

PROSPECTUS

24/07/2019

I - GENERAL CHARACTERISTICS

FUND STRUCTURE

VARENNE SELECTION is a General Purpose Professional Fund. It is not subject to the same rules as General Purpose Investment Funds (open to non-professional investors) and may therefore be riskier. Only those persons mentioned under "eligible investors" may purchase units in the VARENNE SELECTION Fund.

- **Fund name:** VARENNE SELECTION
- **Legal form:** Alternative Investment Fund (AIF) governed by French law
- **Launch date and intended term:** The Fund was created on 1 December 2006 with a term of 99 years.

□ **Fund overview:**

ISIN	Allocation of distributable amounts	Currency of denomination	Target investors	Minimum initial subscription amount
Unit class A-EUR: FR0010392225	Net income: Accumulating Net realised capital gains: Accumulating	Euro	Investors defined in Article 423-2 of the AMF General Regulation	From the euro amount for 1 unit to 100,000 euros depending on the investor profile
Unit class P-EUR: FR0013246741			Investors defined in Article 423-2 of the AMF General Regulation. Mainly unit-linked life insurance managers or investment management	From the euro amount for 1 unit to 100,000 euros depending on the investor profile (Original value: 100 euros)
Unit class A-USD: FR0013358769		Dollar	Investors defined in Article 423-2 of the AMF General Regulation who wish to benefit from a systematic and complete hedge in USD against EUR/USD currency	From the dollar amount for 1 unit or 100,000 dollars depending on the investor profile (Original value: 100 dollars)
Unit class P-USD: FR0013358777			Investors defined in Article 423-2 of the AMF General Regulation. Mainly unit-linked life insurance managers or investment management professionals who wish to benefit from systematic and full hedging in USD against	From the euro amount for 1 unit or 100,000 dollars depending on the investor profile (Original value: 100 dollars)
Unit class P-GBP: FR0013401064			Pound sterling	Investors defined in Article 423-2 of the AMF General Regulation. Mainly unit-linked life insurance managers or investment management professionals wishing to benefit from systematic and full hedging in GBP against
Unit class I-EUR: FR0012768836		Euro	Investors defined in Article 423-2 of the AMF General Regulation	Initial subscription: 3,000,000 euros (Original value: 1,000 euros) Subsequent subscription: 1 unit
Unit class I-USD: FR0013263472		Dollar	Investors defined in Article 423-2 of the AMF General Regulation who wish to benefit from a systematic and complete hedge in USD against EUR/USD currency	Initial subscription: 3,000,000 dollars (Original value: 1,000 dollars) Subsequent subscription: 1 unit
Unit class SP: FR0013358785			Investors defined in Article 423-2 of the AMF General Regulation	Initial subscription: 10,000,000 euros (Original value: 1,000 euros) Subsequent subscription: 1 unit

□ **Details of where the latest annual reports and breakdown of assets can be obtained**

The latest annual reports and the breakdown of assets are sent within eight business days, upon written request by unitholders submitted to:

VARENNE CAPITAL PARTNERS
42, Avenue Matignon
75008 Paris – France
E-mail: contact@varennecapital.com

DIRECTORY

□ **Management company:** The management company was granted general authorisation by the French financial markets authority, the Autorité des Marchés Financiers (AMF) on 28 April 2006 under number GP 06 000004 as a portfolio management company:

VARENNE CAPITAL PARTNERS
42, Avenue Matignon
75008 Paris – France

The management company has its own capital, in addition to its regulatory capital, enabling it to cover any risks relating to its professional negligence liability in connection with its management of this General Purpose Professional Fund.

□ **Custodian and liabilities manager:**

CACEIS Bank,
Société Anonyme
Registered office: 1-3 place
Valhubert 75013 Paris – France

Principal activity: Credit institution and investment services provider approved by the Credit Institutions and Investment Firms Committee (Comité des Etablissements de Crédits et des Entreprises d'Investissement - CECEI) on 1 April 2005.

The depositary role covers those tasks stipulated by applicable regulations, i.e., custody, supervision of decisions made by the investment management company, and monitoring of the fund's cash flows.

The depositary is independent of the investment management company.

A description of delegated custodian roles, a list of delegates and sub-delegates of CACEIS Bank, and information on conflicts of interest that may result from these delegations are available on CACEIS's website, www.caceis.com. Updated information is available to investor upon request.

□ **Institution appointed by the Management Company to centralise subscription and redemption orders:**

CACEIS Bank, Société Anonyme,
Registered office: 1-3 Place Valhubert – 75013 Paris – France

Credit institution and investment services provider approved by the CECEI on 1 April 2005.

□ **Statutory auditors:**

RSM Paris
26, rue Cambacérès
75008 Paris - France

Represented by Fabien CREGUT

□ **Distributor:**

VARENNE CAPITAL PARTNERS
42, Avenue Montaigne
75008 Paris – France

The list of marketers is not exhaustive.

□ **Appointee for administrative and accounting management:**

CACEIS Fund Administration, Société Anonyme,
Registered office: 1-3, Place Valhubert
75013 Paris– France

CACEIS Fund Administration is the CREDIT AGRICOLE group entity that specialises in fund administration and accounting for clients within and outside the group.

CACEIS Fund Administration has therefore been appointed by the Management Company as accounting sub-manager, to carry out the Fund's valuation and accounting administration. CACEIS Fund Administration is responsible for asset valuations, calculating the Fund's net asset value and preparing periodic documents.

Pursuant to the policy for handling conflicts of interest, as drawn up by the management company, the delegation of these duties has not resulted in any situations likely to give rise to a conflict of interest.

□ **Advisor:** none

□ **Person ensuring that the criteria relating to the capacity of subscribers or purchasers have been observed and that they have received the information requested:**

All parties marketing this Fund shall be responsible for ensuring that the guidelines relating to the capacity of subscribers or purchasers have been complied with, and that they have received the requisite information.

II – OPERATING AND MANAGEMENT PROCEDURES

GENERAL CHARACTERISTICS

□ **Characteristics of the units or shares:**

- **Nature of the rights attached to the units:** Every unitholder has a right of joint ownership over the Fund's assets, proportional to the number of units held.
- **Entry in a register or liabilities accounting procedure:** Liabilities are held by the custodian. The units of the Fund are registered with Euroclear.
- **Voting rights:** As the Fund is a joint ownership of transferable securities, no voting rights are attached to the units held, and decisions are taken by the management company.
- Information on changes to the Fund's operation is provided to unitholders either individually, by publication in the press, or by any other means that complies with applicable regulations.
- **Form of units:** bearer units
- **Fractions of units:** The smallest fraction is a thousandth of a unit.

□ **Financial year-end:** Last trading day of December each year in Paris, France.

□ **Taxation:** The Fund is eligible for the French equity savings plan (PEA).

Due to its joint ownership structure, the Fund is not subject to corporate tax in France. Moreover, the law provides for a capital gains tax exemption on the sale of securities realised as part of the Fund's asset management, provided that no individual, acting directly or through an intermediary, owns more than 10% of the units (Article 105-0 A, III-2 of the French Tax Code).

According to the principle of transparency, the tax authorities consider the unitholder a direct owner of a fraction of the financial instruments and cash held by the Fund.

As the Fund only offers accumulation units, in principle the applicable taxation scheme is that of capital gains on securities in the country of the unitholder's residence, in accordance with the rules corresponding to their situation (individual, legal entity subject to corporation tax, or other cases). The rules applicable to unitholders residing in France are set out in the French Tax Code.

Unitholders of the Fund are generally advised to contact their tax advisor or their account manager in order to determine the tax rules applicable to their specific situation. Depending on the case, their advisors may charge for this assessment. Under no circumstances shall the cost of such assessment be borne by the Fund or the management company.

SPECIFIC PROVISIONS

ISINs:

Unit class A-EUR:FR0010392225

Unit class A-USD:FR0013358769

Unit class P-EUR:FR0013246741

Unit class P-USD:FR0013358777

Unit class P-GBP:FR0013401064

Unit class I-EUR: FR0012768836

Unit class I-USD: FR0013263472

Unit class SP: FR0013358785

Classification: None

Investment objective:

The aim of the Fund is to seek, over the recommended investment horizon, the annualised performance indicated below by implementing a fully discretionary and unconstrained approach in terms of regional and business sector exposure, based on the market expectations of the fund manager.

The objective of A-EUR units is to achieve an annualised outperformance of the 12-month rolling average of capitalised EONIA + 105 basis points, less all fees charged to the Fund (except the performance fee).

The objective of A-USD units is to achieve an annualised outperformance of the 12-month rolling average of capitalised EONIA + 105 basis points, less all fees charged to the Fund (except the performance fee).

The objective of P-EUR units is to achieve an annualised outperformance of the 12-month rolling average of capitalised EONIA + 165 basis points, less all fees charged to the Fund (except the performance fee).

The objective of P-USD units is to achieve an annualised outperformance of the 12-month rolling average of capitalised EONIA + 165 basis points, less all fees charged to the Fund (except the performance fee).

The objective of P-GBP units is to achieve an annualised outperformance of the 12-month rolling average of capitalised EONIA + 165 basis points, less all fees charged to the Fund (except the performance fee).

The objective of I-EUR units is to achieve an annualised outperformance of the 12-month rolling average of capitalised EONIA + 190 basis points, less all fees charged to the Fund (except the performance fee).

The objective of I-USD units is to achieve an annualised outperformance of the 12-month rolling average of capitalised EONIA + 190 basis points, less all fees charged to the Fund (except the performance fee).

The objective of SP units is to achieve an annualised outperformance of the 12-month rolling average of capitalised EONIA + 210 basis points, less all fees charged to the Fund (except the performance fee).

Management is not connected to any benchmark index; however, the performance of each unit class may be compared ex post with the objective for each unit class set out above.

Benchmark index:

The diversified, flexible and fully discretionary nature of the Fund makes an ex-ante comparison with a benchmark index irrelevant. However, the performance of the Fund may be compared ex post with the objective for each unit class set out above under "Management objective".

The EONIA (Euro Over Night Index Average) index is the result of the weighted average of all daily unsecured loan transactions made by the most active banking institutions in the euro zone. It is calculated by the European Central Bank and published by the European Union Banking Federation. It is available on the website <http://www.banque-france.fr>.

Investment strategy:

In order to remain eligible for the French Equity Savings Plan (PEA), VARENNE SELECTION is always at least 75% invested in securities and rights eligible for the PEA: either directly in eligible equities and securities, or indirectly through French or European UCITS or investment funds eligible for the PEA. The UCITS or investment funds selected will be equity or diversified funds.

The Fund's strategy is to build a diversified equities portfolio. The strategy used is discretionary.

The Fund may invest in all of the asset classes and operations listed below, with no sector-related constraints.

The Fund manages French and foreign financial assets within and outside the euro zone. French residents may be exposed to currency risk.

The fund manager will fully and systematically hedge unit classes A-USD, P-USD and I-USD against EUR/USD currency risk and will systematically and completely hedge unit class P-GBP against EUR/GBP currency risk.

The Fund's management approach relies on multiple complementary performance drivers:

Equities

Our Stock-picking strategy draws on techniques applied in the private equity space to construct a concentrated portfolio of companies enjoying a sustainable competitive advantage and presenting a deep discounted to our intrinsic value estimate. After excluding the most risky sectors, such as technology, financials and highly cyclical businesses, the investment management team carries out weekly fundamental and performance screenings via its proprietary databases.

The Absolute Short strategy aims to identify companies that face a likely capital event within 18 to 24 months, such as recapitalisation, capital restructuring or liquidation.

Investment ideas are then analysed internally, without using intermediaries, and both a financial valuation and a formal economic quality rating are assigned to each company, following in-depth due diligence. The construction model draws on this dual input to lead to an optimal portfolio.

Special situations

The management team focuses exclusively on mergers & acquisitions and capital restructurings. This strategy helps reduce the portfolio's correlation to indices and provides the fund with additional returns, particularly in the event of market downturns.

The team uses a real-time proprietary information system to identify new deals announced across all global markets and focuses solely on the deals with the most favourable asymmetric risk/return profile.

Macro hedging

A major economic crisis can drive any risky asset into a downward spiral that is difficult to recover from. We invest in products with asymmetric risk/return, such as options, in order to protect the portfolio against such situations. Macro hedging strategies offer protection in the event of a negative scenario without, however, reducing the portfolio's market exposure.

Forward financial instruments

The Fund may invest each asset once only in French and/or foreign regulated, organised or over-the-counter markets, via forwards or options, swaps and/or forward foreign currency contracts. Such instruments will be used to hedge risks (currency, interest rate, and equity risks, etc.) and/or generate exposure. The hedging of foreign currency risk is not systematic and depends on the analysis made by the fund manager of perspectives on exchange rates, interest rates or equity markets.

Moreover, on a more ancillary basis, the Fund may use temporary purchases or sales of securities (lending/borrowing) to generate additional income. In addition, as part of its cash management, the VARENNE SELECTION Fund may use repurchase and reverse repurchase transactions on securities, as well as deposits and cash borrowings.

Concerning the UCITS, AIF and investment fund component

UCITS, AIFs and investment funds account for 0-10% of the Fund's assets. The Fund may invest up to 10% of its assets in units or shares of the same UCI.

The UCITS, AIFs or investment funds selected may be managed by the management company or any external company.

The fixed-income component

The Fund will invest between 0% and 50% of its net assets in debt securities and money market instruments.

Exposure to debt securities and money market instruments may vary between 0-50% of the Fund's assets.

The fund manager chooses the positions to take in fixed-income products according to his or her expectations regarding the yield curve. The investment may be made in Treasury issues, fixed- or floating-rate Government securities, Treasury bills, secondary or primary market bonds in the form of sovereign or corporate debt.

For each debt security and money market instrument used, the fund manager examines each segment of the yield curve based on his or her expectations regarding the actions of central banks and changes in economic activity. The manager also checks that the yield curve is consistent with the general economic environment and other asset levels. They determine the curve's inflection point and the beta for each maturity. The yield curve for indexed bonds gives the manager the expected inflation levels.

The fund manager makes his or her selection based on the following parameters:

- the floating rate component,
- the duration of the fixed-income component.

With regard to credit risk exposure, the fund manager first considers the credit market situation as a whole. They study the overall level of the ITRAXX, then the level of the different bond sub-portfolios: financials, corporates and high yield. They also examine the evolution and level of rating spreads, particularly A ratings versus BBB ratings.

□ **Assets used:**

Equities

The Fund will invest between 65% and 100% of its net assets in shares or other securities giving access to the capital of issuers that have their headquarters in a member state of the European Union or outside the EU, particularly the United States.

Exposure may vary between 65% and 200% of the Fund's net assets. Eligible securities include stocks traded on any market, relating to any business sector and issued by companies of any market capitalisation size.

Derivatives

The Fund may use forward financial instruments in the form of options, futures, swaps and/or forward currency exchange contracts, on French or foreign regulated, organised or OTC markets.

In this respect, the Fund may also use contracts for difference (CfDs) to provide synthetic exposure to fluctuations in shares or indices without actually having to hold the shares or indices concerned, in order to optimise market transaction costs. The company may also trade on equity, index, interest rate, currency or other futures or options markets, for the purpose of adjusting portfolio exposure on various markets.

Derivatives used:

Types of markets in which the Fund invests:

- Regulated;
- Organised;
- OTC.

Risks that the fund manager seeks to mitigate:

- Equity (all caps);
- Interest rate;
- Currency;
- Credit;
- Indices;
- Commodities.

Types of operations (all operations are used for the sole purpose of achieving the investment objective):

- Hedging;
- Exposure;
- Arbitrage.

Types of instruments used:

- Forwards and Futures;
- Options;
- Swaps and Contracts for difference (CFD);
 - Currency, equity index and interest-rate swaps;
 - Total return swaps, with which the fund manager may enter into swaps of two combinations among the following types:
 - Fixed-rate,
 - Floating-rate,
 - Performance, upward or downward of one or more currencies, equities, equity indices, volatility or listed securities, UCIs or other investment funds,
 - Dividends (net or gross).
- Forward currency contracts;

- Credit derivatives;
- Credit default swaps.

Derivatives strategies used to achieve the investment objective:

- Hedging of the entire portfolio or specific risks or securities;
- Replication of synthetic exposure to certain assets or risks;
- Increasing market exposure.

The hedging of foreign currency risks is not systematic, and depends on the fund manager's analysis of the outlook for exchange rates, interest rates or the equity markets. The fund manager will systematically hedge A-USD, P-USD and I-USD dollar denominated unit classes. The fund manager will systematically hedge P-GBP units denominated in GBP. The fund manager will use forward financial instruments with a view to fully and systematically hedging this unit class. This will be achieved using financial instruments that reduce the impact of the hedging operations on the other category of unhedged Fund units as much as possible. The instruments used will be mainly futures, forwards and options.

The use of derivatives may give rise to overexposure of the Fund which shall not exceed 100% of the Fund's net assets, and within a maximum leverage of 2.

Fixed-income

The Fund may invest in debt securities and money market instruments, Treasury issues, fixed- or floating-rate Government securities, Treasury bills, French and international bonds, Euro Medium Term Notes (EMTN) and Negotiable Medium Term Notes (BMTN) and secondary or primary market bonds in the form of sovereign or corporate debt.

The management company does not rely solely or systematically on ratings supplied by credit rating agencies, preferring to use its own credit risk analysis to assess the credit quality of the assets and to select the securities it purchases.

UCITS, AIFs and investment funds

The Fund may invest 0-10% of its assets and securities in UCITS, AIFs or French investment funds.

VARENNE SELECTION may come to hold French UCITS or AIFs, European UCITS and any UCITS, AIFs or eligible investment funds managed by the management company, up to 10% of the Fund's assets.

The Fund may invest up to 10% of its assets in units or shares of the same UCI.

Equity/Diversified funds: the Fund may invest in UCITS, AIFs and investment funds invested in small- and mid-cap stocks (with a universe of less than €5 billion generally), those invested in large caps (with a universe of over €5 billion generally), and in sectoral UCITS, AIFs and investment funds invested abroad or in a particular geographical area: energy, basic materials, industrials, consumer cyclicals, consumer non-cyclicals, healthcare, finance, information technology, utilities and telecoms. In general, the funds selected do not take positions in equities in emerging markets, but rather mainly in Europe and the United States.

Bond funds: the Fund may invest in fixed-income UCITS, AIFs and investment funds primarily invested in securities denominated in euros, in all categories of financial instruments. The selection is then based on criteria reflecting the financial solidity of the issuers (all ratings taken as a whole) and on assumptions of interest rate movements. The Fund may invest in fixed-interest UCITS, AIFs and investment funds invested in credit markets (incurring the risk of the issuer being unable to meet its commitments in the event of default) or in emerging countries.

Money market funds: the fund manager may be required to invest in units of interest-bearing money market UCIs mainly invested in short-term securities (with a maturity of less than 12 months) denominated in euros, invested in money markets in the euro zone.

Securities with embedded derivatives:

The Fund invests in financial instruments that integrate derivatives with underlying equities.

The instruments used are: covered and equity warrants, certificates and all bond-type instruments having a conversion or subscription right, such as convertible bonds, convertible bonds exchangeable into new or existing shares, and bonds with redeemable equity warrants attached.

Types of markets in which the Fund invests:

- Regulated;
- Organised;
- OTC.

Risks that the fund manager seeks to mitigate:

- Equity (all caps);
- Interest rate;

- Currency;
- Credit;
- Indices;
- Commodities (solely via indices and shall not exceed 10% of net assets);
- Volatility/variance (shall not exceed 10% of net assets);
- Dividends.

Types of operations (all operations are used for the sole purpose of achieving the investment objective):

- Hedging;
- Exposure;
- Arbitrage.

Types of instruments used:

- Warrants;
- Equity warrants;
- Convertible bonds;
- Bonds with redeemable equity warrants.

Exposure to securities with embedded derivatives may not exceed 20% of the Fund's assets.

Deposits: as part of its cash management, the Fund may use deposits within the limit of 100% of its assets.

Cash borrowings: as part of its cash management, the Fund may use cash borrowings on an ancillary basis (within the limit of 10%).

Securities financing transactions and total return swaps

For the purposes of:

- Cash management,
- Hedging equity or interest-rate risk, and
- Optimising the UCI's income.

The Fund may use total return swaps and temporary securities acquisition or divestment transactions, particularly securities lending and repo and reverse repo operations. All these transactions shall have equities as underlying assets.

The Fund shall be able to unwind the aforementioned transactions at any time.

The maximum proportion and the expected proportion of assets under management that may be subject to such transactions or contracts are provided in the table below:

Transactions	Repo	Reverse repo	Securities lending	Securities borrowing	Total return swaps
Maximum percentage of net assets	100%	100%	100%	N/A	100%
Expected percentage of net	below 10%	below 10%	below 10%	N/A	below 10%

These assets shall be kept in custody with the custodian.

Additional information on remuneration can be found in the "fees and charges" section of the prospectus.

Financial guarantees:

When carrying out transactions on OTC financial derivatives and temporary purchases and sales of securities, the Fund may accept financial assets pledged as guarantees in order to reduce the Fund's exposure to counterparty risk.

Financial guarantees received are mostly cash for OTC derivatives transactions. Counterparty risk in over-the-counter derivatives transactions cannot exceed 10% of the Fund's net assets if the counterparty is a credit institution as defined by applicable regulations, or 5% of its assets in other cases.

The selection of the counterparties with which these transactions are carried out prevents the risk of a conflict of interest when using these transactions. These counterparties will be credit institutions with their registered office in a Member State of the European Union and with a minimum rating of BBB- or deemed equivalent by the Management Company.

In this respect, any financial guarantee accepted in order to reduce counterparty risk shall meet the following requirements:

- It is given in the form of cash
- It is held by the Fund's Custodian, one of its agents or a third party under its control, or by any other custodian subject to prudential supervision having no link with the provider of the financial guarantees
- They shall comply at all times, in accordance with the regulations in force, with the criteria in terms of liquidity, valuation, issuers' credit quality, correlation and diversification, with exposure to a given issuer not exceeding 20% of the Fund's net assets.
- Cash collateral will be placed in short-term money market funds.

There is no correlation policy as the Fund will receive cash only as financial guarantees (collateral). The risks associated with reinvestment of cash depend on the type of asset or the type of transaction and may consist of liquidity risk or counterparty risk.

The risks associated with securities financing transactions, financial contracts and the management of inherent guarantees are described in the risk profile section.

There are no voluntary or regulatory restrictions.

□ **Risk profile**

VARENNE SELECTION is a General Purpose Professional Fund. As such, there may be risks associated with the existence of more flexible risk dispersion rules than those for General Purpose Investment Funds.

The list of risk factors described below is not exhaustive. It is up to each investor to assess the risk associated with such an investment and to form their own opinion regarding VARENNE CAPITAL PARTNERS and, if necessary, to seek the opinion of any advisors specialised in such matters, in order to ensure that this investment suits their financial situation.

Your money will primarily be invested in financial instruments selected by the management company. These instruments will be exposed to market movements and fluctuations. Fund investors are exposed to the following risks:

- Risk relating to the discretionary management and allocation of assets:
The Fund's performance depends both on the companies selected by the fund manager and the asset allocation they make. There is therefore a risk that the fund manager may fail to select the best performing stocks and that the allocation made between the different markets is not optimal.
- Equity risk
This refers to the risk of a decline in the shares or indices to which the portfolio is exposed. During periods of declining equity markets, the net asset value of the Fund may also decline. Investing in small- and mid-caps can cause a sharper and greater drop in the net asset value of the Fund. In addition, the Fund's performance will also depend on the specific price movements of the stocks selected by the fund manager. There is a risk of these changes diverging significantly from market indices and/or of the fund manager not selecting the best performing stocks.
- Currency risk
The Fund may be invested in non-euro denominated instruments. Currency risk is the risk of capital loss when an investment is made in a non-euro currency and which then depreciates against the euro on the foreign exchange market. At the fund manager's sole discretion, currency risk can be entirely or partially hedged through derivatives. The asset manager will systematically and fully hedge the A-USD, P-USD, P-GBP and I-USD unit classes against their respective currency risk. Nevertheless, the Fund may incur a residual currency risk (up to 2% of its assets).
- Risk of capital loss:
As the Fund does not offer a capital guarantee or protection, investors may not recover the full amount of their initial capital investment.
- Interest rate risk:
The Fund may be fully or partially invested in debt securities. Interest rate risk relates to the possibility that interest rate fluctuations may prove adverse and result in a loss in the value of the debt securities held in the Fund's portfolio. An increase in interest rates gives rise to a decline in the capital value of fixed-rate bonds, and consequently a drop in the Fund's net asset value.
- Credit risk:
The Fund may invest in corporate and government bonds, in derivatives linked to one or more issuers (CDS) and other debt securities. The holding of debt securities exposes the Fund to the impact of a decline in the credit quality of private and public issuers (i.e. if they are downgraded by rating agencies). For example, the issuer of a bond may not be able to repay the borrowing and/or pay the scheduled interest on the contractual date, which may cause a decline in the value of the debt securities in the portfolio and, consequently, a decrease in the Fund's net asset value.
- Concentration risk:
General Purpose Professional Funds are not subject to the same rules of risk dispersion as those of General

Purpose Investment Funds. Certain investments may therefore represent a considerable portion of the portfolio and significantly impact the Fund's performance. The net asset value of the Fund is likely to have high volatility due to the composition of the portfolio.

- Overexposure risk:
The Fund may use forward financial instruments (derivatives) to generate overexposure and thus cause the exposure of the Fund to exceed its net assets. Depending on the direction of the transactions carried out in the Fund, the impact of a decline (in the case of purchase of exposure) or an increase in the derivative's underlying asset (in the case of sale of exposure) may be accentuated and thus increase the decline in the Fund's net asset value.
- Risk related to investments in emerging markets (on an ancillary basis):
Market risk is accentuated by investments in emerging markets. Investing in emerging markets entails a greater degree of risk due to the political and economic situation of these countries, which may impact the value of the Fund's investments. The conditions under which such markets operate and are supervised may deviate from the standards prevailing in the major international markets. In addition, investing in these markets may involve counterparty risk, market volatility, payment/delivery delays as well as possible reduced liquidity in some holdings of the Fund's portfolio.
- Counterparty risk:
The Fund may suffer a loss in the event of default of a counterparty with which certain transactions have been performed, including the temporary purchase and sale of securities and OTC derivatives, which may cause a decline in the net asset value.
- Risk associated with investing in commodities futures:
The Fund may be exposed to fluctuations in commodity prices through derivatives whose underlying asset is a financial index made up of commodities. It should be noted that an adverse movement in the commodities markets as well as external factors (storage conditions, weather conditions, etc.) could cause a decline in the net asset value of the Fund.
- Risks related to temporary purchases and sales of securities and the management of financial guarantees:
Temporary purchases and sales of securities may create risks for the Fund, such as the counterparty risk defined above. The management of guarantees is likely to create risks for the Fund, such as the risks related to the reuse of cash collateral (i.e. mainly the risk that the Fund is unable to repay the counterparty).

□ **Description of the main legal consequences of the contractual undertaking made for investment purposes:**

Every unitholder has a right of joint ownership over the Fund's assets, proportional to the number of units held.

□ **Guarantee or protection:** none

□ **Subscribers and investor profile:**

The subscription and purchase of units in General Purpose Professional Funds are reserved for the following investors:

1. Investors referred to in paragraph one of Article L.214-144 of the French Monetary and Financial Code;
2. Investors whose initial subscription is at least 100,000 euros;
3. All other investors, when the subscription or purchase is made in their name and on their behalf by an investment services provider acting within the scope of a portfolio management investment service, under the conditions set out in Article L. 533-13(I) of the French Monetary and Financial Code and Article 314-60;
4. The unit class P-EUR is intended as a vehicle for unit-linked insurance contracts taken out with insurance firms, and investment management professionals (collective investments or private banking).

With the exception of any citizen of the United States of America (hereinafter "U.S. Person", as defined by:

- *US "Regulation S", pursuant to the 1933 Act adopted by the US Securities and Exchange Commission (SEC), unless (i) the units have been registered or (ii) an exemption applies (with the prior consent of the Board of Directors of the Fund's management company) (the SEC's definition of "US Person(s)" is available at the following address: <http://www.sec.gov/rules/final/33-7505.htm>).*
- *the Foreign Account Tax Compliance Act (FATCA), defined in the intergovernmental agreement signed between France and the United States on 14 November 2013 (the FATCA definition of "U.S. Person(s)" is available at the following address: http://www.economie.gouv.fr/files/usa_accord_fatca_14nov13.pdf)*

The Fund has not been and will not be registered pursuant to the U.S. Investment Company Act of 1940. Any sale or transfer of units in the United States or to a "U.S. Person" may constitute a breach of US law and require the prior written approval of the Board of Directors of the Fund's management company.

The offer of units has been neither authorised nor prohibited by the SEC, a special commission of an American state or any other American regulatory authority, nor have said authorities expressed an opinion on the merits or otherwise of such offer or

the accuracy or suitability of the documents in relation to this offer.
Any statement to this effect would be illegal.

Persons wishing to purchase or subscribe units will have to certify in writing that they are not "U.S. Persons". Unitholders must inform the Management Company immediately if they become a "U.S. Person".

Unitholders who become "U.S. Persons" will no longer be authorised to buy new units. The management company reserves the right to force the redemption of any unit held directly by a "U.S. Person" or through an Ineligible Intermediary, or if the holding of units by any person whatsoever is unlawful or contrary to the Fund's interests.

Ineligible Intermediaries are:

- Financial Institutions that are not participating financial institutions as defined by FATCA;
- Passive Foreign Non-Financial Entities as defined by FATCA.

Definitions of these concepts are available at:

http://www.economie.gouv.fr/files/usa_accord_fatca_14nov13.pdf.

Ineligible Intermediaries cannot be entered on the Fund's register or on the transfer agent's register.

The Fund's FATCA status, as defined by the intergovernmental agreement signed by France and the United States on 14 November 2013

Compliant French non-declaring financial institution (appendix II, II, B of the aforementioned agreement)

The appropriate amount to invest in this Fund will depend on your personal situation. In order to determine such amount, you should consider your personal wealth, your current and future requirements, as well as whether you want to take risks or whether you would prefer a cautious investment approach. It is highly recommended that subscribers diversify their investments so as not to be exposed solely to the risks of this Fund.

The recommended minimum investment period is five years.

□ **Procedures for the calculation and allocation of distributable amounts:**

In accordance with applicable regulations, the net income for the financial year is equal to the amount of interest, arrears, dividends, premiums and prizes, directors' fees, as well as all proceeds generated by the securities held in the UCI portfolio, plus any income generated by temporary cash holdings, less management fees and borrowing costs.

For a UCI, distributable amounts consist of:

- net income for the financial year plus retained earnings, plus or minus the balance on the income equalisation account;
- realised capital gains, net of fees, less any realised capital losses, net of fees, recognised during the financial year, plus net capital gains of the same kind recognised during previous financial years and not yet distributed or accumulated, plus or minus the balance of the capital gains equalisation account.

The amounts mentioned in points 1 and 2 above may be distributed, in full or in part and independently of each other.

Appropriation of net income of unit classes: accumulation

Appropriation of net realised capital gains of unit classes: accumulation

- **Characteristics of unit classes:** Unit classes can be split into thousandths of units. Unit classes A-EUR, P-EUR, I-EUR and SP are denominated in euro, unit class P-GBP is denominated in pounds sterling and unit classes A-USD, P-USD and I-USD are denominated in US dollars.

In accordance with applicable regulations, the management company has set up a procedure for checking orders placed outside market hours (late trading) as well as a procedure for checking net asset value arbitrage transactions (market timing) in order to ensure that investors are treated fairly.

□ **Subscription and redemption procedures:**

Unitholders should note the specific conditions relating to the subscription and redemption of Fund units.

Subscription and redemption orders are pooled at CACEIS Bank and must be received no later than 11.00 am on the net asset value calculation day. They are executed on the basis of the next net asset value (price unknown).

1. The net asset value is calculated daily, except for days on which the Paris stock market is closed.
2. The net asset value is published one business day following the date on which the net asset value is determined.
3. The settlement-delivery date for subscriptions and redemptions is plus three business days (D+3).

Day trades (subscriptions and redemptions of the same number of units on the same day and the same NAV, commission free) are accepted.

D	D	D: NAV calculation day	D+1 business day	D+3 business days	D+3 business days
11am cut-off on subscription orders ¹	11am cut-off on redemption orders ¹	Execution of the order no later than D	Publication of net asset value	Settlement of subscriptions	Settlement of redemptions

¹Notwithstanding any specific deadline agreed with your financial institution

In accordance with Article L.214-24-1 of the French Monetary and Financial Code, the redemption of units by the Fund, as well as the issue of new units, may be temporarily suspended by the management company under exceptional circumstances and if this is deemed necessary in order to protect the interests of unitholders.

Address of the institution appointed by the management company to receive subscriptions and redemptions: CACEIS Bank
1/3 place Valhubert
75013 Paris

Unitholders are reminded that orders sent to marketers other than the institutions mentioned above must allow for the fact that the cut-off time for the pooling of orders applies to said marketers vis-à-vis CACEIS Bank.

Accordingly, these marketers may impose their own cut-off time, earlier in the day than the aforementioned cut-off time, in order to allow time for their orders to be sent to CACEIS Bank.

Frequency of net asset value calculations

The net asset value is calculated daily, except for days on which the Paris stock market is closed.

□ **Charges and Fees**

- **Entry and exit charges:**

Entry charges increase the subscription amount paid by the investor, while exit charges decrease the redemption amount paid to the investor. Fees accruing to the Fund serve to offset the costs incurred by the Fund when investing or divesting the assets entrusted to it. Fees not accruing to the Fund (payable to third parties) revert to the management company, the advisor, or marketer, etc.

Charges payable by the investor on subscriptions and redemptions	Base	Rate scale for all units
Entry charge payable to third parties	Net asset value x no. of units	2% maximum
Entry charge payable to the Fund	Net asset value x no. of units	None
Exit charge payable to third parties	Net asset value x no. of units	None
Exit charge payable to the Fund	Net asset value x no. of units	None

- **Management fees:**

Management fees cover all costs charged directly to the Fund, excluding transaction costs. Transaction costs include intermediary fees (brokerage, stock market taxes, etc.), as well as transfer fees, if any, that may be charged by the custodian and the management company.

In addition to operating costs and management fees, the following fees are charged:

- transfer fees charged to the Fund,
- outperformance fees. These reward the management company when the Fund exceeds its objectives. They are therefore charged to the Fund.

	Fees charged to the Fund	Base	Rate scale
1	Management Fees	Net assets	Unit class A-EUR & A-USD: 1.95% (after tax) Unit class P-EUR, P-GBP & P-USD: 1.35% (after tax) Unit class I-EUR & I-USD: 1.10% (after tax) Unit class SP: 0.90% (after tax)
	Management fees not payable to the management company (statutory auditors, custodian, distributors, lawyers)	Net assets	
2	Maximum indirect fees (subscription fees and commissions)	Net assets	1%
3	Maximum transaction fees per transaction (charged by the custodian) (*)	Flat fee for each transaction Securities and money-market products Euro zone and mature markets Emerging markets OTC products that are “vanilla” OTC products that are “complex” Cleared derivatives	 EUR 0 to 120 EUR 0 to 200 EUR 0 to 50 EUR 0 to 150 EUR 0 to 150
4	Performance fee (**)	Net assets	14.95% (after tax) of the positive return of each unit class over and above the index described below (**).

(*) Acting in its capacity as fund custodian, the depositary's charges a fixed or flat rate per transaction, depending on the nature of the securities, the markets, and the financial instruments traded. Any additional fee paid to an intermediary is passed on in full to the Fund and recognised under transaction fees, in addition to the commissions charged by the depositary.

(**) The performance fee applicable to a given unit class is based on a comparison between the Fund's measured assets and the reference assets.

The Fund's measured assets is taken to be the share of the assets that corresponds to a given unit class and is valued using the rules applicable to the assets, net of all fees charged to the Fund (except the performance fee) corresponding to said unit class.

The reference assets represent the share of the Fund's assets that corresponds to a given unit class, adjusted to take into account any subscriptions/redemptions applicable to said unit class upon each valuation and measured using the increased performance of the benchmark as follows:

- for the unit class A-EUR: 12-month rolling average of capitalised EONIA + 105 basis points;
- for the unit class A-USD: 12-month rolling average of capitalised EONIA + 105 basis points;
- for the unit class P-EUR: 12-month rolling average of capitalised EONIA + 165 basis points;
- for the unit class P-USD: 12-month rolling average of capitalised EONIA + 165 basis points;
- for the unit class P-GBP: 12-month rolling average of capitalised EONIA + 165 basis points;
- for the unit class I-EUR: 12-month rolling average of capitalised EONIA + 190 basis points;
- for the unit class I-USD: 12-month rolling average of capitalised EONIA + 190 basis points;
- for the unit class SP: 12-month rolling average of capitalised EONIA + 210 basis points.

This comparison is made over an observation period of one year, with the anniversary taken to be the day on which the last NAV of December is calculated.

If, during the observation period, the unit class' measured assets (gross of the performance fee) exceed the value of the reference assets as defined above, the performance fee will be up to 14.95% of the difference between these two sets of

assets.

This fee will be provisioned upon calculation of the NAV.

For redemptions, the share of the provision corresponding to the number of units redeemed definitively accrues to the management company.

For subscriptions, any outperformance provision is made on a prorated basis.

If, during the observation period, the unit class' measured assets (gross of the performance fee) falls below the value of the reference assets, the performance fee will be zero and the provision will be reversed upon calculation of the NAV. Reversals of provisions are permitted up to the value of previous accruals.

This performance fee will be definitively collected only if, on the day of the final NAV calculation in the observation period, the unit class' measured assets (gross of the performance fee) exceed the value of the reference assets.

Variable management fees, if any, are paid annually and solely on Fund units that have been active during the full year.

The EONIA (Euro Over Night Index Average) index is the result of the weighted average of all daily unsecured loan transactions made by the most active banking institutions in the euro zone. It is calculated by the European Central Bank and published by the European Union Banking Federation. It is available on the website <http://www.banque-france.fr>.

- **Additional information concerning temporary purchases and disposals of securities**

Income generated by temporary purchases and disposals of securities is paid to the Fund in full.

Operating expenses and charges are not invoiced to the Fund. They are borne by the management company in full. The Management Company does not receive any fees in connection with these transactions, nor is it bound to any third party.

- **Taxation**

The Fund is eligible for the French Equity Savings Plan (*Plan d'Epargne en Actions* or PEA)

The Fund is not itself subject to taxation. However, unitholders may be liable to pay tax on income distributed by the Fund, where applicable, or when they sell their units.

The tax regime applicable to amounts distributed by the Fund or to realised or unrealised capital gains or losses depends on the tax provisions applicable to the investor's personal situation, tax residence and/or the Fund's investment jurisdiction.

Disclaimer: depending on your tax status, any capital gains and income generated by owning units in the Fund may be subject to taxation. We recommend that you obtain further information on this matter from the Fund's marketer. Certain revenue distributions made by the Fund to non-residents of France are liable to withholding tax in their country.

IV – COMMERCIAL INFORMATION

Redemptions and reimbursements:

Unitholders should note the specific conditions relating to the subscription and redemption of Fund units.

Subscription and redemption orders are pooled at CACEIS Bank and must be received no later than 11.00 am on the net asset value calculation day. They are executed on the basis of the next net asset value (price unknown).

1. The net asset value is calculated daily, except for days on which the Paris stock market is closed.
2. The net asset value is published three business days following the date on which the net asset value is determined.
3. The settlement-delivery date for subscriptions and redemptions is plus three business days (D+3).

In accordance with Article L.214-24-1 of the French Monetary and Financial Code, the redemption of units by the Fund, as well as the issue of new units, may be temporarily suspended by the management company under exceptional circumstances and if this is deemed necessary in order to protect the interests of unitholders.

Publication of information relating to the Fund

The Fund's full prospectus, latest annual documents, asset breakdown, "Voting Policy" and "Exercise of Voting Rights" procedure, as well as the net asset value, are available at the Company's registered office, and are sent within eight business days upon written request by the unitholder:

The application of environmental, social and governance (ESG) criteria:

Pursuant to Article L.533-22-1 of the French Monetary and Financial Code, information on procedures for applying the environmental, social and governance criteria can be found on our website: www.varennecapital.com.

V – INVESTMENT RULES

The assets deemed eligible for a General Purpose Professional Fund (FPVG) are listed in Article L.214-24-55 of the French Monetary and Financial Code.

The regulatory ratios applicable to the Fund are those set out in Article R.214-187 to R.214-193 et seq. of the French Monetary and Financial Code.

VI – GLOBAL RISK

The Fund's overall risk has been calculated on the basis of the Monte Carlo absolute Value at Risk method, with a 99% confidence level over a 20-day period. Based on this method, the regulatory limit is set at 20% of the Fund's net assets.

VII – ASSET VALUATION AND ACCOUNTING RULES

The calculation of the net asset value per unit is subject to the following valuation rules:

transferable securities traded on a regulated French or foreign market are valued at their market price. The reference market value is calculated in accordance with the methods determined by the Management Company. These methods of application are specified in the notes to the financial statements.

However:

- transferable securities, the prices of which have not been determined as at the valuation date or whose prices have been adjusted, are valued under the management company's responsibility at their foreseeable trading prices. These valuations shall be provided to the statutory auditors during audits, in addition to relevant evidence;
- transferable debt securities and similar securities that are not traded in large volumes are valued using an actuarial method. The reference rate used is the rate applied to issues of equivalent securities plus or minus, where applicable, a differential reflecting the specific characteristics of the issuer of the security. Nevertheless, negotiable debt instruments with a residual duration of less than or equal to 3 months, and assuming no specific exposure, may be valued according to the straight line method. The methods used to apply these rules are determined by the management company. They are set out in the notes to the financial statements;
- shares or units of UCITS or investment funds are valued at the last known net asset value;
- securities that are not traded on a regulated market are valued under the management company's responsibility at their foreseeable trading prices;
- securities subject to a temporary acquisition or sale agreement are valued in accordance with applicable regulations. The application methods are determined by the management company and set out in the notes to the financial statements;
- futures and options traded on a French or foreign regulated market are valued at their market value, according to the methods approved by the management company. They are set out in the notes to the financial statements;
- futures, options or swap transactions conducted on over-the-counter markets, approved by regulations applicable to AIFs, are measured at market value or at a value estimated according to the methods determined by the management company and set out in the notes to the financial statements;
- The Fund's financial statements are presented in accordance with the accounting rules provided for by applicable regulations;
- The financial guarantees received are valued at their market price (mark-to-market). Daily variation margins are calculated as the difference between the mark-to-market valuation of guarantees furnished and the mark-to-market valuation of collateralised instruments.

Revenue recognition: proceeds from fixed-income investments are recognised on a cash coupon basis.

VIII – MANAGEMENT COMPANY'S COMPENSATION POLICY

The management company has set up a compensation policy aiming to ensure proper risk management and to monitor staff members' risk behaviour.

To this end, it has identified the employees concerned, established appropriate and balanced thresholds between fixed and variable compensation as well as a vesting rule for 50% of the variable component, and ties future payments to the company's financial health.

This remuneration policy is available on the company's website (www.varennecapital.com) and upon written request sent to:

VARENNE CAPITAL PARTNERS
42, Avenue Montaigne 75008 Paris – France

IX – ADDITIONAL DISCLOSURES FOR SWITZERLAND

□ Representative in Switzerland

Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Genève, Suisse, Phone: + 41 22 705 11 78,
Fax: + 41 22 705 11 79.

□ Paying agent

Banque Cantonale de Genève, 17, quai de l'Île, 1204 Genève, Phone: + 41 22 317 27 27, Fax: + 41 22 317 27 37.

□ Distribution of important documents

The Prospectus and Key Investor Information documents for Switzerland, Fund rules, and annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

□ Publications

Publications concerning foreign collective investment products are available in Switzerland on the Fundinfo website (www.fundinfo.com).

The issue and redemption prices and net asset values are published on the Fundinfo website (www.fundinfo.com) with the statement "commissions not included", upon each issuance and redemption of Fund units. Prices are published daily.

□ Payment of retrocessions and rebates

Retrocessions

The Company and its agents may grant retrocessions. Retrocessions are considered payments and other pecuniary benefits from the Company and its agents to third parties authorised to distribute Fund units in and from Switzerland. The Company uses these payments to remunerate the third-parties concerned for all activities linked, directly or indirectly, to the purchase of units by an investor (including, but not limited to, promotional and communication campaigns).

In the event that a beneficiary of retrocessions grants these retrocessions to investors (fully or partially), the retrocessions are not to be considered as rebates. Beneficiaries of retrocessions shall guarantee transparent communication. They themselves shall inform investors free of charge of the amount of compensation that they may receive for distribution. Upon investors' request, they report the amounts actually received for the distribution of collective capital investments held by the investors concerned. The law of the Company's domicile does not have rules in addition to Swiss rules regarding retrocessions (as defined below) in Switzerland.

Rebates

The Company and its agents pay no rebates on distributions in or from Switzerland to reduce fees and costs supported by investors and paid to the Company. It is therefore not necessary to know if in the Company's domicile country there is a law that is more restrictive than Swiss law regarding the granting of rebates in Switzerland.

□ Place of execution and legal venue

The place of execution and legal venue is at the representative's registered office for units distributed in or from Switzerland.

X – ADDITIONAL INFORMATION FOR THE UNITED KINGDOM

KB ASSOCIATES CONSULTING (UK) LLP has been designated as the Company's UK representative to provide UK investors with the following services:

1. UK representative

KB ASSOCIATES CONSULTING (UK) LLP, 42 Brook Street, London W1K 5DB, UK allows free access to or provides copies in English of the documents below (free access for (iii), (iv) and (v) and a reasonable cost for the others);

- (i) The Fund's management regulations;
- (ii) Any annexes/additions to those regulations;
- (iii) The Fund's latest prospectus (including the address of the UK representative);
- (iv) For a UCI pursuant to section 264, the KIID; and
- (v) The Fund's latest annual and semi-annual reports.

2. Information on how to find

- (i) The unit prices, in English;
- (ii) The procedure for redeeming units and obtaining payment.

3. Complaints

The procedure at the UK representative for any person wishing to make a complaint against the Fund and have it sent on to whom it may concern.

Update of the prospectus: 24/07/2019.