

PROSPECTUS

I General characteristics

Form of the UCITS

► **Name: HSBC EURO GVT BOND FUND**

► **Legal form and member state in which the UCITS was established:**

Mutual fund (FCP) governed by French law.

► **Date of establishment and expected life span:**

Created on 17 December 1998 for a duration of 99 years.

► **Summary of the management proposal:**

	ISIN code	Subscribers concerned	Minimum 1 st subscription amount	Initial NAV	Subscription commission	Appropriation of distributable amounts	Currency	Minimum amount of subsequent subscriptions:
HC	FR0000971293	All subscribers, especially institutional investors	1 thousandth of a unit	€1,524.49	2% maximum	Net earnings: Accumulation Realised net capital gains: Accumulation	Euro	1 Thousandths of units
HD	FR0000971301	All subscribers, especially institutional investors	1 thousandth of a unit	€1,524.49	2% maximum	Net earnings: Distribution Realised net capital gains: Accumulation and/or distribution, on decision of the management company each year	Euro	1 Thousandths of units
ZC	FR0013216165	Reserved for HSBC group funds and mandates	1 thousandth of a unit	€1 000	6% maximum (*)	Net earnings: Accumulation Realised net capital gains: Accumulation	Euro	1 Thousandth of a unit
SC	FR0013216199	Reserved for institutional investors	20 000 000 €	€1 000	2% maximum	Net earnings: Accumulation Realised net capital gains: Accumulation	Euro	1 Thousandth of a unit
SD	FR0013216173	Reserved for institutional investors	20 000 000 €	€1 000	2% maximum	Net earnings: Distribution Realised net capital gains: Accumulation and/or distribution, on decision of the management company each year	Euro	1 Thousandth of a unit
BC	FR0013270436	The subscription of this unit is submitted of the existence of an agreement of specific remuneration between the subscriber and the distributor or the portfolio manager	1 Thousandth of a unit	€1 000	2% maximum	Net earnings: Accumulation Realised net capital gains: Accumulation	Euro	1 Thousandth of a unit
BD	FR0013313939					Net earnings: Distribution Realised net capital gains: Accumulation and/or distribution, on decision of the management company each year		
	FR0013234861	Reserved for the negotiations on the	1 unit			Net earnings: Accumulation		1 unit

IT		AT Fund market (multilateral trading facility – MTF) of the Italian stock exchange (Borsa Italiana S.p.A.)		10 €	None	Realised net capital gains: Accumulation	Euro	
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(*) except HSBC group funds and mandates

► **Indication of where the most recent annual report and interim statement can be obtained:**

The most recent annual reports and the asset inventory statement will be sent out within eight business days at the investor's written request sent to the management company:

HSBC Global Asset Management (France)
75 419 Paris Cedex 08
E-Mail: hsbc.client.services-am@hsbc.fr

II Main players

► **Management company:**

HSBC Global Asset Management (France)
Company address: « Cœur Défense », 110 esplanade du Général de Gaulle - La Défense 4 - 92400 Courbevoie
Postal address: 75 419 Paris Cedex 08
Portfolio Management Company authorised under number GP99026 by the French Securities and Exchange Commission on 31 July 1999.

► **Depositary and custodian:**

CACEIS Bank
Limited liability company (*Société Anonyme*), credit establishment approved by the investment services bank CECEI
Company address: 1/3 place Valhubert 75013 Paris
Postal address: 75206 Paris Cedex 13

The Depositary functions include various missions, as defined by applicable regulations, including custody of assets, control of the compliance of the Management Company decisions with applicable laws and regulations and tracking UCITS cash flows. The Depositary is independent from the Management Company.

Delegates:

The description of delegated custody functions, the list of delegates and sub-delegates of CACEIS Bank and the information related to conflicts of interest which may arise out of these delegations are available on the CACEIS website: www.caceis.com.
Up to date information are available to investors upon request.

► **Centralisers of subscription and redemption orders:**

CACEIS Bank
Limited liability company (*Société Anonyme*), credit establishment approved by the investment services bank CECEI
Company address: 1/3 place Valhubert-75013 Paris
Postal address: 75206 Paris Cedex 13

The Depositary is also in charge, by delegation of the Management Company, of the administration of unitholders register, which includes centralization of subscriptions and redemptions of units and units' issuance account of the Funds.

▶ **Statutory Auditor:**

PricewaterhouseCoopers Audit
Crystal Park – 63 rue de Villiers – 92200 Neuilly sur Seine
Represented by Monsieur Benjamin Moise

▶ **Marketer:**

HSBC Global Asset Management (France)
Company address: « Cœur Défense », 110 esplanade du Général de Gaulle - La Défense 4 - 92400 Courbevoie

▶ **Delegatee:**

Accounting Manager

CACEIS FUND ADMINISTRATION

Company address: 1/3 place Valhubert, 75013 Paris

Postal Address: 75206 Paris Cedex 13

CACEIS FUND ADMINISTRATION is a commercial company specialising in mutual fund accounting and a subsidiary of the CACEIS group.

CACEIS FUND ADMINISTRATION will deal in particular with the valuation of the mutual fund and the production of interim documents.

III Operating and management methods

III-1 General characteristics:

▶ **Characteristics of units or shares:**

Nature of the rights associated with the units: each unitholder is entitled to joint ownership of the mutual fund's assets in proportion to the number of units held.

Liabilities are handled by CACEIS Bank.

The administration of units is dealt with by Euroclear FRANCE.

Voting rights: since no voting rights are associated with the units in a mutual investment fund, decisions are made by the management company.

Form of units: bearer.

Subscriptions in registered form are only authorised on the prior decision of the Management Company.

Decimalisation: Subscriptions and redemptions may be made down to thousandths of units for H, S and Z units and in whole units for IT units.

Admission of IT units to the Italian stock exchange: investors who wish to subscribe for this unit of the ATFund market (multilateral trading facility – MTF) of the Italian stock exchange (Borsa Italiana S.p.A.) should contact their regular intermediary to place orders on this listing market.

We recommend that you obtain information on the operating rules issued by that listing market, in accordance with local regulations, or that you contact your regular advisor.

▶ **Closing date:**

Last valuation day of December (closure of 1st financial year: last day of trading in December 1999).

▶ **Details of the tax system:**

The UCITS is not liable to corporation tax. According to the transparency principle, the tax administration considers that the holder directly possesses a fraction of the financial instruments and cash held in the UCITS.

The tax regime applicable to the amounts distributed by the UCITS or the unrealised or realised capital gains or losses of the UCITS depends on the tax provisions applying to the investor and/or the fund jurisdiction. The investor is advised to contact a specialised advisor on this matter.

Note:

According to your tax regime, any capital gains and income associated with the holding of units in the UCITS may be liable to taxation. We would recommend that you contact your distributor for further information on this matter.

From the switch one unit class to another is considered a redemption followed by a subscription and is thus subject to tax.

III-2 Special provisions

► ISIN code:

Unit Class	ISIN code
C	FR0000971293
D	FR0000971301
ZC	FR0013216165
SC	FR0013216199
SD	FR0013216173
BC	FR0013270436
BD	FR0013313939
IT	FR0013234861

► Classification:

Bonds and other debt securities denominated in euros

► Management objective:

The management objective is to outperform the benchmark, the FTSE EMU Government Bond Index (EGBI), over the recommended investment term, excluding the management fees*

** The management fees correspond to 1 + 2 listed below in the table of fees charged to the UCITS in this prospectus.*

► Benchmark:

The benchmark is the FTSE EMU Government Bond Index (EGBI). The FTSE EMU Government Bond Index (EGBI) is calculated in euros with coupons reinvested by Citigroup (Bloomberg code: SBEGEU Index). This index consists of all the securities issued by the States of the eurozone with a lifetime greater than one year and more than €1 billion in outstandings.

Administrator FTSE International Limited of the benchmark index FTSE EMU Government Bond Index (EGBI) is registered in the register of administrators and benchmark indices kept by the ESMA. Additional information on the benchmark index is accessible via the website of administrator FTSE International Limited: <http://www.ftserussell.com/>

The Management Company has a procedure for monitoring benchmark indices used. It describes the measures to be implemented if substantial modifications are made to an index or these indices cease to be provided.

► **Investment strategy:**

1 Strategies used:

The management will benefit from the following sources of performance:

- 1- **active interest rate risk management**, which is divided into sensitivity management and curve strategy. The overall sensitivity of the fund and the curve strategy are decided upon according to the market predictions of the management team concerning respectively the development of interests rates (in the event of an increase in interest rates, the value of fixed-rate bonds drops) and the deformation of the yield curve (exposure to particular points of the curve in order to take advantage of the flattening, steepening or curvature of the yield curve).
- 2- **selection of securities** from among bonds issued or guaranteed by Member States of the Economic and Monetary Union. The selection of securities depends on their analysis in relative value performed by the management team.

Range of sensitivity of the mutual investment fund to interest rates	Currency of securities	Level of foreign exchange risk	Geographical areas of security issuers	Range of exposure
0 to + 10	Euro	0%	Economic and Monetary Union	Up to 100%

The HSBC Gvt Euro Bond Fund meets the conditions of the “Basel 3” regulation and its mechanism for transposition at the European level (CRD IV and CRR) in the calculation of the liquidity coverage ratio (LCR).

2 Assets (excluding embedded derivatives)

The Fund's assets consist of euro-denominated bonds issued or guaranteed by a Member State of the Economic and Monetary Union and UCITS funds invested exclusively in securities issued or guaranteed by these States.

Equities:

None

Debt securities and money market instruments:

The fund invests exclusively in securities **cumulatively** meeting the following two criteria:

- bonds issued or guaranteed by Member States of the eurozone with the following intended holding ranges:
 - 75% to 100% in fixed-rate bonds
 - 0% to 25% in variable-rate and/or inflation-indexed bonds

However, depending on market conditions, the manager may choose to deviate significantly from the ranges specified above while nevertheless complying with the regulatory provisions.

- the securities are rated investment grade (minimum BBB- according to the Standard & Poor's or equivalent scale) at the time of acquisition or deemed equivalent by the Management Company.

- Distribution of private/public debt: 100% in government debt or guaranteed by States.
- Expected level of credit risk: the Fund is invested exclusively in investment grade issuers: issuers rated at least BBB- by Standard & Poor's or equivalent at the time of acquisition or deemed equivalent by the management company.
- Existence of rating criteria: Yes, limited to BBB- by Standard and Poor's or equivalent for purchase or deemed equivalent by the management company.

The management company does not exclusively or mechanically use ratings provided by credit rating agencies and favours its own credit risk analysis to assess the credit quality of the assets and in the selection of securities to purchase or sell.

Duration: no constraint is imposed on the duration of the chosen securities. The Fund's range of sensitivity is (0 , +10). The sensitivity of a bond corresponds to the price variation of this bond when the interest rates vary.

UCITS and investment funds (up to 10% of assets): for the management of cash and to help to fulfil the management objective.

The manager may invest in UCITS managed by an entity within the HSBC group.

- UCITS under French or European law;
- French AIF bond type short-term monetary, or mixed;
- Listed or non-listed alternative management investment funds: none;
- other investment funds: none

For the classes mentioned above:

- Investments in financial instruments of emerging countries (non-OECD): none
- Existence of possible investment restrictions imposed by the management company: none
- Existence of other criteria: none

3 Derivative instruments:

Type of markets on which the Fund intervenes:

- regulated;
- organised;
- over-the-counter.

Risks in which the manager wishes to intervene:

- equity;
- interest rates;
- exchange rates;
- credit;
- other risks (to be specified).

Type of interventions, all transactions are to be limited to the fulfilment of the management objective:

- hedging;
- exposure;
- arbitrage; simultaneous buy and sell positions are taken on various points of the yield curve in order to take advantage of a deformation of the yield curve (flattening, steepening, and curvature) while maintaining the total sensitivity of these positions at 0. Curve arbitrage operations are among the drivers of the Fund's performance.

The intensity of curve arbitrage decisions is measured using the methodology of risk units, which makes it possible to determine, for each portfolio, the anticipated distribution of the ex-ante tracking error by risk factor (duration, curve arbitrage, credit allocation, selection of sector, and selection of security) and the average size of active exposures necessary depending on the relative contribution of each source of performance.

- other type (to be specified).

Type of instruments used:

- futures (regulated markets): on European government bonds for exposure and hedging purposes
- options on futures and securities (regulated markets): on European government bonds for exposure and hedging purposes
- options on securities (OTC markets): on European government bonds for exposure or hedging purposes
- swaps (over-the-counter instruments):
- forward exchange (over-the-counter instruments) for coverage and/or exposure purposes;
- credit derivatives;

The fund will not use TRS (Total Return Swaps).

The strategy for using derivatives in order to fulfil the management objective:

- general hedging of the portfolio, certain risks, securities, etc.;
- reconstitution of synthetic exposure to assets and risks;
- increase in market exposure and specification of the maximum leverage authorised (up to 100% of the assets, i.e., leverage of 2);
- other strategy (to be specified).

Counterparties eligible for transactions on OTC financial futures are selected according to the procedure described in the paragraph: "Brief description of the intermediary selection procedure".

Financial collateral put in place for OTC financial futures is the subject of a financial collateral policy available on the management company's website.

These transactions can be carried out with counterparties selected by the management company among financial institutions that have their registered office in an OECD member country. These counterparties can be companies linked to the HSBC group.

These counterparties must of good credit quality and in all cases the minimum rating is BBB- on Standard & Poor's scale or equivalent, or have a rating deemed to be equivalent by the management company.

This financial collateral policy specifies:

- The haircut applicable to financial collateral. It depends on the security's volatility, which is characterised by the type of assets received, the rating, the maturity of the security, etc. This haircut has the effect of requiring financial collateral greater than the market value of the financial instrument.
- The Assets accepted as collateral which can be composed of cash, government securities, certificates of deposit, and debt securities/bonds issued by private issuers.

Financial collateral other than cash may not be sold, reinvested, or pledged. Bond securities must have maximum maturity of 50 years.

Financial collateral made up of cash must be:

- deposited with credit institutions whose registered office is located in an OECD member State or a third State having equivalent prudential rules,
- invested in high-quality government bonds,
- invested in repurchase agreements in which the counterparty is a credit institution subject to prudential supervision and for which the UCITS may recall the cash at any time,
- invested in "short-term money market" UCITS funds.

Financial collateral composed of securities and/or cash is kept in segregated accounts by the depositary.

4 Securities with embedded derivatives (warrants, credit-linked note, EMTN, warrants, etc.)

Risks in which the manager wishes to intervene:

- equity;
- interest rates;

- exchange rates;
- credit;
- other risk (to be specified).

Type of interventions, all transactions are to be limited to the fulfilment of the management objective:

- hedging;
- exposure;
- arbitrage;
- other type (to be specified).

Type of instruments used: puttable/callables bonds.

Embedded derivatives are used as an alternative to direct dealing in pure derivatives.

5 Deposits:

In accordance with the French monetary and financial code. Deposits shall contribute to the fulfilment of the management objective of the Fund it to manage its cash.

6 Cash loans:

Up to 10% for the purpose of cash management.

7 Temporary purchases and sales of securities:

- Types of transactions used:
 - repurchase and reverse repurchase agreements in accordance with the French Monetary and Financial Code;
 - lending and borrowing of securities in accordance with the French Monetary and Financial Code;
 - other type (to be specified).

- Types of actions:

Temporary purchases and sales of securities are carried out for the sake of achieving the management objective and in search of the best interest of the UCITS. Only bonds can be subject to temporary purchase and sale transactions.

These transactions aim to:

- Repurchase agreements (repurchase and reverse repurchase): manage the residual cash of the UCITS related to subscriptions/redemptions and maximise revenue.

- In order to protect against counterparty default, temporary purchases and sales of securities can lead to financial collateral being given in the form of securities and/or cash that will be conserved in segregated accounts by the depositary. These conditions are specified in the paragraph "Derivative instruments".
 - These transactions can be carried out with counterparties selected by the management company among financial institutions that have their registered office in an OECD member country. These counterparties can be companies linked to the HSBC group.
 - These counterparties must of good credit quality and in all cases the minimum rating is BBB- on Standard & Poor's scale or equivalent, or have a rating deemed to be equivalent by the management company.
- level of use and authorised: up to 100% maximum
 - authorised leverage: up to 10%
 - remuneration: see additional information in the Charges and Commissions section.

► Risk profile:

"Your money will be invested mainly in financial instruments selected by the management company. These instruments will be affected by developments and disturbances in the markets"

Main risks:

- Risk of capital losses: The Fund does not offer any guarantee or capital protection. It is therefore possible that the capital initially invested will not be returned in full.

- Interest rate risk: the price of fixed-rate bonds and other fixed-income securities (without associated options) varies in reverse proportion to fluctuations in interest rates. For example, in the event of an increase in interest rates, the value of these bonds will fall together with the net asset value. In addition, the manager may carry out rate arbitrage transactions, which involves anticipating a deformation in the rate curve. However, it is possible that the manager will not anticipate a particular type of deformation in the curve, which could lead to a significant decline in the net asset value.

- Credit risk: Credit risk is the risk of deterioration in the issuer's financial situation, with the extreme risk being the issuer's default. This deterioration may result in a decline in the value of the issuer's securities and therefore a reduction in the net asset value of the fund. This may, for example, involve the risk of non-redemption of a bond within the deadlines. The credit risk of an issuer is reflected in its ratings by official rating agencies such as Moody's and Standard & Poor's. The fund is exposed to a credit risk which is considered to be limited due to the high quality of portfolio signatures ("Investment grade" rating at the time of purchase).

- Risk linked to interventions in futures markets: the fund may invest in financial futures within the limit of its asset value. This exposure to markets, assets and indices through financial futures may lead to decreases in the net asset value which are significantly more pronounced or more rapid than the variation observed in the elements underlying these instruments.

Ancillary risks:

- Liquidity risk: the markets in which the Fund invests may be occasionally and temporarily affected by a lack of liquidity in certain circumstances or market configurations. These market disruptions can impact the price conditions in which the Fund may be need to liquidate, initiate, or change positions and therefore cause a decline in the Fund's net asset value.

- Counterparty risk: The Fund is exposed to the counterparty risk resulting from the use of OTC financial futures and temporary purchases and sales of securities. There is risk that the counterparty with which a contract has been entered into will fail to meet its commitments (delivery, payment, reimbursement, etc.).

In this case, the counterparty's failure could lead to a decline in the net asset value of the Fund. This risk is reduced by the establishment of financial collateral between the Fund and the counterparty, as described in the Investment Strategy.

- Inflation risk: The Fund does not present any systematic protection against inflation, i.e., the increase in the general level of prices over a given period. The Fund's performance, measured in real terms, will thus be reduced proportionally to the inflation rate observed over the reference period.

Risk of potential conflicts of interest:

The risk of conflicts of interest, in connection with transactions involving financial contracts and/or temporary purchases and sales of securities, can arise when the intermediary used to select a counterparty, or the counterparty itself, has a direct or indirect equity link with the management company (or the depositary). The management of this risk is described in the "Conflict of interest policy" established by the management company and available on its website.

Risk associated with financial collateral management:

The holder may be exposed to a legal risk (associated with legal documents, application of the contracts and their limits), an operational risk, and the risk linked to the reuse of cash received as collateral, as the net asset value of the mutual fund can fluctuate according to the fluctuation in the value of the securities acquired by investing the cash received as collateral. In exceptional market circumstances, the holder can also be exposed to a liquidity risk, leading to difficulties to trade certain securities, for example.

The risk factors highlighted above are not the only ones possible. Investors are responsible for analysing the risk inherent in such an investment and to make their own opinion independently of the HSBC Group if necessary with the support of consultants specialising in these matters in order to ensure that this investment corresponds to their financial situation.

► **Guarantee or protection:**

None

► **Subscribers concerned and standard investor profile:**

The HC, HD, SC and SD units is directed to all subscribers and especially institutional investors. The ZC unit is reserved for funds and mandates managed or advised by HSBC group. The subscription of BC and BD units is submitted of the existence of an agreement of specific remuneration between the subscriber and the distributor or the portfolio manager. The IT units fund is reserved to the ATFund market (multilateral trading facility – MTF) of the Italian stock exchange (Borsa Italiana S.p.A.).

The mutual fund's units may not be offered to or subscribed by Non-Eligible Persons, as defined below:

• **REGULATIONS RELATED TO THE AUTOMATIC EXCHANGE OF INFORMATION ON TAX MATTERS**

FATCA refers to Sections 1471 to 1474 of the US code, any current or future regulation or their official interpretations, any agreement concluded pursuant to Section 1471(b) of the Code, or any tax regulation, law, or practise adopted pursuant to any inter-governmental agreement concluded in relation to the implementation of these sections of the US Code. FACTA was implemented in France through the signing of the inter-governmental agreement concluded between France and the United States on 14 November 2013 for the application of the US regulation Foreign Account Tax Compliance Act (FATCA).

US Code refers to the United States Internal Revenue Code of 1986;

Common Reporting Standard (CRS) refers to Council Directive 2014/107/EU of 9 December 2014 (DAC 2 Directive) amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation as well as the conventions entered into by France enabling the automatic exchange of information in tax matters. This is based on the regulations on the automatic exchange of information in tax matters drafted by the OECD.

The FATCA and CRS regulations were transposed into French law by Article 1649 AC of the French General Tax Code. They formalise the collection by financial institutions of information related to the status of a US Person and to the tax residence of their clients, particularly upon the opening of a financial account.

These financial institutions must send to the French tax authorities, for transmission to the corresponding foreign tax authorities, certain information relating to the reportable financial accounts of the US Person clients and clients with tax residence outside of France in an EU Member State or in a state with which an agreement covering the automatic exchange of information is applicable.

The determination of the financial institution upon which these obligations are incumbent depends on the holding arrangement of the units.

- **RESTRICTIONS ON THE ISSUANCE AND REDEMPTION OF UNITS FOR US PERSONS**

The fund's units may not be offered or sold to any US person. For the purposes of this restriction, the term "US person" ("USP") refers to:

1. A natural person who is deemed to be a resident of the United States under a law or regulation of the United States.
2. An entity:
 - i. that is a joint stock company, a private company, a limited liability company, or other commercial entity:
 - a. that has been created or incorporated under a federal law or a state of the United States, including any foreign agency or branch of this entity; or
 - b. that, regardless of its place of creation or incorporation, was incorporated mainly for passive investments (such as a company or an investment fund or a similar entity, other than an employee savings scheme or an employee savings fund, managers or officers of a foreign entity whose principal place of business is located outside of the United States);
 - and that is directly or indirectly owned by one or more USP, in respect of which these USPs (unless they are defined as Qualified Eligible Persons under Regulation 4.7(a) of the CFTC) hold in total, directly or indirectly, an equity interest of 10% or more; or
 - if a USP is the general partner, managing partner, or managing director or has another function with the power to direct the activities of the entity; or
 - was incorporated by or for a USP mainly in order to invest in securities that are not registered with the SEC; or
 - more than 50% of whose equity securities with voting rights or equity securities without voting rights are held directly or indirectly by USPs; or
 - c. that is an agency or branch of a foreign entity located in the United States; or
 - d. whose principal place of business is located in the United States; or
 - ii. that is a trust created or formed under a federal law or a law of state of the United States regardless of its place of creation or formation;
 - a. in which one or more USPs have the power to control all major decisions; or
 - b. whose administration or whose incorporation documents are subject to the control of one or more courts of the United States; or
 - c. whose creator, founder, trustee, or other person responsible for decisions regarding the trust is a USP; or
 - iii. that is an estate of a deceased person, irrespective of the place of residence of the person when he or she was alive, whose executor or administrator is a USP.
3. An employee savings scheme established and managed in accordance with the laws of the United States.

4. A discretionary or non-discretionary management mandate or a similar investment method (other than an estate or trust) held by a foreign or US broker or other authorised representative to the benefit of or for the account of a USP (as defined above).

For the purposes of this definition, "United States" or "US" refers to the United States of America (including the States and the District of Columbia), its territories, possessions, and other areas subject to its jurisdiction.

If, as the result of an investment in the mutual fund, unitholders become a US Person, they will be prohibited from (i) making additional investments in the mutual fund and (ii) their units shall be the subject of a forced redemption as soon as possible by the mutual fund (subject to the provisions of the applicable law).

From time to time, the fund may amend the aforementioned restrictions or waive them.

- **RESTRICTIONS ON THE ISSUANCE AND REDEMPTION OF UNITS FOR CANADIAN RESIDENTS**

The units described in this prospectus may be distributed in Canada only through HSBC Global Asset Management (Canada) Limited; in addition, this prospectus may not be used for solicitation purposes or constitute a solicitation or an offer to purchase the units in Canada, unless HSBC Global Asset Management (Canada) Limited carries out the said solicitation. A distribution or solicitation shall be deemed to have taken place in Canada when it is made to a person (i.e., a natural person, a joint stock company, a trust, a private company or other entity, or other legal entity) residing or established in Canada at the time of the solicitation. For these purposes, the following persons are generally regarded as Canadian Residents:

1. A natural person, if
 - i. the primary residence of this natural person is located in Canada; or
 - ii. the natural person is physically present in Canada at the time of the offer of the sale or other activity concerned.
2. A joint stock company, if
 - i. its registered office or principal place of business is located in Canada; or
 - ii. the securities of the joint stock company entitling their holder to elect a majority of the directors are held by natural persons constituting Canadian Residents (according to the definition above) or by legal entities established or located in Canada; or
 - iii. the natural persons who make the investment decisions or give instructions in the name of the joint stock company are Canadian Residents (according to the definition above).
3. A trust, if
 - i. the principal place of business of the trust (where applicable) is located in Canada; or
 - ii. the trustee (in case of multiple trustees, a majority of them) is a natural person who is a Canadian Resident (as described above) or legal entity residing or otherwise located in Canada; or
 - iii. natural persons who take investment decisions or provide instructions on behalf of the trust are natural persons who are Canadian Residents (as described above).
4. A limited partnership, if
 - i. the registered office or principal place of business (where applicable) of the company is located in Canada; or
 - ii. the holders of a majority of the company's equity securities are Canadian Residents (as described above); or
 - iii. the general partner (if applicable) is a Canadian Resident (as described above); or
 - iv. natural persons who take investment decisions or provide instructions on behalf of the company are natural persons who are Canadian Residents (as described above).

The amount that is reasonable to invest in this mutual investment fund depends on your personal situation. In order to determine this amount, holders are advised to obtain advice from a professional in order to diversify their investments and determine the proportion of the financial portfolio or their assets to be invested in this mutual investment fund, particularly with regard to the recommended investment term and exposure to the above-mentioned risks, their personal assets, requirements and objectives.

The minimum recommended investment term is 3 years.

► **Calculation and allocation of distributable amounts:**

In accordance with regulatory provisions, net earnings for the financial year equals the amount of interest, arrears, dividends, premiums, bonuses, and directors' fees, as well as all income relating to securities that constitute the Fund's portfolio, plus income from temporary cash holdings, minus management fees and borrowing costs.

The amounts distributable by an undertaking for collective investment in transferable securities consist of:

1. Net earnings plus retained earnings, plus or minus the balance of accrued income;
2. Capital gains realised, net of costs, less capital losses realised, net of costs, recognised during the financial year, plus net capital gains of the same type recognised in previous financial years that were not distributed or accumulated, plus or minus the balance of accrued capital gains.

The amounts stated in 1 and 2 above may be distributed independently of each other, in whole or in part.

Distributable amount	Units HC, SC, ZC, BC and IT	Units HD, SD and BD
Net earnings (1)	Accumulation	Distribution
Net capital gains realised (2)	Accumulation	Accumulation and/or distribution, on the management company's decision each year

Movement from one unit class to another is considered a disposal and is subject to the tax system applicable to capital gains on disposals of securities.

► **Distribution frequency:**
Annual.

► **Characteristics of units or shares:**

H, S, B and C units :
Currency: Euro
Division: Thousandths of units or for an amount.

IT unit:
Currency: Euro
Division: exclusively in whole units. Subscriptions and redemptions in amounts of money are not permitted.

H units:
The initial net asset value is fixed at €1,524.49.

S, B and Z units
The initial net asset value is fixed at € 1 000.

IT unit :
The initial net asset value is fixed at €10.

H, B and Z units :
Minimum 1st subscription amount : 1 thousandth of a unit

S units :
 Minimum 1st subscription amount : €20 000 000

► **Subscription and redemption:**

Subscriptions and redemptions are centralised each day at the latest by 12 noon (Paris time). They will be executed on the basis of the next net asset value calculated on the basis of the closing prices on the date of centralisation of the requests.

Subscription and redemption requests received after 12 noon will be executed on the basis of the net asset value following the one referred to above.

Settlements relating to subscription and redemption requests are carried out on the first business day (J+1) following the centralisation date.

The orders are executed in accordance with the table below:

Business Day	Business Day	<u>D</u> : day of determining the NAV	Business D+1	Business D+1	Business D+1
Centralisation of subscription orders before [12h] ¹	Centralisation of redemption orders before [12h] ¹	Execution of the order on D at the latest	Publication of the net asset value	Payment of subscriptions	Payment of redemptions

¹Unless a specific potential timeframe is agreed with your financial institution.

Procedures specific to IT units:

Minimum 1st subscription amount : 1 unit

Buy and sell orders are centralised each day at the latest by 11 a.m. (Paris time). They shall be executed by reference to the fund's net asset value as calculated and published on the following business day on the basis of the closing prices on the date of centralisation of requests.

Settlements relating to Buy and sell orders are carried out on the third business day following the centralisation date.

We recommend that you obtain information on the operating rules issued by that listing market, in accordance with local regulations, or that you contact your regular advisor.

The orders Orders relating to the IT units are executed in accordance with the table below:

Business Day	Business Day	D: day of determining the NAV	Business D+1	Business D+3	Business D+3
Centralisation of subscription orders before [11h] ¹	Centralisation of redemption orders before [11h] ¹	Execution of the order on D at the latest	Publication of the net asset value	Payment of subscriptions	Payment of redemptions

¹Unless a specific potential timeframe is agreed with your financial institution.

Institutions appointed to receive subscriptions and redemptions and in charge of compliance with the centralisation deadline indicated in the paragraph above:

CACEIS Bank and HSBC France as regards customers for whom they ensure custody and management.

Unitholders should be aware that orders transmitted to marketers other than the institutions mentioned above must take account of the fact that the order centralisation deadline applies to said marketers with regard to CACEIS Bank. Accordingly, these marketers may apply their own deadline, prior to the deadline mentioned above, in order to take their time for transmission of orders to CACEIS Bank into account.

Subscriptions and redemptions transmitted to the Italian stock exchange are consolidated and the balance is sent to the Fund depositary, CAECIS Bank, by a financial intermediary appointed by the management company that has been approved by the Italian stock exchange.

Units are expressed in thousandths of units, excepted IT unit.

Except for HSBC group OPC and mandates

Movement from one unit class to another is considered a redemption followed by a subscription and is thus subject to tax.

► **Calculation periods for the net asset value:**

The net asset value is calculated daily with the exception of Saturdays, Sundays, statutory holidays in France and dates on which the French markets are closed. The net asset value can be obtained from the management company.

IT units:

The net asset value is calculated daily with the exception of Saturdays, Sundays, statutory holidays in France and dates on which the French markets and the Italian stock exchange are closed. The net asset value of the unit is also supplied by the Italian stock exchange.

Costs charged to the investor, deducted at the time of subscriptions and redemptions	Base	Scale rate		
		H, S and B units: 2% maximum	ZC unit : 6% maximum (*)	IT unit: None
Subscription commission not paid into the UCITS	NAV x Number of units	H, S and B units: 2% maximum	ZC unit : 6% maximum (*)	IT unit: None
Subscription commission paid into the UCITS	NAV x Number of units	None		
Redemption commission not paid into the UCITS	NAV x Number of units	None		
Redemption commission paid into the UCITS	NAV x Number of units	None		

► **Charges and commissions:**

Subscription and redemption commissions

The subscription and redemption commissions are added to the subscription price paid by the investor or reduce the reimbursement price. The commissions paid into the UCITS compensate for the costs borne by the UCITS to invest or stop investing the entrusted assets. Commissions not paid into the UCITS go to the management company, marketer, etc.

(*) except HSBC Global Asset Management (France) funds and mandates

Fees :

Financial management and administrative charges external to the Management Company cover all charges directly invoiced to the UCITS, other than transaction fees. Transaction costs include intermediation costs (brokerage, stock exchange taxes, etc.) and transaction commissions, if applicable, that may be received in particular by the depositary and the management company.

The following may be payable in addition to the financial management charges and administrative charges external to the management company:

- performance commissions. These commissions remunerate the Management Company when the UCITS exceeds its objectives. They are therefore charged to the UCITS;
- transaction commissions charged to the UCITS;
- a share of the income from temporary purchases and sales of securities.

	Costs charged to the UCITS :	Base	Scale rate				
			HC and HD units maximum 0.40% including taxes	SC and SD units maximum 0.25% including taxes	ZC unit : None	BC and BD units: Maximum 0.30% including taxes	IT unit : maximum 0.30% including taxes
1	Financial management fees	Net assets	HC and HD units maximum 0.40% including taxes	SC and SD units maximum 0.25% including taxes	ZC unit : None	BC and BD units: Maximum 0.30% including taxes	IT unit : maximum 0.30% including taxes
2	Administrative charges external to the management company		maximum 0.20% including taxes				0.30% maximum including taxes
3	Maximum indirect charges (commissions and management fees)	Net assets	Not significant*				
4	Transaction commissions	Deduction from each transaction	None				

*The share of net assets invested in UCIs being less than the regulatory threshold of 20%

Additional information about temporary purchases and sales of securities:

The management company does not receive any remuneration for these temporary purchases and sales of securities.

Revenues and income generated by temporary purchases and sales of securities are fully earned by the UCITS, after deducting, depending on the type of transactions, certain direct and indirect operational costs (in particular, the remuneration of any lending agent).

Operational costs and charges relating to these transactions may also be the responsibility of the management company and not be charged to the UCITS.

Brief description of the intermediary selection procedure:

The management company selects brokers or counterparties according to a procedure consistent with the applicable regulations and in particular the provisions of Article 314-69 *et seq.* of the General Regulations of the French financial markets authority ("AMF"). As part of this selection, the management company respects its 'best execution' obligation at all times.

The objective selection criteria used by the management company specifically includes the quality of order executions, the rates applied, and the financial soundness of each broker or counterparty.

The choice of counterparties and investment firms and service providers of HSBC Global Asset Management (France) is made according to a precise valuation process designed to ensure quality service. This is a key element in the general decision-making process which incorporates the impact of the service quality of the broker across all our departments: Management, Financial and Credit Analysis, Trading and Middle Office.

Counterparty selection can involve an entity linked to the HSBC Group or the UCITS depository.

The "Best execution and intermediary selection policy" is presented on the management company's website.

IV Commercial information

All information concerning the mutual investment fund may be obtained by contacting the marketer directly.

Information on the environmental, social and governance quality criteria contained in the investment policy

Pursuant to Article L533-22-1 of the French Monetary and Financial Code, information on environmental, social and governance quality criteria (ESG criteria) contained in this Fund's investment policy is available on HSBC Global Asset Management's website at the following address: www.assetmanagement.hsbc.com/fr and in the Fund's annual report.

V Investment rules

The statutory investment rules applying to this UCITS are those that govern UCITS funds under EU Directive 2009/65/EC in addition to those applying to its AMF classification.

VI Overall risk

The commitment method is used to calculate the overall risk on forward financial instruments.

VII Asset valuation and accounting rules

The asset valuation rules applied by the accounting manager are outlined below according to the instruments held by the UCITS:

The UCITS has adopted the euro as its reference currency.

The prices used for the valuation of securities traded on the stock exchange are the closing prices.

The prices applied for the valuation of bonds are an average contributor.

UCITS funds are valued at the last known rate.

Negotiable debt securities whose residual lifespan is in excess of 3 months are valued, in the absence of a contribution, at the market rate with the exception of variable or adjustable rate debt securities with no particular sensitivity to the market.

A simplified method known as "linearisation" is applied for negotiable debt securities whose residual lifespan is less than 3 months with no particular sensitivity to the market on the basis of the crystallised three-month rate.

Pensions are valued during the contract.

Forward transactions, firm or conditional, or OTC swaps, authorised by the regulation applicable to UCIs, are valued at market value or at a value estimated in accordance with the arrangements laid down by the Management Company. Interest rate and/or currency swaps are valued at their market value based on the price calculated by discounting future cash flows (principal and interest), at the market interest and/or exchange rates.

The European and international futures market prices are settlement prices.

The European and international futures market prices are settlement prices.

Interest-rate and foreign currency swaps are valued under market conditions.

The valuation of interest-rate swaps against share performance is carried out:

- under market conditions for the fixed income branch
- according to the underlying security rate for the equity branch.

The valuation of Credit Default Swaps (CDS) stems from a model populated by market spreads.

Off-balance-sheet commitments on European and foreign futures markets are calculated as follows:

- FUTURES

(Qty x Nominal x Daily rate x Contract currency)

- OPTIONS

(Qty x delta)x(Nominal of the underlying instrument x Daily rate of the underlying instrument x Contract currency).

As far as swaps are concerned, the off-balance-sheet commitment corresponds to the nominal value of the contract plus or minus the interest differential and the unrealised capital gain or loss noted on the closing date.

Interest is recognised according to the cash-basis method.

Items entered in the portfolio are entered at their acquisition price minus costs.

Transaction fees are recognised in specific Fund accounts and are not added to the price.

Securities bought and sold are recognised excluding costs.

Financial instruments whose rate not was noted on the valuation date or whose rate was adjusted are valued at their probable trading value under the responsibility of the management company. These valuations and their justification are provided to the auditor in connection with its audits.

Valuation of financial collateral

Collateral is valued daily at market prices (marked to market).

Haircuts can be applied to collateral received in the form of securities according to the level of risk.

Margin calls are made on a daily basis unless otherwise stipulated in the framework contract for these transactions or if an agreement exists between the management company and the counterparty on the application of a trigger threshold.

Swing Pricing mechanism

The management company has implemented a method for adjusting the net asset value of the Fund/SICAV, known as Swing Pricing with a trigger threshold, to protect the interests of the unitholders/shareholders in the Fund/SICAV.

This mechanism consists of making investors, when there are significant numbers of subscriptions and redemptions, bear the portfolio adjustment costs—including transaction fees, bid/offer spreads and taxes or fees applicable to the UCI—related to the investment or disinvestment transactions.

When the net balance of investors' subscription and/or redemption orders exceeds a predefined threshold, called the 'trigger threshold', the net asset value is adjusted.

The net asset value is adjusted up or down if the balance of subscriptions/redemptions is respectively positive or negative, so as to take into account the readjustment costs attributable to the net subscription and/or redemption orders.

The trigger threshold is expressed as a percentage of the net assets of the Fund/SICAV.

The parameters for the trigger threshold and the net asset value adjustment factor are determined by the Management Company and reviewed from time to time.

The so-called "swung" adjusted net asset value is the sole net asset value of the Fund/SICAV. Consequently, it is the only one published and communicated to unitholders and shareholders.

By applying Swing Pricing with a trigger threshold, volatility of the UCI cannot come only from the volatility of the financial instruments in the portfolio.

In accordance with the regulatory provisions, the management company does not communicate the trigger thresholds and ensures that internal communication channels are restricted so as to safeguard the confidential nature of the information.

Alternative practical methods in exceptional circumstances

Since the net asset value is calculated by a service provider from outside the management company, any faults in the information systems used by the management company will not affect the capacity of the mutual fund to have its net asset value determined and published.

In the event of a fault in the service provider's systems, the service provider's backup plan will be implemented in order to guarantee continuity in the calculation of the net asset value. As a last resort, the management company has access to necessary resources and systems in order to rectify the service provider's fault on a temporary basis and to determine the net asset value of the mutual investment fund under its responsibility.

However, the redemption by the fund of units and the issuance of new shares may be temporarily suspended by the management company according to article L.214-8-7 of the Monetary and Financial Code in exceptional circumstances and if this is in the interest of the unitholders.

Exceptional circumstances are defined in particular as any period during which:

- a) Trades on one of the markets in which a significant proportion of investments of the mutual investment fund are generally traded are suspended or one of the methods generally used by the management company or its agents to value investments or determine the net asset value of the mutual investment fund is temporarily withdrawn, or
- b) For another reason, the valuation of the financial instruments held by the mutual investment fund cannot be established in a reasonable, rapid, fair manner according to the management company, or
- c) Exceptional circumstances mean that, according to the management company, it is not reasonably possible to realise all or some of the assets in the mutual investment fund or to intervene in the investment markets of the fund, or if this is not possible without seriously harming the interests of unitholders in the mutual investment fund, notably in the case of a force majeure event which temporarily deprives the management company of its management systems, or
- d) The fund transfer transactions required for the realisation or payment of assets in the mutual fund or for the execution of subscriptions or redemptions of units in the mutual fund are postponed or, according to the management company, cannot be carried out quickly under normal exchange rates.

In all cases of suspension, with the exception of ad hoc market communications, the holders will be informed as soon as possible by means of a press notification. The information will be provided beforehand to the French financial markets authority.

VIII. Remuneration:

The Management Company HSBC Global Asset Management (France) has put in place a remuneration policy that is tailored to its structure and its business activities.

This policy aims to provide a framework for the various methods of remunerating employees with decision-making, oversight or risk-taking authority within the group.

This remuneration policy has been drawn up to reflect the economic strategy, objectives, values and interests of the Management Company within the HSBC Group, those of managed UCIs and those of their investors/shareholders.

The objective of the policy is to discourage risk-taking that is excessive when compared to the risk profile of the managed UCIs.

The Management Company has introduced adequate measures to prevent conflicts of interest.

The remuneration policy is adapted and monitored by the Remuneration Committee and the Board of Directors of HSBC Global Asset Management (France).

The remuneration policy is available on the website at the following address: www.assetmanagement.hsbc.com/fr or, at no cost, by requesting a copy in writing from the Management Company.

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| • <i>Approved by the COB on:</i> | <i>14 December 1998</i> |
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| • <i>Updated on:</i> | <i>11 February 2020</i> |

**REGULATIONS OF THE MUTUAL FUND
HSBC EURO GVT BOND FUND**

SECTION I

ASSETS AND UNITS

ARTICLE I - JOINTLY-OWNED UNITS

The rights of joint owners are expressed as units with each unit corresponding to the same fraction of the fund assets. Each unitholder possesses a joint-ownership right to the fund assets in proportion to the number of units held.

The duration of the fund is 99 years as from its creation except in the case of early dissolution or extension provided for in these regulations.

The characteristics of the various unit categories and their access conditions are set out in the prospectus.

The various unit categories may:

- have different arrangements for distributing revenue; (distribution or accumulation);
- be denominated in different currencies;
- incur different management charges;
- be subject to different subscription and redemption commissions;
- have different nominal values;
- be systematically hedged against risk, either partially or in full, as set out in the prospectus. This hedging process is performed using financial instruments that reduce the impact of the hedging transactions for the other unit classes of the UCITS to a minimum,
- be reserved for one or more distribution networks.

At the decision of the board of directors of the management company or its Chairman, the units may be divided, grouped or split into thousandths, known as fractional units.

The provisions of the regulation governing the issuance and redemption of units apply to fractional units whose value will always be proportional to that of the unit that they represent. Unless otherwise stated, all other provisions of the regulations relating to units shall apply to fractional units without any need to make a specific provision.

Lastly, the management company's board of directors may decide, at its sole discretion, to split the units by creating new units that are allocated to unitholders in exchange for the former units.

ARTICLE II - MINIMUM ASSET AMOUNT

Units may not be redeemed if the assets fall below €300,000; where net assets remain below that level for 30 days, the management company shall take the necessary measures to wind up the UCITS in question or to perform one of the transactions listed in Article 411-16 of the AMF General Regulations (transfer of the UCITS).

ARTICLE III - ISSUANCE AND REDEMPTION OF UNITS

Units may be issued at any time at the request of the unitholders on the basis of their net asset value plus subscription commissions if applicable.

Subscriptions and redemptions shall be completed under the terms and conditions set forth in the prospectus.

Fund units may be admitted to trading in accordance with the applicable regulations.

Initial subscription of H, Z and B units shall amount to a thousandth of a unit. Initial subscription of S units shall amount to 20 000 000 euros. Initial subscription of IT unit shall amount to one unit.

Subscriptions must be fully paid up on the day when the net asset value is calculated. They may be made in cash and/or by the contribution of financial instruments. The management company may turn down the securities offered and must announce its decision within seven days. In the event of acceptance, the contributed securities shall be valued according to the rules set forth in article IV, and the subscription shall be carried out on the basis of the first net asset value following the acceptance of the securities concerned.

Redemptions shall be carried out exclusively in cash except in the case of the liquidation of the fund when the unitholders have notified their agreement to be reimbursed in securities. They shall be settled by the account holder within a maximum period of five days following the date of valuation of the unit.

However, if, under exceptional circumstances, the redemption requires the prior realisation of fund assets, this period may be extended but shall not exceed 30 days.

Except in the case of inheritance or inter vivos distribution, the disposal or transfer of units between holders or from holders to a third party shall be equivalent to a redemption followed by a subscription: if a third party is involved, the disposal or transfer amount must, if applicable, be supplemented by the beneficiary so that it corresponds at least to the minimum subscription required by the prospectus.

Pursuant to Article L 214-8-7 of the French financial and monetary code, the redemption of units by the mutual fund as well as the issue of new units may be suspended on a temporary basis by the management company in exceptional circumstances and if this is considered to be necessary to protect the interests of the unitholders.

The management company's board of directors may restrict or prevent the holding of units of the mutual fund by any person or entity prohibited from holding units of the mutual fund (below "Non-Eligible Person"), as defined in the "Subscribers concerned and typical investor profile" section of the prospectus.

To this end, the management company's board of directors may:

- (i) Refuse to issue any unit when it appears that such an issue would or could have the effect that the said shares are directly or indirectly held for the benefit of a Non-Eligible Person;
- (ii) At any time, require from a person or entity whose name appears in the account register that it be provided with any information accompanied by a declaration on honour that it would consider necessary for the purposes of determining whether the beneficial owner of the units in question is a Non-Eligible Person;
- (iii) In the event of failure to transmit the information mentioned in (ii), or when a unitholder proves to be a Non-Eligible Person, transmit information about the investor concerned to the competent tax authorities of the country or countries with which France has entered into an information exchange agreement; and
- (iv) When it appears that a person or entity is (i) a Non-Eligible Person and (ii) alone or jointly, the beneficial owner of the units, prohibit any new subscription of units in the mutual fund by the unitholder, compel the unitholder to sell his or her interest in the mutual fund, or, in certain cases, proceed with the forced redemption of all the units held by such a unitholder.

The forced redemption must be carried out by the account keeper of the Non-Eligible Person, on the basis of net asset value following the formal decision of the management company, minus any applicable charges, duties, and commissions, which shall remain the responsibility of the Non-Eligible Person.

The formal decision of the management company shall be preceded by a period of discussion suitable for the case in question but no less than 10 days during which the beneficial owner of the units may submit his or her remarks to the competent body of the management company.

If the mutual fund's net assets fall below the minimum regulatory requirement, no units may be redeemed.

The UCITS may cease issuance of units pursuant to the third paragraph of Article L. 214-8-7 of the Monetary and Financial Code, either temporarily or permanently, fully or partially if objective circumstances entail the closing of subscriptions, such as attaining the maximum number of units or shares, a maximum amount of assets or the end of a fixed subscription period.

Existing shareholders shall be informed by any means of the triggering of this tool, as well as of the threshold and the objective situation that led to the decision to carry out full or partial closing. In the case of partial closing, this information by any means will explicitly specify the terms under which existing shareholders may continue to subscribe during the period of such partial closing. The shareholders are also informed by any means of the UCITS or asset management company's decision to either end the full or partial closing of subscriptions (when falling below the triggering threshold), or not to end it (in the event of a change in threshold or modification in the objective situation leading to implementation of this tool). A modification in the objective situation invoked or the triggering threshold for the tool must always be made in the interest of the shareholders. Information by any means shall specify the exact reasons for these changes.

ARTICLE IV - CALCULATION OF THE NET ASSET VALUE

The net asset value of the unit is calculated taking into account the valuation rules featuring in the prospectus.

SECTION II

OPERATION OF THE FUND

ARTICLE V - THE MANAGEMENT COMPANY

The fund shall be managed by the management company according to the main guidelines defined for the fund.

The management company shall act on behalf of unitholders under all circumstances and shall alone exercise any voting rights attached to the securities in the fund's portfolio.

ARTICLE V BIS - OPERATING RULES

The instruments and deposits eligible for fund assets and the investment rules are described in the prospectus.

ARTICLE VI - DEPOSITARY

The depositary shall perform the duties for which it is responsible in accordance with the legal and regulatory provisions in force and those contractually entrusted to it by the management company. The depositary must, in particular, ensure that the management company's decisions are lawful. Where applicable, it must take any protective measures that it deems useful. In the event of a dispute with the management company, the depositary shall inform the AMF.

ARTICLE VII - STATUTORY AUDITOR

An auditor shall be appointed for six financial years, subject to the approval of the French Financial Markets Authority, by the board of directors of the management company.

It shall certify that the accounts are true and fair.

Its term of office may be renewed.

The Statutory Auditor shall be required to notify, as soon as practicable, the AMF of any fact or decision concerning the UCITS of which it has become aware in the performance of its duties that might:

1. Constitute an infringement of applicable laws or regulations and which may have a significant effect on the Fund's financial situation, earnings, or assets
2. Adversely affect the conditions or the continuity of its operations
3. Result in a qualified opinion or a refusal to certify the accounts

Asset valuations and the determination of exchange parities in transformation, merger or demerger transactions shall be carried out under the supervision of the auditor.

It shall be responsible for the valuation of all contributions in kind.

The statutory auditor shall verify the accuracy of the composition of the assets and other information before publication.

The auditor's fees shall be determined by agreement between the auditor and the board of directors of the management company with respect to a work programme specifying the due diligences considered necessary.

The Statutory Auditor's fees shall be included in the administrative charges external to the management company.

The Statutory Auditor shall certify the circumstances underlying any interim distributions.

ARTICLE VIII - THE ACCOUNTS AND THE MANAGEMENT REPORT

At the end of each financial year, the management company shall draw up summary documents and shall establish a fund management report for the financial year ended.

At least once every six months, the Management Company shall prepare an inventory of the mutual fund's assets under the depositary's supervision.

The management company shall hold these documents available for consultation by the unitholders for a period of four months from the year-end and inform them of their revenue entitlement. These documents shall be either sent by post, at the express request of the unitholders, or made available to them at the management company.

SECTION III

APPROPRIATION OF DISTRIBUTABLE AMOUNTS

ARTICLE IX - APPROPRIATION OF DISTRIBUTABLE AMOUNTS

The net earnings of the financial year are equal to the total amount of interest, arrears, premiums and lots and all proceeds relating to securities within the fund portfolio plus the product of the amounts temporarily available and minus management costs and any depreciation allowances and loan costs.

The amounts distributable by an undertaking for collective investment in transferable securities consist of:

- (1) Net earnings plus retained earnings, plus or minus the balance of accrued income;
- (2) Capital gains realised, net of costs, less capital losses realised, net of costs, recognised during the financial year, plus net capital gains of the same type recognised in previous financial years that were not distributed or accumulated, plus or minus the balance of accrued capital gains.

The amounts indicated in points 1) and 2) above may be distributed independently of each other, in whole or in part.

The appropriation of the distributable amounts is described in detail in the prospectus.

SECTION IV

MERGER - DEMERGER - DISSOLUTION - LIQUIDATION

ARTICLE X - MERGER - DEMERGER

The management company may either merge all or part of the assets of the fund with another UCITS under its management or split the fund into two or more other mutual funds.

These merger or demerger transactions may only be carried out following the notification of the holders. They shall result in the issuance of a new certificate stating the number of units held by each holder.

ARTICLE XI - DISSOLUTION - EXTENSION

If the fund assets remain lower than the amount set forth in article 2 hereinabove for thirty days, the management company shall inform the French Financial Markets Authority and shall dissolve the fund, except in the case of a merger transaction with another investment fund.

The management company may dissolve the fund early. In this case, it shall inform the unitholders of its decision, and subscription and redemption requests shall no longer be accepted after that date.

The management company shall also dissolve the fund in the event of a redemption request for all the units, the cessation of the depositary's duties if no other depositor has been appointed or the expiry of the term of the fund if it has not been extended.

The management company shall inform the French Financial Markets Authority by post of the corresponding dissolution date and procedure. It shall then send the auditor's report to the French Financial Markets Authority.

The management company may decide to extend the fund with the agreement of the depositary. Its decision shall be made at least 3 months prior to the expiry of the term specified for the fund and notified to the unitholders and the French Financial Markets Authority.

ARTICLE XII - LIQUIDATION

In the event of dissolution, the management company shall assume the role of liquidator; if this is not possible, a liquidator shall be appointed by the court at the request of any interested party. In this context, they shall be granted extensive authority to realise the assets, pay any creditors and distribute the available balance between the unitholders in cash or in securities.

The statutory auditor and the depositary shall continue in office until all liquidation operations have been completed.

SECTION V

DISPUTES

ARTICLE XIII - COMPETENCE - ELECTION OF DOMICILE

Any disputes relating to the fund which may arise during its operating term or at the time of its liquidation either between unitholders or between the unitholders and the management company or the depositary shall be subject to the jurisdiction of the competent courts.

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