

# VARENNE VALEUR

## *Prospectus*

24/04/2020

### I - GENERAL CHARACTERISTICS

#### STRUCTURE OF THE FUND

- **Fund name:** VARENNE VALEUR
- **Legal form:** Open-ended mutual fund governed by French law
- **Launch date and intended term:**

The Fund was authorised on 24 January 2003 and was launched on 31 January 2003 for a period of 99 years.

□ **Fund overview:**

ISIN code	Allocation of distributable amounts	Base currency	Target investors	Minimum initial subscription amount
Unit class A-EUR: FR0007080155	Allocation of net income: accumulation	Euro	All investors	1 unit (Original value 100 euros)
Unit class A-CHF: FR0011269638		Swiss Franc	All investors who wish to benefit from a full and systematic hedge in CHF against EUR/CHF currency risk	1 unit (Original value 175.50 euros) <sup>1</sup>
Unit class A-USD: FR0013192507		Dollar	All investors who wish to benefit from a full and systematic hedge in USD against EUR/USD currency risk	1 unit (Original value 100 USD)
Unit class I-EUR: FR0011631043		Euro	All investors	Initial investment: 3,000,000 euros (Original value 1,000 euros) Subsequent subscription: 1 unit
Unit class I-USD: FR0013223583	Allocation of net realised capital gains: accumulation	Dollar	All investors who wish to benefit from a systematic and complete hedge in USD against EUR/USD currency risk.	Initial investment: 3,000,000 dollars (Original value 1,000 dollars) Subsequent subscription: 1 unit
Unit class IT: FR0013216991		Euro	All investors, via Borsa Italiana	1 unit (Original value 100 euros)
Unit class P-EUR: FR0013217007			All investors. Mainly unit-linked life insurance managers or investment management professionals.	1 unit (Original value 100 euros)
Unit class P-USD: FR0013247061		Dollar	All investors All investors, but mainly managers of unit-linked insurance contracts and investment management professionals who wish to benefit from a systematic and complete hedge in USD against EUR/USD currency risk.	1 unit (Original value 100 dollars)

ISIN code	Allocation of distributable amounts	Base currency	Target investors	Minimum initial subscription amount
Unit class P-GBP FR0013401072	Allocation of net income: accumulation	Pound sterling	All investors 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.	1 unit (Original value 100 pounds)
Unit class P-CHF FR0013481777	Allocation of net realised capital gains: accumulation	Swiss franc	All investors Mainly unit-linked life insurance managers or investment management professionals wishing to benefit from systematic and full hedging in CHF against EUR/CHF currency risk.	1 unit (Original value 100 CHF)
Unit class U-EUR: FR0013250966		Euro	All investors All investors, but mainly for wealth managers of Swiss banking groups or real-estate management professionals.	1 unit (Original value 100 euros)

<sup>1</sup> The unit class was initially denominated in EUR.

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

The latest annual reports, the latest interim statements and the breakdown of assets are sent within eight business days upon written request by unit holders to:

**VARENNE CAPITAL PARTNERS**

42 avenue Montaigne  
75008 Paris – France

E-mail: [contact@varennecapital.com](mailto:contact@varennecapital.com)

Pursuant to the provisions of Article L.533-22-1 of the French Monetary and Financial Code, information on procedures for the application of environmental, social and governance criteria can be found on our website: [www.varennecapital.com](http://www.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 06000004 as a portfolio Management Company:

**VARENNE CAPITAL PARTNERS**

42 avenue Montaigne  
75008 Paris – France

**□ Custodian and sub-custodians:**

**CACEIS Bank, Société Anonyme**

Registered office: 1-3 Place Valhubert - 75013 Paris - France

Principal activity: Bank and investment services provider approved by the 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](http://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

Principal activity: Bank and investment services provider approved by the CECEI on 1 April 2005.

##### **□ Statutory Auditors:**

##### **RSM**

26 rue Cambacérés  
75008 Paris - France

Represented by Fabien CREGUT

##### **□ Distributor:**

##### **VARENNE CAPITAL PARTNERS**

42 avenue Montaigne 75008  
Paris – France

##### **□ Appointee:**

Accounting and administrative management is carried out by:

##### **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.

□ Regarding the IT unit class, orders are forwarded to Borsa Italiana, and an intermediary authorised by the management company sends the daily balance of orders to the centralising agent.

##### **Financial intermediary**

##### **EQUITA SIM**

Via Turati, 9 20121 Milan - Italy

## **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.
  - **Form of units:** bearer units, in dematerialised form.
  - **Fractions of units:** Unit classes A, I, P and U can be divided into thousandths of units. IT units are full units.
  - **Admission of the IT unit class on Borsa Italiana:** investors wishing to acquire or sell these units on Borsa Italiana are urged to review its operator's operating rules, in compliance with local regulations, and where necessary with the assistance of their usual intermediaries for placing orders on this market.
- **Financial year-end:** Last trading day of December each year in Paris, France

□ **Taxation:**

**The Fund is eligible for the French Equity Savings Plan (*Plan d'Épargne en Actions* - PEA).**

a) **For unit holders:**

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 natural person, acting directly or through a nominee, does not own more than 10% of the units (Article 105-0 A, III-2 of the French General Tax Code).

According to the principle of transparency, the tax authorities deem the unit holder 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 rules appropriate 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.

b) **At Fund level:**

The Fund is not, by nature, subject to taxation. However, unit holders 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 taxation provisions that are applicable to the individual investor's situation, tax residence and/or the investment jurisdiction of the Fund.

Warning: Depending on your tax status, any capital gains and income resulting from the ownership of units in the Fund may be subject to tax. We recommend that you obtain further information on this matter from the Fund's marketer. Some revenues distributed by the Fund to non-residents of France are liable to withholding tax in their country.

## **SPECIFIC PROVISIONS**

- **ISIN codes:**

Unit class A-EUR:	FR0007080155
Unit class A-CHF:	FR0011269638
Unit class A-USD:	FR0013192507
Unit class IT:	FR0013216991
Unit class P-EUR:	FR0013217007
Unit class P-USD:	FR0013247061
Unit class P-GBP	FR0013401072
Unit class P-CHF	FR0013481777
Unit class I-EUR:	FR0011631043
Unit class I-USD:	FR0013223583
Unit class U-EUR:	FR0013250966

□ **Investment objective:**

To seek a return in excess of the CNO-TEC 5, through a discretionary management approach.

The Fund's objective is to seek, over the recommended investment period, the annualised return indicated below, after adopting a discretionary management strategy.

The objective of unit classes A and IT is to achieve an annualised return that exceeds the CNO-TEC 5 + 140 basis points, after deduction of all the fees charged to the Fund (except for the performance fee).

The objective of unit class P is to achieve an annualised return that exceeds the CNO-TEC 5 + 200 basis points, after deduction of all the fees charged to the Fund (except for the performance fee).

The objective of unit class I is to achieve an annualised return that exceeds the CNO-TEC 5 + 210 basis points, after deduction of all the fees charged to the Fund (except for the performance fee).

The objective of unit class U is to achieve an annualised return that exceeds the CNO-TEC 5 + 125 basis points, after deduction of all the fees charged to the Fund (except for the performance fee).

The Fund does not track a benchmark index, however the performance of each unit class may be compared *ex-post* with the objective specific to each unit class indicated above.

□ **Benchmark index:** None

The diversified, flexible and discretionary nature of the Fund makes an *ex-ante* comparison with a performance indicator irrelevant. The CNO-TEC 5 may possibly be used by unit holders to reflect the "opportunity cost" of their investment over a reasonable time horizon.

The daily index CNO-TEC 5, a five-year constant maturity rate, represents the yield to maturity of a hypothetical Treasury security with a maturity equal to five years at any given time. It is available on the website <https://www.banque-france.fr>.

□ **Investment policy:**

To be eligible for the French Equity Savings Plan, (*Plan d'Epargne en Actions*, or PEA), VARENNE VALEUR is, on a constant basis, at least 75% invested in securities and rights eligible for the PEA: either directly in equity and eligible securities, or indirectly through French UCIs or European UCIs eligible for the PEA.

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

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

The Fund may invest in all the asset classes listed below, with no sector constraints.

The Fund manages French or foreign financial assets from inside and outside the Euro zone. French residents may be exposed to currency risk.

The Fund may invest via forwards or options, swaps 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., foreign currency, interest rates, equity) and/or to 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.

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 data bases.

The Absolute Short strategy aims to identify companies that face a likely "capital event" within 18 to 24 months, i.e., a recapitalisation, a capital restructuring or a 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 but without reducing the portfolio's market exposure level.

### The equity component

The investment strategy is based on active stock selection. The basic approach and the potential for increased value over the medium term are considerations given priority when selecting stocks.

When the fund manager cannot find any opportunities that meet these criteria, the assets remain invested in money-market or interest-bearing instruments; this approach leads to the construction of a portfolio whose configuration varies both geographically and in regard to asset classes.

### The fixed-income component

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

### The shares and units of other UCITS, AIFs or foreign investment funds component

The component invested in shares or units of UCITS, AIFs and investment fund accounts for between 0% and 10% of the fund's assets.

## □ **Assets used:**

### • Equities

The Fund will invest between 0 and 100% of its assets in shares or other securities giving access to the capital of issuers that either have their headquarters in a Member-State of the European Union or from time to time in non-EC countries, for example in the United States.

Eligible securities include stocks traded on any market, relating to any business sector and issued by companies of any market capitalisation size.

### • Fixed-income

The Fund may invest in debt securities and money market instruments - French and international bonds, - between 0% and 100% of assets.

### • Shares and units of UCITS, AIFs or foreign investment funds

The Fund may invest between 0% and 10% of its assets in units of UCITS, AIFs and investment funds, especially "money market" funds.

The UCITS, the AIFs and the investment funds selected may be managed by the Management Company or any outside company.

### • Derivatives

The Fund may invest, via forwards, options, swaps or forward foreign currency contracts, on regulated, organised or over-the-counter markets in France and other countries. These instruments will be used for risk hedging purposes (e.g., foreign currency, interest rates, equity) and/or to 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.

However, the A-CHF and PC-CHF unit classes, which are denominated in CHF, will be systematically hedged in

CHF against the risk of fluctuation in the EUR/CHF exchange rate, P-GBP units denominated in GBP will be systematically hedged in GBP against the risk of fluctuation in the EUR/GBP exchange rate, and A-USD, P-USD and I-USD units denominated in USD will be systematically hedged in USD against the risk of fluctuation in the EUR/USD exchange rate. With a view to seeking a full and systematic cover, the fund manager will make use of financial futures for these unit classes; such covers will be provided through financial instruments that minimise the impact of hedge transactions on the Fund's other unhedged unit class. The instruments used will be mainly futures, forwards and options.

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;
- 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:

- 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 Swap.

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 use of derivatives may result in an overexposure of the Fund which shall not exceed 100% of the Fund's net assets and within a maximum leverage of 2.

- Securities with embedded derivatives: The Fund invests in financial instruments that integrate derivatives with underlying equities.

The instruments used are: warrants, equity warrants, certificates, as well as any bond vehicles with conversion or subscription rights attached, such as convertible bonds exchangeable for new or existing shares, and bonds with an attached redeemable share warrant.

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;
- 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:

- Covered 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: the Fund may place cash on deposit as part of its cash management.
- Cash borrowings: the Fund may borrow cash as part of its cash management within the limit of 10% of its assets.
- Securities refinancing 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 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 assets	below 10%	below 10%	below 10%	N/A	below 10%

These assets shall be kept in custody with the Depositary.

Additional information on fees can be found in the "Charges and fees" section of the Prospectus.

- The Fund's 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.

As such, any financial guarantee accepted in order to reduce counterparty risk must meet the following criteria:

- 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 ties with the provider of the financial guarantees;
- they comply, at all times, in accordance with applicable regulations, with criteria regarding 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 on 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:**

Your money will mainly be invested in financial instruments selected by the Management Company. These instruments will be exposed to market movements and fluctuations.

- Discretionary management risk:  
The discretionary management style is based on an analysis and asset allocation model specific to the Fund. Therefore, the Fund may not be invested at all times in the best-performing markets or stocks.
- 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 net asset value of the Fund may also decline. Investing in small and mid-sized companies can cause a sharper and greater fall in the net asset value of the Fund. 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. We remind you that the fund manager has the latitude to seek an exposure to equity risk of up to 200% of the Fund's net assets.
- 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 sole discretion of the fund manager, the risk can be hedged entirely or partially through derivatives. The fund manager will fully and systematically hedge the A-CHF and P-CHF unit classes against EUR/CHF currency risk. The fund manager will fully and systematically hedge unit class P-GBP in GBP against EUR/GBP currency risk, and will systematically and fully hedge unit classes A-USD, P-USD and I-USD in USD against the EUR/USD exchange rate 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.
- 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.
- Interest rate risk:  
The Fund may in whole or in part be invested in debt securities. Interest rate risk refers to the possibility that changes in interest rates may prove adverse 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 net asset value of the Fund. We remind you that the fund manager has the latitude to seek an exposure to interest rate risk of up to 200% of the Fund's net assets.

- **Credit risk:**  
The Fund may be invested in corporate and government bonds, in 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 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 held by the portfolio and, consequently, a decrease in the Fund's net asset value.
- **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 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) can be accentuated and thus increase the fall in the Fund's net asset value.
- **Risk related to investments in emerging markets:**  
Market risks can 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 countries 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, an investment in these markets may involve counterparty risk, market volatility, delays in payment/delivery as well as possible reduced liquidity in some holdings of the Fund's portfolio.
- **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).

□ **Subscribers and investor profile:**

Unit classes A-EUR, I-EUR and IT: All investors\*, both individuals and legal entities.

Unit classes A-CHF: All investors\* who wish to benefit from a systematic and complete hedge in CHF against EUR/CHF currency risk.

Unit classes A-USD and I-USD: All investors\* who wish to benefit from a systematic and complete hedge in USD against EUR/USD currency risk.

Unit classes P-EUR: All investors\*. Units meant as a vehicle for unit-linked insurance contracts contracted with insurance companies, and investment management professionals (i.e., collective investments or private banking).

Unit classes P-USD: All investors\*. Units meant as a vehicle for unit-linked insurance contracts contracted with insurance companies, and investment management professionals (i.e., collective investments or private banking) who wish to benefit from a systematic and complete hedge in USD against EUR/USD currency risk.

Unit classes P-CHF: All investors\*. Units meant as a vehicle for unit-linked insurance contracts contracted with insurance companies, and investment management professionals (i.e., collective investments or private banking) who wish to benefit from a systematic and complete hedge in CHF against EUR/CHF currency risk.

Unit class P-GBP: All investors\*. Units meant as a vehicle for unit-linked insurance contracts contracted with insurance companies, and investment management professionals (i.e. collective investments or private banking) who wish to benefit from a systematic and complete hedge in GBP against EUR/GBP currency risk.

Unit classes U-EUR: All investors\*. Units meant mainly for wealth managers of Swiss banking groups or real-estate management professionals.

\* All investors, with the exception of any citizen of the United States of America (hereinafter "U.S. Person", such as that term is 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 <http://www.sec.gov/rules/final/33-7505.htm>).

- The Foreign Account Tax Compliance Act (FATCA), defined by the intergovernmental agreement signed between France and the United States on 14 November 2013 (the FATCA definition of "US Person(s)" is available at [http://www.economie.gouv.fr/files/usa\\_accord\\_fatca\\_14nov13.pdf](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 USA or to a US Person may constitute an infringement of US law and shall require prior written consent from 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. Unit holders must inform the Management Company immediately if they become a US Person. Any unit holder 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 at the following address:

[http://www.economie.gouv.fr/files/usa\\_accord\\_fatca\\_14nov13.pdf](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 USA on 14 November 2013: French non-reporting financial institution deemed to be in compliance (Annex II, II, B of the aforementioned agreement: [http://www.economie.gouv.fr/files/usa\\_accord\\_fatca\\_14nov13.pdf](http://www.economie.gouv.fr/files/usa_accord_fatca_14nov13.pdf))

This Fund is targeted at those customers wishing to invest their capital who have the knowledge to assess the risks inherent in this type of investment (see the heading "Risk Profile").

The amount that is appropriate to invest in this Fund depends on the investor's personal situation. To determine this amount, his personal wealth, his cash requirements both current and future, as well as his degree of risk aversion, must all be taken into account. It is strongly recommended that investors diversify their holdings in order to avoid risk exposure solely to this Fund.

The recommended minimum investment period is 5 years.

#### □ **Procedures for the calculation 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:** all unit classes: accumulation

**Allocation of net realised capital gains:** all unit classes: accumulation

#### □ **Characteristics of the units:** Unit classes A-EUR, I-EUR, IT, P-EUR and U-EUR are denominated in euros.

Unit classes A-USD, P-USD and I-USD are denominated in USD. The A-CHF and P-CHF unit classes are denominated in CHF. P-GBP units are denominated in GBP.

With the exception of IT units, they may all be decimalised in thousands of units.

□ **Subscription and redemption procedures:**

For unit classes A, I, P and U, subscription and redemption orders in thousandths of units are received each net asset value calculation day before 11 a.m. at CACEIS Bank. They will be executed on the basis of the next net asset value (price unknown). Settlement is on value date the following day (D+2).

- For unit classes A, I, P and U, day trades (i.e. 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+2 business days	D+2 business days
11am cut-off on subscription orders <sup>1</sup>	11am cut-off on redemption orders <sup>1</sup>	Execution of the order no later than D	Publication of net asset value	Settlement of subscriptions	Settlement of redemptions

<sup>1</sup>Unless a specific deadline has been agreed with your financial institution

- Regarding IT units, buy and sell orders – in full units – are received each NAV calculation date before 10:55 a.m. at Borsa Italiana (D). These orders are then consolidated and forwarded by 2:30 p.m. to the fund's centralising agent by the financial intermediary mandated by the investment management company. They are then executed on the basis of the next net asset value (price unknown). Settlement is on value date the third following day (D+3). **Day trades are not accepted for the IT unit class.**

D	D	D: NAV calculation day	D+1 business day	D+3 business days	D+3 business days
10:55am cut-off for transmitting subscription orders to the Milan stockmarket <sup>1</sup>	10:55am cut-off for transmitting redemption orders to the Milan stockmarket <sup>1</sup>	Execution of the order no later than D	Publication of net asset value	Settlement of subscriptions	Settlement of redemptions

<sup>1</sup>Unless a specific deadline has been agreed with your financial institution

Addresses of the institutions appointed by the Management Company to receive subscriptions and redemptions

- For unit classes A, I, P and U:

**CACEIS Bank**

1-3 Place Valhubert - 75013 Paris – France

Unit holders are reminded that orders sent to marketers other than the aforementioned institutions must allow for the fact that the cut-off time for 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 that mentioned above, to allow time for their orders to be sent to CACEIS Bank.

- For IT units, buy and sell orders transmitted to Borsa Italiana are consolidated and forwarded to CACEIS Bank by a financial intermediary mandated by the investment management company.

Special features of IT units:

Listed fund units must be bought or sold with the assistance of an intermediary (for example, a broker), which may therefore incur trading fees. Investors are urged to review Borsa Italiana's operating rules, in compliance with local regulations.

Subscriptions and redemptions are exclusively in a number of units above the subscription minimums, if any (i.e., subscription and redemptions in monetary amounts are not allowed).

Financial intermediary appointed to forward Borsa Italiana buy and sell orders to the fund's centralising agent:

## EQUITA SIM

Via Turati, 9 20121 Milan - Italy

Regarding IT units, fund-holders' attention is drawn to the fact that orders forwarded to brokers must take into account the closing time of Borsa Italiana ATFund market (10:55 a.m.).

As a result, these brokers may set their own deadline before the aforementioned one, in order to allow time to forward the orders to Borsa Italiana ATFund market.

Frequency of net asset value calculations: The net asset value is set every day with the exception of legal holidays in France and days on which Euronext 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 fees accruing to the Fund serve to offset the costs incurred 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
Entry charge not payable to the Fund	Net asset value x num of units	2% maximum (None for the IT unit class)
Entry charge payable to the Fund	Net asset value x num of units	None
Exit charge not payable to the Fund	Net asset value x num of units	None
Exit charge payable to the Fund	Net asset value x num of units	None

- **Management fees:**

These charges 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 management fees:

- transaction fees invoiced to the Fund,
- performance fees. These reward the Management Company when the Fund exceeds its objectives. They are therefore charged to the Fund,
- a portion of the income generated by temporary purchases or sales of securities.

	Fees charged to the Fund	Base	Rate scale incl. taxes
	Management Fees	Net assets	Unit class U: 1.95% Unit classes A and IT: 1.794%

1	Administrative fees not payable to the Management Company (statutory auditor, custodian, distributors, lawyers)	Net assets	Unit class P: 1.20% Unit class I: 1.10%  Maximum rate
2	Maximum indirect fees (commissions and management fees)	Net assets	None
3	Maximum transaction fees per transaction (charged by the custodian) (*)	Flat fee for each transaction <b>Securities and money-market products</b>  Euro zone and mature markets  Emerging markets <b>“Vanilla” OTC products</b> <b>“Exotic” OTC products</b>  <b>Cleared derivatives</b>	  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%, inclusive of taxes, of the Fund's positive performance exceeding the annualised one- year moving average of the CNO-TEC 5 (***)

(\*) Acting in its capacity as fund custodian, the depositary 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 is equal to the difference between the Fund's performance and the performance of a benchmark asset achieving a return equal to whichever is greater:

- The performance of the CNO-TEC 5;
  - A high water mark,
- recording the same subscription and redemption movements as the Fund, such that:
- In the case of subscriptions: the performance fee, if any, is provisioned on a prorated basis;
  - In the case of redemptions: any performance provision for the units concerned definitively accrues to the investment management company.

Should the Fund achieve such an outperformance, provision for the variable fees is made at each determination of the net asset value.

In the event that the Fund underperforms, the provision will be adjusted via a provision write-back, capped at the level of the existing allocation.

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

A high water mark is set by defining an NAV level such that the negative performance for the previous calendar year must be fully offset by the positive performance for the current year before a performance fee can potentially be charged to the Fund.

The high water mark is therefore calculated based on the closing NAV for the financial year n-2, or the initial NAV on the launch date and the NAV at 31/12/n-1, whichever is greater, for units created during year n-1.

- For units with a positive performance in n-1 it is equal to zero.
- For units with a negative performance in n-1:
  - For units created before n-1, the inverse of the performance calculated between 31/12/n-2 and 31/12/n-1

$$\text{High water mark} = \frac{\text{NAV}(31/12/n-2)}{\text{NAV}(31/12/n-1)} - 1$$

- For units created in n-1:

- If the initial NAV is greater than the NAV at 31/12/n-1, the inverse of the performance calculated between the launch date and 31/12/n-1

$$\text{High water mark} = \frac{\text{NAV}(\text{launch date})}{\text{NAV}(31/12/n-1)} - 1$$

- If the initial NAV is less than the NAV at 31/12/n-1, the benchmark NAV is that at 31/12/n-1 and therefore the high water mark = 0

(\*\*\*) The CNO-TEC 5 is the 5-year equivalent constant rate for French Government bonds. It is calculated daily by the CNO, the French Bond Association.

Unit classes P-USD, P-CHF, P-GBP and I-USD have not yet completed their first full financial year.

### **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, nor is it bound to any third party.

#### **□ Financial intermediary selection procedure**

Any new business relationship requires the approval of the members of Varenne Capital Partners' management team. Furthermore, each counterparty is selected in accordance with a "best selection" policy and the criteria used in this counterparty selection procedure are, *inter alia*:

- cost,
- quality of order execution,
- quality of monitoring,
- technology used,
- ability to streamline the processing of transactions.

In addition, the Company ensures that the counterparties selected are rated "Investment Grade" by agencies such as Standard & Poor's and Fitch.

## **III – COMMERCIAL INFORMATION**

The Prospectus of the Fund, the latest annual and interim reports, the Voting Policy and Exercise of Voting Rights as well as the net asset value are available at the registered office of the Company and sent within one week upon written request by the unit holder:

### **VARENNE CAPITAL PARTNERS**

42 avenue  
Montaigne 75008  
Paris – France

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

Pursuant to the provisions of Article L.533-22-1 of the French Monetary and Financial Code, information on procedures for the application of environmental, social and governance criteria can be found on the website of the management company: [www.varennecapital.com](http://www.varennecapital.com).

## **IV - INVESTMENT RULES**

The ratios applicable to the Fund are those specified in Article R. 214-2 *et seq.* of the French Monetary and Financial Code.

## **V – OVERALL RISK**

The Fund's overall risk is 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.

The Fund's average targeted leverage is from 4 to 5. However, the Fund's leverage may exceed this level. The Fund's average targeted leverage is calculated as the sum of the nominal positions of the Fund's derivative contracts divided by the Fund's assets.

## VI – 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 upon each calculation of net asset value and when accounts are closed.

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. 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 of application of these rules are determined by the Management Company. They are specified in the notes to the financial statements;

- Units or shares of UCIs are valued at their 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 UCITS, 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 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.

The financial statements of the Fund are presented in accordance with accounting rules prescribed by the regulations, and in particular the UCITS accounting plan.

### Income accounting

Revenues from fixed income investments are recognised on a cashed coupon basis.

## VII – 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 compensation policy may be viewed on the company's website ([www.varennecapital.com](http://www.varennecapital.com)) or by submitting a written request to:

**VARENNE CAPITAL PARTNERS**

## VIII – ADDITIONAL DISCLOSURES FOR SWITZERLAND

### **1. Representative in Switzerland**

Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva, Switzerland, Tel.: + 41 22 705 11 78, Fax: + 41 22 705 11 79

### **2. Paying agent**

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

### **3. 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.

### **4. Publications**

1. Publications concerning foreign collective investment products are available in Switzerland on the Fundinfo website ([www.fundinfo.com](http://www.fundinfo.com)).
2. The issue and redemption prices and net asset values are published on the Fundinfo website ([www.fundinfo.com](http://www.fundinfo.com)) with the statement "commissions not included", upon each issuance and redemption of Fund units. Prices are published daily.

### **5. Payment of retrocessions and rebates**

#### 1. 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.

#### 2. 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.

### **6. 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.

## IX – ADDITIONAL INFORMATION FOR THE UNITED KINGDOM

The Company has appointed KB ASSOCIATES CONSULTING (UK) LLP to be its representative in the United Kingdom (UK) and to provide the following services to investors in the UK:

### **1. Representative in the UK**

KB ASSOCIATES CONSULTING (UK) LLP, 42 Brook Street, London W1K 5DB, UK will enable the free consultation of or provide copies in English of the following documents (free of charge for documents (iii), (iv) and (v) and at a reasonable price for the others):

- (i) The fund rules,
- (ii) All appendices to the fund rules

- (iii) The fund's most recent prospectus (which indicates the address of the UK representative),
- (iv) If the fund is subject to sub-section 264, the KIID and
- (v) the fund's most recent annual report and most recent semi-annual report.

## **2. Information on where to find**

- (i) The price of the units, in English
- (ii) The procedure for redeeming units and obtaining payment.

## **3. Complaints**

The UK representative's procedure for filing complaints against the fund and forwarding complaints to the competent authority.

Date the prospectus was last updated: 24/04/2020