

# Investor information

pursuant to Art. 105 AIFMA

and

# Trust agreement

including AIF-specific annexes

Status: 09.2021

## New Carpathian Fund

AIF pursuant to Liechtenstein law  
with the legal form of a trust

(hereinafter: the AIF)

(Single fund)

Portfolio management:



AIFM:



# Organizational structure of the AIFM/AIF

## The organizational structure of the AIFM

<b>AIFM:</b>	IFM Independent Fund Management AG Landstrasse 30, FL-9494 Schaan
<b>Board of Directors:</b>	Heimo Quaderer H.R.H. Archduke Simeon von Habsburg Hugo Quaderer
<b>Executive Board:</b>	Luis Ott Alexander Wymann Michael Oehry Ramon Schäfer
<b>Accountant:</b>	Ernst & Young AG Schanzenstrasse 4a, CH-3008 Bern

## The AIF at a glance

<b>Name of AIF:</b>	<b>New Carpathian Fund</b>
<b>Legal structure:</b>	AIF in the legal form of a collective trust pursuant to the Act on the Management of Alternative Investment Funds (AIFMA) dated December 19, 2012
<b>Umbrella structure:</b>	No, single fund
<b>Country of incorporation:</b>	Liechtenstein
<b>Date of AIF incorporation:</b>	July 6, 2016
<b>Financial year:</b>	The financial year of the AIF begins on January 1 and ends on December 31.
<b>Accounting currency of the AIF:</b>	Euro (EUR)
<b>Portfolio management:</b>	GAMMA FINANCIALS AG Bahnhofplatz, CH-6300 Zug
<b>Investment consultant:</b>	n/a
<b>Depositary:</b>	Liechtensteinische Landesbank AG Städtle 44, FL-9490 Vaduz
<b>Distributor:</b>	IFM Independent Fund Management AG Landstrasse 30, FL-9494 Schaan
<b>Accountant:</b>	Ernst & Young AG Schanzenstrasse 4a, CH-3008 Bern
<b>Responsible supervisory authority:</b>	Financial Market Authority Liechtenstein (FMA); <a href="http://www.fma-li.li">www.fma-li.li</a>

Further information on the sub-funds is provided in Annex B "Sub-funds at a glance".

In Liechtenstein, distribution targets professional investors as per Directive 2014/65/EU (MiFID II). Other countries, if any, are subject to the provisions of Annex C "Specific information for individual countries of distribution".

German is the legally binding language for the investor information and articles of incorporation and investment regulations including sub-fund specific annexes.

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## Notes for investors/sales restrictions

The purchase of units of the AIF is governed by the then valid constitutive documents (trust agreement including Annex A "Organizational structure of the AIFM/AIF" and Annex B "The AIF at a glance" as well as the investor information according to Art. 105 AIFMA and the Key Investor Information Document (the "**KIID**") as well as the most recent annual report. Only the information contained in the above-mentioned documents is valid. With the purchase of the units, the investor is considered as having approved this information. **In Liechtenstein, distribution of the AIF targets professional investors as per Directive 2014/65/EU (MiFID II) as well as private investors. Other countries, if any, are subject to the provisions of Annex C "Specific information for individual countries of distribution".**

This trust agreement constitutes neither an offer nor an invitation to buy units of the AIF for persons in a jurisdiction where such offers or invitations are unlawful, or in which the person who extends such an offer or invitation is not qualified to do so, or if the offer or invitation is extended to a person for whom the acceptance thereof would be unlawful. Information not contained in this trust agreement or in publicly accessible documents shall be deemed unaudited and unreliable. Potential investors should inform themselves about possible fiscal consequences, legal prerequisites and possible foreign exchange restrictions or control mechanisms that apply in their country of citizenship, residence, or current domicile and that might be relevant as regards buying, holding, exchanging, redeeming, or selling units. Further fiscal considerations are outlined in Art. 50 "Taxation". Annex C "Specific information for individual countries of distribution" contains information regarding distribution in different countries. The units of the AIF are not admitted for distribution in all countries. Local regulations shall apply in cases where units are issued, exchanged, and redeemed abroad.

In particular, in the United States of America (USA), the units were not registered pursuant to the United States Securities Act of 1933 and can therefore be neither offered nor sold in the USA and neither offered nor sold to US citizens. Among others, the term US citizen includes natural persons who (a) were born in the USA or one of its territories or possessions, (b) are nationalized citizens (or Green Card holders), (c) were born abroad as the child of a US citizen, (d) live predominantly in the USA without being US citizens), (e) are married to a US citizen, or (f) are subject to taxation in the USA. The term US citizen also encompasses: (a) Investment companies and capital companies established under the laws of one of the 50 US states or of the District of Columbia, (b) an investment company or business partnership founded under an "Act of Congress", (c) a pension fund incorporated as a US Trust, (d) an investment company subject to taxation in the USA, or (e) investment companies recognized as such by Regulation S of the US Securities Act of 1933 and/or the US Commodity Exchange Act. In general, units of AIF must not be offered in jurisdictions where and to persons for whom this is not permissible.

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# PART I: INVESTOR INFORMATION PURSUANT TO ART. 105 AIFMA

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As the AIFM, IFM Independent Fund Management AG, Schaan, provides investors of the **New Carpathian Fund** with the following current information.

Apart from this information, it refers investors to the constitutive documents (trust agreement, Annex A "Organizational structure of the AIFM/AIF" and Annex B "The AIF at a glance". With the purchase of the units, the investor is considered as having approved this information. This document does not replace the need for a careful review of the constitutive documents.

This AIF is intended for **professional investors** as per Directive 2014/65/EU (MiFID II) as well as for **private investors**.

## 1 General information

The official gazette of the AIF is the website of the LAFV Liechtenstein Investment Fund Association ([www.lafv.li](http://www.lafv.li)) as well as other media mentioned in the prospectus.

All notices to investors, including announcements regarding amendments to the trust agreement as well as Annex B "The AIF at a glance", shall be published on the website of the LAFV Liechtenstein Investment Fund Association ([www.lafv.li](http://www.lafv.li)) as the official gazette of the AIF and other physical and electronic media mentioned in the trust agreement.

On every valuation day, the net asset value as well as the issue and redemption prices of the units of the AIF or of the unit class shall be published on the website of the LAFV Liechtenstein Investment Fund Association ([www.lafv.li](http://www.lafv.li)) as the official gazette of the AIF and other physical and electronic media (letter, fax, e-mail, or similar) mentioned in the fund documents.

The audited annual report shall be made available to investors free of charge at the domiciles of the AIFM and of the depositary.

## 2 Supplementary investor information pursuant to Art. 105 AIFMA

- 2.1 Description of investment strategy and objectives of the AIF (Art. 105 section 1 lit. a AIFMA)**  
See Annex B "The AIF at a glance" or "Investment principles of the AIF".
- 2.2 Information concerning the domicile of a master AIF, if any, if the AIF is a feeder AIF (Art. 105, section 1, lib. b AIFMA)**  
The AIF is not a feeder AIF.
- 2.3 Information concerning the domicile of the target fund if the AIF is a fund of funds (Art. 105, section 1, lit. c AIFMA)**  
The AIF is not a fund-of-funds.
- 2.4 Description of the types of assets in which the AIF is entitled to invest (Art. 105 section 1 lit. d 1. AIFMA)**  
See Annex B "The AIF at a glance" or "Investment principles of the AIF".

- 2.5 Description of the techniques it may employ and all associated risks, any applicable investment restrictions, the circumstances under which the AIF may use leveraged financing, the types and sources of leverage permitted and the associated risks, any other restrictions on the use of leverage and any collateral and asset reuse arrangements, and the maximum level of leverage which the AIFM is entitled to employ for the account of the AIF (Art. 105 section 1 lit. d 2. AIFMA)**

See trust agreement "General risks" as well as Annex B "The AIF at a glance" in "Risks and risk profiles of the AIF".

- 2.6 Description of the procedure and prerequisites needed for changes to the investment strategy and policy (Art. 105, section 1, lit. d, 3 AIFMA)**

A modification of the investment policy within the scope of the legally and contractually permissible investment spectrum may change the risk exposure of the AIF. Within the scope of the applicable trust agreement, the AIFM is entitled to make significant changes to the investment policy of the AIF at any time by changing the trust agreement including Annex B "The AIF at a glance". Information on publication regulations are provided in Section 1 "General information".

- 2.7 Description of the key legal criteria of the contractual relationship entered into for the investment, including information concerning jurisdiction (Art. 105, section 1, lit. e, 1 AIFMA)**

The AIFM and the AIF are subject to Liechtenstein law. Vaduz is the sole venue for all disputes involving investors, the AIFM, mandated third parties, and the depositary.

However, with respect to claims submitted by investors in other countries where the units are offered and sold, the AIFM and/or the depositary may submit themselves and the AIF to the jurisdictions of such countries. Appeals may also be submitted in other jurisdictions if so required by law.

German is the legally binding language for this trust agreement as well as for Annex A "Organizational structure of the AIFM/AIF" and Annex B "The AIF at a glance".

- 2.8 Description of the key legal criteria of the contractual relationship entered into for the investment, including applicable law (Art. 105, section 1, lit. e, 2 AIFMA)**

The AIFM and the AIF are subject to Liechtenstein law.

- 2.9 Description of the key legal criteria of the contractual relationship entered into for the investment, including the enforceability of rulings in the AIF's domicile country (Art. 105, section 1, lit. e, 3 AIFMA)**

However, with respect to claims submitted by investors in other countries where the units are offered and sold, the AIFM and/or the depositary may submit themselves and the AIF to the jurisdictions of such countries. Appeals may also be submitted in other jurisdictions if so required by law.

The enforceability of rulings in Liechtenstein is governed by the Executive Ordinance (EO). The enforceability of a foreign ruling in Liechtenstein (domicile of the AIF) may require separate proceedings in the Principality of Liechtenstein.



- 2.10 Information concerning the identity and the obligations of all service providers acting for the AIF, in particular the AIFM, the AIF's depositary and the accountant, and a description of the investors' rights; (Art. 105 section 1 lit. f AIFMA)**  
See section II of the trust agreement "The organization" as well as Annex A "Organizational structure of the AIFM/AIF" and Annex B "The AIF at a glance".
- 2.11 Description of how the AIFM covers a potential liability resulting from occupational activities; (Art. 105 section 1 lit. g AIFMA)**  
See trust agreement "The AIFM".
- 2.12 Description of delegated management or custodial functions, the identification of the delegate and any conflicts of interest that may arise from such delegations; (Art. 105 section 1 lit. h AIFMA)**  
See Annex B "The AIF at a glance" in "Delegation of functions by the AIFM" and "Depositary" as well as Annex D "Regulatory disclosure".
- 2.13 Description of the valuation processes and methods used by the AIF (Art. 105 section 1 lit. i AIFMA)**  
See Annex B "The AIF at a glance" in "Valuation".
- 2.14 Description of the procedures for managing the AIF's liquidity risks, under consideration of redemption rights both under ordinary and extraordinary circumstances, and the redemption arrangements with investors (Art. 105 section 1 lit. k AIFMA)**  
See trust agreement "General risks" as well as Annex B "The AIF at a glance" in "AIF-specific risks".
- 2.15 Description of all fees, charges and other expenses and of the maximum amounts thereof to the extent they are directly or indirectly borne by the investors (Art. 105 section 1 lit. l AIFMA)**  
See section X of the trust agreement "Costs and charges" as well as Annex B "The AIF at a glance".
- 2.16 Description of how the AIFM ensures the fair treatment of investors and a description of any preferential treatment granted, stating the type of investors who obtain such preferential treatment and, where relevant, their legal or economic affiliations with the AIF or AIFM (Art. 105 section 1 lit. m AIFMA)**  
The AIFM always acts in the interests of the AIF, the investors, and market integrity. The focus is always on the equitable treatment of the investors. The preferential treatment of individual investors is explicitly excluded.  
Each investor is treated like all others:
- ◆ Information is always published at the same time in known sources.
  - ◆ The parameters for subscribing or redeeming fund units are identical per unit class for all investors.
  - ◆ No investor is individually informed or receives privileges
- 2.17 The latest annual report; (Art. 105 section 1 lit. n AIFMA)**  
See trust agreement "Information for investors".
- 2.18 Process and conditions for issuing and selling units of an AIF; (Art. 105 section 1 lit. o AIFMA)**  
See trust agreement in "Issue of units" and in "Redemption of units".
- 2.19 The most recent net asset value of the AIF or the last market price of its units pursuant to Art. 43 AIFMA (Art. 105 section 1 lit. p AIFMA)**  
See trust agreement in "Information for investors".

- 2.20 Previous value trend of the AIF (Art. 105 section 1 lit. q AIFMA)**  
See trust agreement in "Information for investors".
- 2.21 where relevant, regarding the prime broker: its identity (Art. 105, section 1, lit. r, 1 AIFMA)**  
n/a
- 2.22 where relevant, regarding the prime broker: description of any material arrangements of the AIF with its prime brokers and the way conflicts of interest in relation thereto are settled and the provision in the contract with the depositary on the possibility of transfer and reuse of the AIF's assets and information about any transfer of liability to the prime broker that may exist (Art. 105, section 1, lit. r, 2 AIFMA);**  
n/a
- 2.23 a description of how and when the information required under Art. 106 section 1 lit. b and para. 2 will be disclosed (Art. 105, section 1, lit. s AIFMA).**  
The information specified by Art. 106, para. 1 lit. b and para. 2 AIFMA is disclosed in the annual report.

### 3 Specific information for individual countries of distribution

According to the applicable laws in the Principality of Liechtenstein, the constitutive documents must be submitted to the FMA. This distribution submittal only refers to information pertaining to the implementation of the provisions of the AIFMA. For this reason, the following Annex C entitled "Specific information for individual countries of distribution", based on foreign laws, is not subject to review by the FMA and is excluded from the distribution submittal.

Current status of this document that was submitted to the FMA:  
September 20, 2021.

# PART II: THE TRUST AGREEMENT

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## Preamble

The trust agreement as well as Annex A "Organizational structure of the AIFM/AIF" and Annex B "The AIF at a glance" constitute a material entity. The trust agreement, Annex A "Organizational structure of the AIFM/AIF" and Annex B "The AIF at a glance" are fully contained herein. The trust agreement, Annex A "Organizational structure of the AIFM/AIF" and Annex B "The AIF at a glance" can be fully or partially amended or supplemented by the AIFM at any time. Amendments to the trust agreement, Annex A "Organizational structure of the AIFM/AIF" and Annex B "The AIF at a glance" require prior approval by the FMA.

To the extent that they are not governed by this trust agreement, the legal relationships between the investors and the AIFM are governed by the Act on the Management of Alternative Investment Funds (AIFMA) dated December 19, 2012, and by the latest Ordinance on the Management of Alternative Investment Funds (AIFMO) and, unless not specified there, by the provisions related to trusts in the Persons and Companies Act (PGR).

## I. General provisions

### Art. 1 General information on the AIF

The **New Carpathian Fund** (hereinafter: AIF) was incorporated pursuant to the Act on the Management of Alternative Investment Funds (AIFMA) dated December 19, 2012, and pursuant to the latest version of the Ordinance on the Management of Alternative Investment Funds (AIFMO). **With the approval of the FMA dated July 26, 2017, the** New Carpathian Fund was transformed from an investment undertaking for qualified investors into an AIF pursuant to the Act on the Management of Alternative Investment Funds (AIFMA) dated December 19, 2012, and pursuant to the latest Ordinance on the Management of Alternative Investment Funds (AIFMO). The trust agreement incl. Annex A "Organizational structure of the AIFM/AIF" and Annex B "The AIF at a glance" were first ratified on August 1, 2017.

The amendments to the trust agreement, Annex A "Organizational structure of the AIFM/AIF" and Annex B "The AIF at a glance" were most recently communicated to the FMA by notification on September 20, 2021, and ratified on October 1, 2021.

The valid edition is available on the website of the LAFV Liechtenstein Investment Fund Association at [www.lafv.li](http://www.lafv.li) or can also be obtained free of charge from the AIFM and the depositary.

The AIF is a legally dependent, open-ended undertaking for collective investments and is subject to the Act on the Management of Alternative Investment Funds (AIFMA) dated December 19, 2012.

The AIF has the legal form of a unit trust. A collective trust is the adoption of an identical trust agreement by an indefinite number of investors for the purpose of investing and managing assets for the account of the investors, whereby the individual investors participate in the trust pro rata and are personally liable only for the amount invested.

The AIF does not have an umbrella structure and is thus a single fund.

The AIF is entitled to pursue its investment policies. The investment policy of the AIF is defined on the basis of its investment objectives. The AIF shall form a separate fund for

the benefit of its investors. In the event of a bankruptcy of the AIFM, the separate fund does not fall into the AIFM's bankruptcy estate.

The respective rights and obligations of the owners of the units (hereinafter: investors), the AIFM, and the depositary are governed by this trust agreement. The investors are beneficiaries of the AIF on the basis of the number of units they purchased.

By purchasing units of the AIF, each investor acknowledges the trust agreement that governs the contractual relationships between the investors, the AIFM, and the depositary as well as the duly executed amendments of this document. When amendments to the trust agreement, the annual report or other documents are published on the website of the Liechtenstein Investment Fund Association, such changes shall be binding on the investors.

## **II. The organization**

### **Art. 2 Domicile country / Responsible supervisory authority**

Liechtenstein/Financial Market Authority Liechtenstein (FMA); [www.fma-li.li](http://www.fma-li.li).

### **Art. 3 Legal relationships**

The legal relationships between the investors and the AIFM are governed by the Act on the Management of Alternative Investment Funds (AIFMA) dated December 19, 2012, and by the Ordinance dated March 22, 2016, on the Management of Alternative Investment Funds (AIFMO) and, unless otherwise specified, by the provisions related to trusts in the Persons and Companies Act (PGR).

### **Art. 4 The AIFM**

IFM Independent Fund Management Aktiengesellschaft (hereinafter: AIFM), Landstrasse 30, FL-9494 Schaan, Commercial Registry Number FL-0001-532-594-8.

IFM Independent Fund Management AG was incorporated on October 29, 1996, for an unlimited period, in the form of a joint-stock corporation. The AIFM is domiciled and headquartered in Schaan, Principality of Liechtenstein.

In compliance with the AIFMA, the AIFM is approved by the Financial Market Authority Liechtenstein (FMA) and registered in the FMA's official list of AIFMs entitled to operate in Liechtenstein.

The share capital of the AIFM amounts to CHF 1 million and is fully paid up.

The AIFM has covered occupational liability risks associated with the management of AIFs and attributable to the occupational negligence of its bodies or employees, with equity capital amounting to at least 0.01% of the assets of all managed AIFs. This coverage is reviewed and adjusted on an annual basis.

The AIFM manages the AIF for the account and in the exclusive interest of the investors pursuant to the provisions of the trust agreement and of Annex A "Organizational structure of the AIFM/AIF" and Annex B "The AIF at a glance".

Pursuant to legal provisions and to this trust agreement, the AIFM is entitled in its own name to dispose of all assets belonging to the AIF and to exercise all rights resulting herefrom. Details regarding the rights and obligations of the AIFM are provided in the AIFMA.

The main activities of the AIFM are asset management (portfolio management and/or risk management). It also handles administrative and distribution activities.

In compliance with the AIFMA, and subject to the approval of the Liechtenstein Financial Market Authority (FMA), the AIFM may delegate certain tasks to third parties.

An overview of all AIFs managed by the AIFM is provided on the website of the LAFV Liechtenstein Investment Fund Association at [www.lafv.li](http://www.lafv.li).

The AIFM manages the AIF for the account and in the exclusive interest of the investors pursuant to the provisions of the trust agreement and of Annex A "The AIF at a glance".

Pursuant to legal provisions and to this trust agreement, the AIFM is entitled in its own name to dispose of all assets belonging to the AIF and to exercise all rights resulting herefrom.

#### **a) Board of Directors**

Chairman: Heimo Quaderer, Managing Partner of Principal Vermögensverwaltung AG, Schaan

Members H.R.H. Simeon von Habsburg, Archduke of Austria, Managing Partner of Principal Vermögensverwaltung AG, Schaan

Hugo Quaderer, independent board member of IFM Independent Fund Management AG, Schaan

#### **b) Executive Board**

President: Luis Ott, Managing Director

Members: Alexander Wymann, Deputy Managing Director

Michael Oehry

Ramon Schäfer

### **Art. 5 Delegation of functions**

In compliance with the provisions of the AIFMA and the AIFMO, the AIFM may delegate to third parties a part of its functions in the interest of efficient business management. The accurate implementation of the mandate is governed by a contract concluded between the AIFM and the appointed agent.

#### **a) Portfolio management**

The portfolio manager for the AIF is GAMMA FINANCIALS AG, Bahnhofplatz, CH-6300 Zug.

GAMMA FINANCIALS AG provides asset management and related services as well as the distribution of domestic and foreign collective investment schemes. On July 13, 2016, FINMA approved the asset management company's status as an asset manager of collective investment schemes.

The responsibility of the portfolio manager is mainly to implement the proprietary investment policy on a daily basis and manage the everyday business of the AIF as well as to render other associated services under the supervision, control, and responsibility of the AIFM. The fulfillment of these duties takes into account the principles of the investment policy and the investment restrictions of the AIF as described in this trust agreement including AIF-specific annexes.

In the execution of his activities, the portfolio manager is obliged, wherever he identifies potential conflicts of interest with the AIF or the AIFM, to respect the interests of the AIFM at all times and to spare no effort in resolving such conflicts in a fair and equitable manner. In particular, the portfolio manager acknowledges Art. 35 AIFMA (Code of Conduct).

The portfolio manager is entitled, under consideration of the interests of the investors, to appoint an asset manager for its own account and responsibility and/or to seek counsel by appropriate professional bodies.

The implementation of the operations is governed by an agreement on the delegation of functions (portfolio management) concluded between the AIFM and GAMMA FINANCIALS AG.

#### **b) Distributor**

IFM Independent Fund Management AG is the distributor.

#### **Art. 6 Investment consultant**

No investment consultant was appointed.

#### **Art. 7 Depositary**

Liechtensteinische Landesbank AG, Städtle 44, FL-9490 Vaduz, is the depositary for the AIF.

Liechtensteinische Landesbank Aktiengesellschaft was established in 1861. The bank's principal activities are investment consulting, asset management, and lending. Further information on the depositary (annual reports, brochures, etc.) is available directly at its domicile or on its website [www.llb.li](http://www.llb.li).

The depositary fulfills its duties and assumes responsibilities as defined by the AIFMA and the depositary agreement in the then applicable version ("depositary agreement"). According to the law and the depositary agreement, the depositary is responsible for (i) the general supervision of all assets of the AIF and (ii) the safekeeping of the assets of the AIF entrusted to the depositary or held in its name and (iii) the administrative activities in conjunction with the respective obligations.

Investors are requested to note that there may be jurisdictions in which the effect of the fundamentally prescribed separation of assets is not recognized with respect to asset rights domiciled there in the event of bankruptcy. The AIFM and the depositary shall cooperate with the aim of preventing the safekeeping of assets in such jurisdictions. On behalf of the AIFM, the depositary shall maintain the unit register of the AIF.

The depositary is entitled to transfer its obligations to one or several agents ("subdepositories") in compliance with the applicable decrees and provisions. A list of the subdepositories appointed to hold assets on behalf and for the account of the AIF can be obtained from the depositary.

The appointment of subdepositories does not entail any conflicts of interest.

The depositary is subject to the provisions of the Liechtenstein FATCA Agreement as well as to the respective executive provisions of the then applicable version of the Liechtenstein FATCA Law.

## Art. 8 Prime broker

A prime broker can only be a credit institution, a regulated investment firm or another entity subject to prudential regulation and ongoing supervision, offering services to professional investors primarily to finance or execute transactions in financial instruments as counterparty and which may also provide other services such as clearing and settlement of trades, custodial services, securities lending, customized technology and operational support facilities.

A prime broker may be appointed as a subdepository by the depository or as a business partner by the AIFM.

No prime broker was appointed for the AIF.

## Art. 9 Auditor of the AIFM and of the AIF

Ernst & Young AG, Schanzenstrasse 4a, CH-3008 Bern

The AIFM and the AIF shall have their activities audited on an annual basis by an auditor which is FMA-accredited pursuant to the AIFMA and with whom they have no affiliations.

# III. Distribution

## Art. 10 Distribution information / sales restrictions

The AIFM shall provide the investors, before they purchase units of the AIF, with the latest information as specified by the AIFMA on the website of the LAFV Liechtenstein Investment Fund Association at [www.lafv.li](http://www.lafv.li) and the website of the AIFM at [www.ifm.li](http://www.ifm.li); said information is also available free of charge from the AIFM or the depository.

The purchase of units is based on the constitutive documents as well as the latest available annual report. Only the information contained in the constitutive documents is valid. With the purchase of the units, the investor is considered as having approved this information.

The units of the AIF are not admitted for distribution in all countries. Local regulations shall apply in cases where units are issued, redeemed, and exchanged abroad. Annex C "Specific information for individual countries of distribution" contains information regarding distribution in different countries.

### a) Distribution

In Liechtenstein, the **distribution of units of the AIF** is intended for all investors mentioned below:

- ◆ Professional investors as per Directive 2014/65/EU (MiFID II)
- ◆ Private investors

Definitions of the individual investor groups are provided in Art. 11 below.

### b) Subscription agencies

AIF units can be purchased from the depository or any other domestic or foreign bank subject to Directive 91/308/EEC as set forth in Directive 2015/849/EU or an equivalent regulation and an appropriate supervisory authority.



## Art. 11 Professional investors / private investors

### A. Professional investors

**The following applies to AIF for professional investors as per Directive 2014/65/EU (MiFID II):**

A professional client is a client who has sufficient experience, know-how, and insight to make investment decisions himself and who is capable of adequately assessing the risks involved in such decisions. To be recognized as a professional client, a client must meet the following criteria:

#### I. Categories of clients recognized as professional clients

Within the spirit of the Directive, the following legal personalities should be regarded as professional clients with respect to securities services and financial instruments:

1. Legal personalities that must be authorized or subject to supervision to become active in the financial markets. The list below is to be interpreted such that it contains all authorized legal personalities which perform those activities that characterize the listed legal personalities: Legal personalities authorized by a member state within the scope of a Directive, legal personalities that are authorized or supervised by a member state without reference to a Directive, legal personalities that are authorized or supervised by a third country:
  - a) Credit institutions
  - b) Investment firms
  - c) Other authorized or supervised credit institutions
  - d) Insurance companies
  - e) Undertakings for collective investment and their management companies
  - f) Pension funds and their management companies
  - g) Commodities and commodity derivatives dealers
  - h) Local investors
  - i) Other institutional investors.
2. Large corporations that at the corporate level fulfill two of the following requirements:
  - ◆ Total assets: EUR 20,000,000
  - ◆ Net revenues: EUR 40,000,000
  - ◆ Equity: EUR 2,000,000
3. National and regional governments, public-sector debt administrators, central banks, international and supranational entities such as the World Bank, the IMF, the ECB, the EIB, and other comparable international organizations.
4. Other institutional investors whose main activity is investing in financial instruments, including entities that securitize liabilities and pursue other financing transactions.

The above-mentioned legal personalities are deemed to be professional clients. However, they must have the option of applying for the status of a non-professional client, for which investment firms are willing to provide a higher level of protection. If the client of an investment firm is one of the companies mentioned above, the investment firm must make the client aware of the fact, before rendering any services, that he is considered a professional client according to the available information and will be treated as such unless the investment firm and the client agree otherwise. The firm must also inform the client that an amendment of the agreed terms can be applied for to establish a higher level of protection.



It is at the discretion of the client deemed a professional client to apply for the higher level of protection if he believes that he cannot correctly assess or control the risk involved in an investment.

The higher level of protection is granted when a client deemed a professional client concludes a written agreement with the investment firm pursuant to which he will not be treated as a professional client within the spirit of the code of conduct. It shall be specified in the agreement whether it applies to one or several services or transactions or to one or several types of products or transactions.

5. Clients that on request can be treated as professional clients in accordance with Directive 2014/65/EU (MiFID II).

#### **B. Private investors**

A private investor is any investor who is not a professional investor.

## **IV. Amendments to the trust agreement/structural measures**

### **Art. 12 Amendments to the trust agreement**

This trust agreement may be fully or partially amended or supplemented by the AIFM at any time.

The AIFM shall inform the FMA in writing of material changes to the information submitted pursuant to Art. 112 para. 2 AIFMA at least one month before implementing the change or immediately upon occurrence of an unplanned change.

### **Art. 13 General notes on structural measures**

All types of structural measures are permissible. Structural measures include

- a) Mergers of:
  1. domestic AIFs or their sub-funds with domestic AIFs or their sub-funds;
  2. foreign AIFs or their sub-funds with domestic AIFs or their sub-funds;
  3. domestic AIFs or their sub-funds with foreign AIFs or their sub-funds, provided that the law of the country in which the foreign AIF is domiciled allows it, as well as
- b) Splits of AIFs or their sub-funds, whereby the split of AIFs is subject to the spirit of the provisions for mergers pursuant to Art. 78 and 79 AIFMA.

The provisions of the UCITSA shall apply to structural measures involving AIFs and UCITs.

Unless otherwise stipulated below, the legal provisions of Arts. 76 ff of the AIFMA and the relevant provisions of the ordinance shall apply to structural measures.

### **Art. 14 Merger**

The AIFM may, at any time and at its discretion, if applicable with the approval of the respective supervisory authorities, resolve to merge the AIF with one or several other AIFs. This applies regardless of the legal status and/or the domicile of the funds. Sub-funds and unit classes of the AIF can be merged with each other but the AIF and the unit classes, if any, can also be merged with one or several other AIFs or their sub-funds and unit classes.

The merger of AIFs requires the prior approval of the FMA.

The FMA shall grant its approval if:

- ◆ the depositaries involved have given their written consent;
- ◆ the constitutive documents of the AIFs involved in the merger allow the possibility of a merger;
- ◆ the authorization of the AIFM of the acquiring AIF entitles it to manage the investment strategies of the AIF to be acquired;
- ◆ the assets of the AIFs involved in the merger are valued on the same day as the conversion ratio is calculated and the assets and liabilities are appropriated.

The merger becomes effective on the scheduled merger date. The transferring AIF is dissolved when the merger becomes effective. The investors shall be informed when the merger is completed. The AIFM of the transferring AIF shall notify the FMA of the completion of the merger and convey the confirmation of the appointed auditor that the merger has been properly implemented, indicating the conversion ratio on the date on which the merger becomes effective. In the subsequent year, the annual report of the acquiring AIF shall indicate the merger. An audited final report shall be prepared for the transferring AIF.

If an AIF involved in the merger is also distributed to private investors, the following conditions shall apply in addition to the provisions mentioned in Art. 78 AIFMA:

- a) private investors must be informed about the intended merger at least 30 days prior to the closing date; and
- b) neither the AIF nor the private investors shall be burdened with merger costs unless the private investors have agreed to accept such costs with a qualified majority.
- c)

All assets of the AIF may, at a given transfer date, be transferred to another existing AIF or an AIF or sub-fund newly founded within the scope of a merger.

Until five working days prior to the planned transfer date, the investors may either redeem their units without a redemption charge or exchange their units against units of another AIF that is also managed by the AIFM and has a similar investment policy as the AIF or sub-fund to be merged.

On the transfer date, the assets of the acquiring and the transferring AIF or its sub-funds are calculated, the conversion ratio is defined, and the entire process is audited by the auditor. The conversion ratio is determined on the basis of the net asset values of the acquired and receiving AIF or sub-fund on the date of the merger. The investor shall receive the number of units of the new AIF or sub-fund which corresponds to the value of his units in the transferring AIF or sub-fund. It is also possible that up to 10% of the value of their units will be paid in cash to the investors of the transferring AIF or sub-fund. If the merger takes place during the ongoing financial year of the transferring AIF or sub-fund, its respective AIFM must prepare a report as at the transfer date that fulfills the requirements of an annual report.

The AIFM shall announce in the official gazette of the AIF, the website of the LAFV Liechtenstein Investment Fund Association [www.lafv.li](http://www.lafv.li), when the AIF received another AIF and when the merger became effective. Should the AIF be discontinued due to the merger, the announcement shall be made by the AIFM that manages the receiving or newly established AIF.

The transfer of the assets of this AIF to another domestic AIF or another foreign AIF shall occur only with the approval of the Financial Market Authority Liechtenstein (FMA).

Additionally, mergers are subject to the provisions of Art. 78 AIFMA. If private investors are involved, Art. 79 AIFMA must be considered.

## **Art. 15 Information, consent, and investor rights**

Information for investors must be provided on a durable data medium or in the official gazette according to Art. 85 AIFMA to the extent that the constitutive documents foresee publications in the official gazette.

Information concerning the merger shall be published on the website of the LAFV Liechtenstein Investment Fund Association ([www.lafv.li](http://www.lafv.li)), the official gazette of the AIF.

If the units of the AIF involved in the merger are distributed only to professional investors, the merger plan shall provide at least the following information:

- a) the AIFs that are involved;
- b) the background and rationale of the planned merger; and
- c) the planned effective date of the merger.

The investors shall be adequately and precisely informed about the planned merger. The investor information must make it possible for investors to make an informed judgment of the effects of the plan on their investments and allow them to exercise their rights.

On request by an investor, the AIFM shall provide the merger plan free of charge. It is not obliged to publish the merger plan.

## **Art. 16 Costs of structural measures**

If an AIF involved in the merger is also distributed to private investors, neither the AIF nor the private investors shall be burdened with merger costs unless the private investors have agreed to accept such costs with a qualified majority.

As regards AIFs that are distributed exclusively to professional investors, structural measures may involve legal, consulting, and administrative costs associated with the preparation and implementation of the measures; such costs shall be debited to the AIF's assets. In such cases, the information for investors shall indicate the estimated costs in total and pro rata per unit.

This applies analogously to splits.

## **V. Dissolution of the AIF and its unit classes**

### **Art. 17 Resolution to dissolve**

The AIF shall be imperatively dissolved in the cases provided by law. Additionally, the AIFM is entitled to dissolve the AIF at any time.

Unit classes can be dissolved upon decision by the AIFM.

Investors, heirs, and other persons cannot demand the split or dissolution of the AIF or of an individual unit class.

The resolution to dissolve the AIF or a unit class shall be published on the website of the LAFV Liechtenstein Investment Fund Association ([www.lafv.li](http://www.lafv.li)) as the official gazette of the AIF and other physical and durable media (letter, fax, e-mail, or similar) mentioned in the fund documents. A copy of the notice to investors shall be submitted to the FMA. Once the dissolution decision has been taken, no further units shall be issued, exchanged, or redeemed.

If the AIF is dissolved, the AIFM may immediately liquidate the assets of the AIF in the best interest of the investors. Apart from these provisions, the dissolution of the AIF shall be executed pursuant to the provisions of the Liechtenstein Persons and Companies Act (PGR).

If the AIFM dissolves a unit class without dissolving the AIF, all units of this class shall be redeemed at their then applicable net asset value. This redemption shall be published by the AIFM, and the redemption price shall be credited by the depositary to the investors.

### **Art. 18 Reasons for dissolution**

If the assets of the AIF drop below a level required for cost-effective management, and in the event of significant changes in the political, economic, or monetary environment, or within the scope of streamlining measures, the AIFM may resolve to repurchase all units of the AIF or of a unit class at the net asset value (under consideration of the actually realized prices and actually incurred costs) determined on the valuation day on which the respective resolution becomes effective.

### **Art. 19 Costs of dissolution**

The costs of dissolution shall be deducted from the net assets of the AIF.

### **Art. 20 Dissolution and bankruptcy of the AIFM or of the depositary**

In the event of a dissolution and bankruptcy of the AIFM, the assets managed for the purpose of collective capital investments for the account of the investors shall not become part of the company's bankruptcy estate and shall not be dissolved together with its own assets. The AIF shall form a separate fund for the benefit of its investors. Subject to approval by the FMA, each separate fund shall be transferred to another AIFM or be liquidated by way of separate satisfaction for the benefit of the investors of the AIF.

In the event of a bankruptcy of the depositary, subject to approval by the FMA, the managed assets of the AIF shall be transferred to another depositary or be liquidated by way of separate satisfaction for the benefit of the investors of the AIF.

### **Art. 21 Termination of the depositary agreement**

In the event of a termination of the depositary agreement, subject to approval by the FMA, the net assets of the AIF shall be transferred to another depositary or be liquidated by way of separate satisfaction for the benefit of the investors of the AIF.

## **VI. Creation of sub-funds and unit classes**

### **Art. 22 Creation of sub-funds**

The AIF is not an umbrella fund, so no sub-funds exist. The AIFM may resolve at any time to convert the AIF into an umbrella fund and thus to create sub-funds. Then, the constitutive documents must be modified accordingly.

## **Art. 23 Creation of unit classes**

The AIFM is authorized to create units of different unit classes within the AIF, as well as to dissolve or merge existing unit classes.

Unit classes can be created that, for example, differ from existing unit classes with respect to the use of proceeds, the issue premium, the reference currency and the deployment of currency hedging instruments, the management fee, the minimum amount to be invested, the lock-up period, or a combination of these characteristics. The rights of investors who purchased units assigned to existing unit classes are not affected by the creation of new unit classes.

The unit classes offered by the AIF as well as the charges and reimbursements incurred in conjunction with the units of the AIF are indicated in Annex B "The AIF at a glance."

### **Side pockets:**

The AIFM, subject to the approval of the supervisory authority (FMA) is entitled to split off illiquid asset components and transfer them to separate investment sub-funds (side pockets). This is the case when a significant portion of the AIF (more than 10%) cannot be duly valued in the long term or turns out to be unsalable. The unit owners shall receive units of the side pocket proportionally to their ownership of the original assets of the AIF. Unit trading shall be suspended while the side pocket is being formed. After creation of the side pocket, this sub-fund shall be placed in liquidation and shall distribute the liquidation proceeds to the unit owners as soon as the instruments it contains can be valued or sold again. Until the liquidation process has been completed, no units in the side pockets thus formed shall be issued or redeemed.

## **VII. General investment principles and restrictions**

Pursuant to the provisions of the AIFMA, the respective assets of the AIF shall be invested according to the following investment policy principles and within the investment restrictions.

### **Art. 24 Investment objective**

The AIF-specific investment objective is described in Annex B "The AIF at a glance".

### **Art. 25 Investment policy**

The AIF-specific investment policy is described in Annex B "The AIF at a glance".

The following general investment principles and restrictions apply to the AIF unless otherwise set forth or stipulated for the AIF in Annex B "The AIF at a glance".

### **Art. 26 Accounting/reference currency**

The accounting currency of the AIF as well as the reference currencies per unit class are indicated in Annex B "The AIF at a glance".

The accounting currency is the currency in which the AIF keeps its books. The reference currency is the currency used to calculate the performance and the net asset value of the unit classes. Investments are made in the currencies optimally suited to the performance of the AIF.

## **Art. 27 Profile of a typical investor**

The profile of a typical investor of the AIF is described in Annex B "The AIF at a glance".

## **Art. 28 Permissible investments**

Basically, an AIF may invest in all asset classes. Restrictions, if any, are mentioned in Annex B "The AIF at a glance".

## **Art. 29 Non-permissible investments**

The non-permitted investments are indicated in Annex B "The AIF at a glance".

In the interest of unit owners, the AIFM may define further investment restrictions at any time, to the extent that they are necessary to comply with the laws and regulations of those countries in which the units of the AIF are offered and sold.

## **Art. 30 Investment limits**

The legal provisions of the AIFMA do not include investment limits. Restrictions specified by the AIFM, if any, are mentioned in Annex B "The AIF at a glance".

### **A. Investment cycles during which the respective investment limits must be attained**

The investment limits must be attained within the time periods defined in Annex B "The AIF at a glance".

### **B. Procedure in the event of deviations from the investment limits**

1. The AIF does not need to comply with the investment limits when exercising the subscription rights derived from securities or money market instruments that belong to its assets.
2. If the limits are exceeded, the AIFM shall adopt as a priority objective for its sales transactions to normalize that situation in the interest of its investors.
3. Losses or damages incurred due to an active violation of investment limits/regulations must be reimbursed to the fund immediately.
4. Within the first six months after capital pay-up, the AIF may deviate from the investment limits of this section "General investment principles and restrictions as well as of the section "investment limits" in Annex B "The AIF at a glance". Arts. 28 and 29 are exempt from this exception and must always be complied with. The principle of risk diversification continues to apply.

## **Art. 31 Deployment of derivatives, techniques, and instruments**

The deployment of derivatives, borrowing, securities lending, and annuities transactions is governed by the legal provisions of the AIFMA.

Further information concerning the risk management procedure, securities lending, and annuities transactions is provided in Annex B "The AIF at a glance" of the AIF.

### **a) Risk management procedure**

The AIFM must use a risk management procedure which allows it to monitor and measure at all times the risk involved in its investments as well as their respective exposure within the overall risk profile of the portfolio; furthermore, it must use a

procedure that allows the precise and independent valuation of the values of the OTC derivatives. At least once a year, the AIFM shall submit to the FMA reports with information that reflects a true and fair assessment of the derivative financial instruments managed for the AIF, their underlying risks, the investment limits, and the methods used to estimate the risks associated with derivatives transactions.

The total exposure of the AIF is calculated either with the Commitment Method or with the Value-at-Risk-Method under consideration of the current value of the underlyings, the counterparty risk, future market movements, and the time available for the liquidation of the positions.

**The risk management method applied by the AIFM is described in Annex B "The AIF at a glance".**

**b) Leveraged financing**

The leverage of the AIF is the ratio between the risk of the AIF and its net asset value.

Leveraging is a method with which the AIFM can increase the investment exposure of the AIF. This can be done by concluding leveraged financing approaches embedded in derivative financial instruments, with annuity transactions, or in other ways.

Leverage is calculated by dividing the total exposure of the AIF by its net asset value. For this purpose, the total exposure is calculated with two different methods, i.e. the leverage value can differ depending on which method is used.

When the aggregate nominals approach is used (Gross Method), the calculation is performed by adding the absolute values of all positions of the AIF with no offsets.

The Commitment Method (Net Method) converts positions in derivative financial instruments into equivalent positions of the associated underlyings. The calculation is performed under consideration of hedging transactions, i.e. after offsetting netting and hedging effects.

**The expected leverage pursuant to the Gross and Commitment Methods is indicated in Annex B "The AIF at a glance".**

**c) Liquidity management**

The AIFM shall use adequate methods for controlling liquidity as well as processes that allow the liquidity risks of the AIF to be monitored. The AIFM shall assure that the managed AIF takes into consideration the investment strategy, the liquidity profile, and the redemption principles of the AIF.

**d) Derivative financial instruments**

On behalf of the AIF, the AIFM may transact with derivatives for hedging purposes, for efficient portfolio control, for generating additional income, and as part of its investment strategy. This may at least temporarily increase the loss risk of the AIF.

**The deployment of derivative financial instruments is described in Annex B "The AIF at a glance". In this context, the AIFM shall use the risk management procedure indicated in Annex A "The AIF at a glance".**

The AIFM is entitled to deploy only the following basic forms of derivatives or combinations of such derivatives or combinations of other subjects of investment that the AIF is allowed to purchase:

1. Forward contracts on securities, money market instruments, financial indices pursuant to Art. 9 § 1 of Directive 2007/16/EC, interest rates, precious metals, commodities, volatilities, exchange rates, or currencies;



2. Options or warrants on securities, money market instruments, financial indices pursuant to Art. 9 § 1 of Directive 2007/16/EC, interest rates, precious metals, commodities, volatilities, exchange rates, or currencies and on forward contracts according to section of this lit. d, if
  - ◆ the respective rights can be exercised for the entire duration or at the end of the duration and
  - ◆ the option value is a fraction or a multiple of the difference between the base price and the market price of the underlying instrument and becomes zero if the difference has the other sign;
3. Interest swaps, currency swaps, or interest/currency swaps;
4. Options on swaps pursuant to section 3 of this lit. d if they feature the characteristics described in section 2 of this lit. d (swaptions);
5. Credit default swaps, provided they are exclusively and demonstrably utilized to hedge the credit risk of precisely defined assets of the AIF.

The above-mentioned financial instruments can be independent subjects of investment or components of subjects of investments.

#### e) **Securities lending and borrowing**

The AIFM is also entitled to lend portions of the securities held by the AIF to third parties ("**Securities Lending**"). In general, securities lending transactions shall be handled only via recognized clearing organizations such as Clearstream International or Euroclear, as well as via prime banks, brokerage firms, financial service providers or insurance companies specialized in securities lending, and within the specific baseline conditions. Basically, in securities lending transactions, the AIFM or the depositary of the AIF must receive sureties whose value corresponds at least to the total valuation of the securities lent and accrued interest, if any. These sureties must be extended in a permissible form of financial collateral. Such sureties are not mandatory if the securities lending transaction is handled via Clearstream International or Euroclear or a similar organization which can assure the AIF that the value of the lent securities will be paid. The depositary may retain up to 50% of the proceeds from securities lending to cover its direct and indirect costs.

**Annex B "The AIF at a glance"** indicates whether the AIFM may lend parts of the assets of the AIF (**securities lending**) or, to handle permissible short sales, borrow assets from third parties (**securities borrowing**). The provisions mentioned above apply analogously to securities borrowing.

#### f) **Annuities transactions**

On behalf of the AIF, the AIFM may participate on an assistive basis in **annuities transactions** (Repurchase Agreements or Reverse Repurchase Agreements) consisting of purchases and sales of securities in which it is agreed that the purchaser has the right or the obligation to repurchase the sold securities from the purchaser at a price and within a deadline that were agreed by the two parties when the contract was finalized.

In annuities transactions, the AIFM may be a purchaser or a seller. However, participation in such transactions is subject to the following guidelines.

- ◆ Securities may only be purchased or sold via an annuity transaction if the counterparty is a top-rate financial institution specialized in transactions of this nature.
- ◆ For the duration of an annuity transaction, the purchased securities must not be sold prior to the exercise of the right to repurchase the securities or before the repurchase period expires.



- ◆ Additionally, it must be assured that the scope of the obligations associated with annuities transactions allows the AIF to honor its obligations to repurchase units at any time.
- ◆ Securities that are bound as underlyings in conjunction with derivative financial instruments, that were lent, or that were acquired within the scope of Reverse Repurchase Agreements may not be sold within the scope of Repurchase Agreements.

The applicability of annuities transactions is governed by Annex B "The AIF at a glance".

**Further information on risk management procedures, securities lending, and annuity transactions are provided in Annex B "The AIF at a glance".**

## **g) Collateral policy and investment of collateral**

### **General**

In conjunction with transactions in OTC financial derivatives and efficient portfolio management techniques, the AIFM can accept collateral in the name and for the account of the AIF to reduce its counterparty risk. This section explains the collateral policy applied by the AIF in such cases. Within the meaning of this section, all assets received by the AIFM on behalf and for the account of the AIF (securities lending and borrowing, asset-based annuities transactions, reverse annuity transactions) within the scope of efficient portfolio management techniques shall be treated as collateral.

### **Permissible securities as well as diversification and correlation strategies**

The AIFM can use the collateral it receives to reduce the counterparty risk provided it abides by the criteria set forth in the applicable laws, regulations, and FMA-issued guidelines, particularly with respect to liquidity, valuation, issuer credit rating, correlation, risks in conjunction with the administration of collateral and realizability. Mainly, collateral should fulfill the following conditions:

#### *Liquidity*

Collateral not based on cash or sight deposits shall be highly liquid and transparently priced and must be traded on a regulated market or within a multilateral trading system. Additionally, collateral with short settlement cycles shall be preferred over collateral with long settlement cycles because they can more quickly converted into cash.

#### *Valuation*

The value of collateral must be calculated at least once on every market day and shall be regularly updated. The inability to perform its own value calculations endangers the AIF. This also applies to "mark to model" valuations and rarely traded assets.

#### *Solvency*

The issuer of the collateral shall be highly solvent. In the absence of very high solvency, haircuts shall be performed. If the value of the collateral fluctuates significantly, it is only permissible if suitable conservative haircuts are applied.

#### *Correlation*

The collateral is not provided, issued, or guaranteed by the counterparty or by a company affiliated with the counterparty's group and is not highly correlated with the counterparty's valuation. But investors should note that in a difficult market environment, as experience suggests, the correlation between individual issuers increases massively regardless of the nature of the security.

### **Diversification of collateral**

The collateral received is sufficiently diversified with respect to states, markets, and issuers. The criterion of sufficient diversification as regards issuer concentration is deemed fulfilled if the AIF receives collateral with which the maximum exposure to a single issuer does not exceed 20% of the AIF's net asset value. In the case of collateral from several securities lending and borrowing transactions, OTC derivatives transactions, and annuities transactions involving the same issuer or guarantor, the overall risk versus these issuers shall be aggregated for the calculation of the total risk limit. Notwithstanding this sub-item, AIFs can be fully collateralized with various securities and money market instruments that are issued or guaranteed by an EEA member state, one or several of its territories, a third-party country or an international public-sector entity to which at least one EEA member state belongs. These AIFs should hold securities that were tendered within the scope of at least six different issues, whereby the securities from a single issue must not exceed 30% of the AIFs net asset value.

If it complies with the regulations in Art. 31 above, the AIF may deviate from these rules.

### **Safekeeping and realization**

If the ownership of the transferred collateral has been ceded to the AIFM for the AIF, the collateral received must be held in safekeeping by the depositary of the AIF. Otherwise, the collateral must be held by a third-party depositary that is subject to prudential supervision and is independent of the service provider or legally protected against the default of the related party.

It must be ensured that the AIF may at any time immediately realize the collateral without reference to or the consent of the counterparty.

### **Investment of collateral**

Collateral, except for sight deposits (cash and cash equivalents) must not be sold, reinvested, or pledged.

Collateral composed of cash and cash equivalents (sight deposits and callable deposits) shall be utilized exclusively in one of the following ways:

- ◆ Investment in sight deposits with a maximum duration of twelve months held with credit institutions domiciled in an EEA member country or in another country in which supervisory legislation is equivalent to that of the EEA;
- ◆ Debentures tendered by states with high solvency;
- ◆ Investments within the scope of an annuity transaction if the counterparty of the annuity transaction is a credit institution that is domiciled in an EEA member state or a third country with supervisory legislation equivalent to that of the EEA;
- ◆ Investments in money market funds with short duration structures pursuant to ESMA/2014/937 section 43 lit. j.

The reinvestment of sight deposits and callable deposits shall comply with the provisions regarding risk diversification of non-cash collateral.

To assess the value of collateral exposed to a non-negligible fluctuation risk, the AIF must apply conservative discount rates. On behalf of the AIF, the AIFM shall apply a haircut strategy for every type of asset received as collateral and must consider the characteristics of the assets, including in particular creditworthiness as well as the price volatility of the respective assets and the stress tests that have been performed. The haircut strategy shall be documented and with regard to the respective types of assets makes plausible each decision to apply or not apply a valuation markdown.

### Worth of collateral

The AIFM shall determine the required worth of the collateral for transactions with OTC derivatives and for efficient portfolio management techniques under consideration of the limits set forth in the trust agreement for counterparty risks and under consideration of the nature and features of the transactions, creditworthiness, identity of the counterparties, and prevailing market conditions.

### Rules for haircuts

Collateral shall be valued on a daily basis based on available market prices and under consideration of adequately conservative discounts (haircuts) that the AIFM will determine for each investment class based on its rules for haircuts. Depending on the type of collateral received, these rules take into account various factors, such as the issuer's creditworthiness, the duration, the currency, the price volatility of the assets, and, if applicable, the results of liquidity stress tests that the AIFM performs under normal and extraordinary liquidity conditions. The table below lists the haircuts that the new AIFM deems reasonable on the date of this trust agreement. The values are subject to change.

Collateral instrument	Valuation rate (%)
Account balance (in the reference currency of the AIF)	95
Account balance (not in the reference currency of the AIF)	85
Government bonds [debt securities issued or expressly guaranteed by the following countries (without implicitly guaranteed liabilities, for example): Austria, Belgium, Denmark, France, Germany, the Netherlands, Sweden, the United Kingdom, and the USA to the extent that these countries have a minimum rating of AA-/Aa3 and such debt securities can be valued at market prices daily (mark to market)]	
Residual duration ≤ 1 year	90
Residual duration > 1 year and ≤ 5 years	85
Residual duration > 5 years and ≤ 10 years	80
Corporates (debt securities issued or expressly guaranteed by a company (except financial institutes) and (i) rated at least AA-/Aa3, (ii) with a residual duration of no more than 10 years and (iii) denominated in an OECD currency)	
Residual duration ≤ 1 year	90
Residual duration > 1 year and ≤ 5 years	85
Residual duration > 5 years and ≤ 10 years	80

### Total return swaps

Total return swaps can be executed for the AIF. Total return swaps are derivatives in which all earnings and value fluctuations of an underlying can be swapped for an agreed fixed interest payment. A contractual party, the collateral taker, thus transfers the entire credit and market risk from the underlying instrument to the other contractual party, the collateral provider. In return, the collateral taker pays a premium to the collateral provider. On behalf of the AIF, the AIFM is entitled to execute total return swaps for hedging purposes and as a part of its investment strategy. Basically, all the assets purchasable for the AIF can be the subject of total return swaps. Up to 100% of the AIF's assets can be subjects of such transactions. The AIFM expects that in individual cases no more than 50% of the AIF's assets will be the subject of total return swaps. This is merely an estimate that can be

exceeded in individual cases. The proceeds from total return swaps – after deduction of the transaction costs – are fully credited to the AIF.

The contractual parties for total return swaps are selected on the basis of the following criteria:

- ◆ Price of the financial instrument,
- ◆ Cost of order execution,
- ◆ Speed of execution,
- ◆ Probability of execution or settlement,
- ◆ Scope and type of order,
- ◆ Timing of order,
- ◆ Other factors that influence the execution of the order (such as solvency of the counterparty)

The criteria may be weighted differently depending on the type of trade involved.

### **Art. 32 Investments in other undertakings for collective investment (UCI)**

In compliance with its individual investment policy, the AIF may elect to invest its assets in units of other undertakings for collective investment (UCI). The respective investment limits for the AIF's assets are indicated in Annex B "The AIF at a glance".

Investors must take into account that at the level of indirect investments, further indirect costs and charges are incurred and that fees and remunerations are paid; however, these expenses are debited directly to the individual indirect investments. If the investments hereunder constitute a significant portion of the AIF's assets, the maximum management fees are specified in Annex B "The AIF at a glance" and the annual report.

If units are managed directly or indirectly by the AIFM or by any other company with which the AIFM is affiliated by common management, control, or qualified participation, neither the AIFM nor the other company may charge fees for the subscription or redemption of units from or to the AIF.

### **Art. 33 Borrowing limits**

- a) The assets of the AIF must not be pledged or otherwise encumbered, transferred or ceded as collateral except in cases involving borrowing pursuant to lit. b below or collateralization within the scope of transactions involving financial instruments.
- b) For the purpose of investments or to fulfill requests for redemption, the AIF may take out loans at customary market terms. The AIF's borrowing limit is specified in Annex B "The AIF at a glance" under "Investment principles of the AIF". The borrowing limit does not apply to the purchase of foreign currencies via back-to-back loans. In relation to the depositary, the AIF is not entitled to fully exploit the maximum permissible credit framework. The depositary alone, based on its credit and risk policies, can decide on the nature and amount for which a loan is granted. Under certain circumstances, these policies may change within the duration of the AIF.
- c) The paragraph above does not prohibit the purchase of financial instruments that have not yet been fully paid up.

### **Art. 34 Joint management**

To reduce operating and management costs and simultaneously allow broader diversification of the investments, the AIFM may resolve to manage a part or all of the assets of the AIF together with assets that belong to other undertakings for collective investment.

Currently, the assets of this AIF are individually managed and thus separately from assets that belong to other undertakings for collective investment.

## VIII. Risk advisories

### Art. 35 AIF-specific risks

The performance of the units depends on the investment policy as well as the market development of the individual investments of the AIF and cannot be determined in advance. In this context, it must be pointed out that the value of the units can rise or fall versus the issue price at any time. It cannot be guaranteed that the investors will be able to recover their invested capital.

The AIF-specific risks of the AIF are indicated in Annex B "The AIF at a glance".

### Art. 36 General risks

In addition to the AIF-specific risks, the investments of the AIF may incur general risks.

All investments in the AIF are associated with risks. Risks may include, or be associated with, stock and bond market risks, foreign currency translation risks, interest-rate risks, credit risks, volatility risks, and political risks. Any of these risks may occur together with other risks. Some of these risks are briefly discussed in this section. It should be noted, however, that this is not an inclusive list of all possible risks.

**Potential investors should be clearly aware of the risks incurred by an investment in units and not make any investment decisions before having received comprehensive advice by their legal, fiscal, and financial consultants, auditors or other experts on the suitability of an investment in units of this AIF, taking into consideration their personal financial and fiscal situation as well as other circumstances, and on the information contained in the trust agreement and the investment policy of the AIF.**

#### Market risk

This is a general risk associated with all investments which implies a possible change of the value of a certain investment that may be disadvantageous for the AIF.

#### Price risk

Assets in which the AIF invests may suffer value losses. In this context, the market value of the investments may trend against the cost price. Also, the investments are exposed to different price fluctuations (volatility). In extreme cases, a total loss can be incurred with the respective investments.

#### Cyclical risks

These refer to the risk of price losses arising when at the time of the investment decision, the development of the economic cycle is not, or not correctly, taken into consideration, so that securities investments are made at the wrong time or securities are being held during an unfavorable phase of the economic cycle.

#### Cluster risk

The investment policy may focus on a concentration of investments, for example in certain assets, countries, markets, or industries. In such cases, the AIF is highly dependent on the development of these assets, countries, markets, or industries.

### **Interest-rate risk**

To the extent that the AIF invests in interest-bearing securities, it is exposed to an interest-rate risk. When the market level of the interest rate rises, the price value of the interest-yielding securities of the assets may fall substantially. This is even more the case if the portfolio also contains interest-yielding securities with longer maturities and lower nominal interest.

### **Currency translation risk**

If the AIF holds assets denominated in a foreign currency or currencies, it is exposed to a direct currency translation risk (to the extent that the foreign currency positions are not hedged). Falling exchange rates lead to a value reduction of the foreign currency investments. In addition to the direct currency translation risks, there are also indirect currency translation risks. Internationally active companies depend to a more or less significant degree on the development of exchange rates, and this may have an indirect effect on the price development of investments.

### **Inflation risk**

Inflation may diminish the value of the invested assets. The purchasing power of the invested capital decreases when the inflation rate exceeds the yield of the investments.

### **Psychological market risk**

Sentiment, opinions, and rumors may cause a significant price drop although the profit situation and future prospects of the companies under investment has not necessarily changed in any sustainable way. Equities are especially vulnerable to psychological market risks.

### **Risks of derivative financial instruments**

The AIF may deploy derivative financial instruments. These may be used not only for hedging purposes but may also be deployed as part of the investment strategy. The deployment of derivative financial instruments for hedging purposes may change the general risk profile as a result of smaller opportunities and risks. The deployment of derivative financial instruments for investment purposes may change the general risk profile as a result of additional opportunities and risks. The deployment of derivative financial instruments is described in Annex B "The AIF at a glance".

Derivative financial instruments are not standalone investment instruments; they are rights valued chiefly on the basis of the price and price fluctuations and price expectations of an underlying instrument. Investments in derivatives are exposed to the general market risk, the management risk, the credit risk, and the liquidity risk.

Due to the special features of derivative financial instruments (e.g. leverage), the above-mentioned risks can be of a different nature and in some cases may be more serious than the risks associated with investment in the underlying instrument. For this reason, the deployment of derivatives not only requires an understanding of the underlying instrument but also in-depth familiarity with the derivatives themselves.

Derivative financial instruments also incur the risk of a loss by the AIF because another party participating in the derivative financial instrument (usually a "counterparty") does not meet its obligations.

The credit risk involved in derivatives traded on a stock exchange is generally lower than the risk of over-the-counter (OTC) derivatives because the clearinghouse that acts as the issuer or counterparty of any derivative traded on the stock market provides a settlement guarantee. No comparable guarantee of the clearinghouse exists for over-the-counter derivatives. Thus, under certain circumstances, it may not be possible to close an OTC derivative.



Moreover, a liquidity risk exists because certain instruments may be difficult to buy or sell. In particularly large derivative transactions, or when the respective market is illiquid (as may be the case with over-the-counter derivatives), it may not always be possible to completely implement transactions or the liquidation of positions might be possible only with a higher expense.

Further risks in conjunction with derivatives can arise from incorrect pricing or valuation of derivatives. Many derivatives are complex and often subjectively valued. Inappropriate valuations may lead to increased cash claims from counterparties or result in a value loss for the AIF. Derivatives are not always valued in a direct or parallel correlation with the value of the assets, interest rates, or indices from which they are derived. For this reason, the deployment of derivatives by the AIF is not always an effective way to achieve the investment objective of the AIF and in some instances might even achieve the opposite effect.

### **Risk from collateral management in conjunction with OTC financial derivatives and efficient portfolio management techniques**

If the AIF transacts over-the-counter trades (OTC transactions/efficient portfolio management techniques) it may be exposed to risks in conjunction with the creditworthiness of the OTC counterparties: when concluding forward contracts, options, and swap transactions, securities lending and borrowing, annuities transactions, reverse annuities transactions or otherwise using derivative techniques, the AIF is exposed to the risk that an OTC counterparty does not (or cannot) meet its obligations from a certain contract or from several contracts. The counterparty risk can be reduced by a collateral deposit. If the AIF is owed collateral under a given agreement, it shall be held in safekeeping for the account of the AIF by or for the depository. Cases of bankruptcy and insolvency or other credit default events involving the depository or an entity of its subdepository/correspondent bank network can entail a shift or another type of restriction of the rights of the AIF with respect to the collateral. If the AIF owes the OTC counterparty collateral under a given agreement, then it shall be transferred to the OTC counterparty as agreed between the AIF and the OTC counterparty. Cases of bankruptcy and insolvency or other credit default events involving the OTC counterparty, the depository or an entity of its subdepository/correspondent bank network can entail a delay, a restriction or even the exclusion of the rights or of the recognition of the AIF with respect to the collateral, which would force the AIF to meet its obligations within the scope of the OTC transaction regardless of any collateral that may have been provided in advance to cover such obligations.

The risk associated with the management of collateral, especially the operational or legal risk, is determined, controlled, and minimized by the risk management procedure applied for the AIF.

The AIF may ignore the counterparty risks provided the worth of the collateral, valued at the market price and under consideration of applicable discounts, exceeds the amount of the risk at all times.

An AIF may incur losses when investing cash collateral received. Such a loss can incur as a result of the depreciation of the investment instruments purchased with the cash collateral. If the value of the invested cash collateral declines, this reduces the collateral amount that was made available to the AIF and is subsequently due for repayment to the counterparty. The AIF would have to offset the monetary difference between the originally received collateral and the amount repayable to the counterparty, so the AIF would incur a loss.

### **Risks of the use of benchmarks**

If EU or third-country index providers do not comply with the Benchmark Ordinance or if the benchmark changes significantly or is omitted, a suitable alternative benchmark

must be identified for the AIF if a comparative index is used. In certain cases, this may prove to be difficult or impossible. If a suitable alternative benchmark cannot be identified, this can have a negative impact on the AIF and under certain circumstances also on the ability of the portfolio manager to implement the investment strategy of the AIF. Compliance with the Benchmark Ordinance may entail additional costs for the AIF. The comparative index can change in the course of time. In this case, the constitutive documents shall be updated at the next opportunity and investors shall be informed by notification in the official gazette as well as in the media mentioned in the constitutive documents or with durable media (letter, fax, e-mail or similar).

#### **Liquidity risk**

The AIF may also acquire subjects of investment that are not approved for trading on a stock exchange or integrated in another organized market. The risk involved here is that the sale of these assets may be delayed, involve a loss, or be impossible.

Even as regards subjects of investment that are traded in an organized market, there is a risk that the market can have phases of illiquidity. The result may be that the assets cannot be traded at the desired time and/or in the desired quantities and/or at the expected price.

#### **Counterparty risk**

The risk is that contractual parties (counterparties) may not be able to meet their contractual obligation to fulfill transactions. The AIF may incur a loss in this context.

#### **Issuer risk (solvency risk)**

A deterioration in solvency or even the bankruptcy of an issuer may entail at least a partial loss of the assets.

#### **Country or transfer risk**

When a foreign borrower cannot meet obligations on time or fails to do so entirely despite solvency because of non-transferability or non-cooperation of the borrower's country of domicile (due to foreign exchange restrictions, transfer risks, moratoriums, embargos, etc.), this is referred to as a country risk. Thus, payments rightfully due to the AIF may fail to be remitted or may be remitted in a currency that due to foreign exchange restrictions is no longer convertible.

#### **Operational risk**

The operational risk is the risk of a loss of the AIF's assets resulting from inadequate internal processes as well as human or systemic error within the AIF or from external events and includes legal, documentation, and reputational risks as well as risks arising from trading, settlement, and valuation processes applied to the AIF's assets.

#### **Transaction risk**

Investments particularly in unlisted securities involve the risk that settlement through a transfer system cannot be executed as expected due to delayed or non-compliant payments or deliveries.

#### **Key persons risk**

Among other factors, AIFs whose investment result is highly positive in a certain period also owe this success to the suitability of the acting persons and thus to the correct decisions of its management. However, there may be changes as regards the persons who constitute the fund's management. New decision-makers may then act with less success.

#### **Legal and fiscal risk**

The purchase, ownership or sale of investments of the AIF may be subject to fiscal regulations (e.g. source taxation) outside the AIF's country of domicile. Moreover, the legal and fiscal treatment of AIFs may change in unexpected ways that cannot be



influenced. The identification of an error in the tax appraisal of the AIF for past financial years (for instance in conjunction with external tax audits) may, if the subsequent correction is basically to the disadvantage of the investor, force the investor to bear the tax burden arising from the correction for past financial years even though he may not have been invested in the AIF during the periods of time involved. Conversely, if a correction that is basically to the advantage of the investor for the current and for those past fiscal years during which he was invested in the AIF, the investor might no longer be able to benefit from the correction if the units were redeemed or sold prior to the implementation of the respective correction. Additionally, a correction of tax data may result in the recognition of taxable income or tax benefits in a fiscal assessment period other than the period actually involved, and this may have a negative impact on the individual investor.

### **Depository risk**

The safekeeping of assets involves a loss risk that can result from insolvency or violations of due diligence on the part of the depository or from force majeure.

### **Changes to investment policy and charges**

A modification of the investment policy within the scope of the legally and contractually permissible investment spectrum may change the risk associated with the AIF. The AIFM is entitled to increase the charges to be borne by the AIF and/or substantially change the investment policy of the AIF at any time within the scope of the applicable trust agreement by amending the trust agreement including Annex A "Organizational structure of the AIFM/AIF" and Annex B "The AIF at a glance".

### **Changes to the trust agreement**

In the trust agreement, the AIFM reserves the right to amend the trust provisions. Furthermore, pursuant to the trust agreement, it is entitled to fully dissolve the AIF or to merge it with other AIFs or sub-funds. For the investor, this entails the risk that the intended holding duration may be shortened.

### **Risk of suspension of repurchase**

Basically, investors may request the AIFM to repurchase their units according to the valuation interval of the AIF. Under exceptional circumstances, however, the AIFM may temporarily suspend a repurchase of units and redeem the units at a later date at the then applicable price (see details in "Suspension of the calculation of the net asset value and of the issue, repurchase, and exchange of units"). This price may be lower than the price prior to the suspension of repurchase. A suspension of repurchase of units can directly entail a dissolution of the AIF.

### **Hedging risk**

Unit classes whose reference currency is not the portfolio currency can be hedged against exchange rate fluctuations. The intention is to protect investors of the respective unit class against possible losses due to negative exchange rate developments to the greatest extent possible, but at the same time, they cannot fully benefit from positive exchange rate developments. Due to fluctuations of the volumes hedged in the portfolio as well as ongoing subscriptions and redemptions, it is not always possible to implement hedges of exactly the same scope as the net asset value of the unit class to be hedged. It is therefore possible that the net asset value per unit of a hedged unit class will not perform exactly like the net asset value per unit of a non-hedged unit class.

### **Sustainability risks**

The term "sustainability risks" means the risk of an actual or potential value loss of an investment due to the occurrence of environmental, social, or governance (ESG) events. The AIFM or portfolio manager shall consider sustainability risks in its investment decisions according to its corporate strategy.

Their assessment exhibits no relevant effects on yield because the investment policy and the performance achieved in the past do not suggest a relevant impact on the overall portfolio although the past performance obviously cannot be extrapolated to the future.

## **IX. Valuation and unit transactions**

### **Art. 37 Calculation of the net asset value per unit**

The net asset value (NAV) per unit of the AIF or of a unit class shall be calculated by the AIFM or by an agent designated by the AIFM at the end of the accounting year as well as on the respective valuation day on the basis of the last known prices, taking into account the valuation interval.

The NAV of a unit in a unit class of the AIF is expressed in the AIF's accounting currency or, if different, in the reference currency of the respective unit class and is equivalent to the quota of the AIF's assets allocated to the respective unit class, less debt liabilities of the AIF, if any, divided by the number of outstanding units in the respective unit class.

To expedite the issue and redemption of units in special cases, the AIFM is entitled, if so decided, to calculate a so-called special NAV for the AIF that deviates from the ordinary valuation interval. Details can be found in the respective Annex B "The AIF at a glance".

**The valuation principles of the AIF and further information on the calculation of the net asset value are indicated in Annex B "The AIF at a glance".**

### **Art. 38 Issue of units**

Units of an AIF shall be issued on each valuation day (issue day) at the net asset value per unit of the respective unit class of the AIF plus the issue premium, if any, plus taxes and charges, if any.

The units are not securitized.

Subscription requests must be received by the depositary on the acceptance deadline by the latest. If a subscription request is received after the acceptance deadline, it will be processed on the next following issue day. Requests submitted to distributors in Liechtenstein or abroad may be subject to earlier deadlines in order to assure that they can be forwarded to the depositary in Liechtenstein in a timely manner. On request, the respective distributors will provide pertinent information.

Information on the issue day, the valuation interval, the acceptance deadline, and the maximum issue premium, if any, is provided in Annex B "The AIF at a glance".

The payment must arrive within the period (value date) after the issue day on which the issue price of the units was determined as specified in Annex B "The AIF at a glance". However, the AIFM is entitled to extend this period accordingly if the anticipated period should prove to be too short.

The AIFM shall assure that the issue of units shall be booked on the basis of a net asset value per unit that is not known to the investor at the time of the request (forward pricing).

All taxes and fees incurred in conjunction with the issue of units shall be charged to the investor as well. If units are purchased via banks that are not entrusted with the distribution of the units, it cannot be excluded that such banks will charge additional transaction costs.

If the payment is made in a currency other than the accounting currency, the equivalent resulting from the conversion of the payment currency into the accounting currency, less charges, shall be used for the purchase of units.

The minimum investment that must be subscribed by an investor in a specific unit class is indicated in Annex B "The AIF at a glance". At the discretion of the AIFM, a minimum investment limit may be waived.

On request by an investor, subject to the approval of the AIFM, units can also be purchased against the transfer of instruments at spot prices (contributions in kind or in specie transfer). The AIFM is not obliged to approve such a request.

Contributions in kind must be reviewed and assessed by the AIFM according to objective criteria. Transferred assets must be compliant with the AIF's investment policy and a current investor interest in the instruments must exist from the AIFM's point of view. The intrinsic value of the contribution in kind must be rated by the AIFM or the auditor. All costs incurred in this context (including auditors' fees, other expenses or taxes and charges, if any) shall be borne by the respective investor and must not be debited from the respective fund's assets.

The AIFM may, in addition, take a decision to permanently or temporarily suspend the issue of units if new investments may impair the achievement of the investment objective.

The depositary and/or the AIFM may at any time reject a subscription request or temporarily limit or suspend or discontinue the issue of units if this appears to be necessary in the public interest or to protect the AIFM or the AIF or the investors. In this case, the depositary will instantly refund, less interest, incoming payments for subscription requests that have yet to be fulfilled, and for this purpose may enlist the help of the paying agents.

In situations pursuant to Art. 41 of this trust agreement, the issue of units of the AIF may be discontinued.

### **Art. 39 Repurchase of units**

Under consideration of a period of notice that may be mentioned in Annex B "The AIF at a glance", units of the AIF shall be redeemed on each valuation day (repurchase day) at the net asset value per unit of the respective unit class of the AIF less the redemption charge, if any, and less taxes and charges, if any.

Repurchase requests must be received by the depositary on the acceptance deadline at the latest. If a period of notice exists for repurchases, it will be indicated in Annex B "The AIF at a glance". If a repurchase request is received after the acceptance deadline, it will be scheduled for the next following repurchase day. Requests submitted to distributors in Liechtenstein or abroad may be subject to earlier deadlines in order to assure that they can be forwarded to the depositary in Liechtenstein in a timely manner. On request, the respective distributors will provide pertinent information. Information on the redemption day, the valuation interval, the acceptance deadline, and the maximum redemption premium, if any, is provided in Annex B "The AIF at a glance".

The redemption amount shall be paid within a defined period of time (value date) after the valuation day. The AIFM is entitled to extend this period accordingly if the regular period should prove to be too short. Value date information is provided in Annex B "The AIF at a glance". This does not apply in case the transfer of the redemption sum proves

impossible due to legal constraints such as currency export and cross-border payment restrictions or due to other circumstances beyond the control of the depositary.

In case of large redemption requests, the AIFM may decide to settle a redemption request only when, without unnecessary delay, equivalent assets of the AIF can be sold. If such a measure is necessary, all redemption requests received on the same day shall be settled at the same price.

If, on request by the investor, the payment is to be made in a currency other than the accounting currency, the amount payable shall be calculated on the basis of the proceeds from the conversion of the accounting currency into the payment currency, less fees and charges, if any.

When the repurchase price is paid, the respective unit shall become void.

If the execution of a repurchase request causes the respective investor's holdings to fall below the minimum holdings of the respective unit class as indicated in Annex B "The AIF at a glance", the AIFM may, without notifying the investor, treat the repurchase request as a request for redeeming all units of the respective unit class held by the investor or as a request to exchange the remaining units into another unit class of the AIF with the same reference currency, provided the investor fulfills its terms of participation.

The AIFM and/or the depositary may redeem units without the investor's consent against payment of the repurchase price to the extent that this appears to be in the interest of or for the protection of investors or the AIFM or the AIF, particularly when

1. there is reason to suspect that with the purchase of units, a given investor is pursuing market timing, late trading or other market techniques that could be detrimental to all other investors,
2. the investor does not fulfill the conditions for purchasing units, or
3. units are being distributed in a country in which the AIF is not approved for distribution or have been purchased by a person who is not allowed to purchase units.

The AIFM shall assure that the repurchase of units shall be booked on the basis of a net asset value per unit that is not known to the investor at the time of the request (forward pricing).

In situations pursuant to Art. 41 of this trust agreement, the redemption of units of the AIF may be discontinued.

Redemptions in kind are permissible and shall be reviewed and valued by the AIFM according to objective criteria. Units can also be redeemed by way of transfer of investments of the AIF or its sub-funds at the respective spot prices (redemptions in kind or in specie transfer). The value of transferred investments shall be confirmed by an auditors' report.

## **Art. 40 Exchange of units**

Provided different unit classes are available, units of one unit class can also be exchanged for units in another unit class of the AIF. Exchange fees, if any, are mentioned in Annex B "The AIF at a glance". If an exchange of units is not possible for a given unit class, this will be mentioned in Annex B "The AIF at a glance" for the respective unit classes.

The number of units into which the investor wishes to exchange his holdings shall be calculated according to the following equation:

$$A = \frac{(B \times C)}{(D \times E)}$$

- A = Number of units of the target unit class
- B = Number of units of the source unit class
- C = Net asset value or repurchase price of the units submitted for exchange
- D = Currency exchange rate between the respective unit classes. If both unit classes are valued with the same accounting currency, this coefficient is 1.
- E = Net asset value per unit of the target unit class plus taxes, fees, and other charges

From case to case, unit class swaps may in some countries be subject to charges, taxation and stamp duties.

The AIFM may reject an exchange request for a unit class at any time if this appears to be necessary and in the interest of the AIF or the AIFM or the investors, particularly when:

1. there is reason to suspect that with the purchase of units, a given investor is pursuing market timing, late trading or other market techniques that could be detrimental to all other investors;
2. the investor does not fulfill the conditions for purchasing units; or
3. units are being distributed in a country in which the AIF is not approved for distribution or have been purchased by a person who is not allowed to purchase units.

The AIFM shall assure that the exchange of units shall be booked on the basis of a net asset value per unit that is not known to the investor at the time of the request (forward pricing).

In situations pursuant to Art. 41 of this trust agreement, the exchange of units of the AIF may be discontinued.

#### **Art. 41 Suspension of the calculation of the net asset value and of the issue and redemption of units**

The AIFM may temporarily suspend the calculation of the net asset value and/or the issue of units of the AIF if this is justified in the interest of the investors, especially:

1. if a market which forms the basis for the calculation of a substantial part of the assets of the AIF is closed, or if trading on such a market is restricted or suspended;
2. in case of political, economic, or other emergencies; or
3. if transactions become non-executable by the AIF due to restrictions on the transfer of assets.

The AIFM may, in addition, take a decision to permanently or temporarily suspend the issue of units if new investments may impair the achievement of the investment objective.

The issue of units shall be temporarily suspended in particular if the calculation of the net asset value per unit is suspended. If the issue of units is suspended, investors shall be immediately informed of the reasons and duration of the suspension via the official gazette as well as the media mentioned in the fund documents or via durable media (letter, fax, e-mail or similar).

Additionally, under consideration of the interests of the investors, the AIFM is entitled postpone substantial redemptions, i.e. to temporarily suspend repurchases, until adequate assets of the AIF can be sold without delay under consideration of the interests of the investors.

No new units of the AIF shall be issued as long as the repurchase of units is suspended. Units subject to a temporary repurchase suspension cannot be exchanged.

The AIFM shall assure that the AIF has enough cash and cash equivalents to allow the immediate repurchase of units under normal circumstances at the request of investors.

The AIFM shall immediately notify the FMA, and, with suitable means, the investors, if the redemption and repurchase of units is suspended. Subscription and repurchase requests shall be fulfilled after resumption of the calculation of the net asset value. Until unit trading is resumed, investors are entitled to revoke their subscription and/or repurchase requests.

## **Art. 42 Unit redemption embargo (lock-up)**

Unit classes may be subject to a so-called lock-up. A **lock-up** is an **embargo period** during which no unit redemptions take place. Redemption requests are not accepted and processed until the embargo period has elapsed and the period of notice is observed. Redemption requests received during the embargo period will be rejected. Further information and details are provided in Annex B "The AIF at a glance".

If so resolved by the AIFM, units can be redeemed unilaterally before the end of the lock-up without the approval of the investor against payment of the redemption price.

## **Art. 43 Late trading and market timing**

If a requester is suspected of pursuing late trading or market timing, the AIFM and/or the depositary shall refuse to honor the subscription, exchange, or repurchase request until the requester has eliminated all doubts with respect to the request.

### **Late trading**

Late trading is understood to mean the acceptance of a subscription, exchange, or repurchase request received after the acceptance deadline for such orders (cut-off time) of the respective day for execution at the price that is based on the applicable net asset value on that day. Late trading allows investors to benefit from their awareness of events or information published after the acceptance deadline for orders but that are not yet factored into the price at which the investor's order is executed. Thus, such investors have an advantage over investors who complied with the official deadline. Such investors stand to gain even more if they can combine late trading with market timing.

### **Market timing**

Market timing is understood to mean an arbitrage process with which an investor systematically buys and resells or exchanges units of the same AIF or units of the same unit class on a short-term basis and utilizes time differences and/or errors or weaknesses of the system used to calculate the net asset value of the AIF or of the unit class(es).

## **Art. 44 Prevention of money laundering and terrorism financing**

The AIFM shall assure that domestic authorized distributors commit themselves to the provisions of the law and ordinance on occupational diligence and due care (Sorgfaltspflichtgesetz, Sorgfaltspflichtverordnung) applicable in the Principality of Liechtenstein, as well as the FMA guidelines in the edition in force.

To the extent that domestic distributors receive monies from investors, they are obliged, in their capacity as agents subject to due diligence obligations and in compliance with the Due Diligence Act and the Due Diligence Ordinance, to identify the subscriber and the beneficiary, to prepare a dossier on the business relationship, and to abide by all local laws related to the prevention on money laundering.

Furthermore, the distributors and their sales agents shall respect all laws related to the prevention of money laundering and terrorism financing that apply in the respective countries of distribution.

## **X. Costs and charges**

### **Art. 45 Ongoing charges**

#### **A. Depending on asset volume (individual charge):**

##### **Management and administration fee**

For portfolio management, risk management and distribution as well as for the administration of the AIF, the AIFM shall levy annual charges as set forth in Annex B "The AIF at a glance". These charges are calculated on the basis of the average net assets of the fund or of the respective unit class, deferred on every valuation day, and levied quarterly pro rata temporis in arrears. The applicable charges of the AIF or of the respective unit class are set forth in Annex B "The AIF at a glance". The AIFM is at liberty to specify different administration fees for one or several unit classes of the AIF.

This also includes the trailer fees that may be payable to third parties for investor referral and support services.

##### **Depositary fee**

For the fulfillment of its duties pursuant to the depositary agreement, the depositary is entitled to remuneration as per Annex B "The AIF at a glance". The depositary charges are calculated on the basis of the average net assets of the fund or of the respective unit class, deferred on every valuation day, and levied quarterly pro rata temporis in arrears. The AIFM is at liberty to specify different depositary fees for one or several unit classes of the AIF.

#### **B. Not depending on asset volume (individual charge)**

##### **Ordinary expenditures**

Apart from the remuneration as described above, the following expenses that are not dependent on the asset volume can be deducted from the assets of the AIF. The expenditures of the AIF are stated in the annual report. The AIFM and the depositary shall be entitled to receive reimbursement of the following costs incurred in the course of their activities:

- ◆ Costs incurred in the preparation, printing, and dispatch of annual reports as well as other legally required publications;
- ◆ Costs incurred in the publication of notifications by the AIF to the investors in official gazettes and in additional newspapers or electronic media as determined by the AIFM, including price publications;
- ◆ Charges and costs for permits and the supervision of the AIF in Liechtenstein and abroad;
- ◆ All taxes levied on the assets of the AIF as well as its earnings and expenses charged to the AIF;



- ◆ Taxes, if any, incurred in conjunction with the administration and depositary costs;
- ◆ Domestic and foreign charges incurred by the AIF in conjunction with listings, if any (registration, sustainment, and termination) and with distribution, such as consulting, legal, and translation costs;
- ◆ Costs and expenditures related to regular reports, among others to insurance companies, pension funds, and other financial service providers (e.g. GroMiKV, Solvency II, MiFID II, VAG, ESG/SRI reports or ratings, etc.);
- ◆ Charges, costs, and fees in conjunction with the determination and publication of fiscal factors for EU/EEA nations and/or all countries where distribution approvals and/or private placements exist, under consideration of actual expenditures at customary market terms;
- ◆ Costs incurred in conjunction with the fulfillment of the prerequisites and consequential obligations of any distribution of units of the AIF at home and abroad (e.g. charges for paying agents and other agents or representatives with similar functions, charges levied by fund platforms, such as listing fees and setup costs), as well as consulting, legal, and translation costs;
- ◆ Costs for the preparation or amendment, translation, deposition, printing, and distribution of the constitutive documents (trust agreement, KIID, PRIIP, SRRI/SRI calculation, etc.) in the countries in which the units are distributed;
- ◆ Administrative fees and charges levied by government authorities;
- ◆ A reasonable share of costs for printed matter and advertising directly associated with the offering and sale of units;
- ◆ Fees payable to the auditors as well as legal and tax consultants, to the extent that such expenditures are incurred in the interest of the investors;
- ◆ Costs for the preparation, the announcement of taxation fundamentals and the accreditation that the fiscal data was compiled according to the rules of the respective foreign country's tax legislation;
- ◆ Internal and external costs for the recovery of foreign withholding taxes to the extent this is possible for the account of the AIF. As regards the recovery of foreign withholding taxes, it must be pointed out that the AIFM is not obliged to institute recovery proceedings and will only do so if the process justifies the effort according to the criteria of substantiveness of the amounts and reasonableness of the ratio of costs to the possible recoverable amounts. With respect to investments that constitute securities lending, the AIFM will abstain from recovering withholding taxes;
- ◆ Expenditures in conjunction with the exercise of voting rights or creditor rights by the AIF, including fees charged by external consultants;
- ◆ Costs for assessing the creditworthiness of the assets of the AIF and its target investments by nationally or internationally recognized rating agencies;
- ◆ Costs in conjunction with legal provisions for the AIF (e.g. reporting to authorities, key investor information documents, etc.);
- ◆ Charges and costs incurred as a result of other legal or supervisory rules that need to be fulfilled by the AIFM within the scope of its implementation of the investment strategy (such as reporting and other costs incurred in the fulfillment of the European Market Infrastructure Regulation (EMIR, EC directive 648/2012));
- ◆ Costs incurred for in-depth fiscal, legal, accounting, business management, and technical market reviews and analyses (due diligence) by third parties especially for the purpose of examining the suitability of a private equity investment for the AIF. Such costs may also be charged to the AIF even if the investment is subsequently rejected;
- ◆ Research costs;
- ◆ External costs for the assessment of the sustainability rating (ESG Research) of the assets of the AIF and its target investments;
- ◆ License fees for the use of benchmarks, if any;
- ◆ Costs for the appointment and sustainment of further counterparties if it is in the interest of the investors.



**Transaction costs**

In addition, the AIF shall bear all ancillary costs for the purchase and sale of investment instruments arising from the management of the assets (customary brokerage fees, commissions, duties) as well as all taxes levied on the assets of the AIF as well as on its income and expenditures (e.g. withholding taxes on foreign income). Furthermore, the AIF shall bear external costs, if any, i.e. third-party charges incurred in conjunction with the purchase and sale of investments. Such costs are directly offset against the historic cost or sales price of the respective instruments.

Services included in a fixed flat charge shall not be chargeable again as an individual expense.

**Currency-hedging charges, if any, for unit classes**

The costs, if any, of a currency translation hedge of a unit class are allocated to that class.

**Service fee**

Periodic service fees for additional services rendered by the depositary, if any, are mentioned in Annex B "The AIF at a glance".

**Costs of incorporation**

The costs for the incorporation of the AIF and the initial issue of units shall be amortized across three years at the expense of the assets of the AIF.

**Liquidation fees**

In the event of a dissolution of the AIF, the AIFM may levy a liquidation fee of max. CHF 15,000 or the equivalent thereof in another currency in its favor. In addition to this amount, the AIF shall bear all costs levied by authorities, the auditor, and the depositary.

**Extraordinary disposal costs**

Additionally, the AIFM may encumber the assets of the AIF with costs for extraordinary disposals.

Extraordinary disposal costs consist of expenses incurred exclusively by safeguarding the investors' interests, which arise in the course of regular business and which were not foreseeable when the AIF was established. In particular, extraordinary disposal costs are legal counsel fees and proceeding costs in the interest of the AIF or of the investors. Additionally, this includes costs for extraordinary disposals pursuant to the AIFMA and AIFMO (e.g. amendments of fund documents), if any.

**Benefits**

In conjunction with the purchase and sale of properties and rights for the AIF, the AIFM, the depositary, and agents, if any, shall assure that benefits, in particular, are directly or indirectly credited to the AIF.

**Ongoing charges (total expense ratio, TER)**

The total of ongoing charges before performance-dependent expenditures, if any (total expense ratio before performance fee; TER) is calculated according to general, code-of-conduct principles and with the exception of transaction costs encompasses all costs and charges that are deducted from the assets of the AIF on an ongoing basis. The TER of the AIF or of the respective unit class is documented on the website of the LAFV Liechtenstein Investment Fund Association at [www.lafv.li](http://www.lafv.li) as well as in the most recently published annual report.

**Performance fee**

Additionally, the AIFM may levy a performance fee. If a performance fee is levied, this is specified in detail in Annex B "The AIF at a glance".

**Art. 46 Costs borne by the investors****Issue premium:**

To cover the costs incurred by the placement of units, the AIFM may charge an issue commission on the net asset value of the newly issued units to be credited to the AIFM, the depositary, and/or authorized domestic or foreign distributors as set forth in Annex B "The AIF at a glance".

An issue premium, if any, in favor of the of the UCITS, is also indicated in Annex B "The AIF at a glance".

**Redemption charge**

For the payment of redeemed units, the AIFM may charge a redemption charge on the net asset value of the redeemed units to be credited to the AIF as set forth in Annex B "The AIF at a glance".

A redemption charge, if any, in favor of the AIFM, the depositary and/or of domestic and foreign distributors is also mentioned in Annex B "The AIF at a glance".

**Exchange fee**

The AIFM may levy a fee on the net asset value of the original unit class for an exchange requested by the investor of units of one unit class for units of another unit class as set forth in Annex B "The AIF at a glance".

**XI. Final provisions****Art. 47 Use of proceeds**

The proceeds generated by the AIF are composed of net income and net realized capital gains. Net income is composed of interest earned and/or dividends received as well as other incidental income less expenditures.

The AIFM may distribute the net income and/or the net realized capital gains generated by the AIF or a unit class to the investors of the AIF or the respective unit class or reinvest the net income and/or the net realized capital gains in the AIF or the respective unit class or carry such amounts forward to the next accounting period.

The proceeds of those unit classes which according to Annex B "The AIF at a glance" are subject to reinvestment shall be reinvested on an ongoing basis.

The net income and/or the net realized capital gains generated by those unit classes that distribute payouts pursuant to Annex B "The AIF at a glance" can be fully or partially distributed on an annual basis.

Distributions can be composed of the net income and/or the net realized capital gains as well as the net income carried forward and/or the net realized capital gains carried forward of the AIF or of the respective unit class. Intermediate payouts of net income carried forward and/or realized capital gains carried forward are permissible.

Distributions will be paid out on the number of units held by investors on the distribution day. No interest shall be payable on distributions as from the date on which they are due.

## Art. 48 Use of benchmarks

In compliance with the provisions of the Ordinance (EU) 2016/1011 of the European Parliament and of the Council concerning indices that are used as benchmarks for financial instruments and financial contracts or to measure the performance of an undertaking for collective investment, supervised companies (such as UCITS management companies and AIFMs) may use benchmarks pursuant to the Benchmark Ordinance in the EU if the benchmark is provided by an administrator who is listed in the administrator and benchmark directory that is managed by the ESMA pursuant to the Benchmark Ordinance (the "directory").

The AIF can deploy benchmarks in the Key Investor Information Documents (KIID), if any, and marketing documentation, if any, as a reference for comparative purposes to measure the performance of the AIF. The AIF is actively managed and the portfolio manager can thus freely decide in which securities he wishes to invest. Consequently, the performance can clearly deviate from that of the benchmark. If it is used by the AIFM or by the portfolio manager on its behalf, the comparative index is indicated in Annex B "The AIF at a glance".

The comparative index can change in the course of time. In this case, Annex B "The AIF at a glance" of the constitutive documents shall be updated at the next opportunity and investors shall be informed by notification in the official gazette as well as in the media mentioned in the constitutive documents or with durable media (letter, fax, e-mail or similar).

Further, the AIF can use benchmarks to calculate performance-linked charges. Detailed data concerning performance fees can be found in Art. 45 of this trust agreement as well as in Annex B "The AIF at a glance".

With respect to a comparative index, the AIFM does not accept any liability concerning the quality, correctness or completeness of the data of the comparative index nor that the respective comparative index is managed in accordance with the described index methods.

The AIFM has produced a written plan of measures that it can implement with respect to the AIF in the event that the index changes substantially or is no longer provided. On request, information concerning the plan is available free of charge at the registered domicile of the AIFM.

## Art. 49 Benefits

The AIFM reserves the right to grant benefits to third parties for services rendered. As a rule, the basis of assessment for such benefits includes the commissions, charges, etc. and/or assets/asset components placed with the AIFM. The respective amounts are percentages of the applicable basis of assessment. On request and at any time, the AIFM shall disclose to the investors further details concerning agreements concluded with third parties. Investors herewith explicitly waive any further rights to disclosures on the part of the AIFM, and in particular, the AIFM shall not have the obligation to submit detailed accounts on benefits actually paid.

The investor takes note of and accepts the fact that the AIFM may be the beneficiary of trailer fees from third parties (including group companies) in conjunction with the referral of investors, the purchase/distribution of collective capital investments, certificates, notes, etc. (hereinafter: products, including such products that are managed and/or issued by a group company), generally in the form of trailer fees. The respective amounts depend on the product and the product provider. As a rule, trailer fees are assessed on the basis of the volume of a product or product group held by the

AIFM. The amounts in question are usually a percentage of the administrative fees charged for the respective product and periodically paid during the holding duration. Additionally, securities issuers may grant distribution commissions also in the form of rebates on the issue price or in the form of non-recurring payments expressed as a percentage of the issue price. Unless otherwise stipulated, the investor is entitled at all times prior to and after the rendering of the service (purchase of product) to request further details from the AIFM regarding agreements concluded with third parties in conjunction with such benefits. However, the entitlement to further details regarding historic transactions is limited to the 12-month period preceding the date of the request. The investor explicitly waives any further disclosure claims. If the investor does not request further details prior to the rendering of the service or makes use of the service after having requested further details, this shall constitute a waiver of a disclosure claim, if any, as provided in § 1009a ABGB (Allgemeines Bürgerliches Gesetzbuch).

## **Art. 50 Taxation**

All Liechtenstein AIFs in the legal form of the (contractual) investment fund or collective trust are fully taxable in Liechtenstein and subject to income tax payments. Income from managed assets is tax-exempt income.

### **Issue and revenue taxation<sup>1</sup>**

The establishment (issue) of units of such an AIF does not entail an issue charge or revenue taxation. The paid transfer of title to units is subject to revenue taxation provided one party or agent is a domestic broker. The repurchase of units is exempt from revenue taxation. The contractual common fund or the unit trust is deemed the revenue-tax-exempt investor.

### **Source or paying agent taxation**

Depending on the persons who directly or indirectly hold units of the AIF, both income and capital gains, whether paid out or reinvested, may be fully or partially subject to a so-called paying agent tax (e.g. abolition tax, Foreign Account Tax Compliance Act).

The AIF, in the legal form of a contractual common fund or unit trust, is not otherwise subject to a retention tax obligation in the Principality of Liechtenstein; in particular, no coupon or withholding taxes are payable. Foreign income and capital gains generated by the AIF in the legal form of a contractual common fund or unit trust may be subject to withholding tax deductions in the investment country. Double-taxation agreements may apply.

The AIF has the following fiscal status:

### **Automatic tax information exchange (AIA)**

With respect to the AIF, a Liechtenstein paying agent may be obligated to honor the AIA treaty by reporting unit owners to the local tax authorities or to issue the respective legal notifications.

### **FATCA**

The AIF is subject to the provisions of the Liechtenstein FATCA Agreement as well as to the respective executive provisions of the Liechtenstein FATCA Law.

### **Natural persons subject to taxation in Liechtenstein**

Private investors domiciled in the Principality of Liechtenstein shall declare their units as wealth and they are subject to wealth tax. Payouts or reinvested profits, if any, of the AIF in the legal form of a contractual common fund or unit trust are income-tax-

<sup>1</sup> Under the customs affiliation agreement between Switzerland and Liechtenstein, Swiss stamp duty jurisdiction also extends to Liechtenstein. With respect to Swiss stamp duty legislation, the Principality of Liechtenstein is thus considered domestic territory.

exempt. The capital gains incurred when the units are sold are income-tax-exempt. Capital losses cannot be deducted from taxable gains.

#### **Persons with tax domiciles outside Liechtenstein**

For investors domiciled outside the Principality of Liechtenstein, taxation and other fiscal consequences involved in holding and buying or selling units are governed by the fiscal legislation of the respective country of domicile and, particularly with respect to EU abolition taxation, by the laws of the domicile country of the paying agent.

#### **Disclaimer**

The fiscal considerations are based on the currently applicable legal situation and practice. They are explicitly subject to change due to changes of legislation, jurisdiction, edicts, and the practices adopted by the tax authorities.

**Investors are urged to consult their own professional advisors with respect to fiscal consequences. Neither the AIFM nor the depositary nor their authorized agents can assume any responsibility for the investor's individual fiscal consequences arising from the purchase, ownership, or sale of units.**

### **Art. 51 Information for investors**

The official gazette of the AIF is the website of the LAFV Liechtenstein Investment Fund Association ([www.lafv.li](http://www.lafv.li)) as well as other media mentioned in the prospectus.

All notices to investors, including announcements regarding amendments to the trust agreement as well as Annex A "The AIF at a glance", shall be published on the website of the LAFV Liechtenstein Investment Fund Association ([www.lafv.li](http://www.lafv.li)) as the official gazette of the AIF and other physical and electronic media mentioned in the trust agreement.

On every valuation day, the net asset value as well as the issue and redemption prices of the units of the AIF or of the unit class shall be published on the website of the LAFV Liechtenstein Investment Fund Association ([www.lafv.li](http://www.lafv.li)) as the official gazette of the AIF and other physical and electronic media (letter, fax, e-mail, or similar) mentioned in the fund documents.

The past performance of the AIF and of the unit classes is indicated on the website of the LAFV Liechtenstein Investment Fund Association at [www.lafv.li](http://www.lafv.li) or in the KIID, if any. The past performance of a unit is no guarantee for its current and future performance. The value of a unit may rise or fall at any time.

The audited annual report shall be made available to investors free of charge at the domiciles of the AIFM and of the depositary.

### **Art. 52 Reports**

Within six months after the close of each financial year at the latest, the AIFM shall publish an audited annual report for each AIF in compliance with the provisions of the Principality of Liechtenstein.

Further audited and unaudited intermediate reports may be prepared.

### **Art. 53 Financial year**

The financial year of the AIF is defined in Annex B "The AIF at a glance".

## **Art. 54 Statute of limitations**

The period during which claims can be brought forth by investors against the AIFM, the liquidator, the administrator, or the depositary expires five years after the damage was incurred but no later than one year after the repayment of the unit or after the damage became known.

## **Art. 55 Applicable law and jurisdiction and binding language**

The AIF is subject to Liechtenstein law. The sole venue for all disputes between investors, the AIFM, and the depositary shall be Vaduz.

However, with respect to claims submitted by investors in other countries where the units are offered and sold, the AIFM and/or the depositary may submit themselves and the AIF to the jurisdictions of such countries. Appeals may also be submitted in other jurisdictions if so required by law.

German is the legally binding language for the trust agreement as well as for Annex A "Organizational structure of the AIFM/AIF" and Annex B "The AIF at a glance".

## **Art. 56 General**

In all other respects, the provisions of the AIFMA, the provisions of the ABGB, the provisions of the Persons and Companies Act (PGR) on trusts, and the general provisions of the PGR shall apply as set forth in the latest versions thereof.

## **Art. 57 Entering into force**

This trust agreement shall enter into force on October 1, 2021.

Schaan/Vaduz, September 20, 2021

### **The AIFM:**

IFM Independent Fund Management AG, Schaan

### **The depositary:**

Liechtensteinische Landesbank AG, Vaduz

# Annex A: Organizational structure of the AIFM/AIF

## The organizational structure of the AIFM

<b>AIFM:</b>	IFM Independent Fund Management AG Landstrasse 30, FL-9494 Schaan
<b>Board of Directors:</b>	Heimo Quaderer H.R.H. Archduke Simeon von Habsburg Hugo Quaderer
<b>Executive Board:</b>	Luis Ott Alexander Wymann Michael Oehry Ramon Schäfer
<b>Accountant:</b>	Ernst & Young AG Schanzenstrasse 4a, CH-3008 Bern

## The AIF at a glance

<b>Name of the AIF:</b>	<b>New Carpathian Fund</b>
<b>Legal structure:</b>	AIF in the legal form of a collective trust pursuant to the Act on the Management of Alternative Investment Funds (AIFMA) dated December 19, 2012
<b>Umbrella structure:</b>	No, single fund
<b>Country of incorporation:</b>	Liechtenstein
<b>Date of AIF incorporation:</b>	July 6, 2016
<b>Financial year:</b>	The financial year of the AIF begins on January 1 and ends on December 31.
<b>Accounting currency of the AIF:</b>	Euro (EUR)
<b>Portfolio management:</b>	GAMMA FINANCIALS AG Bahnhofplatz, CH-6300 Zug
<b>Investment consultant:</b>	n/a
<b>Depositary:</b>	Liechtensteinische Landesbank AG Städtle 44, FL-9490 Vaduz
<b>Distributor:</b>	IFM Independent Fund Management AG Landstrasse 30, FL-9494 Schaan
<b>Accountant:</b>	Ernst & Young AG Schanzenstrasse 4a, CH-3008 Bern
<b>Responsible supervisory authority:</b>	Financial Market Authority Liechtenstein (FMA); <a href="http://www.fma-li.li">www.fma-li.li</a>

Further information about the AIF is provided in Annex B "The AIF at a glance".

In Liechtenstein, distribution targets professional investors as per Directive 2014/65/EU (MiFID II) as well as private investors. Other countries, if any, are subject to the provisions of Annex C "Specific information for individual countries of distribution".

German is the legally binding language for the investor information and articles of incorporation and investment regulations including sub-fund specific annexes.



# Annex B: The AIF at a glance

## New Carpathian Fund

### B.1 The AIF at a glance

Master data and information on the AIF and its unit classes	
	Unit classes of the AIF
Unit class <sup>1</sup>	-EUR-
ISIN number	LI0329409143
Security number	32.940.914
SFDR-Classification	Article 6
Duration of the AIF	Unlimited
Listed	No
Accounting currency of the AIF	Euro (EUR)
Reference currency of the unit classes <sup>2</sup>	Euro (EUR)
Minimum investment <sup>3</sup>	EUR 5,000
Initial issue price	EUR 1000
First subscription day	October 5, 2016
Payment (first value day)	October 7, 2016
Valuation day (T) <sup>4</sup>	Last banking day of each month
Valuation interval	Monthly
Issue and redemption day	Every valuation day
Value date issue and redemption day (T+2)	Two bank business days after calculation of the net asset value (NAV)
Acceptance deadline for subscriptions (T-1)	Day prior to valuation day by no later than 4 pm (CET)
Acceptance deadline for redemptions (T-30)	Period of notice of 30 calendar days prior to the last banking day of any month
Denomination	None
Securitization	On the books / no certificates issued
Close of accounting year	On December 31
End of first financial year	December 31, 2017
Use of proceeds	Reinvested

Information on distribution (circle of investors)	
	Unit classes of the AIF
Unit class	-EUR-
Professional investors	Permissible
Private investors	Permissible

<sup>1</sup> The currency risks of the EUR unit class can be fully or partially hedged.

<sup>2</sup> The reference currency is the currency used to calculate the performance and the net asset value of the respective unit class of the AIF.

<sup>3</sup> The detailed subscription terms are described in Art. 38 of the trust agreement. Lower minimum investments may be accepted if approved by the AIFM.

<sup>4</sup> If the valuation day should coincide with a bank holiday in Liechtenstein, the valuation day shall be rescheduled to the next following banking business day in Liechtenstein.

Costs borne by the investors	
	Unit classes of the AIF
Unit class	-EUR-
Max. issue premium <sup>5</sup>	3%
Max. redemption charge in favor of the AIF <sup>6</sup>	None
Exchange fee for switching from unit class to another unit class	n/a

Costs payable with the assets of the AIF <sup>6,7</sup>	
	Unit classes of the AIF
Unit class	-EUR-
Max. management fee <sup>6</sup>	1.8% p.a.
Max. administration fee <sup>6</sup>	0.20% p.a. or min. CHF 25,000 p.a.
Max depositary fee <sup>6</sup>	0.50% p.a. or min. CHF 10,000 p.a. plus service fee of CHF 420 per quarter
Performance fee	10%
Hurdle rate	No
High watermark	Yes

Use of benchmarks	
	Unit classes of the AIF
Unit class	-EUR-
Benchmark	The AIF does not use a benchmark.

## B.2 Delegation of functions by the AIFM

### B.2.1 Portfolio management

GAMMA FINANCIALS AG, Bahnhofplatz, CH-6300 Zug, has been appointed portfolio manager for this AIF.

### B.2.2 Distributor

The distribution of units of the AIF has not been delegated.

## B.3 Investment consultant

No investment consultant was appointed.

## B.4 Depositary

The depositary function for this AIF is handled by Liechtensteinische Landesbank AG, Städtle 44, FL-9490 Vaduz.

## B.5 Auditor

The auditor for this AIF is Ernst & Young AG, Schanzenstrasse 4a, CH-3008 Bern.

<sup>5</sup> The commissions and charges actually levied are published in the annual report.

<sup>6</sup> Plus taxes as well as other costs and charges: Transaction costs as well as expenses incurred by the AIFM and the depositary in the fulfillment of their functions. Details are provided in Art. 45 (Ongoing charges) as well as in Art. 50 (Taxation) of the trust agreement.

<sup>7</sup> In the event of a dissolution of the AIF, the AIFM may levy a liquidation fee of max. CHF 15,000 in its favor.

## B.6 Investment principles of the AIF

The following provisions govern the AIF-specific investment principles of the **New Carpathian Fund**:

### The investment principles of the AIF in brief

Non-permissible investments	See section B7.3
Investments in other funds	Yes, up to 49%
Leveraged financing	
Gross method	< 3 at the AIF level
Net method	< 2.1 at the AIF level
Risk management procedure	Commitment approach
Borrowing	Yes, up to 10% at the AIF level (see also section A1B.1B.7.5)
Derivative financial instruments	On behalf of the AIF, the AIFM may transact with derivatives for hedging purposes, for efficient portfolio control, for generating additional income, and as part of its investment strategy.
Short selling	No
Securities lending	
Securities borrowing	No
Securities lending	Yes
Annuities transactions	No
Investment period during which the investment objective and the investment policy must be achieved	6 months after AIF capital pay-up

### B.6.1 Investment objective and investment policy of the AIF

The investment objective of the **New Carpathian Fund** is mainly to generate above-average long-term capital gains. To attain its investment objective, the AIF may purchase and sell instruments that are permitted within the scope of its investment policy. The AIF is actively managed without referencing a benchmark. Unless otherwise stated for the AIF's investment principles in section B.6.1, the investment regulations set forth in section B.7 shall apply. **No guarantee can be given that the investment objective will be achieved. Accordingly, the value of the units and the returns may increase or decrease.**

To attain its investment objective, the AIF shall invest its assets **predominantly (at least 51%)** in securities of **companies** that are domiciled in or pursue business activities mostly in **Romania** or as holding companies participate mostly in companies domiciled in **Romania**. The investments can involve instruments that are traded on an exchange or other regulated market accessible to the public, as well as non-listed or not regularly traded instruments that are not traded on any recognized exchange.

The focus of investments is generally on securities of **Romanian companies with a low market cap** (small caps, micro caps, and nano caps). Such securities can be exposed to larger price fluctuations. It must be pointed out that the liquidity of such securities is not always assured and that their creditworthiness is sometimes low.

In periods during which no opportunities match the AIF's selection criteria, the AIF may hold all of its assets in deposits, money market instruments and other fixed- or variable-income instruments. It must be noted that the value trend of the **New Carpathian Fund** may deviate significantly from that of the underlying markets in which the AIF invests.

In particular, the AIF is entitled, under consideration of the investment regulations pursuant to section B.7, to invest 100% of its assets in securities or money market instruments of the same issuer.

In the interest of efficient management, the AIF may, for hedging and investment purposes, deploy derivative financial instruments linked to securities, global stock and annuity indices, currencies and Exchange Traded Funds as well as forward currency transactions and swaps. The deployment of such derivative financial instruments is governed by the investment objective and the investment policy.

The investments are made predominantly in assets denominated in Romanian leu (RON) or euro (EUR). In addition, assets denominated in other currencies may also be held. To minimize the currency translation risk, assets not denominated in euros can be temporarily or permanently hedged against the euro.

Moreover, the AIF is entitled, within the scope of the investment restrictions set forth in section B.7.4, to invest in other permissible instruments.

**Apart from the fund-specific and general risks outlined in section B.9, it must be pointed out that due to exchange rate effects, the value of assets denominated in Romanian leu (RON) may fluctuate significantly versus the euro as the reference currency.**

**It should be noted that investments entail not only price and yield opportunities but also risks due to the fact that the prices may fall below the acquisition prices. Even the careful selection of the securities to be acquired cannot exclude the risk of loss due to insolvency. It must be noted that the value trend of the New Carpathian Fund may deviate significantly from that of the underlying markets in which the AIF invests.**

**The AIF-specific risks listed in section B.9 of this annex and the general risks listed in Art. 36 of the trust agreement must be observed.**

#### **B.6.2 Accounting currency of the AIF**

The accounting currency of the AIF as well as the reference currency for each unit class are stated in section B.1 of this annex "The AIF at a glance".

The accounting currency is the currency in which the AIF keeps its books. The reference currency is the currency used to calculate the performance and the net asset value of the respective unit class of the AIF and not the investment currency of the respective unit class of the AIF. Investments are made in the currencies optimally suited to the performance of the AIF.

#### **B.6.3 Profile of a typical investor**

The **New Carpathian Fund** is suitable for investors with a long-term investment horizon who wish to invest in a focused portfolio consisting mostly of **Romanian securities with low market caps (small caps, micro caps, and nano caps)**. Investments in this AIF should be considered merely for the purpose of diversifying a portfolio.

### **B.7 Investment regulations**

The following regulations apply generally to investments of the AIF:

### **B.7.1 Permissible investments**

Basically, the AIF may invest its assets in the instruments listed below. The investments can involve instruments that are traded on an exchange or other regulated market accessible to the public, as well as non-listed or regularly traded instruments.

The AIF may invest up to 10% of its assets in instruments other than those mentioned in section B.7.1.

#### **B.7.1.1 Securities and money market instruments:**

- a) that are listed or traded on a regulated market as referred to in Art. 4, para. 1 section 21 of Directive 2014/65/EC;
- b) that are traded at another regulated market of an EEA member country which is recognized, accessible to the public, and operates regularly;
- c) that are officially listed on the stock exchange of a third country or traded on another market anywhere in the world that is recognized, accessible to the public, and operates regularly;
- d) Money market instruments not traded on a regulated market, provided the issue or the issuer of these instruments is obliged to abide by regulations regarding deposit or investor protection, subject to the following:
  - 1. the issue has been made or guaranteed by a central, regional or local entity or the central bank of an EEA member state, the European Central Bank, the European Union, the European Investment Bank, a third-party state, or, if this is a federal state, a member state of the federation, or an international public-sector institution with which at least one EEA member state is affiliated;
  - 2. the issue has been made by a company whose securities are traded on the regulated markets listed in lit. a;
  - 3. the issue has been made by an institute subject to supervision aligned with criteria as stipulated by EEA law or made or guaranteed by an institute that is subject to supervision equivalent to EEA law and obliged to comply with such law; or
  - 4. the issue has been made by an issuer belonging to an FMA-approved category provided that investor protection regulations equivalent to those described in sections 1 to 3 apply to investments in these instruments, and provided that the issuer is a company whose equity capital amounts to at least 10 million euros and which presents and publishes its annual accounts in accordance with the rules of Directive 78/660/EEA, implemented in Liechtenstein by the PGR, or which is a group-affiliated entity that is responsible for the financing of a group of companies with at least one listed company or is an entity required to securitize liabilities by utilizing a line of credit granted by a bank;
- e) Private placements (equities, bonds or notes issued without publicity, usually by a small number of banks. They are not listed with any stock exchange and are acquired predominantly by institutional investors).

#### **B.7.1.2 Securities from new issues, provided:**

- a) the issue terms include the obligation to have applied for authorization for official listing and trading on one of the securities markets mentioned in section B.7.1.3 lits. a) to c) or another regulated market there; and

- b) this authorization is granted no later than one year after the issue date.

**B.7.1.3** Private placements (equities, bonds or notes issued without publicity by a small number of banks or financial institutions. As a rule, they are not listed on a stock exchange or another regulated market accessible to the public and are generally acquired by institutional investors);

**B.7.1.4** Units of classic and non-classic domestic and foreign undertakings for collective investment (investment undertakings such as UCITS, AIF, ETF, etc.);

**B.7.1.5** Alternative investments, consisting of private equity funds and/or hedge funds using several investment styles, such as long/short, event-driven, equity-hedged, relative-value, managed futures, CTAs, global macro, and others;

**B.7.1.6** Exchange traded funds ("ETF", also called index tracking stocks) that involve investments according to this section. Within the scope of the investment policy provisions of this annex, ETFs include exposure in investment instruments (companies, unit trusts, fund-like structures) whose investments mirror an index and that are traded on a stock exchange or on another regulated, publicly accessible market. Depending on their approach and country of origin, ETFs may or may not qualify as investment funds;

**B.7.1.7** Sight deposits or callable deposits with a maximum duration of twelve months held with credit institutions domiciled in an EEA member country or in another country in which supervisory legislation is equivalent to EEA law;

**B.7.1.8 Derivative financial instruments:**

- a) Derivative financial instruments that are traded on a stock exchange or on another regulated, publicly accessible market;
- b) Derivative financial instruments not traded on a regulated market (OTC derivatives), if:
  - 1. the counterparty is subject to a supervisory authority equivalent to Liechtenstein's; and
  - 2. they can at any time be reproducibly valued, sold, liquidated, or balanced by an offset transaction;
- c) Derivative financial instruments embedded in a security or a money-market instrument (structured financial instruments, certificates etc.).

**B.7.1.9** The legal form of the undertakings for collective investment (such as UCITS, AIF, ETF, etc.) is irrelevant. Among others, they can be contractual undertakings for collective investment, corporate undertakings for collective investment, or undertakings for collective investment in the form of a unit trust;

**B.7.1.10** Investments in other undertakings for collective investment (instruments such as AIF, ETF, etc.) may include undertakings for collective investment which for the lack of equivalent supervision at the domicile do not qualify for distribution in the Principality of Liechtenstein;

**B.7.1.11** The AIF is entitled to purchase units of other undertakings for collective investment (UCITS, AIF, ETF) that are directly or indirectly associated with the AIFM or are administered by another company with which the AIFM or the management company is related, either through a common board, through control, or through a significant direct or indirect interest position. For the extent of such investments, the AIFM or the other company may not levy any fees for the subscription, the repurchase of units of the other undertakings for collective investment or the conversion of individual sub-funds by the AIF.

**B.7.2 Cash and cash equivalents**

In its accounting currency, and in all other currencies with which investments are transacted, the AIF may hold cash and cash equivalents with the depositary, permanently and without restrictions, to the extent that this is commensurate with its investment objective. Cash and cash equivalents are sight or time deposits with banks having maturities of up to 12 months.

**B.7.3 Non-permissible investments**

In particular, the following investments are not permitted:

**B.7.3.1** Direct investments in real estate;

**B.7.3.2** Direct investments in physical goods (commodities, works of art, antiques or similar assets);

**B.7.3.3** Physical short sales of investments of any kind;

**B.7.3.4** In the interest of unit owners, the AIFM may define further investment restrictions at any time, to the extent that they are necessary to comply with the laws and regulations of those countries in which the units of the AIF are offered and sold.

**B.7.4 Investment limits**

The AIF is subject to the following investment restrictions:

**B.7.4.1** The AIF may invest up to 100% of its assets in equities or money market instruments of the same issuer;

**B.7.4.2** Up to 10% of the assets may be invested in securities that are not listed (e.g. private placements, private equity exposure);

**B.7.4.3** The AIF may invest up to 49% of its assets in units of undertakings for collective investment (instruments such as UCITS, UCI, AIF, ETF, etc.);

**B.7.4.4** The AIF may invest up to 10% of its assets in alternative investments pursuant to section B7.1.4;

**B.7.4.5** Investments in derivative financial instruments must be accounted for in the above-mentioned restrictions;

**B.7.4.6** In addition to the restrictions stated in this section, any further restrictions under section B.6 "Investment principles of the AIF", if any, apply as well.

**B.7.5 Borrowing limits**

The following restrictions apply to the AIF:



- B.7.5.1** The assets of the AIF must not be pledged or otherwise encumbered, transferred or ceded as collateral except in cases involving borrowing pursuant to section B.7.5.2 or collateralization within the scope of transactions involving financial instruments.
- B.7.5.2** For the purpose of investments or to fulfill requests for redemption, the AIF may take out loans at customary market terms (see section B.6 "Investment principles of the AIF").
- B.7.5.3** In relation to the depositary, no entitlement to fully exploit the maximum permissible credit framework exists. The depositary alone, based on its credit and risk policies, can decide on the nature and amount for which credit lines are extended.
- B.7.5.4** Section B.7.5.2 does not prohibit the purchase of financial instruments that have not yet been fully paid up.

## **B.8 Valuation**

Valuations are performed by the AIFM according to the principles mentioned in the constitutive documents.

The net asset value (NAV) per unit of an AIF or of a unit class shall be calculated by the AIFM or by an agent designated by the AIFM at the end of the accounting year as well as on the respective valuation day on the basis of the last known prices, taking into account the valuation interval.

The NAV of a unit in a unit class of an AIF is expressed in the AIF's accounting currency or, if different, in the reference currency of the respective unit class and is equivalent to the quota of the AIF's assets allocated to the respective unit class, less debt liabilities of the same AIF, if any, divided by the number of outstanding units in the respective unit class. It is rounded as follows on the occasion of the issue and redemption of units:

- ◆ to EUR 0.01 if the euro is the currency.

The assets of the AIF are valued according to the following principles:

- B.8.1** Securities that are officially traded on a stock exchange are valued at the last available price. If a security is officially traded at several exchanges, the last available price shall be the price at the exchange that represents the main market for that security.
- B.8.2** Securities that are not officially listed on an exchange but are traded on a market accessible to the public are valued at the last available price. If a security is traded on various markets accessible to the public, the last available price on the market with the highest liquidity shall be chosen.
- B.8.3** Securities or money market instruments with a residual duration of less than 397 days can be valued by linear depreciation or appreciation with the difference between the cost (purchase) price and the repurchase price (price on maturity). The valuation at the current market price can be omitted if the repurchase price is known and fixed. Credit-rating changes, if any, shall be accounted for additionally;
- B.8.4** Investments whose price is not in conformity with the market, and assets that do not fall under sections B.8.1, B.8.2, and B.8.3 above, are calculated at the price that would have most likely been attained if the investment had been

sold with due diligence at the time of valuation and is determined in good faith by the executive board of the AIFM or under their direction or supervision by authorized agents.

- B.8.5** OTC derivatives shall be valued on a day to day basis with the then probably attainable sales price using a verifiable valuation model specified in good faith by the AIFM which is in line with generally recognized valuation models that can be validated by auditors.
- B.8.6** UCITS, AIF and other undertakings for collective investment (UCI) shall be valued at the last noted and available net asset value. If the repurchase of units is suspended or if the fund is closed and no redemption right exists or if no repurchase prices are specified, these units shall be valued, as all other assets, at their then applicable market value as determined by the AIFM in good faith and in accordance with generally recognized valuation models that can be validated by auditors.
- B.8.7** If no trading price is available for the respective assets, they shall be valued, as is the case with the other legally permissible assets, at their then applicable market value as determined by the AIFM in good faith and in accordance with generally recognized valuation models on the basis of the probably attainable selling price that can be validated by auditors.
- B.8.8** The determination of the value of unlisted securities are the reports most recently published by the respective companies and, if available and relevant, formal audits;
- B.8.9** Cash and cash equivalents shall be valued at the par value plus accrued interest.
- B.8.10** The market value of securities and other investments denominated in a currency other than the currency of the AIF shall be converted into the currency of the AIF at the last known median exchange rate.

The AIFM shall be entitled to use other reasonable valuation principles to value the assets of the AIF if, as a result of extraordinary circumstances, valuation on the basis of the criteria described above should become impossible or impracticable. In the case of very large numbers of redemption requests, the AIFM may value the units of the AIF on the basis of the prices at which the necessary securities will likely have to be sold. In this case, the same calculation method shall be used for simultaneously submitted issue and redemption requests.

## **B.9 Risks and risk profiles of the AIF**

### **B.9.1 AIF-specific risks**

**The performance of the units depends on the investment policy as well as the market development of the individual investments of the AIF and cannot be determined in advance. There is no guarantee that the fund will actually attain its investment objective and that capital gains will be achieved. When returning units, the investor may not be able to recover the amount originally invested in the AIF.**

Because of its investment policy, the risks associated with this AIF are not comparable with those of certain undertakings for collective investment in securities pursuant to the Act on Certain Undertakings for Collective Investment in Transferable Securities (UCITSA).

To attain its investment objective, the **New Carpathian Fund** shall invest **at least 51%** of its assets directly or indirectly in securities of **companies** that are domiciled in or pursue business activities mostly in **Romania** or as holding

companies participate mostly in companies domiciled in **Romania**. The investments can involve instruments that are traded on an exchange or other regulated market accessible to the public, as well as non-listed or not regularly traded instruments that are not traded on any recognized exchange.

Because it is geographically specialized in **Romania**, the AIF offers attractive opportunities but may also incur greater risks. It must be emphasized that in this market segment, volatility tends to be much greater than in other market segments with which investors are familiar. The tradability of specific securities that the AIF wishes to purchase or sell may be temporarily restricted due to a lack of liquidity (insufficient number of freely tradable securities). Moreover, exchange rate fluctuations may influence the investment result.

Additionally, the attempt to sell permissible instruments held by the AIF that are not traded on a stock exchange or another regulated market accessible to the public may entail liquidity bottlenecks that may have an impact on the selling price of such instruments and on the value development of the units. The focus of investments is generally on securities of **Romanian companies with a low market cap** (small caps, micro caps, and nano caps). Such securities can be exposed to larger price fluctuations. It must be pointed out that the liquidity of such securities is not always assured and that their creditworthiness is sometimes low.

In periods during which no opportunities match the AIF's selection criteria, the AIF may hold all of its assets in deposits, money market instruments and other fixed- or variable-income instruments. It must be noted that the value trend of the **New Carpathian Fund** may deviate significantly from that of the underlying markets in which the AIF invests.

In particular, the AIF is entitled, under consideration of the investment regulations pursuant to section B.6, to invest 100% of its assets in securities or money market instruments of the same issuer.

Investors should be aware of the fact that investments in securities of companies domiciled or active in **Romania** involve various risks that are normally not associated with investments in more developed securities markets. Apart from the fund-specific and general risks outlined in this section, it must be pointed out that due to exchange rate effects, the value of assets denominated in **Romanian leu (RON)** may fluctuate significantly versus the euro as the reference currency.

The value of a unit may fluctuate considerably. The management company advises potential investors to invest only a limited portion of their total assets in units of the **New Carpathian Fund**. An investment in units of the **New Carpathian Fund** is suitable only for investors with a long-term investment horizon.

#### **Derivative financial instruments**

Increased risks may be incurred with the deployment of derivative financial instruments that are not used for hedging purposes.

#### **Leveraged financing**

The AIFM expects that the leverage of the AIF pursuant to the gross method will typically be **lower than 3.0**. Conversely, the net method gives an indication of the AIF's risk situation because it also adequately considers the use of derivative financial instruments for hedging purposes.

The AIFM expects that the leverage of the AIF pursuant to the net method will typically be **lower than 2.1**. The leverage may vary depending on market conditions and - particularly in exceptional cases - may also be higher.

#### **Risk management procedure**

The AIFM utilizes the generally accepted Commitment Approach as its risk management procedure.

#### **B.9.2 General risks**

In addition to the AIF-specific risks, the investments of the AIF may incur general risks. A typical but not exhaustive list is provided in Art. 36 of the trust agreement.

### **B.10 Costs payable by the AIF**

An overview of the costs payable by the AIF is provided in the table "Master data and information on the AIF and its unit classes, if any" from section B.1 of this annex "The AIF at a glance".

### **B.11 Performance fee**

Furthermore, the AIFM is entitled to receive a performance-linked remuneration (performance fee) pursuant to Annex B "The AIF at a glance" on the unit value gain adjusted for dividends or capital measures, if any, in the respective unit class.

A performance fee, if any, shall be determined on each valuation day on the basis of the number of outstanding units of the respective unit class and deferred, provided the unit price in the respective unit class exceeds the high watermark.

A deferred performance fee shall be payable in retrospect per quarter (March, June, September, December).

The high watermark principle is used as a basis for calculations. If the AIF or its unit classes sustain a value loss, the performance fee will not be levied again until the unit price of the respective unit class, adjusted for dividends and capital measures, if any, and less all costs, has reached a new high (high watermark). The high watermark is understood to be an all-time high watermark.

A typical calculation example is provided in section B1.12 "Calculation examples for the performance fee".

Schaan/Vaduz, September 20, 2021

#### **The AIFM:**

IFM Independent Fund Management AG, Schaan

#### **The depositary:**

Liechtensteinische Landesbank AG, Vaduz

## B.12 Calculation examples for the performance fee

The following examples schematically explain the calculation of the performance fee at the level of the respective unit class:

Performance fee	10%
Hurdle rate	No
High watermark	Yes

Valuation day	NAV Start	High Watermark	NAV before Perf. fee	Perf. fee	Cum. Perf. fee	NAV after Perf. fee
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### Year 1

Month 1	100.00	100.00	<b>105.00</b>	0.50	0.50	104.50
Month 2	104.50	<b>105.00</b>	<b>110.00</b>	0.50	1.00	109.50
Month 3	109.50	<b>110.00</b>	<b>120.00</b>	1.00	2.00	119.00
Month 4	119.00	<b>120.00</b>	105.00	0.00	2.00	105.00
Month 5	105.00	120.00	100.00	0.00	2.00	100.00
Month 12	100.00	120.00	95.00	0.00	<b>2.00</b>	95.00

### Year 2

Month 1	95.00	120.00	97.00	0.00	0.00	97.00
Month 2	97.00	120.00	102.00	0.00	0.00	102.00
Month 3	102.00	120.00	112.00	0.00	0.00	112.00
Month 4	112.00	120.00	120.00	0.00	0.00	120.00
Month 5	120.00	120.00	113.00	0.00	0.00	113.00
Month 12	113.00	120.00	109.00	0.00	<b>0.00</b>	109.00

### Year 3

Month 1	109.00	120.00	113.00	0.00	0.00	113.00
Month 2	113.00	120.00	115.00	0.00	0.00	115.00
Month 3	115.00	120.00	<b>122.00</b>	0.20	0.20	121.80
Month 4	121.80	<b>122.00</b>	<b>124.00</b>	0.20	0.40	123.80
Month 5	123.80	<b>124.00</b>	121.00	0.00	0.40	121.00
Month 12	121.00	124.00	119.00	0.00	<b>0.40</b>	119.00

In year 1, a performance fee was levied although the performance of the respective unit class of the AIF was negative for that year. The performance fee was calculated and deferred on every valuation day and in principle debited at the end of each quarter.

In **year 2**, no performance fee was charged because the high-watermark principle was applied. A performance fee, if any, shall only be charged when the value per unit of the respective unit class after deduction of all costs attains a record mark.

In **year 3**, a performance fee is levied. It is limited to the difference between the highest respective net asset value of the respective unit class and the current high watermark of the respective unit class.

**It should be noted that a performance fee may be levied on non-realized gains although the non-realized gains may never be realized subsequently.**

## Annex C: Specific information for individual countries of distribution

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### Specific information for individual countries of distribution

The units of the **New Carpathian Fund** are approved only for distribution in Liechtenstein to **professional investors** pursuant to Directive 2014/65/EC (MiFID II) as well as to **private investors** and may not be publicly offered and/or distributed abroad.

## Annex D: Regulatory disclosure

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### Conflicts of interest

The following conflicts of interest can occur within the AIFM:

The interests of the investor could collide with the following interests:

- ◆ Interests of the AIFM and companies and persons closely affiliated with it
- ◆ Interests of the AIFM and its clients
- ◆ Interests of the AIFM and its investors
- ◆ Interests of the individual investors of the AIFM
- ◆ Interests of an investor and a fund
- ◆ Interests of two funds
- ◆ Interests of the AIFM's staff members

Circumstances or relationships that can entail conflicts of interest mainly include:

- ◆ Incentive systems for employees
- ◆ Employee transactions
- ◆ Churning in the fund
- ◆ Positive portrayal of fund performance
- ◆ Transactions between the AIFM and the funds or individual portfolios under its management
- ◆ Transactions between the funds and/or individual portfolios managed by the AIFM
- ◆ Bundling of several orders (so-called block trades)
- ◆ Appointment of closely affiliated companies and persons
- ◆ Single investments of significant magnitude
- ◆ Frequent shifting / trading of assets
- ◆ Specification of cut-off time
- ◆ Suspension of redemptions
- ◆ IPO allocation

In handling conflicts of interest, the AIFM deploys the following organizational and administrative measures to avoid conflicts of interest and, if applicable, resolve, investigate, prevent, settle, observe and disclose them:

- ◆ Establishment of a compliance department that monitors compliance with laws and rules and to which conflicts of interest must be reported
- ◆ Obligation to disclose
- ◆ Organizational measures such as
  - Definition of responsibilities to prevent undue exertion of influence
  - Rules of conduct for employees regarding personal account trading
  - Rules of conduct governing the acceptance and granting of gifts, invitations, other benefits and donations
  - Ban on insider trading
  - Ban on front and parallel running
- ◆ Establishment of remuneration policy and practice
- ◆ Principles for considering client interests
- ◆ Principles for monitoring agreed investment guidelines
- ◆ Principles for executing trade decisions (best execution policy)
- ◆ Principles for splitting partial executions
- ◆ Establishment of order acceptance (cut-off) times



## Handling of complaints

The investors are entitled, free of charge and orally or in writing, to submit complaints to the AIFM or its employees in conjunction with funds that are managed by the AIFM as well as to express their concerns, wishes, and needs.

The AIFM's complaints policy as well as the procedure in dealing with the complaints of investors are described on the website of the AIFM at [www.ifm.li](http://www.ifm.li) and can be viewed there free of charge.

## Principles of voting policy at general meetings

The AIFM shall exercise the shareholder and creditor rights associated with the investments of the fund's managed assets independently and in the exclusive interest of the investors.

As regards individual transactions, the AIFM is at liberty to decide whether to directly exercise shareholder and creditor rights for the respective fund or delegate this function to the depositary or a third party or to forfeit the exercising of such rights.

In the absence of explicit instructions by the AIFM, the respective depositary is entitled, but not obliged, to exercise the shareholder, co-owner and other rights embodied in the investments.

In transactions that have a significant influence on investor interests, the AIFM may exercise the voting rights itself or issue explicit instructions.

The active exercise of voting rights shall apply in particular when a need to safeguard the interests of the investors has been clearly identified. The exercise of voting rights is mandatory only when significant interests are impacted. Interests are not sustainably impacted if the respective equity positions do not constitute a significant portion of market capitalization.

The objective of the AIFM is to prevent conflicts of interest resulting from the exercise of voting rights or to resolve or manage them in the interest of the investors.

When exercising voting rights, the AIFM shall consider the interests of the investors of the assets of the AIF as well as the understanding that the exercise of voting rights must comply with the investment policy objectives for the respective assets.

The voting rights policy of the AIFM (strategies for exercising voting and creditor rights, measures, details on the avoidance of conflicts of interest, etc.) can be accessed free of charge on the AIFM's website at [www.ifm.li](http://www.ifm.li).

## Best execution of trading decisions

When making trading decisions for the portfolios entrusted to his management, the AIFM shall act in the best interest of the fund.

Under consideration of pricing, costs, execution speed, probability of execution and settlement, the scope and nature of the order and other aspects of relevance for order execution, the AIFM shall implement all measures needed to assure the best possible result for the funds (best execution).

To the extent that portfolio managers are authorized to execute transactions, they shall be contractually bound to apply the appropriate best execution principles unless they are already obliged by relevant laws and legal provisions to abide by best execution principles. The principles governing the execution of trading decisions (best execution policy) can be accessed by the investors on the website of the AIFM at [www.ifm.li](http://www.ifm.li).

## Remuneration principles and practices

With respect to the structure of its remuneration principles and practices, IFM Independent Fund Management AG ("IFM") is subject to supervisory guidelines applicable to management companies pursuant to the Act pertaining to Certain Undertakings for Collective Investment in Transferable Securities (UCITSA) and pursuant to the Act on the Management of Alternative Investment Funds (AIFMA) that applies to AIFMs. The details of the structure are governed by an internal directive issued by IFM. Its goal is to assure a sustainable remuneration system which avoids misleading incentives to enter into undue risks. The remuneration principles and practices adopted by IFM are reviewed by the members of the board at least once a year to verify their adequacy and compliance with all legal provisions. They encompass fixed and variable (performance-linked) remuneration elements.

IFM has specified a remuneration policy that reconciled with its business and risk policy. In particular, no incentives for entering into undue risks are in place. The remuneration for the provision and implementation of the sustainability strategy is included in the fixed salary component of the Sustainability Officer. The calculation of performance-linked remuneration is based either on the overall result generated by IFM and/or the personal performance of a staff member and his or her department. In the effectiveness quantified during personal performance assessments, the focus is mainly on sustainable business development and the protection of the company against undue risks. The variable remuneration elements are not linked with the value development of the funds managed by IFM. Employer voluntary non-cash benefits or fringe benefits are permissible.

Furthermore, the definition of overall remuneration bandwidths assures that no significant dependences on the variable component can occur and that the ratio of variable to fixed remuneration is reasonable. The fixed salary component is such that it alone will support a full-time employee's living (under consideration of market-conforming salaries). When allocating variable remuneration elements, the members of the Executive Board and the Chairman of the Board of Directors have the final say. The Chairman is responsible for reviewing the remuneration principles and practices.

Special rules apply to IFM Executive Board members and employees whose activities significantly influence the overall risk profile of IFM and the funds it manages (risk takers). Risk takers are employees who can decisively influence the risk and the business policy of IFM. The variable remuneration component due to such risk-relevant employees is paid out in arrears across several years. A portion of at least 40% of the variable remuneration is mandatorily retained across a period of at least three years. During this period, the retained portion of the remuneration is risk-dependent. The variable remuneration, including the retained portion, is paid out or earned only if it is supportable in view of the overall financial situation of IFM and justified on the basis of the performance of the respective department or individual. Generally, a weak or negative financial result achieved by IFM will result in a substantial reduction of the aggregate remuneration, under consideration both of ongoing compensation and reduction of distributions of previously generated amounts.



**IFM Independent Fund Management AG**

Landstrasse 30 Postfach 355 9494 Schaan Fürstentum Liechtenstein T +423 235 04 50 F +423 235 04 51  
info@ifm.li www.ifm.li HR FL-0001.532.594-8