



# Lupus alpha Sustainable Smaller Pan European Champions

A UCITS –special fund under German law

## SALES PROSPECTUS

including investment conditions

1 February 2022

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

## SALES RESTRICTION

Lupus alpha Investment GmbH is and will not be registered pursuant to the United States Investment Company Act of 1940 in its valid version. The units of the special fund are and will not be registered pursuant to the United States Securities Act of 1933 in its valid version or according to the Securities Act of a federal state of the United States of America. Units of this special fund may neither be offered or sold in the United States, nor to a US person or for their account. Persons interested in acquiring units must, if applicable, present that they are not US persons and neither acquire units by order of US persons, nor re-sell units to US persons. US persons include natural persons if they have their place of residence in the United States. US persons may also be partnerships or stock corporations if they are founded, for example, pursuant to the laws of the USA or a federal state or territory of the US or a US possession.

## INFORMATION RELATING TO THE SALES PROSPECTUS

The purchase and sale of units in this special fund [*Sondervermögen*] is carried out based on the sales prospectus, the essential investor information and the General Investment Conditions in conjunction with the Special Investment Conditions in the respective applicable version. The General Investment Conditions and the Special Investment Conditions are printed at the end of this sales prospectus.

The sales prospectus is to be made available free of charge to those parties who are interested in acquiring a unit in this special fund as well as each investor of the special fund together with the last published annual report and the semi-annual report that is, if applicable, published after the annual report upon request. In addition, the essential investor information is to be made available free of charge to the parties interested in acquiring a unit in this fund in time before conclusion of the contract.

No information or explanations may be submitted which deviate from the sales prospectus. Each purchase of units based on information or explanations, which are not included in the sales prospectus or in the essential investor information, shall be exclusively carried out at the risk of the buyer.

The sales prospectus is supplemented by the respective last annual report and the semi-annual report that is, if applicable, published after the annual report.

### **The most important legal implications of the contractual relationship**

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

All publications and advertising brochures are to be written in the German language or to include a German translation. Lupus alpha Investment GmbH will further conduct the entire communication with its investors in the German language.

### **Assertion of rights**

The legal relationship between Lupus alpha Investment GmbH (the "KVG") and the investor, as well as the pre-contractual relationships are governed by German law. The registered office of Lupus alpha Investment GmbH is the place of jurisdiction for any legal action brought by the investor against the KVG arising from the contractual relationship. Investors who are consumers (see the following definition) and who reside in another EU state may also bring legal action before a competent court in their place of residence. The enforcement of court judgements is oriented to the German Code of Civil Procedure, if applicable the law governing foreclosures and the forced administration or the German Bankruptcy Code. As Lupus alpha Investment GmbH is subject to domestic law, it is not necessary to recognise any domestic judgements before they are enforced.

In order to assert their rights investors can take recourse to the ordinary courts of law or, if such is available, also initiate proceedings for alternative dispute resolution.

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

Bundesanstalt für Finanzdienstleistungsaufsicht  
Schlichtungsstelle bei der BaFin  
Graurheindorfer Straße 108, D-53117 Bonn

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

In case of disputes from the application of the applicable regulations of the German Civil Code [BGB] relating to distance selling contracts concerning financial services the parties involved can contact the arbitration board of the Deutsche Bundesbank. The contact details are:

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

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

## **Brief details relating to the capital management company, the custodian, the auditor of the financial statements and the special fund**

### **Capital Management Company**

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

Speicherstraße 49-51  
D-60327 Frankfurt am Main

Tel.: +49 69 365058-7000  
Fax : +49 69 365058-8700  
www.lupusalpha.de

Register of companies Frankfurt/Main  
HRB-No. 52705

Contact for investor information  
Service Center  
Tel.: +49 69 365058-7000  
Email: service@lupusalpha.de

#### **Equity as of 31.12.2019**

Subscribed and deposited capital: EUR 2.56 million

#### **Shareholder**

Lupus alpha Asset Management AG (100%)

#### **Supervisory Board**

Chairman  
Oleg de Lousanoff, lawyer and notary public

Deputy chairman  
Dietrich Twietmeyer, Dipl. Agr. Ing. [Equivalent to Master's degree in agricultural engineering]

Dr Helmut Wölfel, lawyer

#### **Management**

Dr. Götz Albert  
Michael Frick  
Ralf Lochmüller

#### **Mandates of the management**

Dr. Götz Albert

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

Michael Frick

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

Ralf Lochmüller

Spokesman of the Management Board of Lupus alpha Asset Management AG, Frankfurt am Main  
Managing Director of Lupus alpha Holding GmbH, Frankfurt am Main

### **Custodian**

Kreissparkasse Cologne  
Neumarkt 18 - 24  
D-50667 Cologne

Liable equity as of 31.12.2020  
2.527,3 EUR million

### **Auditor for the special fund and the capital management company**

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

The aforementioned details are respectively updated in the annual and semi-annual reports.

This Translation is intended for Convenience purposes only and solely the German Version is binding

# TABLE OF CONTENTS SALES PROSPECTUS AND INVESTMENT CONDITIONS

<b>1. BASIC PRINCIPLES .....</b>	<b>9</b>
<b>2. MANAGEMENT COMPANY .....</b>	<b>9</b>
2.1 CORPORATE NAME, LEGAL FORM AND REGISTERED SEAT .....	9
2.2 MANAGEMENT BOARD/MANAGEMENT AND SUPERVISORY BOARD .....	10
2.3 EQUITY AND ADDITIONAL OWN FUNDS.....	10
<b>3. CUSTODIAN .....</b>	<b>10</b>
3.1 SUB-CUSTODIANS .....	11
3.2 LIABILITY OF THE CUSTODIAN .....	11
3.3 CURRENT INFORMATION PERTAINING TO THE CUSTODIAN .....	11
<b>4. THE FUND .....</b>	<b>11</b>
<b>5. INVESTMENT OBJECTIVES, STRATEGY, -PRINCIPLES AND LIMITS.....</b>	<b>11</b>
5.1 INVESTMENT OBJECTIVE AND STRATEGY .....	11
5.2 INVESTMENT PRINCIPLES .....	12
5.3 ASSETS IN DETAIL.....	12
5.4 SECURITIES .....	12
5.5 MONEY MARKET INSTRUMENTS.....	13
5.6 INVESTMENT LIMITS FOR SECURITIES AND MONEY MARKET INSTRUMENTS INCLUDING THOSE USING DERIVATIVES AND BANK BALANCES .....	15
5.6.2 Investment limit for bonds with special cover assets.....	15
5.6.3 Investment limits for public issuers.....	15
5.6.4 Combination of investment limits .....	16
5.6.5 Investment limits by using derivatives.....	16
5.7 INVESTMENT LIMITS FOR TAX REASONS .....	16
5.8 BANK BALANCES AND THEIR INVESTMENT LIMITS.....	16
5.9 INVESTMENT UNITS AND THEIR INVESTMENT LIMITS.....	16
5.10 OTHER ASSETS AND THEIR INVESTMENT LIMITS .....	17
5.11 DERIVATIVES .....	18
5.11.1 Futures contracts.....	18
5.11.2 Option transactions.....	18
5.11.3 Swaps.....	19
5.11.4 Swaptions.....	19
5.11.5 Credit Default Swaps .....	19
5.11.6 Total Return Swaps .....	19
5.12 FINANCIAL INSTRUMENTS SECURITISED IN SECURITIES.....	19
5.13 OTC-DERIVATIVE TRANSACTIONS.....	19
5.14 COLLATERAL STRATEGY.....	20
5.14.1 Strategy for discounts to the valuation (Haircut-strategy) .....	20
5.14.2 Investment of cash collateral.....	20
5.15 BORROWING OF LOANS .....	20
5.16 LEVERAGE .....	20
<b>6. RISK INFORMATION .....</b>	<b>21</b>
6.1 RISKS OF A FUND INVESTMENT .....	21
6.1.1 Fluctuation in the fund unit value .....	21
6.1.3 Influence on the individual results by tax aspects.....	21
6.1.4 Change in the investment policies or the investment conditions.....	21
6.1.5 Suspension of the unit redemption .....	21
6.1.6 Dissolution of the Fund .....	22
6.1.7 Assignment of all assets of the Fund to another open-ended public investment fund (merger) .....	22
6.1.8 Assignment of the Fund to another capital management company.....	22
6.1.9 Profitability and fulfilment of the investment objectives of the investor .....	22
6.2 RISKS OF THE NEGATIVE PERFORMANCE OF THE FUND (MARKET RISK) .....	22
6.2.1 Value change risks .....	22
6.2.2 Capital market risk .....	22
6.2.3 Price change risk of shares.....	22

6.2.4	Interest change risk .....	23
6.2.5	Risk of negative credit interest .....	23
6.2.6	Price change risk of convertible and option bonds.....	23
6.2.7	Risks in connection with derivative transactions .....	23
6.2.8	Risks in connection with the receipt of collateral .....	24
6.2.9	Risk with securitisation positions without excess .....	24
6.2.10	Inflation risk.....	24
6.2.11	Currency risk .....	24
6.2.12	Concentration risk.....	24
6.2.13	Risks in connection with the investment in investment units .....	24
6.2.14	Risks from the investment range .....	25
6.3	RISKS OF THE RESTRICTED OR INCREASED LIQUIDITY OF THE FUND AND RISKS IN CONNECTION WITH INCREASED SUBSCRIPTIONS OR RETURNS (LIQUIDITY RISK) .....	25
6.3.1	Risk from the investment in assets.....	25
6.3.2	Risk by the borrowing of loans.....	25
6.3.3	Risks by increased returns or subscriptions .....	25
6.3.4	Risk with public holidays in certain regions/countries.....	25
6.4	COUNTERPARTY RISK INCLUDING CREDIT AND RECEIVABLE RISK .....	25
6.4.1	Counterparty default risk / counterparty risks (except central counterparties) .....	25
6.4.2	Risk by central counterparties .....	26
6.5	OPERATIONAL AND OTHER RISKS OF THE FUND .....	26
6.5.1	Risks due to criminal acts, deplorable conditions or natural disasters .....	26
6.5.2	Country or transfer risk.....	26
6.5.3	Legal or political risks .....	26
6.5.4	Change in the basic tax conditions, tax risk .....	26
6.5.5	Key person risk .....	26
6.5.6	Custodian risk.....	26
6.5.7	Risks from trading and clearing mechanisms (processing risk) .....	26
7.	EXPLANATION OF THE RISK PROFILE OF THE FUND .....	26
8.	INCREASED VOLATILITY .....	27
9.	PROFILE OF THE TYPICAL INVESTOR.....	27
10.	VALUATION .....	27
10.1	GENERAL RULES FOR ASSET VALUATION .....	27
10.1.1	Assets authorised on a stock exchange / traded on an organised market .....	27
10.1.2	Assets not listed on stock exchanges or not traded on organised markets or assets without a tradeable price.....	27
10.2	SPECIAL RULES FOR THE VALUATION OF INDIVIDUAL ASSETS .....	27
10.2.1	Non-listed bonds and bonded loans .....	27
10.2.2	Options and futures contracts.....	27
10.2.3	Bank balances, fixed-term deposits and units in investment funds .....	27
10.2.4	Assets denominated in foreign currency .....	27
11.	UNITS.....	27
11.1	ISSUE AND REDEMPTION OF UNITS.....	27
11.1.1	Issue of units.....	27
11.1.2	Redemption of units .....	28
11.1.3	Settlement with unit issue and unit redemption.....	28
11.1.4	Suspension of the unit redemption .....	28
11.2	LIQUIDITY MANAGEMENT .....	28
11.3	STOCK EXCHANGES AND MARKETS .....	29
11.4	FAIR TREATMENT OF THE INVESTORS .....	29
11.5	UNIT CLASSES.....	29
11.6	ISSUE AND REDEMPTION PRICES .....	29
11.6.1	Issue and redemption prices.....	29
11.6.2	Suspension of the calculation of the issue and redemption price.....	29
11.6.3	Front load.....	30
11.6.4	Redemption discount.....	30
11.6.5	Publication of the issue and redemption prices .....	30
12.	COSTS .....	30

13. REMUNERATION POLICIES.....	32
15. DISSOLUTION, ASSIGNMENT AND MERGER OF THE FUND OR UNIT CLASS.....	34
16. OUTSOURCING .....	35
17. CONFLICTS OF INTEREST .....	35
18. BRIEF DETAILS REGARDING REGULATIONS UNDER TAX LAW .....	36
19. AUDITORS .....	40
20. PAYMENTS TO THE INVESTORS / DISTRIBUTION OF THE REPORTS AND OTHER INFORMATION .....	40
21. FURTHER INVESTMENT FUNDS MANAGED BY THE COMPANY .....	41
22. RIGHT OF REVOCATION WITH THE PURCHASE OF OUTSIDE OF THE CONSTANT BUSINESS PREMISES.....	41
23. INFORMATION FOR INVESTORS IN THE REPUBLIC OF AUSTRIA .....	41
24. FURTHER SALES RESTRICTIONS.....	42
25. GENERAL INFORMATION PERTAINING TO SUB-CUSTODIANS.....	42
26 LIST OF SUB-CUSTODIANS .....	43
27. GENERAL INVESTMENT CONDITIONS.....	45
28. SPECIAL INVESTMENT CONDITIONS.....	53
29. AN OVERVIEW OF THE FUND .....	57

This Translation is intended for Convenience purposes only and solely the German Version is binding



## 1. BASIC PRINCIPLES

The special fund

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

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

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

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

The sales prospectus, the essential investor information, the investment conditions as well as the current annual and semi-annual reports are available free of charge from the Company or in the internet under [www.lupusalpha.de](http://www.lupusalpha.de) or [www.fundinfo.com](http://www.fundinfo.com).

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

Insofar as the Company sends further information to individual investors concerning the composition of the

fund portfolio or its performance, it will at the same time make this information available to all investors of the Fund. The investors can apply for an electronic access to these data under [www.lupusalpha.de](http://www.lupusalpha.de) under the heading "downloads – mandatory publications – investor information for unit holders". The prerequisite is, among others, the conclusion of a non-disclosure agreement.

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

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

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

## 2. MANAGEMENT COMPANY

### **2.1 Corporate name, legal form and registered seat**

The Fund is managed by Lupus alpha Investment GmbH (formerly Lupus alpha Kapitalanlagegesellschaft mbH) with the registered seat in D-60327 Frankfurt am Main, Speicherstraße 49-51, that was founded on 15 July 2001.

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

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

Within the scope of the adjustment to the German Capital Investment Code the Company may manage UCITS special funds pursuant to the UCITS Directive since July 2013.

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

- Mixed investment funds (Sections 218 et seq. KAGB);
- Other investment funds (Sections 220 et seq. KAGB);
- Closed-end domestic public AIF pursuant to Sections 261 et seq. KAGB as well as closed-end domestic special AIF pursuant to Sections 285 et seq. KAGB, which invest in the following assets:
  - the assets pursuant to Section 261 Para. 1 No. 4 to 6 KAGB,
  - Securities pursuant to Section 193 KAGB,
  - Money market instruments pursuant to Section 194 KAGB and
  - Bank balances pursuant to Section 195 KAGB.
- Open-ended domestic special AIFs with fixed investment conditions pursuant to Section 284 KAGB, which invest in the following assets: The assets stated in Section 284 Para. 1 and Para. 2 KAGB, with the exception of the assets stated in Section 284 Para. 2 No. 2 lit. e), f) and h).
- General open-ended domestic special-AIFs pursuant to Section 282 KAGB, – including hedge funds pursuant to Section 283 KAGB – which invest in the following assets: The assets stated in Section 284 Para. 1 and Para. 2, with the exception of the assets stated in Section 284 Para. 2 No. 2 lit e), f) and h).

- EU UCITS, EU AIF and foreign AIFs, the admissible assets of which correspond with those for domestic investment funds.

## 2.2 Management Board/management and Supervisory Board

For more detailed information regarding the management and the composition of the Supervisory Board please refer to the beginning of the sales prospectus in the Section "brief details relating to the capital management company, the custodian and the auditor of the financial statements" and then "capital management company".

## 2.3 Equity and additional own funds

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

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

## 3. CUSTODIAN

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

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

In addition the custodian has in particular the following tasks:

- Issue and redemption of the units of the Fund,
- to ensure that the issue and redemption of the units as well as the determination of the unit value comply with the regulations of the KAGB and the investment conditions of the Fund,
- to ensure that in case of transactions conducted for the joint account of the investors it obtains the current value for its safekeeping within the customary deadlines,
- to ensure that the income of the Fund is used according to the regulations of the KAGB and according to the investment conditions,
- monitoring of the borrowing of loans by the Company for the account of the Fund and, if applicable, the consent to the borrowing of a loan,
- to ensure that collateral for securities loans is furnished legally effective and is available at all times.

### 3.1 Sub-custodians

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

The Company was notified of the list of sub-custodians by the custodian. The Company has checked this information for plausibility. However, it is dependent on the information being supplied by the custodian and cannot check the accuracy and completeness of the individual details. The list of sub-custodians can, however, change at all times. As a rule, not all of these sub-custodians are used for the Fund either.

### 3.2 Liability of the custodian

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

### 3.3 Current information pertaining to the custodian

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

## 4. THE FUND

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

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

Units of three unit classes are currently available, which differ in terms of the amount of the management fee and the minimum investment amount, as well as the appropriation of income. The unit classes are designated "C", "CT" and "R".

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

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

### 5.1 Investment objective and strategy

The fund management endeavours to achieve an increase in capital in the medium- to long-term by a positive development of the prices of the assets contained in the Fund. The fund management invests in small and medium-sized enterprises in Europe. The focus is placed on quality companies, which are distinguished by an attractive market position, a solid balance sheet and a stable business model.

The fund's assets are only invested in securities that are selected according to the principles of sustainability. To this end, issuers are analysed and classified according to environmental, social and governance criteria. This includes, among other things, the issuers' environmental management, their social standards and corporate governance, as well as their product portfolio. This may lead to the exclusion of companies from certain sectors (such as controversial weapons, fossil fuels, nuclear energy). Likewise, investments should not be made in companies that violate human and labour rights or that are involved in corruption. In addition, companies can be selected through the sustainability analysis depending on the contribution they make to the fulfilment of the Sustainable Development Goals of the United Nations. Further information can be found on the following website of the Company in the section "Current Publications" with the document name "Lupus alpha Sustainable Smaller Champions ESG Methodology": <https://www.lupusalpha.de/privatanleger/produkte/fonds/lupus-alpha-sustainable-smaller-pan-european-champions-r/>

Based on the sustainability risk assessment made, it is likely that the sustainability risks to which the Sub-Fund may be exposed will have a lower impact on the value of the Sub-Fund's investments in the medium to long

term due to the application of the sustainability principles explained above

The active selection of the securities is made by a comprehensive analysis of the individual company based on qualitative and quantitative criteria (selection of individual securities ("Stock Picking") as a central instrument). This is supported by personal talks with the management of the company.

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

A comparison of the performance of the Fund with the performance of the comparable benchmark can be found in this sales prospectus under Point 14.1. "Performance".

The Fund promotes environmental and/or social features but does not target sustainable investments.

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

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

## 5.2 Investment principles

The assets that are admissible according to the KAGB and the investment conditions can be acquired for the Fund.

The Company may additionally invest more than 35 per cent of the value of the Fund in securities and money market instruments of the issuers named in the Section "Investment limits for public issuers".

Even with a careful selection of the securities it cannot be excluded that losses occur due to the deterioration of assets of issuers. However, by applying modern analysis methods, the Company tries to minimise the existing risks of an investment in securities and to improve the opportunities.

## 5.3 Assets in detail

The Company can acquire the following assets for the account of the Fund:

- Securities pursuant to Section 193 KAGB,

- Money market instruments pursuant to Section 194 KAGB,
- Bank balances pursuant to Section 195 KAGB,
- Investment units pursuant to Section 196 KAGB,
- Derivatives pursuant to Section 197 KAGB,
- So-called other investment instruments pursuant to Section 198 KAGB.

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

## 5.4 Securities

The Company may acquire securities of domestic and foreign issuers for the account of the Fund,

1. if they are authorised for trading on a stock exchange in a member state of the European Union ("EU") or in another contractual state of the Treaty on the European Economic Area ("EEA ") or are authorised on another organised market in one of these states or are included in these markets,
2. if they are exclusively authorised for trading on a stock exchange outside of the member states of the EU or outside of the other contractual states of the Treaty on the EEA or are authorised on another organised market in one of these states or are included in these markets, insofar as BaFin authorised the choice of this stock exchange or this organised market.

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

The following shall also be deemed securities within this meaning

- Units in closed-end investment funds in a contractual or corporate form, which are subject to a control by the shareholders (so-called corporate control), i.e. the shareholders must have voting rights with regard to essential decisions as well as the right to control the investment policies by means of appropriate mechanisms. The investment fund must, moreover, be managed by a legal entity that is subject to the regulations for the protection of investors, unless the investment fund is inception in a corporate form and the activity of the asset management is not performed by another legal entity.

- Financial instruments that are collateralised by other assets or are coupled with the development of other assets. Insofar as components of derivatives are embedded in such financial instruments, further requirements will apply so that the Company may acquire these as securities.

The securities may only be acquired under the following prerequisites:

- The potential loss, which may be suffered by the Fund, may not exceed the purchase price of the security. There may not be any obligation for subsequent payment.
- A lack of liquidity of the security acquired by the Fund may not lead to the fact that the Fund can no longer comply with the statutory stipulations pertaining to the redemption of units. This applied by taking the statutory possibility into consideration to be able to suspend the redemption of units in special cases (cf. Section 11.1 "Issue and redemption of units")
- A reliable valuation of the securities by exact, reliable and common prices must be available; these must either be market prices or be provided by a valuation system that is independent of the issuer of the security.
- Reasonable information must be available with regard to the security, either in the form of regular, exact and comprehensive information of the market about the security or in the form of an, if applicable, associated portfolio.
- The security is tradeable.
- The acquisition of the security is in line with the investment objectives or the investment strategy of the Fund.
- The risks of the security are covered by the risk management of the Fund to a reasonable extent.

Securities may moreover be acquired in the following form:

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

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

## 5.5 Money market instruments

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

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

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

1. are authorised for trading on a stock exchange in a member state of the EU or in any other contractual state of the Treaty on the EEA or are authorised on another organised market in one of these states or are included in this market,
2. if they are exclusively authorised for trading on a stock exchange outside of the member states of the EU or in another contractual state of the Treaty on the EEA or in one of these states authorised on an organised market or included in this market, insofar as BaFin has authorised the choice of this stock exchange or this market,
3. are issued or guaranteed by the EU, the federal government, a special fund of the federal government, a federal state, another member state or another central state, regional or local authority or the Central Bank of a member state of the EU, the European Central Bank or the European Investment Bank, a third country or, if this is a federal state, a constituent state of this federal state or of an international institution under public law, to which at least one member state of the EU belongs,
4. are issued by a company, whose securities are traded on the markets described under numbers 1 and 2,
5. are issued or guaranteed by a credit institution that is subject to criteria of a supervision that is stipulated according to the law of the EU, or a credit institution, that is subject to and complies with supervision provisions, which are equivalent to those of Community law in the opinion of BaFin,
6. are issued by other issuers and the respective issuer
  - a) concerns a company with equity of at least EUR 10 million, that prepares and publishes its annual fi-

financial statements according to the European Directive pertaining to the annual financial statements of stock corporations, or

- b) concerns a legal entity that is responsible for the financing of this group within a group that comprises one or more listed companies, or
- c) concerns a legal entity that issues money market instruments, which are underlain by liabilities, by using a credit line granted by a bank. These are products, with which credit claims of banks are securitised in securities (so-called Asset Backed Securities).

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

For money market instruments, which are not listed on a stock exchange or not authorised for trading on a regulated market (see above under No. 3 to 6), the issue or the issuer of these instruments must, moreover, be subject to regulations governing the protection of deposits and investors. Reasonable information must be available for these money market instruments that enables an adequate assessment of the credit risks associated with the instruments and the money market instruments must be freely transferrable. The credit risks can, for example, be assessed by a credit rating of a rating-agency.

The following requirements will continue to apply to these money market instruments, unless they have been issued or guaranteed by the European Central Bank or the Central Bank of a member state of the EU:

- If they are issued or guaranteed by the following institutions (stated above under No. 3):
  - the EU,
  - the federal government,
  - a special fund of the federal government,

- a federal state,
- another member state,
- another central state authority,
- the European Investment Bank,
- a third country or, if this is a federal state, a constituent state of this federal state
- an international institution under public law, to which at least one member state of the EU belongs,

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

- If they are issued or guaranteed by a credit institution that is supervised in the EEA (see above under No. 5) then reasonable information must be available regarding the issue or the issue programme or regarding the legal and financial situation of the issuer before the issue of the money market instrument, which will be updated at regular intervals and in case of significant events. Moreover, data (e.g. statistics) must be available with regard to the issue or the issue programme that enable an adequate assessment of the credit risks associated with the investment.
- If they are issued by a credit institution that is subject to supervisory provisions outside of the EEA, which in the opinion of BaFin are equivalent to the requirements from a credit institution within the EEA, then one of the following prerequisites is to be fulfilled:
  - The credit institution maintains a registered seat in a member state of the Organisation for Economic Co-operation and Development (hereinafter "OECD") that belongs to the so-called group of ten (amalgamation of the most important leading industrial countries – G10).
  - The credit institution at least has a rating with a grade that qualifies as a so-called "Investment-Grade". A grade with "BBB" or "Baa" or better within the scope of the credit rating by a rating-agency is described as an "Investment Grade".
  - By means of a detailed analysis of the issuer it can be proven that the supervisory provisions applicable to the credit institution are at least as strict as those of the law of the EU.
- For the other money market instruments, which are not listed on a stock exchange or are not authorised for trading on a regulated market (see above under No. 4 and 6 as well as the others stated under No. 3), reasonable information regarding the issue or the issue programme as well as regarding the legal and financial situation of the issuer must be available before the issue of the money market instrument, which is updated at regular intervals and in

case of significant events and will be checked by qualified third parties, who are independent of instructions of the issuer. Moreover, data (e.g. statistics) must be available regarding the issue or the issue programme that enable an adequate assessment of the credit risks associated with the investment.

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

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

All securities held in the Fund must fulfil the sustainability criteria described in section 5.1.

### *5.6.1 General investment limits*

The Company may invest in securities and money market instruments of the same issuer (debtor) up to 10 per cent of the value of the Fund. The total value of the securities and money market instruments of these issuers (debtors) may not exceed 40 per cent of the Fund. In addition, the Company may only invest 5 per cent of the value of the Fund in each case in securities and money market instruments of the same issuer. Securities purchased under repurchase agreements shall be counted towards this investment limit.

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

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

### *5.6.3 Investment limits for public issuers*

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

The Company can invest more than 35 per cent of the value of the Fund in bonds, bonded loans and money market instruments of one or more of the following issuers:

## **The Federal Republic of Germany**

### **• The federal states:**

- Baden-Württemberg
- Bavaria
- Berlin
- Brandenburg
- Bremen
- Hamburg
- Hesse
- Mecklenburg-Western Pomerania
- Lower Saxony
- North-Rhine Westphalia
- Rhineland-Palatinate
- Saarland
- Saxony
- Saxony-Anhalt
- Schleswig-Holstein
- Thuringia

### **• European Union**

As EU-Member States:

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

### **• As contractual states of the Treaty on the European Economic Area:**

- Iceland
- Liechtenstein

- Norway
- **As member states of the Organisation for Economic Co-operation and Development, which are not a member of the EEA:**
  - Australia
  - Japan
  - Canada
  - South Korea
  - Mexico
  - New Zealand
  - Switzerland
  - Turkey
  - United States of America
  - Chile
  - Israel
  - United Kingdom of Great Britain and Northern Ireland

Insofar as this possibility is used the securities and money market instruments in the Fund must stem from at least six different issues, whereby no more than 30 per cent of the values of the Fund may be held in one issue.

Purchased securities are offset against this investment limit.

#### 5.6.4 Combination of investment limits

The Company may invest a maximum of 20 per cent of the value of the Fund in a combination of the following assets:

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

With special public issuers (see Section "Investment limits for public issuers") a combination of the aforementioned assets may not exceed 35 per cent of the value of the Fund. The respective individual upper limits shall remain unaffected.

#### 5.6.5 Investment limits by using derivatives

The amounts of securities and money market instruments of an issuer, which are offset against the aforementioned limits, can be reduced by the use of derivatives contrary to the market, which have securities or money market instruments of the same issuer as the underlying asset. Thus securities or money market instruments of an issuer may be acquired for the account of the Fund in excess of the aforementioned limits if the issuer risk that is increased hereby is reduced by hedging transactions again.

### 5.7 Investment limits for tax reasons

At least 51 per cent of the Fund are invested in capital participations within the meaning of Section 2 Para. 8 German Investment Tax Act (InvStG). Capital participations within this meaning are

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

### 5.8 Bank balances and their investment limits

Up to 40 per cent of the value of the Fund may be invested in bank balances that have a maximum term of twelve months. The Company may only invest up to 20 per cent of the value of the Fund in bank balances at one credit institution each.

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

### 5.9 Investment units and their investment limits

The Company may invest up to 10 per cent of the value of the Fund in units in target funds insofar as these are open-ended domestic and foreign investment funds. The Company shall acquire units in all contractual states of the European Economic Area for the Fund.

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

- The target fund must have been authorised according to legal regulations, which subject it to an effective public supervision for the protection of the investors, and there must be sufficient warranty for a satisfactory cooperation between BaFin and the supervisory authority of the target fund.
- The level of protection of the investors must be equivalent to the level of protection of an investor



in a domestic UCITS, in particular with regard to the segregation of management and safekeeping of the assets, for the borrowing and granting of loans as well as for short sales of securities and money market instruments.

- The business activity of the target fund must be the object of annual and semi-annual reports and allow the investors to form an opinion of the assets and the liabilities as well as the income and the transactions in the reporting period.
- The target fund must be a public fund with which the number of units is not limited and the investors have a right to return the units.

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

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

#### 5.10 Other assets and their investment limits

The Company may invest in total up to 10 per cent of the value of the Fund in the following other assets:

- Securities, which are not authorised for trading on a stock exchange or not authorised on another organised market or not included in this, however principally meet the criteria for securities. Notwithstanding the traded or authorised securities the reliable valuation for these securities must be available in the form of a valuation carried out at regular intervals, which is derived from information of the issuer or from a competent financial analysis. Reasonable information regarding the non-authorised or non-included securities or, if applicable, the associated portfolio, i.e. securitised in the security must be available in the form of regular and precise information for the Fund.
- Money market instruments of issuers, which do not satisfy the aforementioned requirements, if they are liquid and their value can be precisely determined at all times. Money market instruments are deemed as liquid that can be sold with limited costs within a sufficiently short period of time. The obligation of the Company is to be taken into consideration hereby to take units in the Fund back at the request

of the investors and in this respect to be in the position to accordingly be able to sell such money market instruments at short notice. An exact and reliable valuation system must moreover exist for the money market instruments that enables the determination of the net asset value of the money market instrument and is based on market data or on valuation models (including systems that are based on amortised acquisition costs). The feature of the liquidity shall be deemed as fulfilled for money market instruments if these are authorised on an organised market within the EEA or are included in this or are authorised on an organised market outside of the EEA or are included in this insofar as BaFin has authorised the choice of this market.

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

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

- Bonded loans, which can be assigned at least twice after the acquisition for the Fund and were granted by one of the following institutions:
  - a) the federal government, a special fund of the federal government, a federal state, the EU or a member state of the OECD,
  - b) another domestic regional authority or a regional government or local authority of another member state of the EU or another contractual state of the Treaty on the EEA, insofar as the demand for the regulation through supervisory requirements from credit institutions and securities companies can be treated in the same manner as a demand from the central state, on the sovereign territory of which the regional government or authority is based,

- c) other public corporations or bodies with the registered seat in the domestic country or in another member state of the EU or another contractual state of the Treaty on the EEA,
- d) companies, which have issued securities that are authorised for trading on an organised market within the EEA or that are authorised for trading on any other regulated market, which fulfils the essential requirements on regulated markets within the meaning of the directive governing markets for financial instruments in the respective applicable version, or
- e) other debtors, insofar as one of the bodies described in lit. a) to c) has assumed the warranty for the interest yield and repayment.

## 5.11 Derivatives

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

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

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

In order to determine the capacity utilisation of the market risk limit the Company applies the so-called qualified approach within the meaning of the Derivative Regulation. For this purpose the Company compares the market risk of the Fund with the market risk of a virtual comparable fund, which does not contain any derivatives. The derivative-free comparable fund concerns a virtual portfolio, the value of which always precisely corresponds with the current value of the Fund, however that does not include any increases or hedging of the market risk through derivatives. The composition of the comparable fund must incidentally correspond with the

investment targets and the investment policies, which apply to the Fund. The derivative-free comparable fund for the Fund consists of derivative-free assets, which can be acquired according to the investment conditions.

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

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

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

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

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

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

### 5.11.1 Futures contracts

Futures contracts are absolute mandatory agreements for both contractual partners, to purchase or sell a certain quantity of a certain underlying asset at a price that is determined in advance at a certain time, the maturity date, or within a certain period of time. The Company may conclude futures contracts for the account of the Fund within the scope of the investment principles on all assets that are admissible pursuant to § 1 of the Special Investment Conditions.

### 5.11.2 Option transactions

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

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

#### 5.11.3 Swaps

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

#### 5.11.4 Swaptions

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

#### 5.11.5 Credit Default Swaps

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

#### 5.11.6 Total Return Swaps

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

Total Return Swaps can be carried out for the Fund for hedging purposes as well as for investment purposes. This also includes transactions for speculative purposes, which may at least temporarily increase the risk of loss for the Fund. All admissible assets of the Fund can be used as an object or basic value of Total Return Swaps. The Fund assets may fully consist of transactions in this

case, the object of which is Total Return Swaps. The Company expects that, as a rule, no more than 10% of the Fund assets are the object of Total Return Swaps. This is, however, merely an estimated value, which may also be substantially exceeded. The income from Total Return Swaps flows – after deduction of the transaction costs – into the Fund in full.

The contractual partners for Total Return Swaps are selected according to the following criteria: It concerns a credit and financial services institution with the registered seat in a member state of the EU, another contractual state of the Treaty on the EEA or a third country, whose supervisory provisions, in the opinion of BaFin, are equivalent to the law of the EU. The contractual partner must principally have a minimum credit rating assessment of "Investment Grade", which can however be waived in justified exceptional cases. An awarding of a grade with "BBB-" or "Baa3" or better within the scope of the credit rating by a rating agency (for example Standard & Poor's, Moody's or Fitch) is described as an "Investment Grade". The specific contractual partner will in the first place be selected the offered contractual conditions as well as their availability into consideration. The Company also observes the financial circumstances of the contractual partners that can be taken into consideration as well as the offered liquidity and the range of services.

### 5.12 Financial instruments securitised in securities

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

### 5.13 OTC-Derivative transactions

The Company may conduct both derivative transactions for the account of the Fund, which are authorised for trading on a stock exchange or are authorised on another organised market or are included in this, as well as off-market transactions, so-called over-the-counter (OTC) transactions. The Company may only conduct derivative transactions, which are not authorised for trading on a stock exchange or not authorised on another organised market or are not included in this, with suitable credit institutions or financial service institutions on the basis of standardised framework contracts. With derivatives traded over-the-counter the counterparty risk with regard to a contractual partner is limited to 5 per cent of the value of the Fund. If the contractual partner is a credit institution with the registered seat in a member state of the EU, in another contractual state of the Treaty on the EEA or a third country with a comparable standard of supervision, then the counterparty

risk may amount to up to 10 per cent of the value of the Fund. Derivative transactions traded over-the-counter, which are concluded with a central clearing house of a stock exchange or another organised market as contractual partner will not be offset against the counterparty limits if the derivatives are subjected to a daily valuation at market prices with daily margin compensation. Claims of the Fund against an intermediary are, however, to be offset against the limits, even if the derivative is traded on a stock exchange or on another organised market.

#### 5.14 Collateral strategy

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

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

- Bank balances; also in foreign currency, insofar as this is permitted according to the investment conditions of the Fund.
- Securities

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

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

##### 5.14.1 Strategy for discounts to the valuation (Haircut-strategy)

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

##### 5.14.2 Investment of cash collateral

Cash collateral in the form of bank balances may be held on blocked accounts at the custodian of the Fund or

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

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

#### 5.15 Borrowing of loans

The borrowing of short-term loans for the joint account of the investors is permitted up to 10 per cent of the value of the Fund if the conditions for the borrowing of the loan are customary for the market and the custodian approves the borrowing of the loan.

#### 5.16 Leverage

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

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

The leverage of the Fund is determined from the relationship between the risk of the Fund and its net asset value. The calculation of the net asset value is explained in the Section "Units", sub-section "issue and redemption price". The risk of the Fund is calculated according to a gross method. It describes the total amount of the absolute values of all positions of the Fund with the exception of bank balances, which are valued in line with the statutory stipulations. It is not permitted to offset individual derivative transactions or security positions against one another (i.e. no consideration of so-called netting and hedging agreements). The Company expects that the risk of the Fund calculated according to the gross method will exceed its net asset value twice as a maximum. Depending on the market conditions the leverage may, however, fluctuate, so that despite the constant monitoring by the Company there may be overlapping of the intended market.

Derivatives can be used by the Company with various objectives, for example for hedging or for the optimisation of the returns. However, the calculation of the total exposures does not make a distinction between the various objectives of the derivative use. For this reason the total of nominal amounts is no indicator for the risk content of the Fund.

## 6. RISK INFORMATION

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

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

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

### 6.1 Risks of a fund investment

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

#### 6.1.1 Fluctuation in the fund unit value

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

#### 6.1.2 Different performance of the unit classes

An economically different performance of the unit classes can result from the statutorily differentiated design of the units of different unit classes. These include, for example, distribution, reinvestment or different levels of management fees. In the case of different levels of management fees, payments are regularly made from the Fund assets, which reduce the respective unit value to a different extent.

#### 6.1.3 Influence on the individual results by tax aspects

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

#### 6.1.4 Change in the investment policies or the investment conditions

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

#### 6.1.5 Suspension of the unit redemption

The Company may temporarily suspend the redemption of the units insofar as there are exceptional circumstances, which allow a suspension to appear necessary by taking the interests of the investors into consideration. Exceptional circumstances within this meaning can be e.g.: economic or political crises, redemption request to an exceptional extent as well as the closure of stock exchanges or markets, trade restrictions or other factors, which impair the determination of the unit value. In addition BaFin can order that the Company has to suspend the redemption of the units if this is necessary in the interest of the investors or the public. The investor cannot return his units during this period of time. The unit value may also fall in the event of a suspension of the unit redemption; e.g. if the Company is forced to sell assets during the suspension of the unit redemption below market value. The unit value may be lower after the re-commencement of the unit redemption than the value before suspension of the redemption. A suspension can be directly followed by a dissolution of the Fund without a renewed re-commencement of the redemption of the units, e.g. if the Company terminates the management of the Fund in order to then dissolve the Fund. Therefore, the risk exists for the investor that he cannot realise the holding period planned by him and that essential parts of the invested capital are not available to him for an indefinite period of time or are lost in full.

#### 6.1.6 *Dissolution of the Fund*

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

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

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

#### 6.1.8 *Assignment of the Fund to another capital management company*

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

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

It cannot be guaranteed that the investor achieves his desired investment success. The unit value of the Fund may fall and lead to losses for the investor. There are no guarantees on the part of the Company or third parties with regard to a certain minimum payment promise with the return or a certain investment success of the Fund. Investors could therefore get a lower amount back than the originally invested amount. A front load that is paid with the acquisition of units or a redemption discount paid with the sale of units may moreover, in particular with an only short investment duration, reduce the success of an investment or even consume it in full.

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

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

### 6.2.1 *Value change risks*

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

### 6.2.2 *Capital market risk*

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

### 6.2.3 *Price change risk of shares*

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

On 26 July 2016 the Investment Tax Reform Act was announced with which among others the German Investment Tax Act and the German Income Tax Act will be amended. According to this, in order to avoid tax structures (so-called Cum/Cum deals) a regulation is envisaged, according to which dividends of German shares and income of German profit participation rights similar to equity will be charged with a definitive capital gains tax. This regulation – as opposed to the main part of this law – came into force retroactively already as of 1 January 2016. It can be summarised as follows:

As opposed to in the past German funds should under certain prerequisites be charged on the fund receipt part with a definitive German capital gains tax in the amount of 15% on the gross dividend. This should be the case if German shares and German profit participation rights similar to equity are not held by the fund, without interruption, for 45 days within 45 days before and after the time of maturity of the capital gains (= 91-day period) and in these 45 days, not without interruption there are minimum value change risks of 70% ("45-day regulation"). An obligation for the direct or indirect remuneration of the capital gains to another person (e.g. by swaps, securities loan transactions, repurchase agreements) also leads to the burden with capital gains tax.

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

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

#### 6.2.4 Interest change risk

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

#### 6.2.5 Risk of negative credit interest

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

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

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

#### 6.2.7 Risks in connection with derivative transactions

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

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

the option premium paid by the Fund lapses. With the sale of options there is the risk that the Fund is obliged to purchase assets at a higher price than the current market price or to deliver assets at a lower price than the current market price. The Fund will then suffer a loss in the amount of the price difference minus the collected option premium.

- In case of futures contracts there is the risk that the Company is obliged, for the expense of the Fund, to bear the difference between the prices used as a basis upon conclusion and the market price at the time of the balancing or maturity of the transaction. The Fund would thus suffer losses. The risk of the loss cannot be determined upon conclusion of the futures contract.
- The, if applicable, necessary conclusion of an off-setting transaction (balancing) involves costs.
- The forecasts made by the Company regarding the future development of underlying assets, interest rates, prices and foreign exchange markets can subsequently prove to be incorrect.
- The assets upon which the derivatives are based cannot be purchased or sold at a per se favourable time or must be purchased or sold at a more unfavourable time.
- The assets upon which the derivatives are based cannot be purchased or sold at a per se favourable time or must be purchased or sold at a unfavourable time.

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

- An organised market may be missing so that the Company finds it difficult or even impossible to sell the financial instruments acquired for the account of the Fund on the OTC market.
- The conclusion of an offsetting transaction (balancing) can be difficult, impossible or involve substantial costs owing to the individual agreement.

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

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

The Company can invest cash collateral on blocked accounts, in government bonds of a high quality or in money market funds with a short term structure. The credit institution, at which the bank balances are held in safekeeping, can however cease to exist. Government bonds and money market funds can feature a negative development. Upon termination of the transaction the

invested collateral could no longer be available in the full amount, although they have to be granted back by the Company for the Fund in the originally granted amount. Then the Fund would have to bear the losses suffered with the collateral.

#### 6.2.9 Risk with securitisation positions without excess

The Fund may only acquire securities, which securitise receivables (securitisation positions) and were issued after 1 January 2011, still if the debtor of the receivable retains at least 5 per cent of the volume of the securitisation as a so-called excess and complies with further stipulations. The Company is therefore obliged to initiate remedial measures in the interest of the investors if securitisations are located in the fund assets that do not comply with these EU standards. Within the scope of these remedial measures the Company could be forced to sell such securitisation positions. Owing to legal stipulations for banks, fund company and insurances there is the risk that the Company cannot sell such securitisation positions or only with substantial price discounts or with a great time delay.

#### 6.2.10 Inflation risk

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

#### 6.2.11 Currency risk

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

#### 6.2.12 Concentration risk

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

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

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



composition does not correspond with its assumptions or expectations it can, if applicable, only react with substantial delay by returning target fund units.

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

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

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

### 6.3 **Risks of the restricted or increased liquidity of the Fund and risks in connection with increased subscriptions or returns (liquidity risk)**

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

#### 6.3.1 *Risk from the investment in assets*

Assets may also be acquired for the Fund, which are not authorised on a stock exchange or on another organised market or are not included in this. These assets can, if applicable, only be resold with high price discounts, a time delay or cannot be resold at all. It is also possible that assets that are authorised on a stock exchange cannot, if applicable, be sold or only with high price discounts, depending on the market position, the volume, the time frame and the planned costs. Although only assets may be acquired for the Fund, which may principally be liquidated at all times, it cannot be excluded that these can temporarily or permanently only be sold at a loss.

#### 6.3.2 *Risk by the borrowing of loans*

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

#### 6.3.3 *Risks by increased returns or subscriptions*

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

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

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

### 6.4 **Counterparty risk including credit and receivable risk**

The risks are presented below, which may arise for the Fund within the scope of a business relationship with another party (so-called counterparty). There is the risk that the contractual partner can no longer satisfy its agreed obligations. This can may impair the performance of the Fund and thus also have a detrimental effect on the unit value and the capital invested by the investor.

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

By the default of an issuer (hereinafter "Issuer") or a contractual partner (hereinafter "Counterparty"), against which the Fund has claims, losses may be incurred for the Fund. The issuer risk describes the implication of the

special developments of the respective issuer, which besides the general tendencies of the capital markets have an effect on the price of a security. Even with a careful selection of the securities it cannot be excluded that losses occur due to a deterioration in assets of issuers. The parties of a contract concluded for the account of the Fund can partly or fully cease to exist (counterparty risk). This shall apply to all contracts, which are concluded for the account of the Fund.

#### 6.4.2 Risk by central counterparties

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

### 6.5 Operational and other risks of the Fund

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

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

The Fund can become the victim of fraud or other criminal acts. It may suffer losses by misunderstandings or mistakes by employees of the Company or external third parties or be damaged by external events such as e.g. natural disasters or pandemics.

#### 6.5.2 Country or transfer risk

There is the risk that a foreign debtor, despite solvency, cannot make payments within the deadline, not at all or only in another currency owing to a lack of ability to transfer the currency, lack of willingness to transfer of his country of registered seat or for similar reasons. Thus, e.g. payments, to which the Company is entitled for the account of the Fund, are not made, are made in a currency, which owing to foreign exchange restrictions cannot (no longer) be converted or are made in another currency. If the debtor pays in another currency, then this position is subject to the currency risk presented above.

#### 6.5.3 Legal or political risks

Investments may be made for the Fund in legal systems, in which German law does not apply or in the event of lawsuits the place of jurisdiction is outside of Germany. This may result in rights and obligations of the Company for the account of the Fund which may deviate from

those in Germany for the disadvantage of the Fund or the investor. Political or legal developments including the changes to basic legal conditions in these legal systems may not be recognised by the Company or too late or lead to restrictions with regard to the assets that can be acquired or already acquired assets. These consequences can also arise if the basic legal conditions for the Company and/or the safekeeping of the Fund in Germany change.

#### 6.5.4 Change in the basic tax conditions, tax risk

The tax information in this sales prospectus is based on the currently known legal situation. The brief details concerning regulations under tax they are oriented to the persons who are liable to income tax in Germany to an unlimited extent or persons liable to corporate income tax to an unlimited extent. However, no guarantee can be assumed for the fact that the tax assessment does not change due to legislation, case law or degrees of the tax authorities.

#### 6.5.5 Key person risk

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

#### 6.5.6 Custodian risk

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

#### 6.5.7 Risks from trading and clearing mechanisms (processing risk)

With the processing of securities transactions there is the risk that one of the contractual parties delays or does not make the payment as agreed or does not supply the securities within the deadline. This processing risk exists accordingly also with the trade with other assets for the Fund.

## 7. Explanation of the risk profile of the Fund

The risk profile of the Fund is derived from the investment objectives and limits stated in Section "5" in combination with the risk information stated from Section "6". The risk profile can vary depending on the market situation and the asset and can change over the course of time. In addition the interested investors can use the risk indicator from the essential investor information in order to assess the risk profile (to be found under "Risk and income profile" in the respective essential investor information of the Fund). The essential investor information can be called free of charge on the website [www.lupusalpha.de](http://www.lupusalpha.de) or [www.fundinfo.com](http://www.fundinfo.com) or is available from the company free of charge upon request.

## 8. INCREASED VOLATILITY

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

## 9. PROFILE OF THE TYPICAL INVESTOR

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

## 10. VALUATION

### 10.1 General rules for asset valuation

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

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

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

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

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

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

For the valuation of bonds, which are not authorised for trading on a stock exchange or are not authorised on another organised market or not included in this (e.g. non-listed units, Commercial Papers and deposit certificates), and for the valuation of bonded loans the prices agreed for comparable bonds and bonded loans are, if applicable, the price values of bonds of comparable issuers with a corresponding term and interest yield are used, if necessary with a discount for compensation of the reduced ability for sale.

#### 10.2.2 *Options and futures contracts*

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

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

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

Bank balances are principally valued at their new value plus received interest.

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

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

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

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

## 11. UNITS

The rights of the investors are exclusively securitised in global certificates. These global certificates are held in safekeeping at a central securities depository. The investor has no entitlement to delivery of individual unit certificates. The units are made out to the bearer and are issued for one unit, or the fraction of a unit, or a plurality of units. Upon transfer of a unit certificate, the rights evidenced therein shall also be transferred.

### 11.1 ISSUE AND REDEMPTION OF UNITS

#### 11.1.1 *Issue of units*

Investors rights are securitized in share certificates or issued as electronic share certificates. Certificated unit certificates, in principle, not limited. The units of all unit classes can be purchased from the Custodian. They are issued by the Custodian at the issue price, which for all unit classes corresponds to the net asset value per unit ("unit value") plus an issue premium. The calculation of the net asset value is explained in the section "Units", subsection "Issue and redemption price".

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

The minimum investment amount for the acquisition of unit class "C" is 500,000 Euros. The minimum investment amount for the acquisition of unit class "CT" is 1,000,000 Euros. The Company may, at its discretion, accept a lower minimum investment amount.

#### 11.1.2 Redemption of units

The investors can request the redemption of units irrespective of the minimum investment amount<sup>1</sup>, every valuation day, insofar as the Company has not temporarily suspended the unit redemption (see Section "Suspension of the unit redemption"). Redemption orders are to be placed with the custodian or the Company itself. The Company undertakes to take the units back at the redemption price applicable on the settlement key date, which corresponds with the unit value determined on this day – if applicable minus a redemption discount. The redemption can also be carried out by the third party acting as an intermediary, additional costs may be incurred hereby.

#### 11.1.3 Settlement with unit issue and unit redemption

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

Unit calls and unit redemptions on the designated issue and redemption days that are received by the Custodian after 3:00 p.m. on an exchange day that is also a valuation day, will be settled at the issue price or redemption price of the next valuation day. The issue price is payable in the fund currency within two bank business days (banking centre Frankfurt am Main) after the next valuation day. The payout of the redemption price will be carried out in the fund currency within two bank business days (banking centre Frankfurt am Main) after the next valuation day.

#### 11.1.4 Suspension of the unit redemption

The Company can temporarily suspend the redemption of the units insofar as exceptional circumstances exist, which allow a suspension to be appear necessary by taking the interests of the investors into consideration. Such exceptional circumstances exist for example if a stock exchange, is closed non-scheduled on which a substantial part of the securities of the Fund are traded, or if the

assets of the Fund cannot be valued. In addition BaFin can order that the Company has to suspend the redemption of the units if this is necessary in the interests of the investors or the public.

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

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

## 11.2 LIQUIDITY MANAGEMENT

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

The principles and procedures comprise:

- The company monitors the liquidity risks, which may arise on the level of the fund or the assets. It will carry out an estimate of the liquidity of the assets held in the fund hereby in relation to the fund assets and for this purpose will stipulate a liquidity ratio. The assessment of the liquidity includes, for example, an analysis of the trading volume, the complexity of the assets, the number of trading days, which are required for the sale of the respective asset, without exerting an influence on the market price. The company also monitors the investments in target funds and their redemption principles and thus resulting possible implications on the Liquidity of the fund.
- The company monitors the liquidity risks, which may arise by increased requests of the investors for unit redemption. It hereby forms expectations regarding net fund changes by taking available information relating to the investor structure and empirical values from historical net fund changes into consideration. It takes the implications of large call order risks into consideration and other risk (e.g. reputation risks).
- The company has stipulate adequate limits for the liquidity risks for the fund. It monitors the compli-

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

ance with these limits and has stipulated procedures with an exceeding or possible exceeding of the limits.

- The procedures set up by the company guarantee a consistency between liquidity ratio, the liquidity risk limit and the expected net fund changes.

The company checks these principles regularly and updates these accordingly.

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

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

### 11.3 STOCK EXCHANGES AND MARKETS

The company can authorise the units of the fund on a stock exchange or in organised markets; the company not taken advantage of this possibility at present.

It cannot be excluded that the units are also traded on other markets without the consent of the company. A third party can initiate without the company's consent that the units are included in the over-the-counter trade or on another off-market trade.

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

### 11.4 FAIR TREATMENT OF THE INVESTORS

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

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

### 11.5 UNIT CLASSES

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

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

### 11.6 ISSUE AND REDEMPTION PRICES

#### 11.6.1 Issue and redemption prices

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

The value for the units of the fund is determined on all German stock exchange days. On statutory public holidays in Germany, which are stock exchange days, as well as on the 24 and 31 December of each year the company and the custodian can refrain from a determination of the value. A determination of the unit value is refrained currently from on New Year's Day, Good Friday, Easter Sunday, Easter Monday, May Day, Ascension Day, Pentecost, Whit Monday, Corpus Christi, Day of German Unity, Christmas Eve, Christmas Day and Boxing Day, Silvester.

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

The company can temporarily suspend the calculation of the issue and redemption price under the same prerequisites as the unit redemption. These are explained

in more detail in the previous Section "Units – suspension of the unit redemption".

#### 11.6.3 Front load

With the fixation of the front load a front load is added to the unit value. The front load is up to 5,00 per cent, for each share class of the unit value. The front load can in particular with a short investment duration reduce the performance of the fund or even consume this in full. The front load essentially represents a remuneration for the distribution of the units of the fund. The company can pass on the front load to cover distribution services of possible intermediary bodies.

#### 11.6.4 Redemption discount

A redemption discount is not charged.

#### 11.6.5 Publication of the issue and redemption prices

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

## 12. COSTS

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

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

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

### 12.2 Management and other costs

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

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

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

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

The settlement period will begin on 1 January and end on 31 December of a calendar year. The first settlement period will begin with the inception of the special fund and only end on the second 31 December, which follows the inception.

The "STOXX® Europe TMI Small Net Return EUR Index" is stipulated as the comparable index. If the Benchmark Index ceases to exist, the Company will determine an appropriate alternative index to replace the said index. If the benchmark index ceases to exist, the Company will determine an appropriate alternative index to replace said index.

The performance-based remuneration is determined by the comparison of the development of the comparable index with the unit performance, which is calculated according to the BVI-Method, in the settlement period. For the determination of the unit performance of the fund the unit value is compared at the end of the fiscal

year with the unit value as of the end of the previous year, whereby distributions and tax payments made for the expense of the fund will be calculably added to the unit value again (BVI method).

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

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

If the comparable index should cease to exist the company will stipulate another appropriate index, which will replace the stated index. The performance-related remuneration can also be withdrawn if the unit value at the end of the settlement period falls short of the unit value at the beginning of the settlement period (absolute negative unit performance).

The STOXX® Europe TMI Small Net Return EUR Index is administered by STOXX Limited. STOXX Limited is registered with the European Securities and Markets Authority (ESMA) on a public register of administrators of benchmarks and of reference assets.

The Company has robust written plans in place setting out actions it would take if the Benchmark Index materially changed or ceased to be provided.

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

Besides the aforementioned remuneration the following expenses will be for the expense of the fund:

- a) customary bank securities account and account fees, if applicable including the customary bank costs for the safekeeping of foreign assets overseas;
- b) costs for the printing and dispatch of the sales documents determined for the investors as stipulated by law (annual and semi-annual reports, sales prospectus, essential investor information);
- c) costs of the publication of the annual and semi-annual reports, the issue and redemption prices and if applicable the distributions or re-investment and the dissolution report;
- d) costs of preparation and use of a durable medium, except in the event of information on mergers of investment assets and except in the case of infor-

mation on measures in connection with investment limit violations or calculation errors in unit value determination;

- e) costs for the audit of the fund by the auditor of the financial statements of the fund;
- f) costs for the publication of the taxation bases and the certificate that the tax-related details were determined according to the rules of German tax law;
- g) costs for the assertion of legal claims by the company for the expense of the fund as well as the defence of claims asserted against the company for the expense of the fund;
- h) fees and costs, which are charged by state bodies with regard to the fund;
- i) costs for legal and tax advice with regard to the fund;
- j) costs as well as all charges, which may be incurred with the acquisition and/or the use or naming of a comparable benchmark or financial index;
- k) costs for the commissioning of voting right authorised agents;
- l) costs for the analysis of the investment success of the fund by third parties;
- m) taxes incurred in connection with the remuneration to be paid to the Company, the custodian and third parties as well as the aforementioned expenses including the taxes incurred in connection with the management and safekeeping.
- n) costs for the provision of analysis material or services by third parties with regard to one or more financial instruments or other assets or with regard to the issuer or potential issuers of financial instruments or in close connection with a certain industry or a certain market up to an amount of 0.12 per cent p.a. of the average net asset value of the fund in the settlement period, which is calculated from the values at the end of each month.

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

In the annual report the management costs incurred in the fiscal year for the expense of the fund are disclosed and shown as a ratio of the average fund volume (total cost ratio). The management costs are composed of the remuneration for the management of the fund, the remuneration of the custodian as well as the expenses, which can additionally be charged to the fund (see Section "Costs – management and other costs" as well as "special features with the acquisition of investment units"). The total cost ratio does not include any secondary costs and costs, which are incurred with the acquisition and the sale of assets (transaction costs). The total cost ratio is published in the essential investor information as so-called "regular costs".

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

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

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

In addition to the remuneration for the management of the fund a management payment will be charged for the units in target funds held in the fund.

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

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

### 12.4 Details of a total cost ratio

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

### 12.5 Deviating cost disclosure by sales agencies

If the investor is advised by third parties with the acquisition of units or if these broker the purchase, they will if applicable disclose costs or cost ratios to him, which are not congruent with the cost details in this prospectus and in the essential investor information and which may exceed the total cost ratio described herein. The reason for this can in particular be that the third party additionally takes the costs of its own activity (e.g. intermediary activity, consultancy or securities account keeping) into consideration. In addition, he will if applicable also take one-off costs into consideration such as front loads and as a rule uses other calculation methods or also estimates for the costs incurred on fund level, which in particular also comprise the transaction costs of the fund.

Deviations in the cost disclosure can arise both with information before conclusion of the contract as well as with regular cost information about the existing fund investment within the scope of a permanent customer relationship.

## 13. REMUNERATION POLICIES

A performance-related and entrepreneurial-oriented remuneration for employees is a central component for the design of the remuneration system of the company.

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

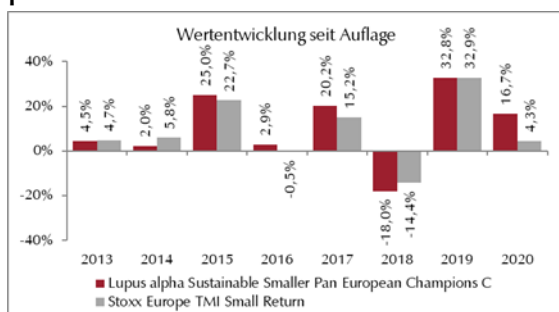
Further Information pertaining to the calculation of the remuneration, to the other granted benefits, the identity of the persons responsible for the allocation of the remuneration and other benefits and further details relating to the current remuneration policies of the company are available on the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



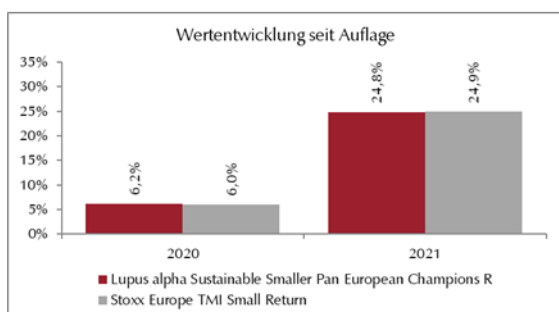
## 14. PERFORMANCE, DETERMINATION AND USE OF THE INCOME, FISCAL YEAR

### 14.1 Performance

The calculation of the performance is carried out according to the BVI method. The historical performance of the fund does not enable any forecast for the future performance. Front loads and redemption discounts are not taken into consideration with the performance.



Performance p.a.	3 Jahre	5 Jahre	10 Jahre
Lupus alpha Sustainable Smaller Pan European Champions C	8,31%	9,46%	n/a
	Stand: 30.12.2020		



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

Unit class "CT" was only launched in 2022. Therefore, no information can be provided regarding past performance.

Current details relating to the performance of the fund can be taken from the annual and semi-annual reports.

### 14.2 Determination of the income, income-equalisation procedure

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

The Fund's income is first distributed according to the value ratio of the unit classes and then to the individual units of the respective unit class. The units of different unit classes, therefore, generally participate in the Fund's income to a different extent. The same applies

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

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

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

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

### 14.3 Fiscal year

The fiscal year of the fund is the calendar year.

### 14.4 Appropriation of income

For the distributing unit classes, the Company will, in principle, distribute the dividends received during the financial year for the account of the Fund and are not used to cover costs as well as payments from loans and repurchase agreements – by taking the associated income equalisation into consideration – to the investors from realised capital gains and other income – by taking the associated income equalisation into consideration – can also be used for the distribution.

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

The distribution of the distributing unit classes is carried out annually within four months after the close of the

fiscal year. Insofar as the securities account is kept at another bank or Sparkasse – local German bank, additional costs may be incurred.

For the accumulating unit classes, the Company shall re-invest the interest, dividends and other income accrued during the financial year for the account of the Fund and not used to cover costs – taking into account the corresponding income equalisation – as well as the realised capital gains of the accumulating unit classes in the Fund, on a pro rata basis.

In the case of the “CT” unit class, the income is reinvested.

## **15. DISSOLUTION, ASSIGNMENT AND MERGER OF THE FUND OR UNIT CLASS**

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

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

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

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

### **15.2 Procedure with the dissolution of the Fund or unit class**

With the assignment of the right of disposal over the fund to the custodian the issue and redemption of units will be discontinued and the fund will be wound up. Upon the dissolution of a unit class, the issue and redemption of units of the unit class by the Custodian shall cease.

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

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

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

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

The company can assign the management and disposal right over the fund to another capital management company. The assignment shall require the prior approval of BaFin. The approved assignment will be announced in the Bundesanzeiger and additionally in the annual report or semi-annual report of the fund. The investors will additionally be informed about the planned assignment through their custodian banks by permanent data carrier, for example in a paper form or an electronic form. The time, at which the assignment becomes effective, will be determined according to the contractual agreements between the company and the absorbing capital management company. The assignment may, however, become effective three months after its announcement in the Bundesanzeiger at the earliest. All rights and obligations of the company with regard to the fund shall then pass to the capital management company.

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

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

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

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

The investors either have the possibility, up to five work-days before the planned assignment key date, to return their units without further costs, with the exception of the costs to cover the dissolution of the fund, or to exchange their units for units of another open-ended public investment fund that is also managed by the Company or a company of the same group and whose investment principles are comparable with those of the fund.

The company has to inform the investors of the fund before the planned assignment key date by permanent data carrier, for example in a paper form or in an electronic form about the reasons for the merger, the potential IM implications for the investors, of their rights in connection with the merger as well as about decisive aspects of the procedure. Moreover, the essential investor information for the investment fund, to which the assets of the fund will be assigned, is to be sent to the investors. The investor must receive the aforementioned information at least 30 days before the expiry of the deadline for the return or the exchange of his units.

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

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

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

## 16. OUTSOURCING

The Company has assigned the following tasks to other companies:

- Internal auditing department of the company,
- Payroll and financial accounting,
- Tasks in the field of portfolio management,
- Administration of collateral for repurchase agreements and derivative transactions of funds.
- Securities transactions for the account of the Company,

- Central administration for the umbrella fund "Lupus alpha Fonds",
- Registrar and Transfer Agent for the umbrella fund "Lupus alpha Fonds".

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

## 17. CONFLICTS OF INTEREST

The following conflicts of interest may arise at the company:

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

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

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

- Incentive systems for employees of the company,
- Employee transactions,
- Benefits to employees of the company,
- Regrouping in the fund,
- Key-date-related improvement in the fund performance ("window dressing"),
- Business transactions between the company and the investment fund managed by it or individual portfolios respectively.
- Business transactions between the investment funds managed by the company and/or individual portfolios,
- Summary of several orders ("block trades"),
- Commissioning of closely affiliated companies and persons,
- Individual investments of a substantial extent,
- Transactions after the close of trading at the already foreseeable closing price of the current day, so-called "Late Trading".

Pecuniary advantages may be incurred to the company in connection with transactions for the account of the fund (broker research, financial analyses, market and

price information systems), which are used in the interest of the investors when making the investment decisions.

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

For the handling of conflicts of interest the company uses the following organisational measures in order to determine conflicts of interest, to prevent, control, observe and disclose these:

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

- The company takes the interests of the investors, who would like to return their fund units, into consideration in its internal liquidity control;
- Principles for the best possible execution of your order for the acquisition or the sale of financial instruments;
- Principles for the exercising of voting rights;
- Principles for the sharing of partial executions,
- Set-up of order acceptance times (Cut-off-times).

## 18. BRIEF DETAILS REGARDING REGULATIONS UNDER TAX LAW

The statements relating to the tax regulations shall only apply to investors, who are liable to tax in Germany to an unlimited extent. We recommend that a foreign investor<sup>2</sup> contacts his tax adviser before acquiring units in the fund described in this sales prospectus and to individually clarify possible tax consequences from the acquisition of units in his home country.

The fund as special purpose assets is principally exemption from corporate income and trade tax. It is, however, partly liable to corporate income tax with its domestic participation income and other domestic income within the meaning of the limited liability to tax with the exception of profits from the sale of units in stock corporations. The tax rate is 15%. Insofar as the taxable income is levied by way of the capital gains tax deduction, the tax rate of 15% already comprises the solidarity surcharge. The investment income is, however, with the private investor as income from capital assets subject to income tax insofar as this exceeds the currently applicable saver's lump sum amount<sup>3</sup> together with other capital gains.

Income from capital assets is principally subject to a tax deduction of 25 per cent (plus solidarity surcharge and if applicable church tax). The income from capital assets also includes income from investment funds (investment income), i.e. the distributions of the fund, the advance lump sums and the profits from the sale of the units.

The tax deduction principally has a deductive effect for the private investor (so-called flat rate capital gains tax on investment income) so that the income from capital assets does not have to be entered in the income tax return as a rule. With the undertaking of the tax deduction losses are principally offset already by the custodian bank and foreign withholding taxes stemming from the direct investment are offset.

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

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

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

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

Insofar as income from capital assets is not subject to any tax deduction (because e.g. a profit from the sale of fund units is generated in a foreign securities account), this income is to be entered in the tax return. Within the scope of the assessment the income from capital assets is then also subject to the flat rate capital gains tax on investment income of 25 per cent or the lower personal tax rate.

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

## 18.1 Units in private assets (resident taxpayer)

### 18.1.1 Distributions

Distributions of the Fund are principally liable to tax.

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

The taxable distributions are generally subject to a tax deduction of 25 per cent (plus solidarity surcharge and church tax, if applicable). The tax deduction may be waived if the investor is a tax resident and submits an exemption order, provided that the taxable income components do not exceed the currently applicable savers' flat-rate amount<sup>5</sup>.

The same shall apply if a certificate is presented for persons who are not expected to be assessed for income tax (so-called non-assessment certificate, hereinafter "non-assessment certificate").

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

### 18.1.2 Advance lump sum

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

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

Advance lump sums are principally liable to tax.

The Fund, however fulfils the tax prerequisites for an equity fund, therefore 30 per cent of the advance lump sums are tax-free.

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

The tax deduction can be refrained from if the investor is a resident taxpayer and submits an exemption order, insofar as the taxable income parts do not exceed the currently applicable saver's-lump sum amount<sup>4</sup>.

The same shall also apply with the submission of a certificate for persons, who are not expected to be assessed for the income tax (so-called non-assessment certificate, hereinafter "NV certificate").

If the resident taxpayer holds the units in safekeeping in a domestic securities account then the custodian bank as paying agent will refrain from the tax deduction if an exemption order issued in a sufficient amount according to the official sample or an NV certificate, which is issued by the Inland Revenue Office for the maximum duration of three years, is submitted to it before the time of inflow. In this case no tax will be remitted. Otherwise, the investor has to make the amount of the tax to be remitted available to the domestic custodian bank. For this purpose the custodian bank may collect the amount of the tax to be remitted from an account maintained in its bank and kept in the investor's name without the investor's consent. Insofar as the investor does not object before the inflow of the advance lump sum, the custodian bank may collect the amount of the tax to be remitted from an account kept in the investor's name, insofar as an overdraft facility agreed with the investor for this account was not drawn. Insofar as the investor does not satisfy his obligation to make the amount available for the tax that is to be remitted to the domestic custodian bank, the custodian bank has to report this to the Inland Revenue Office that is responsible for the bank. The investor must in this case enter the advance lump sum accordingly in his income tax return.

### 18.1.3 Sales profits on investor level

If units in the Fund are sold after 31 December 2017 the sales profits will be subject to the flat rate capital gains tax on investment income of 25 per cent. This shall apply both to units, which were acquired before 1 January 2018 and which are deemed as sold as of 31 December 2017 and as acquired again as of 1 January 2018, as well as to units acquired after 31 December 2017.

The Fund will, however, examine the tax prerequisites for an equity fund, therefore 30 per cent of the sales profits are tax-free.

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

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

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

With the determination of the sales profits the profit is to be reduced by the advance lump sums recognised during the period of possession.

## 18.2 Units in business assets (resident taxpayer)

### 18.2.1 Refund of the corporate income tax of the Fund

The corporate income tax incurred on fund level can be refunded to the Fund for forwarding to an investor insofar as the investor is a domestic corporation, association of individuals or total assets, which according to the statutes, the foundation business or the other constitutions and according to the actual management exclusively and directly serve non-profit-making, charitable or church purposes or is a foundation under public law, which exclusively and directly serves non-profit-making or charitable purposes, or is a legal entity under public

law, which exclusively and directly serves church purposes; this shall not apply if the units are held in a commercial business operation. The same shall apply to comparable foreign investors with the registered seat and management in a foreign state that provides official and debt collection assistance.

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

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

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

There is no obligation for the Fund or the Company to have the corresponding corporate income tax refunded to it for forwarding to the investor.

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

### 18.2.2 Distributions

Distributions of the Fund are principally income or corporate income tax-and liable to trade tax.

However, the Fund respectively fulfils the tax prerequisites for an equity fund, therefore 60 per cent of the distributions are tax-free for the purpose of income tax and 30 per cent for the purpose of trade tax if the units are

held by natural persons in the business assets. For taxable corporations 80 per cent of the distributions are generally tax-free for the purpose of corporate income tax and 40 per cent for the purpose of trade tax. For corporations, which are life or health insurance companies and with which the units are to be attributed to the capital investments, or which are credit institutions and with which the units are to be attributed to the trading book or of which were acquired with the aim of the short-term achievement of an own trading success, 30 per cent of the distributions are tax-free for the purpose of corporate income tax and 15 per cent for the purpose of trade tax.

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

#### 18.2.3 *Advance lump sums*

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

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

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

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

#### 18.2.4 *Sales profits on investor level*

Profits from the sale of the units are principally subject to income or corporate income tax and the trade tax.

With the determination of the sales profit the profit is to be reduced by the advance lump sums recognised during the period of possession.

However, the Fund respectively fulfils the tax prerequisites for an equity fund, therefore 60 per cent of the sales profits are tax-free for the purpose of income tax and 30 per cent for the purpose of trade tax if the units are held by natural persons in the business assets. For taxable corporations 80 per cent of the sales profits are generally tax-free for the purpose of corporate income tax and 40 per cent for the purpose of trade tax. For corporations, which are life or health insurance companies and with which the units are to be attributed to the capital investments, or which are credit institutions and with which the units are to be attributed to the trading book or of which were acquired with the aim of the short-term achievement of an own trading success, 30 per cent of the sales profits are tax-free for the purpose of corporate income tax and 15 per cent for the purpose of trade tax.

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

#### 18.2.5 *Negative tax income*

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

#### 18.2.6 *Processing taxation*

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

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

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

### 18.4 **Solidarity surcharge**

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

### 18.5 **Church tax**

Insofar as the income tax is levied already by a domestic custodian bank (party liable to deduction) through the tax deduction, the church tax due on this will be levied according to the church tax rate of the religious community, to which the person liable to church tax belongs,

as a rule as a surcharge to the tax deduction. The deductibility of the church tax as a special expense will be taken into consideration to reduce tax with the tax deduction already.

### **18.6 Foreign withholding tax**

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

### **18.7 Consequences of the merger of special funds**

In the cases of the merger of a domestic special fund with another domestic special fund there will be no discovery of hidden reserves either on the level of the investors or on the level of the involved special funds, i.e. this process is tax-neutral. The same applies to the transfer of all assets of a domestic special fund to a domestic investment joint stock corporation [Aktiengesellschaft] with variable capital or partial corporate assets of a domestic investment joint stock corporation with variable capital. If the investors of the transferring special fund receive a cash payment envisaged in the merger plan, this is to be treated as a distribution.

### **18.8 Automatic exchange of information in tax matters**

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

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

liable to reporting. It will then send the information to the home tax authority of the customer.

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

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

## **19. AUDITORS**

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

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

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

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

The respective last annual report and, if applicable, the semi-annual report, the current sales prospectus with the applicable version of the investment conditions as



well as the essential investor information are available at the Company, at the custodian as well as in the internet under [www.lupusalpha.de](http://www.lupusalpha.de) or [www.fundinfo.com](http://www.fundinfo.com).

Further information can be obtained from the Company. The contact is the department Service Center, phone: 0049 69 365058-7050.

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

The following funds are further managed by the Company still, which are not the content of this sales prospectus:

Investment fund pursuant to the UCITS Directive:

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

As well as all Sub-Funds of the Umbrella Fund "Lupus alpha Fonds":

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

The Company moreover manages 11 domestic special AIF.

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

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

The deadline for the revocation shall only begin to run when the copy of the application for the conclusion of the contract has been handed over to the buyer or a purchase settlement has been sent to him and this includes instructions regarding the right of revocation, which satisfies the requirements of Section 360 Para. 1 BGB [German Civil Code]. In order to adhere to the deadline the timely sending of the revocation is sufficient. If the start of the deadline is disputed the seller will bear the burden of proof. The revocation is to be

declared in writing by stating the person making the declaration including his signature, whereby a substantiation is not necessary.

The revocation is to be sent to

**Lupus alpha Investment GmbH**  
Speicherstraße 49-51  
D-60327 Frankfurt am Main  
Fax : +49 69 365058-8700  
Email: [info@lupusalpha.de](mailto:info@lupusalpha.de)

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

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

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

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

The bank UniCredit Bank Austria AG with the registered seat in A-1020 Vienna, Rothschildplatz 1, Schottengasse 6-8, has assumed the function of the facility in the sense of Art. 92 RL (EU) 2019/1160. KPMG Alpen-Treuhand GmbH auditing and tax consultancy company with the registered seat in A-1090 Vienna, Porzellangasse 51, has assumed the function of the tax representative for the Republic of Austria.

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

The sales prospectus, the essential investor information, the investment conditions as well as the current annual and semi-annual reports are available free of charge from the facility in the sense of Art. 92 RL (EU) 2019/1160 as well as from the Company or in the internet under [www.lupusalpha.de](http://www.lupusalpha.de) or [www.fundinfo.com](http://www.fundinfo.com). The net asset value per unit of each sub-fund, the issue, redemption and exchange prices and all other financial information about the Fund which is available to the unit holders at the registered seat of the Fund, are available from the Austrian facility in the sense of Art. 92 RL (EU) 2019/1160.

## 24. FURTHER SALES RESTRICTIONS

The issued units of this Fund may only be offered for purchase or sold in countries, in which such an offer or such a sale is permitted. Insofar as no permit was obtained by the Company or a third party commissioned hereby for the public distribution from the local supervisory authorities and is available to the Company, this sales prospectus and the essential investor information will not concern a public offer for the acquisition of investment units or this sales prospectus or the essential investor information may not be used for the purpose of such a public offer.

For distribution purposes this sales prospectus as well as the essential investor information may only be used by persons, who accordingly have an explicit written permission of the Company (directly or indirectly have corresponding commissioned sales agencies. Declarations or assurances of third parties, which are not included in this sales prospectus or in the documents, have not been authorised by the Company. The documents are accessible to the public at the registered seat of the Company.

## 25. GENERAL INFORMATION PERTAINING TO SUB-CUSTODIANS

The following information was communicated to the Company by the custodian. The Company has checked the information for plausibility. It is, however, dependent on the supply of the information by the custodian and cannot check this for accuracy and completeness in detail.

The custodian has assigned the following custodian tasks:

Custody of the assets for the sub-custodians involved by the Clearstream Banking Frankfurt pursuant to the enclosed list for the relevant markets. The central custodians are not listed in the list. Their involvement is stipulated by law in the respective country. Insofar it concerns a market infrastructure and not sub-custodians actively commissioned by the custodian.

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

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

## 26 LIST OF SUB-CUSTODIANS

The custodian has commissioned the sub-custodians listed below:

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

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

This Translation is intended for Convenience purposes only and solely the German Version is binding

## 27. GENERAL INVESTMENT CONDITIONS

General Investment Conditions for the regulation of the legal relationship between the investors and Lupus alpha Investment GmbH, Frankfurt, ("Company") for the special fund managed by the Company pursuant to the UCITS-Directive, which only apply in conjunction with the "Special Investment Conditions" installed for the respective UCITS special fund.

### § 1 Basic principles

1. The Company is a UCITS capital management company and is subject to the regulations of the German Capital Investment Code ("KAGB").
2. The Company invests the money invested with it in its own name for the joint account of the investors according to the principle of risk spreading in the assets that are permitted according to the KAGB, separately from its own assets in the form of a UCITS-special fund. Global certificates are issued regarding the thus arising rights of the investors. The corporate object of the UCITS-special fund is limited to the capital investment pursuant to a stipulated investment strategy within the scope of a collective asset management by means of the funds invested with it; an operative activity and an active entrepreneurial management of the held assets is excluded.
3. The legal relationship between the Company and the investor is oriented to the General Investment Conditions (AABen) and the Special Investment Conditions (BABen) of the UCITS- special fund and the KAGB.

### § 2 Custodian

1. The Company appoints a credit institution as a custodian for the UCITS-special fund; the custodian shall act independently from the Company and exclusively in the interest of the investors.
2. The tasks and obligations of the custodian are oriented to the custodian contract concluded with the Company, according to the KAGB and the investment conditions.
3. The custodian can outsource custodian tasks to another company (sub-custodian) according to Section 73 KAGB. The sales prospectus contains more detailed information in this respect.
4. The custodian shall be liable towards the UCITS-special fund or towards the investors for the loss of a financial instrument that is held in safekeeping within the meaning of Section 72 Para. 1 No. 1 KAGB by the custodian or by a sub-custodian, to which the safekeeping of financial instruments was assigned according to Section 73 Para. 1 KAGB.

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

### § 3 Fund management

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

### § 4 Investment principles

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

### § 5 Securities

Insofar as the BABen do not envisage any further restrictions the Company may only acquire securities for the account of the UCITS-special fund subject to Section 198 KAGB, if

- a) they are authorised for trading on a stock exchange in a member state of the European Union or in another contractual state of the Treaty on the European Economic Area or are authorised on another organised market in one of these states or are included in these markets,

- b) they are exclusively authorised for trading on a stock exchange outside of the member states of the European Union or outside of the other contractual states of the Treaty on the European Economic Area or are authorised on another organised market in one of these states or are included in these markets, insofar as the choice of this stock exchange or this organised market is authorised by the Federal Financial Supervisory Authority ("Federal Authority")<sup>5</sup>,
- c) their authorisation for trading on a stock exchange in a member state of the European Union or in another contractual state of the Treaty on the European Economic Area or their authorisation on an organised market or their inclusion in this market in a member state of the European Union or in another contractual state of the Treaty on the European Economic Area is to be applied for according to the issue conditions, insofar as the authorisation or inclusion of these securities is carried out within one year after their issue,
- d) their authorisation for trading on a stock exchange or their authorisation on an organised market or the inclusion in this market outside of the member states or the European Union or outside of the other contractual states of the Treaty on the European Economic Area is to be applied for according to the issue conditions, insofar as the choice of this stock exchange or this organised market is authorised by the Federal Authority and the authorisation or inclusion of these securities is carried out within one year after their issue,
- e) they are shares, to which the UCITS-special fund is entitled with a capital increase from company funds,
- f) they are acquired while exercising subscription rights, which belong to the UCITS-special fund,
- g) they are units in closed-end funds which meet the criteria stated in Section 193 Para. 1 Sentence 1 No. 7 KAGB,
- h) they are financial instruments, which meet the criteria stated in Section 193 Para. 1 Sentence 1 No. 8 KAGB.

The acquisition of securities according to Sentence 1 lit. a) to d) may only be carried out if, in addition, the pre-requisites of Section 193 Para. 1 Sentence 2 KAGB have been fulfilled. Subscription rights can also be acquired that stem from securities, which on their part can be acquired according to this § 5.

## § 6 Money market instruments

1. Insofar as the BABen do not envisage any further restrictions, subject to Section 198 KAGB the Company may acquire instruments for the account of the UCITS-special fund, which are usually traded on the money market, as well as interest-bearing securities, which at the time of their acquisition for the UCITS-special fund have a residual term of a maximum of 397 days, their interest yield according to the issue conditions will be adjusted in line with the market regularly during its entire term, at least however once in 397 days, or their risk profile corresponds with the risk profile of such securities ("money market instruments").
2. Money market instruments may only be acquired for the UCITS-special fund, if they
  - a) are authorised for trading on a stock exchange in a member state of the European Union or in another contractual state of the Treaty on the European Economic Area or are authorised there on another organised market or are included in these markets,
  - b) are exclusively authorised for trading on a stock exchange outside of the member states of the European Union or outside of the other contractual states of the Treaty on the European Economic Area or are authorised there on another organised market or are included in these markets, insofar as the choice of this stock exchange or this organised market is authorised by the Federal Authority<sup>6</sup>,
  - c) are issued or guaranteed by the European Union, the federal government, a special fund of the federal government, a federal state, another member state or another central state, regional or local authority or the Central Bank of a member state of the European Union, the European Central Bank or the European Investment Bank, a third country or, if this is a federal state, a constituent state of this federal state or of an international institution under public law, to which at least one member state of the European Union belongs,
  - d) are issued by a company, whose securities are traded on the markets described under the letters a) and b),
  - e) are issued or guaranteed by a credit institution that is subject to a supervision according to the criteria stipulated in the law of the European Union, or a credit institution that is subject to and complies with supervision provisions, which are equivalent to those of the law of the European

<sup>5</sup> The stock exchange list is published on the homepage of the Federal Financial Supervisory Authority. [www.bafin.de](http://www.bafin.de)

<sup>6</sup> see footnote 1.

Union in the opinion of the Federal Authority,  
or

- f) are issued by another issuer and this complies with the requirements of Section 194 Para. 1 Sentence 1 No. 6 KAGB.
3. Money market instruments within the meaning of Paragraph. 1 may only be acquired if they fulfil the respective prerequisites of Section 194 Para. 2 and 3 KAGB.

## § 7 Bank balances

The Company may hold bank balances for the account of the UCITS-special fund that have a maximum term of twelve months. The balances to be kept on blocked accounts can be maintained at a credit institution with the registered seat in a member state of the European Union or another contractual state of the Treaty on the European Economic Area; the balances can also be kept at a credit institution with the registered seat in a third country, whose supervisory provisions, in the opinion of the Federal Authority, are equivalent to those of the law of the European Union. Insofar as not otherwise determined in the BABen, the bank balances can also be denominated in foreign currency.

## § 8 Investment units

1. Insofar as not otherwise determined in the BABen, the Company can acquire units in investment funds for the account of the UCITS-special fund pursuant to the Directive 2009/65/EC (UCITS). Units in other domestic special funds and investment joint stock corporations with variable capital as well as units in open-ended EU-AIF and foreign open-ended AIF, can be acquired if they fulfil the requirements of Section 196 Para. 1 Sentence 2 KAGB.
2. The Company may only acquire units in domestic special funds and investment joint stock corporations with variable capital, in EU-UCITS, in open-ended EU-AIF and in foreign open-ended AIF, if according to the investment conditions or the statutes of the capital management company, the investment joint stock corporation with variable capital, the EU investment fund, the EU management company, the foreign AIF or the foreign AIF management company, a maximum total of 10 per cent of the value of its assets may be invested in units in other domestic special funds, investment joint stock corporations with variable capital, open-ended EU investment funds or foreign open-ended AIF.

## § 9 Derivatives

1. Insofar as not otherwise determined in the BABen the Company can use derivatives pursuant to Section 197 Para. 1 Sentence 1 KAGB and financial

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

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

Basic forms of derivatives are:

- a) Futures contracts on the underlying assets according to Section 197 Para. 1 KAGB with the exception of investment units according to Section 196 KAGB;
- b) Options or warrants on the underlying assets according to Section 197 Para. 1 KAGB with the exception of investment units according to Section 196 KAGB and on futures contracts according to lit. a) if they feature the following properties:
  - aa) an exercising of an option is either possible during the entire term or at the end of the term and
  - bb) at the time when it is exercised the option value depends on a straight-line basis on the positive or negative difference between the basic price and the market price of the underlying asset and becomes nil if the difference has the other algebraic sign;
- c) Interest rate swaps, currency swaps or interest rate-currency swaps;

- d) Options on swaps according to lit. c) if they feature the properties described in lit. b) under lit. aa) and bb) (swaptions);
  - e) Credit Default Swaps, which refer to an individual underlying asset (Single Name Credit Default Swaps);
  - f) Total Return Swaps, with which all income and fluctuations in value of an underlying assets according to Section 197 Para. 1 KAGB are exchanged for an agreed premium.
3. Insofar as the Company applies the qualified approach it may – subject to a suitable risk management system – invest in all financial instruments with a derivative component or derivatives that have been derived from an underlying asset that is admissible pursuant to Section 197 Para. 1 Sentence 1 KAGB.
- The potential risk amount for the market risk (“risk amount”) that is to be allocated to the UCITS-special fund may hereby at no time exceed twice the potential risk amount for the market risk of the associated comparable asset pursuant to Section 9 of the DerivateV. Alternatively, the risk amount may at no time exceed 20 per cent of the value of the UCITS-special fund.
- 4. Under no circumstances may the Company deviate with these business transactions from the investment principles and limits stated in the investment conditions or in the sales prospectus.
  - 5. The Company will use derivatives and financial instruments with a derivative component for the purpose of hedging the efficient portfolio control and for the generation of additional income if and insofar as it considers this necessary in the interest of the investors.
  - 6. With the determination of the market risk limit for the use of derivatives and financial instruments with a derivative component the Company may at all times pursuant to Section 6 Sentence 3 of the DerivateV alternate between the simple and the qualified approach. The shift does not require the approval of the Federal Authority, the Company must, however, report the shift to the Federal Authority without delay and to announce it in the next semi-annual or annual report.
  - 7. With the use of derivatives and financial instruments with a derivative component the Company will comply with the DerivateV.

## § 10 Other investment instruments

Insofar as not otherwise determined in the BABen the Company can invest up to 10 per cent of the value of the UCITS-special fund in other investment instruments

pursuant to Section 198 KAGB for the account of the UCITS-special fund.

## § 11 Issuing limits and investment limits

- 1. With the management the Company has to comply with the limits and restrictions stipulated in the KAGB, in the DerivateV and in the investment conditions.
- 2. Securities and money market instruments including the securities purchased and money market instruments of the same issuer may be acquired up to 5 per cent of the value of the UCITS-special fund; however up to 10 per cent of the value of the UCITS-special fund may be invested in these assets if this is envisaged in the BABen and the total value of the securities and money market instruments of these issuers do not exceed 40 per cent of the value of the UCITS-special fund. The issuers of securities and money market instruments shall also be taken into account within the limits set forth in sentence 1 if the securities and money market instruments issued by them are acquired indirectly through other securities included in the UCITS which are linked to their performance.
- 3. The Company may invest in bonds, bonded loans and money market instruments, which have been issued or guaranteed by the federal government, a country, the European Union, a member state of the European Union or its regional authorities, another contractual state of the Treaty on the European Economic Area, a third country or by an international organisation, which at least one member state of the European Union belongs to, respectively up to 35 per cent of the value of the UCITS-special fund.
- 4. The Company may respectively invest up to 25 per cent of the value of the UCITS-special fund in mortgage bonds [Pfandbrief] and municipal bonds as well as bonds, which have been issued by credit institutions with the registered seat in a member state of the European Union or in another contractual state of the Treaty on the European Economic Area, if the credit institutions are subject to special public supervision owing to statutory regulations for the protection of the bearers of these bonds and the funds borrowed with the issue of the bonds are invested in assets according to the statutory regulations, which during the entire term of the bonds sufficiently cover the liabilities arising from these and which, in case of a default of the issuer, are primarily determined for the due repayments and the payment of the interest. If the Company invests more than 5 per cent of the value of the UCITS-special fund in bonds of the same issuer according to Sentence 1 then the total value of these bonds may not exceed 80 per cent of the value of the UCITS-special fund.



5. The limit in Paragraph 3 may be exceeded for securities and money market instruments of the same issuer according to Section 206 Para. 2 KAGB if this is envisaged by the BABen by stating the relevant issuers. In these cases the securities and money market instruments held for the account of the UCITS-special fund must stem from at least six different issues, whereby no more than 30 per cent of the value of the UCITS-special fund may be held in one issue.

6. The Company may only invest up to 20 per cent of the value of the UCITS-special fund in bank balances at the same credit institution according to Section 195 KAGB.

7. The Company has to ensure that a combination of

- a) securities or money market instruments, which are issued by the same institution,
- b) deposits at this institution and
- c) offset amounts for the counterparty risk of the transactions entered into with this institution,

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

8. The bonds, bonded loans and money market instruments stated in Paragraph 3 and 4 will not be taken into consideration with the application of the limits of 40 per cent stated in Paragraph 2. The limits stated in Paragraphs 2 to 4 and Paragraphs 6 to 7 may not be accumulated in deviation from the regulation in Paragraph 7.

9. The Company may only invest up to 20 per cent of the value of the UCITS-special fund in units in one single investment fund according to Section 196 Para. 1 KAGB. The Company may only invest a total of up to 30 per cent of the value of the UCITS-special fund in units in investment funds according to Section 196 Para. 1 Sentence 2 KAGB. The Company may acquire no more than 25 per cent of the issued units of another open-ended domestic, EU or foreign investment fund that according to the principle of the risk spreading is invested in assets within the meaning of Sections 192 to 198 KAGB, for the account of the UCITS-special fund.

## § 12 Merger

1. According to Sections 181 to 191 KAGB the Company may

- a) assign all assets and liabilities of this UCITS-special fund to another existing or a new UCITS-special fund founded hereby or an EU-UCITS or a UCITS investment joint stock corporation with variable capital;
- b) admit all assets and liabilities of another open-ended public investment fund into this UCITS-special fund.

2. The merger shall require the approval of the respective responsible supervisory authority. The details of the procedure can be derived from Sections 182 to 191 KAGB.

3. The UCITS-special fund may only be merged with a public investment fund that is not a UCITS if the absorbing or newly founded investment fund continues to be a UCITS. Mergers of an EU-UCITS with the UCITS-special fund can additionally be carried out pursuant to the stipulations of Article 2 Para. 1 lit. p Subclause iii of the Directive 2009/65/EC.

## § 13 Securities loan

1. The Company may grant a securities loan that is terminable at all times to a securities borrower against a remuneration that is suitable for the market after transfer of sufficient collateral pursuant to Section 200 Para. 2 KAGB for the account of the UCITS-special fund. The market value of the securities to be assigned may together with the market value of the securities assigned as a securities loan already for the account of the UCITS-special fund to the same securities borrower including companies belonging to the group within the meaning of Section 290 HGB not exceed 10 per cent of the value of the UCITS-special fund.

2. If the collateral for the assigned securities provided into balances by the securities borrower, the balances must be maintained on blocked accounts pursuant to Section 200 Para. 2 Sentence 3 No. 1 KAGB. Alternatively, the Company may take advantage of the possibility to invest these balances in the currency of the balance in the following assets:

- a) in bonds, which feature a high quality and which have been issued by the federal government, a country, the European Union, a member state of the European Union or a regional authority, another contractual state of the Treaty on the European Economic Area or a third country,

- b) in money market funds with a short term structure in line with the guidelines issued by the Federal Authority based on Section 4 Para. 2 KAGB or
- c) by way of a reversed repurchase agreement with a credit institution that guarantees the claim for refund of the accrued credit balance at all times.

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

- 3. The Company can also use a system organised by a securities depository for the brokerage and processing of the securities loans that deviates from the requirements of Sections 200 KAGB if the conditions of this system and the right of termination according to Paragraph 1 is not deviated from at all times.
- 4. Insofar as not otherwise determined in the BABen the Company may also grant securities loans with regard to money market instruments and investment units insofar as these assets can be acquired for the UCITS-special fund. The regulations of Paragraphs 1 to 3 shall apply hereto accordingly.

#### **§ 14 Repurchase agreements**

- 1. The Company may conclude securities-repurchase agreements that can be terminated at all times within the meaning of Section 340b Para. 2 HGB for the account of the UCITS-special fund against payment with credit institutions or financial services institutions based on standardised framework agreements.
- 2. The object of repurchase agreements must be securities, which may be acquired for the UCITS-special fund according to the investment conditions.
- 3. The repurchase agreements may have a maximum term of 12 months.
- 4. Insofar as not otherwise determined in the BABen the Company may also conclude repurchase agreements with regard to money market instruments and investment units insofar as these assets can be acquired for the UCITS-special fund. The regulations of Paragraphs 1 to 3 shall apply accordingly hereto.

#### **§ 15 Borrowing of loans**

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

#### **§ 16 Units**

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

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

- 1. The number of issued units is principally not limited. The Company reserves the right to temporarily suspend or fully discontinue the issue of units.
- 2. The units can be acquired from the Company, the custodian or by intermediary acts of third parties. The BABen can envisage that units may only be acquired and held by certain investors.
- 3. The investors can request the redemption of the units from the Company. The Company is obligated to take the units back at the respective applicable redemption price for the account of the UCITS-special fund. The redemption body is the custodian.
- 4. However, the Company reserves the right to suspend the redemption of the units pursuant to Section 98 Para. 2 KAGB in case of exceptional circumstances, which allow a suspension to appear necessary by taking the interests of the investors into consideration.
- 5. The Company has to inform the investors by an announcement in the Bundesanzeiger and additionally in a business or daily newspaper with a sufficient circulation or in the electronic information media designated in the sales prospectus about the suspension pursuant to Paragraph 4 and the re-commencement of the redemption. The investors are to be informed about the suspension

and recommencement of the redemption of the units without delay after the announcement in the Bundesanzeiger by means of a permanent data carrier.

### § 18 Issue and redemption prices

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

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

2. The issue price corresponds with the unit value in the UCITS-special fund, if applicable, plus a front load that is to be fixed in the BABen pursuant to Section 165 Para. 2 Number 8 KAGB. The redemption price corresponds with the unit value of the UCITS-special fund, if applicable, minus a redemption discount that is to be fixed in the BABen pursuant to Section 165 Para. 2 Number 8 KAGB.
3. The settlement key date for unit call orders and redemption orders is no later than the valuation day following the receipt of the unit call order or redemption order, insofar as not otherwise determined in the BABen.
4. The issue and redemption prices will be determined each stock exchange trading day. Insofar as not otherwise determined in the BABen, the Company and the custodian can refrain from a determination of the value on statutory public holidays, which are stock exchange trading days, as well as on 24 and 31 December of each year; more specific details are regulated in the sales prospectus.

### § 19 Costs

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

### § 20 Accounting

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

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

1. The Company can terminate the management of the UCITS-special fund with a period of notice of at least six months by announcement in the Bundesanzeiger and, in addition, in the annual report or semi-annual report. The investors are to be informed about a termination announced according to Sentence 1 without delay by means of a permanent data carrier.
2. When the termination becomes effective the right of the Company to manage the UCITS-special fund shall lapse. In this case the UCITS-special fund respectively the right of disposal over the UCITS-special fund shall pass to the custodian, which has to wind it up and to distribute it to the investors. For the time of the winding-up the custodian is entitled to a fee for its work relating to the winding-up as well as to reimbursement of its expenses, which are necessary for the winding-up. With the approval of the Federal Authority the custodian can refrain from the winding-up and distribution and assign the management of the

UCITS-special fund to another capital management company according to the previous investment conditions.

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

## **§ 22 Change in the capital management company and the custodian**

1. The Company can assign the management and disposal right over the UCITS-special fund to another capital management company. The assignment shall require the prior approval by the Federal Authority.
2. The approved transfer shall be published in the Bundesanzeiger and also in the annual report or semi-annual report and in the electronic information media specified in the sales prospectus. The transfer shall take effect at the earliest three months after its publication in the Bundesanzeiger.
3. The Company can change the custodian for the UCITS-special fund. The change shall require the approval of the Federal Authority.

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

1. The Company can change the investment conditions.
2. Changes to the investment conditions shall require the prior approval of the Federal Authority.
3. All envisaged changes will be announced in the Bundesanzeiger and, in addition, in a business or daily newspaper with a sufficient circulation or in the electronic information media designated in the sales prospectus. In a publication according to Sentence 1 reference is to be made to the envisaged changes and their entry into force. In the event of changes to costs within the meaning of Section 162 Para. 2 Number 11 KAGB, changes to the investment principles of the UCITS-special fund within the meaning of Section 163 Para. 3 KAGB or changes with regard to essential investor rights the investors are, at the same time as with the announcement according to Sentence 1, to be sent the essential contents of the envisaged changes to the investment conditions and their background as well as information about their rights according to Section 163 Para. 3 KAGB in a comprehensible manner by means of a permanent data carrier pursuant to Section 163 Para. 4 KAGB. In the event of changes to the previous investment principles, investors must also be informed of their rights under section 163(3) of the KAGB.

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

## **§ 24 Place of performance**

The place of performance is the registered seat of the Company.

## **§ 25 Dispute resolution procedure**

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

## 28. SPECIAL INVESTMENT CONDITIONS

Special investment conditions for the regulation of the legal relationship between the investors and Lupus alpha Investment GmbH, Frankfurt am Main, ("Company") for the special fund managed by the Company pursuant to the UCITS Directive

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

which only apply in conjunction with the "General Investment Conditions" installed by the Company for this special fund.

## INVESTMENT PRINCIPLES AND INVESTMENT LIMITS

### **§ 1 Assets**

The Company may acquire the following assets for the UCITS-special fund:

1. Securities pursuant to Section 193 AABen,
2. Money market instruments pursuant to Section 194 AABen,
3. Bank balances pursuant to Section 195 AABen,
4. Investment units pursuant to Section 196 AABen,
5. Derivatives pursuant to Section 197 AABen,
6. Other investment instruments pursuant to Section 198 AABen.

### **§ 2 Investment limits**

1. The UCITS-special fund can invest all of its funds in securities pursuant to § 1 No. 1. The securities purchased are to be offset against the investment limits of Section 206 Para. 1 to 3 KAGB.
2. At least 51 per cent of the value of the UCITS-special fund are invested in European shares, which are authorised for official trading on a stock exchange or authorised on another organised market or are included in this market and which do not concern units in investment funds. Stock selection is based on environmental, ethical and governance sustainability criteria.
3. Up to 49 per cent of the value of the UCITS-special fund may be invested in money market instruments according to § 6 of the "General Investment Conditions". The money market instruments purchased are to be offset against the investment limits of Section 206 Para. 1 to 3 KAGB.
4. Securities and money market instruments of the

same issuer may be acquired in excess of 5 per cent up to 10 per cent of the value of the UCITS – special fund if the total value of the securities and money market instruments of these issuers does not exceed 40 per cent of the value of the UCITS fund.

5. The Company may in securities and money market instruments of the following issuers

- **The Federal Republic of Germany**
- **The federal states:**

- Baden-Württemberg
- Bavaria
- Berlin
- Brandenburg
- Bremen
- Hamburg
- Hesse
- Mecklenburg-Western Pomerania
- Lower Saxony
- North-Rhine Westphalia
- Rhineland-Palatinate
- Saarland
- Saxony
- Saxony-Anhalt
- Schleswig-Holstein
- Thuringia

- **European Union:  
As EU Member States:**

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

- **As contractual states of the Treaty on the European Economic Area:**

- Iceland
- Liechtenstein
- Norway

- **Other member states of the Organisation for Economic Cooperation and Development which are not a member of the EEA:**

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

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

- Up to 49 per cent of the value of the UCITS-special fund may be held in bank balances according to § 7 Sentence 1 of the "General Investment Conditions".
- Up to 10 per cent of the value of the UCITS-special fund may be invested in investment units according to Section 8 of the "General Investment Conditions". The investment units purchased are to be offset against the investment limits of Sections 207 and 210 Para. 3 KAGB.

## UNIT CLASSES

### § 3

#### Unit classes

1. Unit classes within the meaning of Section 16 para. 2 of the "General Terms and Conditions of Investment" may be formed for the UCITS-special fund which differ with regard to the appropriation of income, the issue premium, the minimum investment amount, the management fee or a combination of these features. The formation of unit classes is permitted at any time and is at the discretion of the Company.

2. The unit value shall be calculated separately for each unit class by allocating the costs of establishing new unit classes, the distributions (including any taxes to be paid out of the fund assets) and the management fee attributable to a specific unit class, including income equalisation where applicable, and exclusively to that unit class.

3. The unit classes existing in each case shall be listed individually both in the sales prospectus and in the annual and semi-annual reports. The characteristics of the unit classes (use of income, issue premium, minimum

investment amount, management fee or a combination of these characteristics) are described in detail in the sales prospectus and in the annual and semi-annual report.

## UNITS, ISSUE PRICE, REDEMPTION PRICE, REDEMPTION OF UNITS AND COSTS

### § 4

#### Units

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

### § 5

#### Issue and redemption price

- The front load is up to five per cent of the unit value. The Company is free to charge a lower issue premium for the UCITS-special fund or for one or more unit classes or to refrain from charging an issue premium.
- A redemption discount is not charged.

### § 6

#### Costs

1. The Company shall receive an annual fee for the management of the UCITS-special fund of up to 1.50 per cent of the average net asset value of the UCITS fund in the settlement period, calculated in each case from the month-end values. The remuneration shall be charged monthly on a pro rata basis. The Company shall be free to charge a lower remuneration for the UCITS-special fund or for one or more unit classes or to refrain from charging a remuneration. The Company shall indicate the management fee charged for each unit class in the sales prospectus, the annual report and the semi-annual report.

2. The Custodian shall receive an annual fee for its services of up to 0.05 per cent of the average net asset value of the UCITS-special fund in the settlement period, calculated from the month-end values (but at least EUR 20,000 p.a.). The fee shall be charged monthly on a pro rata basis.

3. The amount withdrawn annually from the UCITS-special fund in accordance with clauses 1 and 2 above as remuneration and in accordance with 5 n) as reimbursement of expenses may amount in total to up to 1.67 per cent of the average net asset value of the UCITS-special fund in the settlement period, calculated from the values at the end of each month.

4. In addition to the above remuneration per unit issued, the Company may receive a performance fee for the management of the special fund of up to 15% of the

amount by which the performance of the units exceeds the performance of the benchmark index at the end of a settlement period (outperformance over the benchmark index, i.e. positive deviation of the unit value from the benchmark index), but in total no more than 2.0% of the average net asset value of the special fund in the settlement period, calculated from the values at the end of each month.

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

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

The settlement period will begin on 1 January and end on 31 December of a calendar year. The first settlement period will begin with the inception of the UCITS-special fund and only end on the second 31 December, which follows the inception.

The "STOXX® Europe TMI Small Net Return EUR Index" is stipulated as the comparable index. If the benchmark index ceases to exist, the Company will determine an appropriate alternative index to replace said index.

The performance-based remuneration is determined by the comparison of the development of the comparable index with the unit performance, which is calculated according to the BVI-Method, in the settlement period. For the determination of the unit performance of the UCITS-special fund the unit value is compared at the end of the fiscal year with the unit value as of the end of the previous year, whereby distributions and tax payments made for the expense of the UCITS-special fund will be calculably added to the unit value again (BVI method).

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

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

5. Besides the aforementioned remuneration the following expenses will be for the expense of the UCITS-special fund:

- a) customary bank securities account and account fees, if applicable including the customary bank costs for the safekeeping of foreign assets overseas;
- b) costs for the printing and dispatch of the sales documents determined for the investors as stipulated by law (annual and semi-annual re-ports, sales prospectus, essential investor information);
- c) costs of the publication of the annual and semi-annual reports, the issue and redemption prices and if applicable the distributions or re-investment and the dissolution report;
- d) costs of the preparation and use of a permanent data carrier, except in the event of information about investment assets and information about measures in connection with breaches of investment limits or calculation errors with the unit valuation;
- e) costs for the audit of the UCITS-special fund by the auditor of the financial statements of the UCITS-special fund;
- f) costs for the publication of the taxation bases and the certificate that the tax-related details were determined according to the rules of German tax law;
- g) costs for the assertion of legal claims by the company for the expense of the UCITS-special fund as well as the defence of claims asserted against the company for the expense of the UCITS-special fund;

- h) fees and costs, which are charged by state bodies with regard to the UCITS-special fund;
  - i) costs for legal and tax advice with regard to the UCITS-special fund;
  - j) costs as well as all charges, which may be incurred with the acquisition and/or the use or naming of a comparable benchmark or financial index;
  - k) costs for the commissioning of voting right authorized agents;
  - l) costs for the analysis of the investment success of the UCITS-special fund by third parties;
  - m) taxes incurred in connection with the remuneration to be paid to the company, the custodian and third parties as well as the aforementioned expenses including the taxes incurred in connection with the management and safekeeping;
  - n) costs for the provision of analysis material or services by third parties with regard to one or more financial instruments or other assets or with regard to the issuer or potential issuers of financial instruments or in close connection with a certain industry or a certain market up to an amount of 0.12 per cent p.a. of the average net asset value of the UCITS-special fund, which is calculated from the values at the end of each month.
6. Besides the aforementioned remuneration and expenses the costs incurred in connection with the acquisition and the sale of assets will be charged to the UCITS-special fund.
7. The Company has to disclose the amount of the front loads and redemption discounts in the annual report and in the semi-annual report, which were charged to the UCITS-special fund in the reporting period for the acquisition and the redemption of units and shares within the meaning of Section 196 KAGB. With the acquisition of units or shares, which are managed directly or indirectly by the Company itself or another company, with which the Company is affiliated by an essential direct or indirect participation, the Company or the other company may not charge any front loads and redemption discounts for the acquisition and the redemption. The Company has to disclose the remuneration in the annual report and in the semi-annual report, which was charged to the UCITS-special fund as a management fee for the units or shares held in the UCITS-special fund by the Company itself, by another management company

or another company with which the Company is affiliated by an essential direct or indirect participation.

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

### **§ 7**

#### **Distribution**

1. The Company principally distributes the interest incurred during the fiscal year, pro rata per unit class, for the account of the UCITS-special fund and not used to cover costs, dividends and other income – by taking the associated income equalisation into consideration – from realised capital gains – by taking the associated income equalisation into consideration – can also be used for distribution.
2. Income pursuant to Paragraph 1 that is capable of distribution can be carried forward for distribution in later fiscal years to the extent that the total amount of the forwarded income does not exceed 15 per cent of the respective value of the UCITS-special fund as of the end of the fiscal year. Income from short financial years can be carried forward in full.
3. In the interest of the retaining substance in-come can partly, in special cases also in full, be determined for re-investment in the UCITS-special fund.
4. The distribution is carried out annually within four months after the close of the fiscal year. Interim distributions are permitted.

### **§ 8**

#### **Accumulation**

For the accumulating unit classes, the Company shall re-invest the interest, dividends and other income accrued during the financial year for the account of the UCITS fund and not used to cover costs – taking into account the associated income equalisation – as well as the realised capital gains of the accumulating unit classes in the UCITS fund, on a pro rata basis.

### **§ 9**

#### **Fiscal year**

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



## Lupus alpha Sustainable Smaller Pan European Champions

<b>WKN</b>		<b>Custodian</b>	
Unit class "C" Unit class "CT" Unit class "R"	A1J9DT A2QNX A2DTNV		Kreissparkasse Cologne
<b>ISIN</b>		<b>Custodian fee</b>	
Unit class "C" Unit class "CT" Unit class "R"	DE000A1J9DT9 DE000A2QNX3 DE000A2DTNV7		0.05 per cent p.a. at least EUR 20,000 p.a.
<b>Time of inception</b>		<b>Comparable benchmark</b>	
Unit class "C" Unit class "CT" Unit class "R"	5 December 2013 1 February 2022 1 December 2020		STOXX Europe TMI Small Net Return EUR Index
<b>Front load</b>		<b>Fund currency</b>	
Unit class "C" Unit class "CT" Unit class "R"	up to 5.00 per cent up to 5.00 per cent up to 5.00 per cent		Euro
<b>Performance-related remuneration</b>		<b>Other costs</b>	
	For more specific details please see Section "Management and other costs".		see Section "Management and other costs".
<b>Management fee</b>		<b>Appropriation of income</b>	
Unit class "C" Unit class "CT" Unit class "R"	Currently 1.00 per cent p.a. Currently 1.00 per cent p.a. Currently 1.50 per cent p.a.	Unit class "C" Unit class "CT" Unit class "R"	Distributing Accumulating Distributing
<b>End of fiscal year</b>		<b>Overseas distribution</b>	
	31 December		Austria

### Minimum investment amount

Unit class "C"	EUR 500,000
Unit class "CT"	EUR 1,000,000
Unit class "R"	No minimum investment amount

## ADDENDUM DESTINÉ AU PUBLIC EN FRANCE

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

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

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

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

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

Les souscriptions, rachats et remboursements peuvent être adressés au dépositaire. Les paiements relatifs aux titres de l'OPCVM seront effectués par le dépositaire.

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

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

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

Les informations peuvent être obtenues auprès du dépositaire.

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

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

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

Contact du dépositaire pour les besoins des facilités mentionnées ci-dessus :

Kreissparkasse Köln  
Handels- und Treasury Service  
Neumarkt 18-24  
50667 Koeln

730-order@ksk-koeln.de  
+49 221 227 - 6435  
+49 221 227 - 2844  
Fax: +49 221- 227 – 8603

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

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

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

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

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

Nom	Date d'autorisation
Lupus alpha Sustainable Smaller Pan European Champions C	03.06.2022
Lupus alpha Sustainable Smaller Pan European Champions R	03.06.2022

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

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

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

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

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

## **4. Fiscalité**

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