available from MSCI, the company will determine the data using its own calculations.

or

- Insufficient **Board gender diversity** (no female board members)

We can only invest in the investee company if there are comprehensible plans for improving on these principal adverse impacts or if plans can be agreed on with the company in a direct dialogue. For these companies, we document the plans as well as the desired and implemented changes. If the desired targets are not met or if the company does not show the agreed willingness towards change, the position is sold as a last resort after several escalation levels.

The engagement process described above can only ever be applied to one PAI. If an investee company requires engagement in more than one PAI, we refrain from making an investment.

The aforementioned PAIs are reviewed with the help of our external research provider MSCI. Companies for which MSCI has not previously provided analysis are reviewed internally. Information provided by MSCI is also reviewed internally, as portfolio management usually has direct access to the management of the companies under review and can critically review this information. (The carbon footprint percentile of the issuers is calculated internally based on the MSCI carbon footprint data and the given IVA-industry.)

Information on the principal adverse impacts on sustainability factors is available in the fund's annual report.

☐ No



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

### What investment strategy does this financial product follow?

The fund invests in the most promising small- and medium-size companies in Europe. Based on a consistent bottom-up approach, we select companies which are leading players in their specific market niche and hold a considerable market share therein. These quality titles often feature out-standing returns. Investing in the small & mid cap area means to operate in information inefficient markets that are not exhausted and thus offer a variety of opportunities. Environmental, social and governance (ESG) criteria are applied in the implementation of the strategy.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

A comprehensive negative screening process excludes stocks that do not meet certain minimum standards. These apply to all securities (i.e. equities) and money market instruments in the portfolio:

#### Environment

- Mining of thermal coal > 5% revenue
- Power generation from thermal coal > 10% revenue
- Production and sale of nuclear power > 5% revenue
- Products and services for the nuclear industry > 5% revenue
- Mining and exploration of oil sands & oil shale

#### Social

- Violations of the UN Global Compact
- Violations of international human rights conventions and inadequate response of the company
- Violations of ILO core labor standards in own company and supply chain and inadequate response/resolution of the company

#### Governance

- Very severe controversies
- Violations of international corruption conventions and inadequate reaction/resolution of the company

#### Ethics



- Production/distribution/services of cluster munitions, anti-personnel mines and other controversial weapons
- Production & distribution of military goods > 5% revenue
- Production of tobacco > 5% revenue

Furthermore, the principal adverse impacts on sustainability factors are considered in the investment process in a binding manner as described above.

In addition to the standards, revenue limits and consideration of PAIs that apply to the fund as a whole, we commit to invest at least 20% of the fund's assets in sustainable investments with environmental and/or social objectives. We consider an investment / a company to be sustainable if its products or its operational behavior are aligned or strongly aligned with at least one of the 17 Sustainable Development Goals (SDGs), and at the same time its products and operational behavior are not misaligned or strongly misaligned with any of the other SDGs. Moreover, the investment / company must comply with the principle of "Do No Significant Harm". Accordingly, the following additional or stricter criteria apply to the proportion of sustainable investments in supplement to the exclusion criteria already described above:

- Mining of thermal coal > 1% revenue
- Tobacco production
- Revenue with tobacco sales/distribution etc. > 5%

Furthermore, a minimum ESG rating of BB applies to the proportion of sustainable investments in the portfolio in order to ensure good corporate governance.

If these characteristics are met by an investment/company, it can be counted as a sustainable investment in accordance with its proportion of the fund's assets.

ESG ratings aim to measure how a company deals with financially relevant ESG risks and opportunities. When considering the ESG rating, we apply the methodology of MSCI ESG (MSCI ESG Ratings: <https://www.msci.com/our-solutions/esg-investing/esg-ratings>).

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no obligation to reduce the size of the investment by a minimum rate.

● ***What is the policy to assess good governance practices of the investee companies?***

Constructive dialog with the companies in which we invest is an essential part of our investment processes. Our Small & Mid Cap team completes around 1,500 company meetings each year. Our aim is to bring relevant ESG issues to the attention of the companies and to influence them in order to address the relevant risks and initiate positive developments. Governance issues traditionally play a particularly important role here. This also includes employee compensation and tax compliance.

In addition, the following criteria will result in exclusion:

- Violations of international conventions on corruption and inadequate response/remediation by the company.
- Very severe controversies
- Violations of the UN Global Compact

**Good governance**  
practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- Violations of international human rights conventions and inadequate response/resolution on the part of the company
- Violations of ILO core labor standards in own company and supply chain and inadequate response/resolution on the part of the company

The proportion of sustainable investments in the portfolio is also subject to a minimum MSCI ESG rating of BB, as this confirms the company's ability to mitigate the most important ESG risks and meet the basic expectations of corporate governance in addition to the above criteria. This meets the special requirements placed on explicitly sustainable investments.



## What is the asset allocation planned for this financial product?

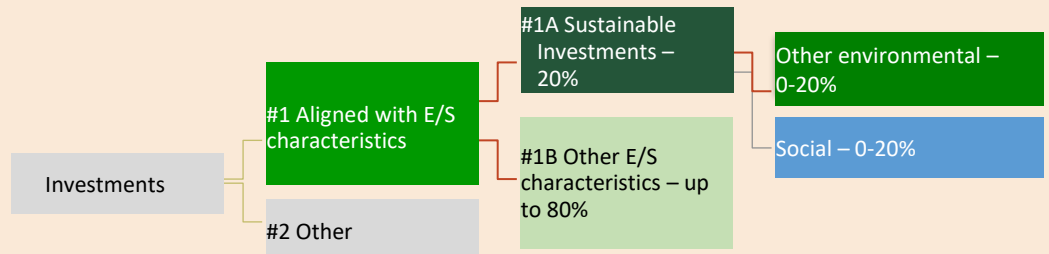
**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

**turnover** reflecting the share of revenue from green activities of investee companies.

**capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

**operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

## ● How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

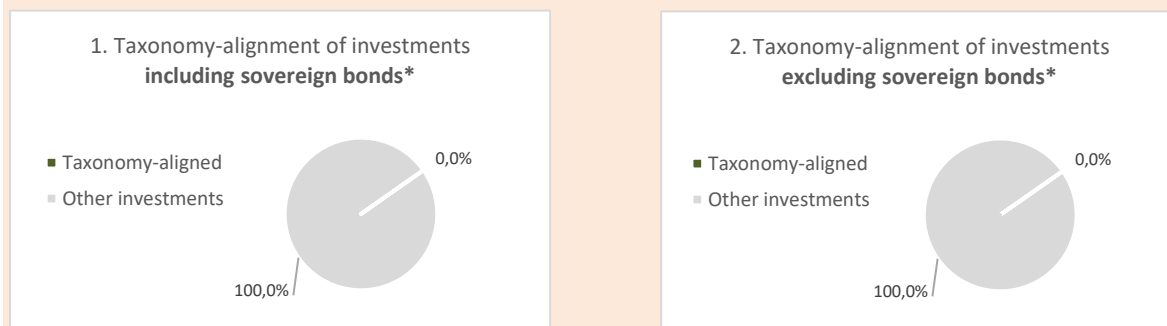
No environmental or social characteristics are achieved through the use of derivatives. In general, no derivatives are used to achieve the investment objectives.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The minimum share is 0%.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

#### ● What is the minimum share of investments in transitional and enabling activities?

The minimum share is 0%.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



#### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum share is 0%. Sustainable investments with an environmental objective and socially sustainable investments together must account for at least 20% of the investment fund's assets. Sustainable investments with an environmental goal are those that are compliant with at least one of the environment-related SDGs (e.g. SDG 12: Responsible Consumption and Production or SDG 13: Climate Action).



### What is the minimum share of socially sustainable investments?

The minimum share is 0%. Sustainable investments with an environmental objective and socially sustainable investments together must account for at least 20% of the investment fund's assets. Socially sustainable investments are those that are compliant with at least one of the social SDGs (e.g. SDG 4: Quality Education or SDG 5: Gender Equality).



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Bank deposits are included under “#2 Other investments”. These are used for liquidity management. [There is no minimum environmental protection for these other investments as they are investments to which such protection is not applicable.]



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No, no index was determined as a reference value.

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:  
<https://www.lupusalpha.com/products/fund/lupus-alpha-sustainable-smaller-pan-european-champions-c/>

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