



RIVOLI
FUND MANAGEMENT

RIVOLI LONG SHORT BOND FUND

MUTUAL FUND
(FONDS COMMUN DE PLACEMENT)

APPROVED BY THE *AUTORITÉ DES MARCHES FINANCIERS (AMF)*

**French UCITS under European
Directive 2014/91/UE**

PROSPECTUS

PROSPECTUS APPROVAL DATE: 17/12/2004
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WARNING :

The reader must be aware that this document is an English translation or corresponding wording of the French official prospectus of the fund ; the management company shall not be bound by the provisions contained into it.

In case of doubt regarding the meaning of its contents, the reader is asked to refer to the most updated French available prospectus, which shall remain the only binding documentation, available at the management company (<http://www.rivolifund.com>) or at the French regulatory authority AMF (GECO Database search at http://www.amf-france.org/en_US/Recherche-avancee.html?formId=GECO).

PROSPECTUS

GENERAL CHARACTERISTICS

1. Form of the Fund

Name:	RIVOLI LONG SHORT BOND FUND
Legal form:	French mutual fund (<i>FCP</i>)
Member State where the fund was established:	France
AMF date of approval:	2001, November 13 th
Creation date:	2001, November 13 th
Intended lifetime:	99 years

Fund overview:

Unit class	ISIN Code	Allocation of Income	Base Currency	Subscribers	Minimum Subscription
P	FR0007066782	Capitalisation	EUR	All subscribers	1 Unit
I	FR0010663724	Capitalisation	EUR	All subscribers	500 000 €

Place or location where the latest annual report and interim documents can be obtained:

The Fund's latest annual and interim documents will be sent to unitholders within eight business days from receipt of their written request, which should be sent to:

RIVOLI FUND MANAGEMENT
82 avenue Marceau, 75 008 Paris, France
Tel : (33) 1.56.88.24.40
info@rivolifund.com

These documents are also available from www.rivolifund.com

2. Directory

Management Company

Rivoli Fund Management

A French *société par actions simplifiée* (limited liability company)

Registered office: 82 avenue Marceau, 75008 Paris, France

An asset management company registered with the AMF on 29/10/1998 under No. GP 98-047

Custodian / Institution responsible for liabilities management

CACEIS Bank, a *société anonyme* (public limited company) with a board of directors

A credit institution registered with the French *Autorité de contrôle prudentiel et de résolution* (ACPR).

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

Postal address: 1-3 Place Valhubert, 75206 Paris Cedex 13, France

Statutory Auditor

PricewaterhouseCoopers Audit

63 rue de Villiers

92200 Neuilly-sur-Seine, France

Signatory : Frédéric SELLAM

Promoter: Rivoli Fund Management SAS

Administrative and accounting agent

CACEIS Fund Administration, Limited liability company

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

Postal address: 1-3 Place Valhubert, 75206 Paris Cedex 13, France

Entity responsible for centralising subscription/redemption orders

- For subscriptions/redemptions via Euroclear France:

CACEIS Bank, as delegated by the management company

CACEIS Bank is a *société anonyme* (public limited company) with a board of directors, and a credit institution registered with the French *Autorité de contrôle prudentiel et de résolution* (ACPR).

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

Postal address: 1-3 Place Valhubert, 75206 Paris Cedex 13, France

- For subscriptions/redemptions via Clearstream/Euroclear Banque, pre-centralisation with:

Rivoli Fund Management SAS

82 avenue Marceau, 75008 Paris

Tel: +(33) 1 56 88 24 57 Fax: +(33) 1 56 88 24 41

Advisors: N/A

GENERAL CHARACTERISTICS

1. Characteristics of the units

ISIN code:	P share class (<i>Part P</i>) :	FR0007066782
	I share class (<i>Part I</i>) :	FR0010663724
Nature:	Each unitholder has a co-ownership right to the Fund's assets, in proportion to the number of units held.	
Registration:	Liabilities recorded by the custodian. Registered with Euroclear France.	
Voting rights:	No voting rights are attached to the units, as decisions are taken by the management company.	
Form of the units:	Bearer form	
Type of units:	Whole units	
Initial net asset value:	P share class (<i>Part P</i>) :	100 euros
	I share class (<i>Part I</i>) :	200 euros

2. Year-end

Last stock market trading day of the year.

3. Tax regime

Investors should be aware that the information provided is a simplistic overview of the French taxation regime applicable to subscribers investing in a French capitalisation fund. Investors are therefore advised to assess their personal situation with their tax adviser.

- Individuals who are tax resident in France:
Capital gains or losses realised by individuals are taxed when the Fund units are assigned or redeemed.
- Individuals who are tax resident outside France:
Tax-exempt on capital gains realised when the Fund units are sold, subject to tax treaties.
- Legal entities:
Legal entities are taxed in accordance with the corporation tax standards, depending on capital gains or losses recorded at the end of the year, calculated from the latest known net asset value.

As the fund is made up of several unit classes, a conversion from one class of units by means of a redemption followed by a subscription of another class of units constitutes, for tax purposes, a sale in return for payment of a consideration likely to generate a taxable gain.

SPECIFIC PROVISIONS

ISIN code: **P share class (Part P) :** FR0007066782
I share class (Part I) : FR0010663724

Classification: International bonds and other debt securities

Asset management delegatee : N/A

1. Investment objective

To outperform the capitalised EONIA in absolute terms over the recommended investment horizon, after the deduction of management fees, regardless of market movements, using quantitative investment techniques.

2. Benchmark

RIVOLI LONG SHORT BOND FUND has an absolute return objective, which means that, for a given level of risk as described in this document, the fund will aim to outperform the capitalised EONIA.

The Euro OverNight Index Average is the inter-bank offered rate between best signature Euro zone banks for the purpose of deposits remuneration inside the Euro zone.

3. Investment strategy

Unlike a traditional fund, the Fund may implement arbitrage and trading strategies that exploit inefficiencies that can arise on markets.

The Fund's investment objective is therefore to achieve an absolute return, i.e. a positive return irrespective of whether the markets are trending upwards or downwards.

The Fund focuses on investing on French or foreign bonds markets ; the portfolio's weightings are based on the outlook of the various international exchanges.

The Unit holder bears a very low currency exposure, as the fund will be able to hedge its currency positions.

The Fund may, in addition, use the swap technique and carry out over-the-counter transactions (cap/floor).

A maximum 10% of the Fund's assets shall be invested in French or European UCITS and other investment funds.

Interest rate sensitivity of the fund will vary between -25 (minus twenty-five) and +25 (plus twenty-five). As an example, when the fund has a +25 sensitivity, a 1% decrease in interest rates will generate a 25% increase of the NAV, and vice versa.

Sensitivity range for interest rates	Between -25 (minus twenty-five) et +25 (plus twenty-five)
Geographical area for securities issuers in which the fund may invest	All countries
Currency risk exposure of the fund	Low

Tools and methods used

The tools developed and implemented by Rivoli Fund Management utilise quantitative techniques to exploit opportunities that may arise on bonds markets.

In addition, by investing on derivatives markets, Rivoli Long Short Bond Fund is able to generate performances in both bull and bear market conditions, in compliance with the regulations, and as a consequence is likely to provide diversification compared to standard investment products.

- Databases

The mathematical and quantitative study of the markets requires the use of reliable, comprehensive databases. For this purpose, the management company has exhaustive databases covering all markets on which it intends to invest, which it has been using since their creation.

These databases, which are duly verified and supervised, are monitored carefully since they constitute the main working tool for a manager's activities. They are updated daily using the main sources of information available on the market and are then tested for quality control purposes.

- Trend tracking methods

These methods make it possible to detect and take advantage of trends that appear on the markets by using filtering techniques enabling the management company to distinguish clearly between a true trend and false signals with no real significance.

In this context, we are using range of analysis tools enabling it to determine very short (from a few days to a few weeks) as well as longer (in excess of 18 months) trends, in the interests of risk diversification.

- Arbitrage strategies

These methods are used to take advantage of temporary inefficiencies that may exist between the various markets. We also profit from yield-curve movements. They are based on statistical relationships between markets and offer a certain degree of decorrelation in relation to taking positions on markets viewed in isolation.

- Market force indicators

In conjunction with the trend tracking tools, we use indicators to determine the strength and significance of movements observed on the markets. These indicators are used to measure the market configuration and to anticipate future short-term trends or trend reversals. In addition, when a market does not offer any major opportunities, they enable the manager to refrain from taking positions on this market.

- Volatility analysis

The techniques we use focus on analysis of market volatility. Developed with a view to confirming trends or anticipating arbitrage, they are used to filter position-taking on all markets on which we invest.

- Simulation tools

We have developed proprietary IT applications using the latest technology available, making it possible to simulate all the statistics based on past performance and to measure their profitability, risk and regularity. These simulations are carried out in the most realistic manner possible, in particular taking into account the various expenses that would be noted in a real trade. Using these simulations makes it possible to realistically estimate the expected performance of the Fund, but above all the risk of underperformance.

Asset categories

- CASH DEPOSITS:

The Fund may hold cash, but limited to an ancillary threshold. It shall be used for cash management purposes, namely with a view to meeting unit redemption requests.

- ASSETS EXCLUDING EMBEDDED DERIVATIVES:

Transferable securities	Geographical area : All countries
	Government bonds only
Money markets instruments	For cash management purposes
	All money markets securities and instruments

UCIs / investment funds / trackers / ETFs:

Up to 10% of the assets, the fund may invest in units or shares :

- of UCITs that may invest up to 10% of their assets in UCITs or funds ;
- of French or foreign AIFs or funds, as soon as they meet the four conditions stated in art. R214-13 of the French Monetary and Financial Code (*Code Monétaire et Financier*) ;
- The fund will also be able to invest in trackers, exchanged indices instruments and exchange traded funds.

These UCIs and investment funds may be managed by the management company or one affiliate company.

- DEPOSITS:

The fund may use cash deposits or forward deposits. Eventually, the fund may be invested in deposits up to 100% of the assets.

- CASH BORROWINGS:

The Fund's aim does not include being a cash borrower. Nonetheless, it may on occasion record a debit position due to transactions associated with cash movements and in such cases it may borrow up to 10% of its net assets.

- MANDATORY AND OPTIONAL REPO AND REVERSE REPO TRANSACTIONS: (by reference to the French Monetary and Financial Code)

As part of its cash management activities, the Fund may enter into unleveraged mandatory and optional repo and reverse repo transactions. Any income generated from these transactions shall be retained by the Fund.

- DERIVATIVES:

The fund uses derivatives mainly for increasing exposure on the markets where the fund is currently invested, with compliance to investment rules defined in the regulations.

The asset management firm will mainly deal futures contracts, but may also from time to time deal other derivatives instruments, within the limits authorized by current regulations. These operations are performed within the limits described in the "Risk profile" section.

Type of markets	<ul style="list-style-type: none"> - All regulated markets - All organised markets - All over-the-counter markets
Category of markets	<ul style="list-style-type: none"> - All fixed-income markets - All currency markets
Type of investments	<ul style="list-style-type: none"> - All exposure transactions - All hedging transactions
Nature des instruments	<ul style="list-style-type: none"> - All futures excepted credit derivatives for exposure or hedging - All currency forward for hedging purposes - Currency swaps - Interest rates swaps - Total return swaps

4 Risk profile

Subscribers should be aware that the Fund uses the probabilistic method when calculating global risk (market risk of the portfolio of the fund). Thus, the Fund's Value at Risk (VaR) over a period of 20 days with a probability of 99% may not exceed 6%. This means that, for a probability of 99%, the loss recorded over 20 days by a subscriber may not exceed 6%. Subscribers should note that this limit does not constitute a guarantee - it is merely an objective expressed in terms of probability.

Funds under management shall be invested primarily in financial instruments selected by the management company. These instruments will be exposed to the market's movements and vagaries.

The investment process is essentially based on a statistical and quantitative analysis used to systematically generate buy and sell signals. The quality of the signals is assessed using simulations undertaken on historical data. This is not a guarantee of the future performance of the fund.

RIVOLI LONG SHORT BOND FUND is a mutual fund using derivatives, so it is linked to the risks of this type of products, particularly through volatility.

Volatility can be defined as the average dispersion of the performance around its average performance, for example a volatility of 16% annualized corresponds to a variation of plus or minus 1% per day. The volatility of the CNO Etrix 7-10 index is (in standard market conditions) between 5% and 7% depending on market conditions. The more a market is agitated, the more its volatility increases.

RIVOLI LONG SHORT BOND FUND aims to intervene on all of the world's fixed income markets through bonds directly held and futures markets.

4.1 Counterparty risk

Counterparty risk is very low. The fund invests part of its assets in sovereign government bonds. The risk of default of these countries does exist, but it is minimal. The other part of the assets is invested in futures contracts. Futures markets are regulated markets, in which the clearing house acts as a counterparty.

Regarding currency related transactions, the fund may be exposed to counterparty risk arising from the use of forward financial instruments with a credit institution. The fund would then be exposed to the risk that this institution be not able to honor the commitments related to these instruments.

4.2 Risk of capital loss

As the Fund is exposed to market risk, investors may not get back their original investment.

4.3 Currency risk

As the fund is expressed in euros, it will hedge the currency risk, if any.

4.4 Risk Management

As part of the front-office management of the fund, Rivoli Fund Management has developed a proprietary software to manage all the positions on a real time basis, both in terms of results and in terms of monitoring the models used in the markets.

This front office software feeds on real time basis a middle office software that performs the entire valuation of the fund. The statements generated in this context allow to make reconciliation with the fund's accountant, in order to guarantee and control the accuracy and completeness of the operations and valuation of RIVOLI LONG SHORT BOND FUND.

These double checks make it possible to reckon very quickly any discrepancy in positions and valuation, and to quickly take necessary actions to correct any mistakes that may arise.

4.5 Market risk control

As a concern of diversification, RIVOLI LONG SHORT BOND FUND operates on various interest rate markets with numerous strategies per market.

Each of these strategies is assigned a stop level depending on its investment goal, allowing it to cut a position taken by a strategy on a market, in case it becomes negative.

These stop levels depend on the type of strategy implemented and the characteristics of each market (volatility, liquidity).

All of this data is automatically taken into account in the front office trading systems, allowing managers to monitor on a real time basis the market risk of the fund.

5 Garanty or protection :

None.

6 Target subscribers and standard investor profile

All subscribers.

This collective investment product is aimed at informed investors looking to boost their portfolio, or at companies or institutional investors, in a context of dynamically diversifying their financial investments.

RIVOLI LONG SHORT BOND FUND is intended for experienced investors with the skills to evaluate the inherent risks of this type of product. Yet the risks inherent to this kind of investments remain significant, and, therefore, investors are advised to read carefully the prospectus and if any

doubt on whether such investment is relevant, they are recommended to seek advice from their banking or legal counsel, their accountant or any financial counsel.

RIVOLI LONG SHORT BOND FUND is a mutual fund, it belongs to the bonds category of financial products. This fund can bring diversification into a portfolio by decorrelating its performance, compared to traditional financial products. Integrating such asset class into a portfolio must be performed with the purpose of optimizing the investor's return / risk ratio.

The recommended investment period in this type of product is 1 year minimum.

Disclaimer for U.S. Persons :

The Units have not been, and will not be, registered under the U.S. Securities Act of 1933 or qualified under any applicable U.S. state statutes, and the Units may not be transferred, offered or sold in the United States of America (including its territories and possessions) or to or for the benefit of, directly or indirectly, any U.S. Person (as defined in Regulation S in the U.S. Securities Act of 1933), except pursuant to registration or an applicable exemption.

The Fund is not, and will not be, registered under the 1940 Act, and investors will not be entitled to the benefit of registration under the 1940 Act. Any resales or transfers of the Units in the U.S. or to U.S. Persons may constitute a violation of U.S. law and requires the prior written consent of the Company. The Company, however, reserves the right to make a private placement of its Shares to a limited number or category of U.S. Persons. Any resales or transfers of the Shares in the U.S. or to U.S. Persons may constitute a violation of U.S. law and requires the prior written consent of the CEO of the management company of the fund. Applicants for Units will be required to certify in writing that they are not U.S. Persons.

The CEO of the management company of the fund have the power to impose restrictions on (i) the unitholdings by (and consequently to redeem Units held by), or (ii) the transfer of Units to, any U.S. Person. Such power covers any person who appears to be in breach of the laws or requirements of any country or government authority, or by any person or persons in circumstances (whether directly or indirectly affecting such person or persons, and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the CEO of the management company of the FCP to be relevant) which, in the opinion of the CEO of the management company of the Fund, might result in the Fund suffering any disadvantage which the Fund might not otherwise have incurred or suffered.

The Units have not been approved or disapproved by the SEC, any state securities commission or other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of these offering materials. Any representation to the contrary is unlawful.

Unitsholders are required to notify the Fund immediately in the event that they become U.S. Persons. Unitholders who become U.S. Persons will be required to dispose of their Units at any time to non-U.S. Persons. The Fund reserves the right to repurchase any Units which are or become owned, directly or indirectly, by a U.S. Person or if the holding of the Units by any person is unlawful or detrimental to the interests of the Fund.

Definitions :

US Person:

Precluded Persons are U.S. Persons as defined in U.S. SEC Regulation S (Part 230 - 17 CFR 230.902). Such definition is available at <http://www.sec.gov/about/laws/secrulesregs.htm> (current as of Sept 29th 2016). An unofficial translation in French of this definition is available on our website www.rivolifund.com.

"Beneficial ownership":

"Beneficial Ownership" generally means having a direct or indirect financial or economic interest in a security, including an interest through members of the household. You should consult the complete legal definition in Rule 16a-1(a)(2) under the U.S. Securities Exchange Act of 1934 (Part 240 - 17 CFR 240.16a-1) at: <http://www.sec.gov/about/laws/secrulesregs.htm> (current as of Sept 29th 2016).

7 Method for determining and allocating income

The distributable amounts shall be fully capitalized.

8 Distribution periodicity :

None

9 Characteristics of the units

	Part P	Part I
Currency	Euro	Euro
Form of units	Bearer	Bearer
Type of units	1 part	500 000 euros
Minimum subscription	100 euros	200 euros
Initial value		

10 Subscription and redemption terms

Subscription and redemption conditions	<p>Subscription and redemption requests are accepted before 12am each day by the institution responsible for managing the company's liabilities and are executed on the basis of that day's net asset value (D), published on the following business day (D+1).</p> <p>For subscriptions and redemptions via Euroclear France settlement/delivery takes place on D+1 and via Cedel, Clearstream and Euroclear Banque on D+2.</p>
Net asset value	<p>Calculated daily (each stock market trading day in Paris, excluding statutory holidays in France).</p> <p>Place of publication: www.rivolifund.com.</p>
Institution responsible for receiving subscriptions/redemptions	<p>CACEIS Bank, a French limited liability company (société anonyme) and a credit institution registered with French Autorité de contrôle prudentiel et de résolution (ACPR). Registered office: 1-3 Place Valhubert, 75013 PARIS</p>

11 Charges and fees

Charges payable by the investor, deducted when subscriptions and	Basis	Rate/Scale
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redemptions are made		
Subscription fee not earned by the Fund	Net asset value x number of units	Part P : 3% maximum Part I : 0% maximum
Subscription fee earned by the Fund	Net asset value x number of units	Not applicable
Redemption fee not earned by the Fund	Net asset value x number of units	Not applicable
Redemption fee earned by the Fund	Net asset value x number of units	Not applicable

Charges invoiced to the Fund	Basis	Taux / barème
Operating and management charges all taxes included (including all charges excepting transaction costs, performance-based commissions and fees associated with investments in UCITS or investment funds)	Net assets	Part P : 1.5% TTC maximum de l'actif net. Part I : 1.0% TTC maximum de l'actif net.
Performance-based commission	Net assets	Maximum 20% of the Fund's outperformance of the capitalised EONIA, deducted and calculated on an annual basis. A provision for these fees is booked daily. In the event of a negative performance the provision is reduced accordingly.
Commissions de mouvement :		Not applicable

(1) *The performance fee is accrued on a daily basis. In the event of under-performance, the performance fee is applied a reversal of provisions up to 1.5% maximum (P share class) of the under-performance, within the limit of the endowments constituted since the beginning of the year.*

(2) **High Water Mark mechanism :**

The performance fee feeds a provision account when calculating each net asset value ; the performance fee account fluctuates and may be positive or negative depending on the performance of the fund.

In the event of a positive account at the end of the year, the provision account is reset and the accounted performance fees are paid to the asset management firm. In the event of a negative account at the end of the year, the management firm enforces a High Water Mark mechanism, taking as the reference threshold the highest year-end net asset value per share where performance fees were paid.

The performance fee account (negative) is reset at the beginning of the year, but remains unchanged (even if the fund records performances). The performance fee will be provisioned again only once the net asset value per share of the fund will exceed the reference threshold.

In other words, should the performance fee provision account be negative at the end of year N, the last net asset value per share of the year N-1 will become, as of the first day in the N + 1 year, the reference threshold to trigger the reactivation of the performance fee provisions during N + 1 year.

Intermediary selection policy :

The management firm uses a multi-criteria approach to select the intermediaries that guarantee the best execution of transactions.

The analysis criteria used are both quantitative and qualitative; among others : availability and reactivity of the broker, the financial reliability, the speed, the quality of processing and order execution as well as the transaction costs.

SALES AND MARKETING INFORMATION

Latest periodical or annual documents can be sent on-demand within one week delay after written request from the unit holder to :

RIVOLI FUND MANAGEMENT, 82 avenue Marceau, 75008 PARIS, France

Tel : 33 (0)1.56.88.24.40

Fax : 33 (0)1.56.88.24.41

contact@rivolifund.com

They are drawing carried out transactions, and contain :

- Financial statements related to the financial transactions,
- Undertakings, in comparison with the assets of the fund at the end of the period,
- Changes in the use of financial instruments (strategies, impact on income and portfolio exposure).

With regards to accounting information certified by the auditor, the annual report mentions the accounting principles and methods applied to financial instruments.

The prospectus and the latest net asset value per share of the fund are available on the website www.rivolifund.com.

The informations related to environmental, social and governance quality (ESG) criteria which are taken into account by the fund in its investment strategy are mentioned on the website www.rivolifund.com and reported in the annual report.

INVESTMENT RULES

Rivoli Long/Short Bond fund is a UCITS complying with European Directive 2014/91/UE. It will undertake investments in accordance with the regulatory provisions in force and applicable to this category. The following investment limits apply.

Risk diversification ratio for deposits	20% per credit institution.
Cash borrowings	10%
Risk diversification rules	5%/10%/ 40%
Loans guaranteed by the issuer (public loans or the equivalent)	35%/100% - 6 issues
Shares or units of UCITS and other investment funds	10%
Counterparty risk ratio	10%
Inclusion of underlyings in the ratios	Yes
Inclusion of repos in the ratios	Yes
Securities borrowings	10%
(Cash) reverse repos	100%
Concentration limit	10%
Concentration limit on UCITS and other investment funds	25%
Total ratio	20%
Total ratio for secured loans/real estate bonds	35%

Specific investment rules of RIVOLI LONG SHORT BOND FUND :

- The fund is authorized to invest in the funds of Rivoli Fund Management, without any subscription / redemption fees being charged.
- RIVOLI LONG SHORT BOND FUND may only invest a maximum of 10% of its assets in other UCITS.

GLOBAL RISK

Subscribers should be aware that the Fund uses the probabilistic method when calculating global risk (market risk of the portfolio of the fund). Thus, the Fund's Value at Risk (VaR) over a period of 20 days with a probability of 99% may not exceed 6%. This means that, for a probability of 99%, the loss recorded over 20 days by a subscriber may not exceed 6%. Subscribers should note that this limit does not constitute a guarantee - it is merely an objective expressed in terms of probability.

The probabilistic method is being enforced from October 9th, 2006.

ASSET VALUATION AND ACCOUNTING RULES

I. VALUATION RULES

1. Equities

French and European stocks are valued on the basis of the last known market price.

2. Bonds

French bonds are valued on the basis of the last known market price including the accrued dividend calculated on the Fund's net asset calculation day.

Foreign securities are valued on the basis of the closing price on their main market converted into euros at the foreign exchange rate applicable on the valuation day.

Unlisted securities are valued according to an actuarial method on the basis of the reference rate referred to below, increased by, where applicable, a margin representing the issuer's intrinsic characteristics:

- Euro Interbank Offered Rate (EURIBOR) for tranches with a floating rate that is revised annually;
- Treasury Bond (*OAT*) rate with short maturities for the fixed rate tranches.

Loans that are audited are valued at the latest listed price, or if there have not been any significant transactions, on the basis of discounted future cash flows.

Securities not traded on a regulated market are valued by the management company at their probable trading value.

3. Negotiable debt securities

Negotiable debt securities and equivalent securities are valued:

- for those traded in significant volumes, at market price;
- for the others, on an actuarial basis according to the yield curves defined below, increased by, where applicable, a margin to represent the issuer's intrinsic characteristics:
 - o Euro Interbank Offered Rate (EURIBOR) for negotiable debt securities with a duration of a maximum one year;
 - o Treasury Bill (*BTAN*) rate published by the Banque de France for negotiable debt securities with a maturity of between one year and five years;
 - o For negotiable debt securities with a maturity of more than five years, the short-term Treasury bond (*OAT*) rate;
 - o For floating-rate negotiable debt securities, by reference to a credit curve reflecting the issuer's intrinsic characteristics;
 - o For synthetic securities, on the basis of future cash flows.

Asset swaps are valued on the basis of a price reflecting the counterparties' prices.

However, negotiable debt securities with a residual duration of three months or less, with low sensitivity, may be valued using the straight-line method.

4. UCITS and other investment funds

Shares or units of UCITS and other investment funds are valued at the last known net asset value.

5. Repo transactions

Securities traded under repo and reverse repo transactions are valued at the contract's initial price, increased by the agreed remuneration, pro rata temporis.

6. Off-balance sheet commitments

Options contracts on French stocks traded on the French regulated market are valued at the closing price on the valuation day.

Other futures and options contracts traded on European regulated markets are valued at the closing price.

Futures and options contracts traded on other regulated markets are valued on the basis of the closing prices on their respective markets converted into euros at the exchange rate stipulated on the valuation day.

Futures contracts are valued by applying the nominal value of these contracts to their closing prices. Options contracts are translated into the equivalent underlying asset.

Over-the-counter commitments:

Interest rate swaps are valued using an actuarial method based on prices provided by Reuters. They are valued at their nominal value, increased by the accrued interest and their assessed market value.

Index swaps are valued using an actuarial method based on the prices provided by the counterparty. They are valued at their nominal value, increased by the assessed market value.

Currency forwards are valued at the price of the currencies on the valuation day, taking into account amortisation of positive or negative balances carried forward.

Caps and floors are valued on the basis of the prices provided by the counterparty.

However, for transactions with a residual life of three months or less, the valuation methods may be simplified in compliance with the rules set by the *Autorité des Marchés Financiers*.

II. ACCOUNTING METHOD

The annual accounts are drawn up in accordance with the accounting rules set forth under current regulations, and particularly with the chart of accounts for mutual funds (French Accounting Regulation Committee Rule No. 2003-02 as of October 2nd 2003).

Portfolio securities are recognised on the balance sheet at their market value.

Income generated from bonds and receivables of any kind is recognised on a cash basis.

Transactions are recognised net of fees.

The accounting data is neither restated nor adjusted when the accounts for the financial year are drawn up. This method is therefore consistent with that used for the calculation of net asset values (principles of consistent net asset value calculation methods).

REGULATIONS

TITLE 1 – ASSETS AND UNITS

Article 1 - Co-ownership units

The co-owners' rights are expressed in units, each unit corresponding to the same fraction of the Fund's assets. Each unitholder has a co-ownership right over the Fund's assets proportional to the number of units held.

The duration of the Fund is 99 years beginning on 5 December 2001, except in the event of early dissolution or of extension provided for in these regulations.

The characteristics of the different categories of unit and their conditions of access are stated in the Fund's prospectus.

The different categories of unit may:

- benefit from different systems in terms of distributable amounts (distribution or capitalisation);
- be denominated in different currencies;
- incur different management fees;
- incur different subscription and redemption fees;
- have a different par value.
- être assorties d'une couverture systématique de risque, partielle ou totale, définie dans le prospectus. Cette couverture est assurée au moyen d'instruments financiers réduisant au minimum l'impact des opérations de couverture sur les autres catégories de parts de l'OPCVM ;
- être réservées à un ou plusieurs réseaux de commercialisation.

Aggregation or division of units

Units may be divided upon decision of the management company's Executive Committee into tenths, hundredths, thousandths or ten-thousandths, referred to as fractions of units. The rules providing for the issue and the redemption of the units shall apply to fractions of units whose value will always be proportional to the value of the unit they represent. All other rules relating to the units shall apply to fractions of the units without any necessity to specify this, except when it shall be otherwise provided for.

The management company's Executive Committee may proceed at its own discretion with a division of the units by creating new units that will be allocated to unitholders in exchange for the old units.

Article 2 - Minimum amount of assets

The units may not be redeemed if the Fund's assets (ou d'un compartiment) amount to less than €300,000.; lorsque l'actif demeure pendant trente jours inférieur à ce montant In this case, unless the assets increase above this amount during this time, the management company will take the necessary measures to carry out the merger or dissolution of the Fund within a period of thirty days.

mentionnées à l'article 411-16 du règlement général de l'AMF (mutation de l'OPCVM).

Article 3 - Issue and redemption of units

The units shall be issued at any time at the request of the unitholders on the basis of their net asset value plus subscription fees, if applicable.

Redemptions and subscriptions shall be carried out under the conditions and in accordance with the terms defined in the prospectus.

The Fund's units may be quoted on the stock market in accordance with the rules and regulations in force.

Subscriptions must be fully paid up on the date of calculation of the net asset value. They will be made in cash.

Redemptions are only made in cash, except in the event of a winding up of the Fund when unitholders have agreed to be repaid in shares. They will be paid by the custodian within five days maximum after the date of valuation of the unit.

However, if, in exceptional circumstances, where redemption requires the prior disposal of assets of the Fund, this period may be extended up to a maximum of 30 days.

Except in the event of succession or *inter vivos* distribution, the assignment or the transfer of the units between unitholders or from a unitholder to a third party, is similar to a redemption followed by a subscription; in the case of a third party, the amount of the assignment or the transfer must, if applicable, be completed by the beneficiary to reach at least the minimum subscription amount required by the rules of the Fund.

Pursuant to Article L.308-7 of the French Monetary and Financial Code, the redemption by the Fund of its units, like the issue of new units, may be suspended temporarily by the management company if exceptional circumstances require this and if this is in the interests of the unitholders.

If the Fund's net assets fall below the amount set in the regulations, no redemptions may be undertaken.

The minimum subscription is one unit, as stated in the prospectus.

Pursuant to chapter 3 of Article L. 214-8-7 of the French Monetary and Financial code, the Fund may cease to issue units under objective situations resulting in the closure of subscriptions due, for example, to a maximum number of units or shares having been issued, a maximum amount of assets being obtained or the expiry of a given subscription period. These objective situations are defined in the Fund's prospectus.

The CEO of the management company of the Fund may restrict or prevent the ownership of Units of the Fund by any person, firm or corporate body who is precluded from holding Units of the FCP (a "Precluded Person"). Precluded Persons are U.S. Persons as defined in U.S. SEC Regulation S (Part 230 - 17 CFR 230.902) and detailed in the Prospectus.

For such purpose, the CEO of the management company of the Fund may:

- (i) decline to issue any Unit where it appears to it that such registration would or might result in such Unit being directly or beneficially owned by a Precluded Person;
- (ii) any time require any person whose name is entered in the Register of Unitholders to furnish it with any information, supported by affidavit, which it may consider necessary for the purpose of determining whether or not beneficial ownership of such unitholder's Units rests in a Precluded Person; and
- (iii) where it appears that any person, who is a Precluded Person, either alone or in conjunction with any other person is a beneficial or registered owner of Units, compulsorily redeem from any such unitholder all Units held by such unitholder after a delay of 10 days. The compulsory redemption will be made at the latest available NAV taking into account any relevant fees or commissions applicable to the Precluded Person after a delay of 10 days during which the unitholder may present its observations to the relevant competent body.

Article 4 - Calculation of the net asset value

The calculation of the net asset value per unit is carried out according to the valuation rules specified in the prospectus.

TITLE 2 - MECHANICS OF THE FUND

Article 5 - The management company

The management of the Fund is carried out by a management company in accordance with the Fund's guidelines.

In all circumstances the management company acts on behalf of the unitholders and can exercise alone the voting rights attached to the securities held by the Fund.

Article 5a - Operating rules

The instruments and deposits eligible to comprise the Fund's assets and the investment rules are described in the prospectus.

Article 6 - The custodian

The custodian is responsible for les missions qui lui incombent en application des lois et règlements en vigueur ainsi que celles qui lui ont été contractuellement par the management company cconfiées. Il doit notamment s'assurer de la régularité des décisions de la société de gestion de portefeuille. The custodian must ensure the legality of the decisions of the management company. It must, if necessary, take any protective measures it deems appropriate. In the event of a dispute with the management company, it shall inform the *Autorité des Marchés Financiers*.

Article 7 - The statutory auditor

A statutory auditor is appointed by the Executive Committee of the management company upon the approval of the *Autorité des Marchés Financiers*.

It certifies the integrity and consistency of the accounts.

The statutory auditor may be reappointed.

Le commissaire aux comptes est tenu de signaler dans les meilleurs délais à l'Autorité des marchés financiers tout fait ou toute décision concernant l'organisme de placement collectif en valeurs mobilières dont il a eu connaissance dans l'exercice de sa mission, de nature :

1° A constituer une violation des dispositions législatives ou réglementaires applicables à cet organisme et susceptible d'avoir des effets significatifs sur la situation financière, le résultat ou le patrimoine ;

2° A porter atteinte aux conditions ou à la continuité de son exploitation ;

3° A entraîner l'émission de réserves ou le refus de la certification des comptes.

Assets are valued, and exchange rates are determined in relation to conversion, merger or spin-off transactions under the supervision of the statutory auditor.

It assesses any contribution in kind under its responsibility.

The statutory auditor controls the accuracy of the statement of assets and other items prior to publication.

The fees of the statutory auditor are determined by mutual agreement between the auditor and the Executive Committee of the management company, on the basis of a work schedule setting out the checks that are considered necessary.

It certifies the situations that are used as a basis for distributing interim dividends.

The statutory auditor's fees are not included in the management fees.

Article 8 - The accounts and the management report

Upon closure of each financial year, the management company draws up the summary documents and a report on the management of the Fund during the past financial year.

La société de gestion établit, au minimum de façon semestrielle et sous contrôle du dépositaire, l'inventaire des actifs de l'OPC.

The management company makes these documents available to the unitholders within four months after the closure of the financial year and informs them of the amount of income to which they will be entitled. These documents are either sent by post at the express request of the unitholders or made available to them by the management company.

TITLE 3 - ALLOCATION OF THE RESULTS

Article 9

The net result for a financial year is equal to the amount of interest, back payments, dividends, premiums and attendance fees as well as all revenue relating to the securities making up the portfolio of the Fund increased by the revenue of the sums momentarily available and decreased by the management costs and the borrowing expenses.

Distributable amounts shall consist of :

- The net income of the financial year increased by any amounts carried forward and then increased or decreased by the balance of the equalisation account for distributable amounts relating to the financial year just closed.
- The realized gains, net of fees, lowered with realized capital losses, net of fees, recorded during the year, plus the net capital gains of the same nature recorded in prior years that were not distributed nor capitalised, increased or lowered with the balance of the gains regularization balance.

The amounts mentioned above may be distributed, in whole or in part, independently from each other.

The management company decides on the allocation of the results.

The Fund has opted for the following full capitalisation formula: distributable amounts the sums available are fully capitalised every year, except for the monies that must be allocated under law.

Further details on the methods of allocation of income and distribution is likely to be mentioned in the prospectus.

TITLE 4 - MERGER - DEMERGER - DISSOLUTION - LIQUIDATION

Article 10 - Merger - Demerger

The management company may either merge, in full or in part, the assets included in the Fund with another fund also managed by itself or split the Fund in two or into several other mutual Funds.

Such merging or demerging operations may only be carried out after the unitholders have been notified of the same. They will give rise to the issuing of a new certificate specifying the number of units held by each unitholder.

Article 11 - Dissolution - Extension

If the Fund's assets remain less than the amount fixed in Article 2 above for thirty days, the management company will inform the *Autorité des Marchés Financiers* and will proceed with the dissolution of the Fund, except in the event of a merger with another mutual fund.

The management company will inform the unitholders of its decision to dissolve the Fund and requests for subscription or redemption will no longer be accepted from that date.

The management company will also proceed with the dissolution of the Fund in the event of a request for total redemption of the units, or in the event the custodian ceases its functions, if no other custodian has been appointed, or at the expiry of the life of the Fund, if it has not been extended.

The management company will inform the *Autorité des Marchés Financiers* by post of the date and the dissolution procedure decided upon. It will then send the auditor's report to the *Autorité des Marchés Financiers*.

The life of the Fund may be extended by decision of the management company in agreement with the custodian. Such extension must be decided at least three months before the Fund expires and notified to the unitholders and the *Autorité des Marchés Financiers*.

Article 12 - Liquidation

In the event of dissolution of the Fund, the management company, or the custodian with its agreement, will be acting as a liquidator ; failing this, the liquidator is appointed by the court at the request of any interested person. For this purpose, they have the broadest powers to dispose of the assets, pay any potential creditors and divide the available balance among the unitholders in cash or in securities.

The auditor and the custodian will continue to exercise their functions until the end of the liquidation.

TITLE 5 - DISPUTES

Article 13- Jurisdiction - Election of domicile

All Fund-related disputes that may arise during the life of the Fund, or during the liquidation of the Fund, either among the unitholders, or between the unitholders and the management company or the custodian, shall be submitted to the courts with jurisdiction.