

PROSPECTUS

08/06/2020

I – GENERAL CHARACTERISTICS

STRUCTURE OF THE FUND

VARENNE SELECTION is a General Purpose Professional Fund. It is not subject to the same rules as general investment funds (open to non-professional investors) and may therefore carry higher risk. Only those persons mentioned in the “Target investors” section may purchase units in the VARENNE SELECTION fund.

- **Name:** VARENNE SELECTION

- **Legal structure:** 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	Base currency	Target investors	Minimum initial subscription amount
Unit class A-EUR FR0010392225	Net income: Accumulation Net realised capital gains: Accumulation	Euro	Investors as defined in Article 423-2 of the AMF General Regulation	From the euro amount for 1 unit or EUR 100,000 depending on the subscriber profile (Original value EUR 100)
Unit class P-EUR FR0013246741			Investors as defined in Article 423-2 of the AMF General Regulations Mainly unit-linked life insurance managers and investment management professionals.	From the euro amount for 1 unit or EUR 100,000 depending on the subscriber profile (Original value EUR 100)
Unit class A-USD FR0013358769		US 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 risk	From the dollar amount for 1 unit or USD 100,000 depending on the subscriber profile (Original value USD 100)
Unit class P-USD FR0013358777			Investors as defined in Article 423-2 of the AMF General Regulations Mainly unit-linked life insurance managers or investment management professionals who wish to benefit from systematic and full hedging in USD against EUR/USD currency risk.	From the euro amount for 1 unit or USD 100,000 depending on the subscriber profile (Original value USD 100)
Unit class P-GBP FR0013401064		Pound sterling	Investors as defined in Article 423-2 of the AMF General Regulations Mainly unit-linked life insurance managers or investment management professionals wishing to benefit from systematic and full hedging in GBP against EUR/GBP currency risk.	From the euro amount for 1 unit or GBP 100,000 depending on the investor profile (Original value GBP 100)
Unit class I-EUR FR0012768836		Euro	Investors as defined in Article 423-2 of the AMF General Regulations	Initial subscription: EUR 10,000,000 (Original value: EUR 1,000) Subsequent subscription: 1 unit
Unit class I-USD FR0013263472		US 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 risk	Initial subscription: USD 10,000,000 (Original value: USD 1,000) 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 to:

VARENNE CAPITAL PARTNERS
42, avenue Montaigne,
75008 Paris, France
Email: 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 Montaigne,
75008 Paris, France

The management company has own funds, in addition to its mandatory own funds, that 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 investors 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 Fund 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.

With regard to the policy for managing conflicts of interest 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 have been observed and that they have received the relevant information:**

All parties marketing this Fund shall be responsible for ensuring that the guidelines relating to the capacity of the subscribers or purchasers have been adhered to, and that the latter have received the information requested.

II – OPERATING AND MANAGEMENT PROCEDURES

GENERAL CHARACTERISTICS

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

- **Nature of the rights attached to the units:** Each unit holder is entitled to a right of joint ownership over the Funds' assets, which is 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 in the Fund, and decisions are taken by the management company.
- Information on changes to the Fund's operation is given to unitholders either individually, by publication in the press, or by any other means that complies with the applicable regulations.
- **Form of units:** bearer units
- **Fractions of units:** The Fund's unit classes can be split into thousandths of units.

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

□ **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 deem the unitholder to be a direct owner of a fraction of the financial instruments and cash held in the Fund.

As the Fund offers only accumulation units, in principle the taxation applicable is that of capital gains on securities in the country of residence of the unit holder, in accordance with the appropriate rules to their situation (natural person, legal entity subject to corporate tax, or other cases). The rules applicable to unit holders residing in France are laid down in the French General Tax Code.

Unit holders 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, which under no circumstances shall be paid for 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

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 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 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 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).

Management does not have any investment benchmark index. However, the performance of each class of units may be compared ex-post with the specific objective for each class of units indicated 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 at: <http://www.banque-france.fr>.

Investment strategy:

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

The Fund's strategy is to establish a diversified equities portfolio. A discretionary investment strategy is used.

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

The Enterprise Picking strategy draws on techniques applied in the private equity space to construct a concentrated portfolio of companies that have a sustainable competitive advantage and are at the same time deeply discounted. 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 optimise the portfolio's composition.

Special Situations

The management team focuses exclusively on mergers & acquisitions and capital restructuring positions. 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 risk/return profile.

Macro-hedging

A major economic crisis can drive any risky asset into a hard-to-recover downward spiral. We invest in products with an asymmetric risk/return profile, such as options, in order to protect the portfolio against such possibilities. Macro hedging strategies offer protection in the event of a negative scenario but without reducing the portfolio's market exposure level.

The forward financial instruments component

The AIF may invest up to a limit of one times its assets via forwards or options, swaps and/or forward currency contracts, on regulated, organised or over-the-counter markets in France and/or other countries. These instruments will be used for risk hedging purposes (e.g., currency, interest rate, equity) and/or to generate exposure. The currency risk is not systematically hedged; it depends on the fund manager's expectations regarding exchange rates, interest rates and 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 AIF may use repurchase and reverse repurchase transactions on securities, but also deposits and cash borrowings.

Concerning the UCITS, AIF and investment fund component

UCITS, AIFs and investment funds represent between 0 and 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% and 50% of the Fund's net assets.

The fund manager takes positions in fixed income products according to his expectations regarding the yield curve. The AIF may invest in Treasury issues, fixed or floating-rate government securities, Treasury bills, or secondary or primary market bonds in the form of sovereign or corporate debt.

For each debt and money market instrument used, the fund manager examines each segment of the yield curve based on his expectations regarding the behaviour of central banks and the development of economic activity. He also checks whether the yield curve is consistent with the general economic environment and the level of other assets. He determines the inflection point of the curve and the beta for each maturity. The yield curve for indexed bonds gives him the anticipated inflation levels.

The fund manager makes his selection on the basis of these parameters:

- The floating-rate component
- The duration of the fixed income component

For the exposure to credit risk, the fund manager first considers the situation in the credit market as a whole. They study the overall level of the ITRAXX, then the level of the different bond sub-portfolios: financials, corporates, high yield. He also examines the development and level of rating spreads, in particular A rated versus BBB rated.

□ 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, with no restrictions on sector or market capitalisation.

Derivatives

The AIF may use forward financial instruments in the form of options, futures, swaps and/or forward currency contracts on French or foreign markets that are regulated, organised or on an over-the-counter basis.

In this respect, the Fund may also use contracts for difference (CFD) to provide synthetic exposure to fluctuations in equities or indices without actually having to hold the equities or indices concerned, for the purpose of optimising 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.

The AIF is subject to the following risks:

- 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 based on both rises and falls in one or more currencies, equities, equity indices, volatility or listed securities, collective investment schemes or other investment funds,
 - Dividends (net or gross).
- Forward currency contracts;
- Credit derivatives; Credit default swaps.

Derivatives strategies used to achieve the investment objective:

- General hedging of the portfolio, specific risks, securities, etc.;
- Replication of synthetic exposure to certain assets or risks;
- Increasing market exposure.

The currency risk is not systematically hedged; it depends on the fund manager's expectations regarding exchange rates, interest rates and equity markets. The fund manager will systematically hedge the USD-denominated A-USD, P-USD and I-USD unit classes. The fund manager will systematically hedge the GBP-denominated P-GBP unit classes. 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 result in an overexposure of the Fund which may not exceed 100% of the Fund's net assets and within a maximum leverage of 2.

Fixed income

The AIF 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 and negotiable medium-term notes, or secondary or primary market bonds in the form of sovereign or corporate debt.

The management company does not rely solely or automatically 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 buys.

UCITS, AIFs and investment funds

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

VARENNE SELECTION may hold French UCITS or AIF, European UCITS, and any eligible UCITS, AIF or investment fund managed by the management company, within the limit of 10% of the Fund's assets.

The AIF 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 medium cap stocks (with a universe of generally less than EUR 5 billion), those invested in large caps (with a universe of generally over EUR 5 billion), and also in UCITS, AIFs and sector investment funds invested abroad or in a particular geographical area: energy, basic materials, industrials, consumer cyclicals, consumer staples, healthcare, finance, information technology, utilities and telecoms. In general, the funds selected do not take positions in emerging market equities but mainly in Europe and the United States.

Bond funds: The AIF may invest in fixed-interest UCITS, AIFs and investment funds mainly invested in securities denominated in euros, regardless of category of financial instruments. The selection then focuses on criteria reflecting the financial soundness of the issuers (all ratings taken together) and on assumptions of interest rate movements. The AIF may invest in fixed-interest UCITS, AIFs and investment funds invested in credit markets (entailing the risk that the issuer will be unable to meet its commitments in the event of default) or in emerging countries.

Money market funds: The fund manager may invest in units of money market funds mainly invested in short-term securities (with a maturity of less than 12 months) denominated in euros, invested in money markets in the eurozone.

Securities with embedded derivatives:

The Fund invests in financial instruments with embedded derivatives that have equities as their underlying assets. The instruments used are: warrants, equity warrants, certificates and any type of bond instrument to which a conversion or subscription right is attached, such as convertible bonds, convertible bonds exchangeable for new or existing equities, and bonds with redeemable equity warrants.

Types of markets in which the Fund invests:

- Regulated;
- Organised;
- OTC.

The Fund is subject to the following risks:

- 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 cannot exceed 20% of the Fund's assets.

Deposits: the Fund may place cash on deposit as part of its cash management, within the limit of 100% of its assets.

Cash borrowings: the Fund may borrow cash as part of its cash management on an ancillary basis (up to 10%).

Securities financing transactions and total return swaps

For the purposes of:

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

The Fund may use total return swaps and engage in transactions for the temporary purchase or sale of securities, in particular securities lending and repo and reverse repo operations. All these transactions will have equities as underlying assets.

The Fund will ensure that it is able to unwind the abovementioned 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:

Type of transactions	Repos	Reverse repos	Securities lending	Securities borrowing	Total return swaps
Maximum percentage of net assets	100%	100%	100%	None	100%
Expected percentage of net	below 10%	below 10%	below 10%	None	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 in OTC financial derivatives and temporary purchases and sales of securities, the Fund may receive financial assets as collateral in order to reduce the Fund's exposure to counterparty risk.

The financial guarantees accepted will consist mainly of cash for OTC financial derivatives transactions. Counterparty risk in over-the-counter derivatives transactions cannot exceed 10% of the Fund's net assets per counterparty, with the possibility of increasing further in exceptional circumstances and only with the agreement of the risk committee, but without ever exceeding 50% (in accordance with the regulation.)

The selection of the counterparties with which these transactions are entered into prevents the risk of a conflict of interest when these transactions are used. These counterparties shall be Credit Institutions having their registered office in a Member State of the European Union and with a minimum rating of BBB- or a rating deemed equivalent by the management company.

In this respect, any financial collateral received or intended 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
- It will comply at all times, in accordance with applicable regulations, with the criteria in terms of liquidity, valuation, the credit quality of issuers, 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 only receive cash as financial (collateral) security. The risks associated with the reinvestment of cash depend on the type of assets or the type of transactions and may comprise liquidity risks or counterparty risks.

The risks associated with securities financing transactions, financial contracts and the management of inherent collateral

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, it may carry risks associated with the existence of more flexible risk dispersion rules than those for retail investment funds.

The list of risk factors described below is not comprehensive. 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 mainly be invested in financial instruments selected by the management company. These instruments will be exposed to market movements and fluctuations. The risks faced by the investor when investing in the Fund are:

- Risk relating to the discretionary management and allocation of assets:
The AIF's performance depends both on the companies selected by the fund manager and the asset allocation made by the latter. There is therefore a risk that the fund manager fails 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 fall in the shares or indices to which the portfolio is exposed. During periods of declining equity markets the Fund's net asset value may decline. Investing in small and mid-sized companies can cause a sharper and greater fall in the Fund's net asset value. In addition, the Fund's performance will also depend on the individual price movements of the stocks selected by the fund manager. There is a risk that these changes may diverge significantly from market indices and/or that the fund manager does not select the best-performing stocks.
- Currency risk:
The AIF 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, the risk may be fully or partially hedged by means of derivatives. The fund manager will systematically hedge the A-USD, P-USD, P-GBP and I-USD units against the currency risk of their base currency. The Fund may nonetheless be exposed to a residual currency risk (maximum 2% of 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 AIF may in whole or in part be invested in debt securities. Interest rate risk refers to the possibility that changes in interest rates may be unfavourable and lead to a loss in the value of the debt securities held in the Fund's portfolio. A rise in interest rates causes a decline in the capital value of fixed-rate bonds, and consequently a fall in the Fund's net asset value.
- Credit risk:
The Fund may be invested in government and corporate bonds, derivatives linked to one or more issuers (CDS), and other debt securities. Any holding of debt securities exposes the Fund to the effects of a decline in the credit quality of private and public issuers (for example, if they are downgraded by the rating agencies). For example, the issuer of a bond may not be able to redeem the capital and/or pay interest on the scheduled contractual dates, which may cause a decline in the value of the debt securities held by 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 retail investment funds. Accordingly, certain investments may represent a significant portion of the portfolio and significantly affect the Fund's performance. The AIF's net asset value is likely to be highly volatility due to such composition of the portfolio.
- Overexposure risk:
The Fund may use forward financial instruments (derivatives) to generate overexposure and thus cause its exposure to exceed its net assets. Depending on the direction of the Fund's transactions, the effect of a decline (in the case of purchase of exposure) or an increase in the asset underlying the derivative (in the case of sale of exposure) may be accentuated and thus increase the fall in the Fund's net asset value.
- Risk associated with investments in emerging markets (ancillary):
Market risk may be amplified by any investments in emerging markets. Investing in emerging markets involves a greater degree of risk due to the political and economic situation of these markets that may affect 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 concluded, including temporary purchases and sales of securities and OTC derivatives transactions, 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 acquisitions and disposals 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:**

Each unit holder is entitled to a right of joint ownership over the Funds' assets, which is proportional to the number of units held.

□ **Guarantee or protection:** None

□ **Target investors and investor profile:**

The subscription and acquisition of units of general investment 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 EUR 100,000 or more;
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(l) of the French Monetary and Financial Code and Article 314-60;
4. The P-EUR unit class is meant as a vehicle for unit-linked insurance contracts contracted with insurance companies, and investment management professionals (i.e. collective investments or private banking)

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

- *the US "Regulation S" pursuant to the Act of 1933 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 address below: <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 "US 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 US Investment Company Act of 1940. Any sale or transfer of units in the United States or to a "US 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 "US Persons". Any unitholder must inform the management company immediately if they become a "US Person".

Any unitholder who becomes a "US Person" will no longer be authorised to buy new units. The management company reserves the right to force the redemption of any unit held directly or indirectly by a "US Person" or through an Ineligible Intermediary, or if the holding of units by any person whatsoever is illegal or contrary to the Fund's interests.

Ineligible Intermediaries are:

- Financial Institutions that are not participating financial institutions within the meaning of the FATCA, and
- passive Foreign Non-Financial Entities within the meaning of the FATCA.

Definitions of these concepts are available from the following website:

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

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

The amount that is appropriate to invest in this Fund depends on your personal situation. To determine this, you should take into account not only your personal wealth and your current and future needs, but also your willingness to accept risk or your preference for a more prudent form of investment. 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 determination and allocation of distributable amounts:

In accordance with regulatory provisions, the net income for the financial year is equal to the amount of interest, arrears, dividends, premiums and prizes, and directors' fees as well as all income generated by the securities held in the portfolio of the UCI plus 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.

Allocation of net income of unit classes: accumulation

Allocation of net realised capital gains of the units: accumulation

- Characteristics of the units:** Unit classes can be split into thousandths of units. Unit classes A-EUR, P-EUR and I-EUR are denominated in euro, unit class P-GBP in pound 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:

Unit holders 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 when the Paris Stock Exchange is closed.
2. The net asset value is calculated one day following the determination date of the net asset value.
3. The settlement delivery date for subscriptions and redemptions is three working days.

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

D	D	D: day the NAV is established	D +1 working day	D +3 working days	D +3 working days
Centralisation before 11.00 am of subscription orders ¹	Centralisation before 11.00 am of redemption orders ¹	Execution of the order at the latest on D	Publication of the 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 when the Paris Stock Exchange 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 proceeds paid to the investor. The commissions accruing to the Fund are used to offset the costs borne by the Fund when buying or selling the assets entrusted to it. Fees not accruing to the Fund revert to the management company, or to the advisor, marketer, etc.

Charges payable by the investor on subscriptions and redemptions	Base	Rate scale for all units
Subscription fees not accruing to the Fund	Net asset value x num of units	2% maximum
Subscription fees accruing to the Fund	Net asset value x num of units	None
Redemption fees not accruing to the Fund	Net asset value x num of units	None
Redemption fees accruing to the Fund	Net asset value x num of units	None

• **Management fees:**

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

The following charges are in addition to operating costs and management fees:

- Transaction 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 invoiced to the Fund	Base	Rate scale
1	Financial management fees	Net assets	A shares: 1.95% (after tax) P shares: 1.35% (inc. tax) I shares: 1.10% (inc. tax) Maximum rate
	Management fees not payable to the management company (statutory auditor, custodian, distributors, lawyers)	Net assets	
2	Maximum indirect fees (subscription fees and commissions)	Net assets	1%

3	Maximum turnover fees per transaction (received by the custodian(**))	Fixed charges for each transaction. Securities and monetary products Euro zone and mature markets Emerging Economies OTC products that are “vanilla” OTC products that are “complex” Compensated 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% (inc. tax) of the positive return of each unit class over and above the index described below (**).

(*) For the performance of its duties, the custodian acting as a custodian of the Fund shall apply a fixed or flat-rate fee per transaction depending on the nature of the securities, markets and financial instruments traded. Any additional charges paid to an intermediary are passed on in full to the Fund and are recorded as transaction fees in addition to the fees charged by the custodian.

(**) 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:

- Unit classes A: 12-month rolling average of capitalised EONIA + 105 basis points;
- Unit classes P: 12-month rolling average of capitalised EONIA + 165 basis points;
- Unit classes I: 12-month rolling average of capitalised EONIA + 190 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's 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 measured assets of the unit class (gross of the performance fee) exceed the value of the reference assets.

Any variable management fees are charged annually and only in relation to units that have been active over the entire

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 at: <http://www.banque-france.fr>.

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

Income derived from temporary purchases and sales 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. The management company does not receive any fees in connection with these transactions and is not bound to a third party.

- **Tax regime:**

The Fund is eligible for the French equity savings plan (PEA).

The Fund is not, by nature, subject to taxation. However, unitholders may be liable for 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 distributor. Some revenues distributed by the Fund to non-residents of France are liable to withholding tax in their country.

IV – COMMERCIAL INFORMATION

Redemptions and reimbursements:

Unit holders 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 when the Paris Stock Exchange is closed.
2. The net asset value is calculated three business days following the determination date of the net asset value.
3. The settlement delivery date for subscriptions and redemptions is three working days.

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:

VARENNE CAPITAL PARTNERS
42, avenue Montaigne,
75008 Paris, France

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 is calculated using the absolute Monte Carlo Value-at-Risk approach with a confidence threshold of 99%, and a 20-day horizon. Based on this approach, the regulatory limit is set at 30% of the UCI's net assets.

The Fund's average indicative leverage is 4/5. However, the Fund can obtain a higher leverage. The Fund's indicative leverage is calculated as the nominal sum of the financial contract positions used.

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.

The Fund's portfolio is valued at each net asset valuation date and at the end of each reporting period, at closing price.

However:

- Transferable securities whose prices have not been determined on the valuation day or whose prices have been adjusted are valued under the management company's responsibility at their foreseeable trading prices. These valuations in addition to relevant evidence shall be communicated to the auditor at the time of the audits;
- Transferable debt securities and similar securities that are not traded in large volumes are valued by means of an actuarial method; the reference rate used is that applied to issues of equivalent securities plus or minus, where applicable, a differential reflecting the issuer's specific characteristics. However, negotiable debt instruments with a residual duration of less than or equal to 3 months and assuming no specific sensitivity, may be valued according to the straight-line method. The methods of application of these rules are determined by the management company. They are specified 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 the regulations in force; the methods of application are determined by the management company and specified 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 determined by the management company. They are specified 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 valued at their market value or at a value estimated according to the methods determined by the management company and specified 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 mark-to-market. The daily variation margins are calculated as the difference between the mark-to-market of the collateral pledged and that of the collateralised instruments.

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

VIII – THE MANAGEMENT COMPANY'S COMPENSATION POLICY

The management company has set up a compensation policy whose purpose is 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:

IX – ADDITIONAL INFORMATION 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 key 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: 08/06/2020