

LONGCHAMP ASSET MANAGEMENT

LONGCHAMP ABSOLUTE RETURN FUND PROSPECTUS

Fund compliant with European Directive 2009/65/EC

I. GENERAL CHARACTERISTICS

I -1 FUND STRUCTURE

- **Name**
 - LONGCHAMP ABSOLUTE RETURN FUND ('the Fund')
- **Legal form**
 - UCITS Fund governed by French law (FCP or OPCVM)
- **Creation date and expected term**
 - The Fund has been approved on 19/08/2014 and has been created on 26/09/2014 for a period of 99 years.

- **Fund Overview**

Share Class	CHARACTERISTICS						
	ISIN Code	Allocation of Distributable Income	Base Currency	Initial NAV	Target Investors	Minimum Initial Investment	Minimum Subsequent Investment
S	FR0012034783	Accumulation	EURO	1 000 €	All subscribers, and more specifically institutional and high net worth individuals	100, 000 € (*)	1 thousandths of a unit
A	FR0012034791	Accumulation	EURO	1 000€	All subscribers,	1,000 €(*)	1 thousandths of a unit

(*) The minimum initial subscription amount does not apply to Longchamp AM.

- **Address for obtaining latest financial statements (Annual and Semi-Annual Reports):**

The latest financial statements (Annual and Semi-Annual Reports) shall be sent to shareholders within eight business days upon written request to:

Longchamp Asset Management
30 rue de Galilée
75116 Paris
Tel: 01.71.70.40.30
E-mail: ir@longchamp-am.com

Any additional information can be obtained from the Investment Management Company mentioned above.

II – ROLES

- **Investment Management Company:**

Longchamp Asset Management
Approved by the Autorité des Marchés Financiers (“AMF”) on 01/03/2013 incorporated as a Société par Action Simplifiée (SAS)
License number: GP-13000009
Head Office and Postal Address: 30 rue Galilée - 75116 – Paris.

- **Custodian, Trustee, Transfer Agent:**

CREDIT INDUSTRIEL ET COMMERCIAL (CIC)
Head Office and Postal Address: 6 avenue de Provence - 75009 – Paris.

- **Auditor:**

PricewaterhouseCoopers Audit
Head Office and Postal Address: **Crystal Park - 63 rue de Villiers – 92200 NEUILLY SUR SEINE**

- **Distributor:**

Longchamp Asset Management
30 rue Galilée
75116 Paris
Tel: 01.71.70.40.30
e-mail: ir@longchamp-am.com

Longchamp Asset Management may delegate the marketing of the Fund’s shares to accredited third parties. The Fund is registered with Euroclear France; its shares may be purchased or redeemed through financial intermediaries that may not be known to the Investment Management Company.

- **Administration and Valuation:**

Administration and valuation of the Fund are delegated to:

CM-CIC ASSET MANAGEMENT
Head Office and Postal Address: 4, rue Gaillon - 75002 - Paris

II. OPERATING AND MANAGEMENT PROCEDURES

I - General Characteristics

- **Characteristics of share classes:**

ISIN Codes:

Class S: FR0012034783

Class A: FR0012034791

Nature of rights attached to shares:

Every shareholder has a right of co-ownership over the Fund's assets, which is proportional to the number of shares held.

Inclusion in a Register:

The investor's name and rights will be registered by an account entry with the financial intermediary of investor's choice for bearer shares, at the issuer, and if requested, with financial intermediary of investor's choice for registered securities.

Liabilities Accounting:

Liability accounting is performed by the Custodian. Units are administered under Euroclear France.

Voting Rights: No voting rights are attributed to the ownership of units. Decisions regarding the Fund are taken by the Investment Management Company; information on functioning of the Fund is provided to shareholders, as appropriate, either individually or through the news, either through periodic statements or by any other means.

Form and Fractions of Shares: Bearer

The amount of securities is expressed in thousandths. Subscriptions and redemptions are in thousandths of units.

Closing Day:

Last trading day of each calendar year as observed of the Paris Stock Exchange.

Closing day of the first term:

Last trading day of December 2015 as observed on the Paris Stock Exchange.

Tax Regime

The Fund is not subject to corporate taxation and fiscal transparency is applicable to any holder of shares. Fiscal policy applicable to amounts distributed by the Fund or to unrealized capital gains or losses depends on the tax regime applicable to each investor relative to his / her state of jurisdiction and/or to the Fund's jurisdiction.

II - SPECIFIC PROVISIONS

ISIN Codes:

Class S: FR0012034783

Class A: FR0012034791

- **Classification**

Fund of Funds: Up to 100% of the Fund's net assets.

- **Investment Objective**

The objective of the Fund is to seek to deliver an annualized performance net of fees higher than that of EONIA capitalized +1% over the recommended investment period of 5 years minimum, through the selection of diversified funds mainly exhibiting an absolute return objective.

- **Benchmark**

The Fund's benchmark is the EONIA capitalized:

Class S: EONIA capitalized +1%

The benchmark is denominated in euros and reflects the accrual of interests.

The Fund's management process does not consist in the replication of a benchmark and its performance may be significantly different from that of the Benchmark.

The Fund's benchmark is the EONIA capitalized (Euro Overnight Index Average). EONIA is the benchmark for Eurozone money market. It is computed as a weighted average of interbank transactions from a panel of bank in the Eurozone and represents the risk free rate

• Investment Strategy

The Fund aims to achieve steady, consistent absolute returns while maintaining a low correlation with traditional asset classes through the implementation of a conviction and dynamic investment management process.

Investment Universe

The Fund may invest up to 100% of its net assets in comingled funds domiciled in France or abroad, of which up to 30% can be in European Alternative Investment Funds open to non-professional investors meeting the requirements of Article R.214-13 of the French Monetary and Financial Code. The Funds will be classified as "equity", "diversified" or "money market" with no geographic or sector distinction.

The investment process will mainly consist in an allocation to a series of comingled funds exhibiting an absolute return objective.

Strategies implemented by the funds selected for an allocation will include equity (0-60%), fixed income (0-60%), convertible arbitrage (0-40%), merger arbitrage and special situations (0-30%), quantitative trading (0-20%) and global macro (0-20%). The Fund's main investment objective is to deliver absolute returns with low correlation to traditional asset classes.

Although the investment universe exhibits a wide range of approaches and portfolio management techniques, the following section describes the Fund's investable strategies:

- Equity strategies include long/short equity strategies (whereby both long and short positions may be taken and which net exposure may be different from 100%) as well as traditional long only equity strategies (for which short-selling is forbidden resulting in a net exposure limited to 100% of net assets).
- Fixed Income strategies which seek to take advantage of changes in yield's curves and which investment universe includes government bonds, futures and interest rates swaps.
- Convertible arbitrage strategies which seek to exploit discrepancies between convertible bonds and their underlying assets.
- Merger arbitrage strategies which seek to capture a premium observed between the acquisition price announced by the bidding company and the target company's market value.
- Special Situations strategies which seek exposure to opportunities generated by company events such as mergers, restructuring, bankruptcies, etc.
- Quantitative Trading strategies which build their portfolios based on predictions computed by a quantitative model which analyses prices and any relevant information to generate a "buy" or "sell" signal. These strategies mainly invest in future and forward contracts.
- Global Macro strategies which seek to take advantage of the macroeconomic environment and therefore use all instruments available reflecting the economic situation: foreign exchange; indices; yield curve; commodities.

In addition to the fund selection performed by the investment Management Company and in order to strengthen the investment rationales, the Fund may occasionally hold:

- Exchange Traded Funds (ETF) subject to a limit of 20% of the Fund's net assets
- Equities from companies within OECD countries subject to a limit of 15% of the Fund's net assets,
- EMTN and ETN, subject to a limit of 15% of net assets

According to market conditions, the Fund may invest up to 100% in fixed income securities or money market instruments.

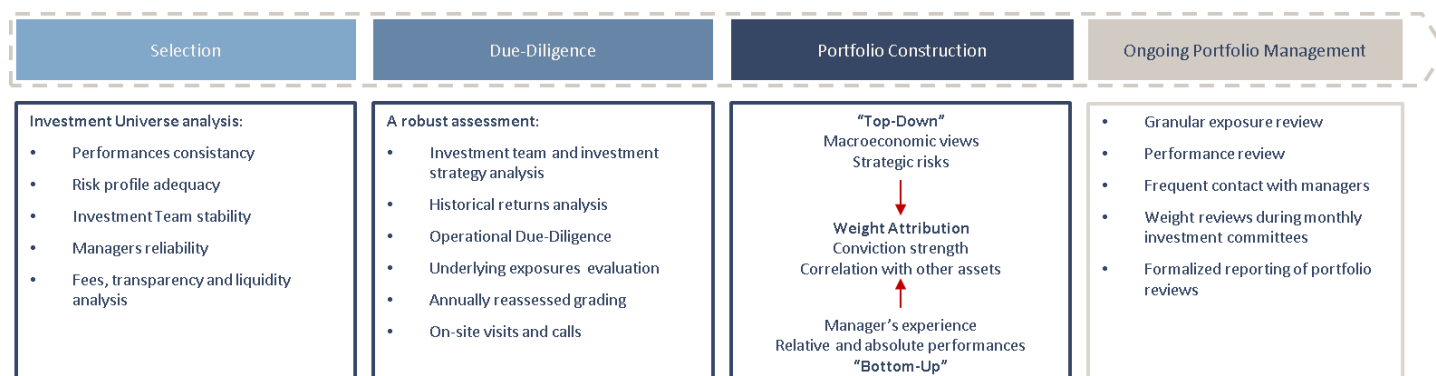
Fund selection process

Investment decisions are based on the combined analysis of the following approaches:

- Top Down approach: Macro-economic approach, which strives to anticipate the growth prospects relative to different sectors and geographical areas. This analysis also looks to formulate investment thesis and identify strategies which display the most potential within a given market environment. This top-down analysis is crucial in determining the Fund's allocation to the various available strategies within the investment universe.
- Bottom-up approach: Consists in analyzing the strengths and weaknesses of investment companies managing funds included in the investment universe, their strategic positioning, the quality and experience of their investment teams, quality of past results, stability of their

asset base, operational strength and quality of risk management performed by the investment management companies... Funds included in the allocation will have been thoroughly due diligenced. The "bottom up" approach is essential for selecting strategies which the Fund is comfortable allocating to.

Quantitative tools may be used to strengthen the decision-making process especially to adjust the portfolio's volatility; however the final investment decisions will remain discretionary.



Fund Allocation Policy

The Fund's allocations seek to be more strategic than tactical; thus the gradual and granular changes. Factors considered for allocation include, expectation of future returns with respect to the Fund's specific risk factors (average levels of market exposure, concentration and liquidity). Maximum allocation to a single fund is capped at 20% of the Fund's total net asset value. Strategies benefiting from an allocation to the Fund will be subject to ongoing monitoring and risk management controls.

The portfolio management process will seek to limit the annual volatility of the Fund's net asset values to a maximum of 6%. The global exposure of the Fund, defined as the sum of the exposures of each of the individual funds benefiting from an allocation, will be actively managed in order for the Fund to meet its volatility acceptance level.

The Fund is committed to respecting the following exposures:

0% to 60% in equity funds (all sectors, geographies, including emerging markets of all market capitalizations) with the following constraints:

- 0% to 15% % in funds involved in emerging market equities
- 0% to 15% in small-cap equity markets

At times of market turmoil or significant volatility, the Fund may occasionally invest in bonds and money market instruments, with the following constraints:

- 0% to 100% in government bonds of OECD countries
- 0% to 20% in corporate bonds of companies with headquarters in an OECD countries
- 0% to 20% in convertible bonds of companies with headquarters in an OECD countries

The securities will not have ratings below A- or equivalent at the time of purchase or during life span.

To select and monitor fixed income securities, the Investment Management Company will not rely solely on ratings as provided by credit rating agencies. An internal and proprietary credit analysis will also be conducted to select a security. The Investment Management Company may thus make decisions to buy, hold or in case of deterioration, sell positions.

The Fund's modified duration will range between 0 and 5.

The Fund will limit its currency risk from non-euro currencies to 20% maximum.

The Fund's global exposure will not exceed 100% of its net assets.

• Assets (excluding derivatives)

Investment guidelines in terms of instruments are displayed in the table below:

Exposure relates to the investments directly held by the Fund and may include assets mentioned in the table below with the specified constraints. The sum of direct exposures will not exceed 100%.

Direct Exposure (At the Fund level)

Asset Class	Minimum Exposure	Maximum Exposure
Funds	0%	100%
AIF	0%	30%
Government Bonds	0%	100%
Corporate Bonds	0%	20%
Subordinated Securities	0%	20%
Convertible Bonds	0%	20%
Equities of companies belonging to OECD countries	0%	15%
Securities embedding derivatives; EMTN	0%	15%
Exchange Traded Funds	0%	20%

- **Comingled funds**

The Fund may hold up to 100% of its net assets in units or shares of comingled funds, alternative investment funds or investment funds under French law within the limits mentioned below:

- Up to 100% of units or shares of comingled funds registered in France and / or a European country as defined in the European Directive 2009/65 / EC that may not invest more than 10% of their assets in units or shares in other funds or investment funds, including:
 - Equity strategies(0%-60%) with an upper limit of 15% in emerging market equities and 15% in small cap equities
 - Fixed income strategies (0%-60%),
 - Convertible bonds arbitrage strategies (0%-40%)
 - Merger arbitrage and special situations strategies (0%-30%)
 - Global macro strategies (0%-20%)
 - Quantitative trading strategies (0%-20%)
- Up to 30% of net assets in units or shares of Alternative Investment Funds registered in France or abroad or foreign investment funds that meet the four conditions defined in Article R. 214-13 of the French Monetary and Financial Code
- Up to 20% of net assets in Exchange Traded Funds (ETF)

- **Debt securities and money market instruments:**

The Fund is authorized to invest up to 100% in government bonds of OECD countries; and up to 20% in:

- Corporate bonds of companies with headquarters in an OECD member;
- Subordinated instruments;
- Convertible bonds of companies with headquarters in an OECD member.

The Fund may use debt securities or money market instruments for cash management purposes.

- **Equities:**

The Fund may hold up to 15% of its net assets in equities of companies in OECD countries.

- **Securities with embedded derivatives:**

The fund may hold up to 15% of its net assets in EMTN linked to equity, fixed income and foreign exchange markets in order to gain an exposure to their volatility with an optional profile.

- **Deposits:**

The Fund may invest up to 10% in deposits, which will be held with one or more credit institutions.

- **Cash borrowing:**

Cash borrowing may not exceed 10% of the Fund's net assets and shall be used to provide liquidity only for a temporary period of time, to holders who wish to redeem their units.

- **Securities lending and repurchase agreement:**

- Nil.

- **Derivatives:**

- Nil.

- **Risk Profile**

Fund's assets will be invested in financial instruments selected by the Investment Management Company. These instruments are subject to market conditions and fluctuations.

Holders of shares or units of the Fund will be exposed to the following risks:

- **Risk of capital loss:** The loss of capital arises when a unit is sold at a lower price than its purchase value. The Fund does not provide for capital guarantee or protection. The initial investment is exposed to market risks, and, in case of adverse market conditions, may not be returned as invested initially;
- **Risk associated with discretionary management:** This investment style is fully discretionary and is based on expectations regarding the performance of various markets (equity, fixed income) and / or on the securities selected for an investment. There is a risk that the Fund may not be invested in the best-performing markets or securities at all times. The Fund's performance may therefore translate into lower returns than its objectives and result in a decline of the Fund's net asset value;
- **Equity Risk:** Equity markets may experience significant fluctuations depending on the changes in the global economy and in corporate earnings. In case equity markets fall, the Fund's net asset value may decrease.
- **Risk associated with investments in equities of small cap companies:** Such securities may, given the potentially lower volume of securities listed on the stock exchange, trigger liquidity risks. This may translate into more significant and rapid stock price depreciation. The net asset value of the Fund can therefore fall more rapidly and more sharply;
- **Risk associated with investments in emerging markets:** Investors' attention is drawn to the fact that monetary and operating conditions in emerging and developing countries may deviate from the standards prevailing in the major international markets. The net asset value of the Fund may fall more rapidly and more sharply;
- **Interest rate risk:** In case of a rise in interest rates, the value of fixed income instruments in which the Fund is invested may decline, leading to a decrease in the Fund's net asset value;
- **Credit risk:** In the event of a downgrade in an issuer's credit rating, or in an extreme case of an issuer's defaulting, the value of related debt securities may decrease and therefore the Fund's net asset value may fall;
- **Risk associated with high-yield bond investment:** Securities that the Investment Management Company or credit rating agencies would define as "speculative" exhibit an increased risk of default, and are thus likely to be subject to heightened volatility, which can lead to a decrease in the Fund's net asset value;
- **Currency risk:** An unfavorable evolution of the euro against other currencies may have a negative impact and lead to a decline in the Fund's net asset value.

- **Guarantee or Protection:**

Nil.

- **Targeted Investors and Typical Investors Profile**

Share classed S: All investors, and more specifically institutional and high net worth individuals.

Share classed A: All investors.

The Fund is intended for investors seeking low correlation with traditional asset classes and consistent absolute returns during the recommended investment horizon.

The reasonable amount to invest in the Fund depends on the personal situation of each investor. To assess this amount, one is advised to consider his/her current personal wealth and financial needs (including those on a 5 year investment horizon) as well as his/her willingness to take on risks associated with an investment in the Fund or his/her preference for a more cautious investment. It is also highly recommended to diversify investments adequately to avoid being solely exposed to the Fund's risks.

- **Recommended Investment Horizon**

More than 5 years.

- **Calculation and Distribution of Income and Capital Gains**

The net income for the fiscal year shall correspond to the interests, arrears, dividends, premiums and allotments, directors' fees and all other financial products generated by securities held in the Fund's portfolio, as well as any cash amount momentarily available, altogether subject to management fees and loan interests.

Distributable income consists of:

1. Net income for the financial year, plus moneys carried forward and plus or minus the balance of past accrued income ;
2. Net capital gains, after fees, minus any net capital loss accrued during the current financial year, plus net capital gains of the same kind accrued during previous years that have not been subject to distribution or capitalization, impacted (positively or negatively) by the balance of the capital gains' regularized account.

Capitalization (Share Classed S and I):

The distributable amounts shall be entirely capitalized each year.

	<i>Fully Capitalized</i>	<i>Partially Capitalized</i>	<i>Fully Distributed</i>	<i>Partially Distributed</i>
<i>Net Income</i>	X			
<i>Net Realized Capital Gains or Losses</i>	X			

- **Frequency of Distribution**

Nil

- **Characteristics of Shares**

Share class S: 1,000 Euros.

Share class A: 1,000 Euros.

Share class S: In fractions of 1 thousandth of units. Denominated in Euro (€).

Share class A: In fractions of 1 thousandth of units. Denominated in Euro (€).

Minimum initial investment

Share class S: 100,000€ (This minimum does not apply to discretionary mandates nor management, employees and funds of Longchamp Asset Management SAS).

Share class A: 1,000€ (This minimum does not apply to discretionary mandates nor management, employees and funds of Longchamp Asset Management SAS).

Minimum subsequent investment or redemption: **1 thousandth of a unit.** The minimum investment for discretionary mandates or those that the Investment Management Company's senior management and employees would proceed with ought to be made in full units.

- **Dealing Deadline for Subscription and Redemption Requests**

Financial institution responsible for subscription and redemption:

CREDIT INDUSTRIEL ET COMMERCIAL (CIC) 6, Avenue de Provence - 75009 Paris.

Friday (T, defined as "Trading Day") will be the Reference Day for the Fund's net asset value. If it is a holiday mentioned in Article L. 3133-1 of the French Labor Code or if it is a closing day for the Paris Stock Exchange (as per Euronext SA calendar), the Fund's net asset value is calculated on the closing market price of the next business day.

Subscription and redemption orders shall be received by 12:00 PM 1 business day prior to the relevant Trading Day, meaning every Thursday (as per official calendar of Euronext Paris SA).

Execution

- Orders received before 12:00 PM 1 business day prior to the relevant Trading Day, meaning on Thursday, will be executed on the basis of the closing net asset value calculated on the next Trading Day, meaning Friday (T).
- Orders received after 12:00 PM 1 business day prior to the relevant Trading Day, meaning on Thursday, will be executed on the basis of the net asset value, calculated on the closing market price of the following Trading Day, meaning on the Friday of the following week.

Settlement

- In the case of subscriptions, payment (cash) and delivery (shares/units) shall occur within four business days following the relevant Reference Day (T+4).
- In the case of redemptions, payment (cash) and delivery (shares /units) shall occur within four business days following the relevant Reference Day (T+4).

Should the Dealing Deadline occur on a holiday as defined by Article L. 3133-1 of the French Labor Code, or if it is a closing day of the Paris Stock Exchange (as per Euronext SA calendar), the subscription and redemption will be centralized on the next business day.

- **Net Asset Value Frequency**

The Fund's net asset value is calculated on the Trading Day's closing prices, unless the Trading Day occurs on a holiday as defined in Article L. 3133-1 of the French Labor Code and / or if it is a closing day of the Paris Stock Exchange (as per Euronext SA calendar), in which case, the Fund's net asset value will be calculated on the closing market price of the next business day.

The net asset value calculation takes place three business days after the Reference Day (T +3).

A technical net asset value is calculated on the last trading day of each month. This net asset value is not a valid basis for subscriptions/redemptions.

The Fund's net asset value will be made available upon request at Longchamp Asset Management on the next business day following its calculation (T+4), , and on the Investment Management Company's website: www.longchamp-am.com. It will be calculated on the basis of latest available closing market prices for the funds and other securities which the Fund is invested in.

- **Fees and Expenses**

- ▶ **Subscription and Redemption Fees:**

Subscription fees increase the subscription price paid by the investor, while redemption fees decrease the redemption price. Fees paid to the Fund serve to offset the costs incurred by the Fund to invest and disinvest investors' monies. Fees not paid to the Fund are paid to the Investment Management Company, the promoter, etc.

Fees payable by the investor on subscriptions and redemptions	Basis	Applicable rates
Subscription fee not payable to the Fund	Net Asset Value per unit x number of units	Share class :S: 3% Share class :A: 3%
Subscription fee payable to the Fund	Net Asset Value per unit x number of units	Nil
Redemption fee not payable to the Fund	Net Asset Value per unit x number of units	Nil
Redemption fee payable to the Fund	Net Asset Value per unit x number of units	Nil

- ▶ **Operating and Management Fees**

The following fees cover for the fees charged directly by the Fund, excluding transaction fees, which include intermediaries' fees (brokerage, etc ...) and transaction fees, if any, that may be charged by the custodian and administrator of the Investment Management Company.

Other fees may be added to the operating and management Fees, such as:

- Performance fees: Rewards the Investment Management Company when the Fund outperforms its benchmark.
- Transaction fees charged to the Fund.

Fees charged to the Fund	Basis	Maximum chargeable rate
Management Fees	Net Assets	Share class S: 0.00% Share class A: 1.00%
Management Fees payable to the external companies (statutory auditor, custodian, distributors, lawyers)	Net Assets	0.20%
Maximum Indirect Expenses linked to underlying investments (commissions and fees)	Net Assets	Maximum 1.50% inclusive of tax

Transaction Fees	Payable upon each transaction, based on the transactions' gross amount	Equity: 0.10% (with a minimum of 75€) Bonds: 0.10% (with a minimum of 95€) UCI: maximum 180€ Money Market Instruments: 25€ (France) and 55€ (International)
Performance Fees	Net Assets	Share class S and A: 10% above annual EONIA capitalized +1% Note below (1)

:(1) Performance Fee is calculated using the High Water Mark system.

The performance fee is equal to 10% (inclusive of tax) of Fund's net annual performance above EONIA Capitalized +1%. It is calculated over a reference period of 12 months. By exception, the first reference period will begin at the Fund's creation to end on the last day of December 2015. Performance is calculated by comparing the Fund's net assets evolution over EONIA capitalized +1% to another reference Fund bearing the same variation in subscriptions and redemptions than the Fund.

The High Water Mark (HWM) system allows the Investment Management Company to be entitled to a performance fees if the following conditions are satisfied:

- The Fund outperforms the Fund's benchmark over the financial year.
- The net asset value at the end of the financial year is higher than the latest closing net asset value on which a performance fee has been deducted.

- If, over the given period, the Fund's performance net of fees is higher than that of Fund's benchmark and satisfy the HWM conditions, the variable part of management fees will be 10% (inclusive of tax) of the difference between the performance of the Fund's net of fees and the reference fund.

- If, over the given period, the Fund's performance net of fees is lower than that of Fund's benchmark or do not satisfy the HWM conditions, the variable part of management fees will be 0.

- In the event of an underperformance relative to the Fund's benchmark between the two net asset values, any provision previously done will be readjusted by a provision reversal. Reversal provisions will reach a limit set by previous commissions.

This variable part will be definitively received at the of the reference period, if over the reference period, the Fund's performance net of fees is higher than that of the reference's fund. Redemptions that occurred during the financial will lead to an early payment of variable fees. Those fees will be directly attributed on the Fund's account of reserve.

Selection of intermediaries

As part of its "Best Selection" obligation, the Investment Management Company selects brokers and / or counterparties through a policy in accordance with the regulation, including Article 314-75 of the General Regulations of the Autorité des Marchés Financiers.

The selection of brokers and other counterparties will be independently decided by the Investment Management Company based on prices and quality of service. The Investment Management Company is prohibited from placing orders with a single intermediary.

Tax:

Income and capital gains associated with the holding of units and shares of the Fund may be subject to tax depending on the tax regime applicable to each investor. In the event of doubt, investors are advised to seek advice from a professional tax advisor.

• **Commercial Information**

Distribution of information related to the Fund is managed by:

Longchamp Asset Management
30 rue Galilée, 75116 Paris
Tel: 01.71.70.40.30
E-mail: ir@longchamp-am.com
Website: www.longchamp-am.com

Environmental, social and corporate governance: The Investment Management Company of the Fund does not take ESG criteria into account in its management decisions.

The "Voting Policy" and summary of conditions under which voting rights may be exercised are available online at www.longchamp-am.com and / or may be sent to all shareholders upon written request sent to the Investment Management Company.

IV. Investment Rules

In accordance with Articles L 214-20, R 214-9 and subsequent of the Monetary and Financial Code, the Fund assets' investment constraints and risks limits shall be respected at all the times. If the mentioned limits were to be breached for reasons independent from the Investment Management Company or following the exercise of subscription rights, the Investment Management Company will focus as a priority on rectifying the situation in a timely manner, taking into account the best interest of the Fund's shareholders.

GLOBAL RISK:

The Fund's overall risk is calculated using the commitment approach.

- **Asset Valuation and Accounting Rules**

The Fund accounts its revenues using the paid coupon method.

ACCOUNTING OF ENTRY AND EXIT POSITIONS IN PORTFOLIO:

The accounting of positions entered and exited is recorded excluding any transaction fee.

VALUATION METHODS:

For each valuation, the assets are valued as per the following guidelines:

Equity and similar listed assets (French or foreign securities):

Valuation is done as per the stock market price.

The stock market price used is based on the stock market / exchange where the security is listed:

Securities quoted in European markets: Last available stock market price of the day.

Securities quoted in Asian markets: Last available stock market price of the day.

Securities quoted in Australian markets: Last available stock market price of the day.

Securities quoted in North American markets: Last available stock market price of the day.

Securities quoted in Latin-American markets: Last available stock market price of the day.

In the event that a security is not priced on the exchange for a given day, the closing stock market price of the previous business day is used.

Fixed Income and debt related assets (French or foreign securities) and EMTN:

Valuation is done as per the stock market price.

The stock market price used is based on the stock market / exchange where the security is listed:

Securities quoted in European markets: Last available stock market price of the day.

Securities quoted in Asian markets: Last available stock market price of the day.

Securities quoted in Australian markets: Last available stock market price of the day.

Securities quoted in North American markets: Last available stock market price of the day.

Securities quoted in Latin-American markets: Last available stock market price of the day.

In the event that a security is not priced on the exchange for a given day, the closing stock market price of the previous business day is used.

In the case of an unrealistic stock market price, the Investment Management Company undertakes the responsibility of making an estimate more in line with actual market parameters. According to the available sources, the evaluation can be done using various methods, for e.g.:

- quote from a contributor,
- an average of quotes from several contributors,
- using an actuarial method utilizing the spread (credit or other) and current yield curve,
- etc.

Units or shares of UCITS funds and AIFs in the portfolio:

Valuation is based on the latest available net asset value.

Negotiable debt instruments:

Negotiable debt instruments, which upon acquisition, have a residual maturity of less than three months, will be valued linearly.

Negotiable debt instruments, which upon acquisition, have a residual maturity of more than three months, are valued at their market value until their maturity reaches 3 months and one day

The difference between their market value until their maturity reaches 3 months and 1 day and their redemption value is linearized for the remaining 3 months.

Exception: BTF and BTAN are valued at market price until maturity.

Market quote used:

Bon du Trésor Français / Bon du Trésor à Terme Négociable:

Actuarial yield to maturity or market price as quoted by the Bank of France for the specific day.

Other negotiable debt instruments:

a/ Instruments with a maturity comprised between 3 months and one year:

- If the negotiable debt instrument is subject to significant transactions: an actuarial method is applied using the security's respective rate of return as provided by the market.
- Other negotiable debt instruments: Using proportional method using a rate of return equivalent to that of EURIBOR of similar maturity, which may potentially be corrected by a margin accounting for intrinsic characteristics of the issuer.

b/ Instruments with a maturity of more than 1 year: using an actuarial method.

- If the negotiable debt instrument is subject to significant transactions: the rate of return used is that of the market as provided on a specific day.
- Other negotiable debt instruments: Using a rate of return of BTANs of an equivalent maturity, which may potentially be corrected by a margin accounting for intrinsic characteristics of the issuer.

Futures Contracts:

Futures contracts are valued using the underlying assets' market prices. Market prices may vary depending on the Exchange where the futures contract is listed:

Futures traded on European markets: last available market price of the day or the price as of settlement date

Futures traded quoted on North American markets: last available market price of the day or the price as of settlement date

Options:

Options are valued following the same principle as their underlying securities:

Options traded on European markets: last available market price of the day or the price as of settlement date

Options traded on North American markets: last available market price of the day or the price as of settlement date

Swaps:

Swaps with maturity within 3 months are valued linearly.

Swaps with maturity greater than 3 months are valued at market prices.

Valuation of index swaps based on market price is computed applying a commonly used probabilistic mathematical model for those products. The model use Monte Carlo simulations.

In the case a swap's underlying securities are clearly identified in terms of credit quality and duration), the latter are valued using all available resources.

Foreign exchange futures contracts:

These types of contracts are used to hedge currency risk linked to the holding of securities denominated in a currency different from that of the Fund and translate into a borrowing of the required amount in the required currency. Such contracts are valued based on the yield curve of the foreign / base currency.

OFF-BALANCE SHEET COMMITMENTS VALUATION METHOD:

Off-balance-sheet commitments on futures contracts are valued at their market value. valuation is done by multiplying the number of contracts with the nominal. Off-balance sheet commitments on OTC contracts will be recorded at their nominal value and in the absence of nominal, at an equivalent amount.

Valuation of off-balance sheet commitments on options is determined on the basis of the underlying's equivalent, resulting in the number of options being multiplied by the delta, which results of a mathematical model (such as Black-Scholes), which parameters are: market price of the underlying, maturity of the option, short-term interest rates, exercise price of the option and volatility of the underlying. The presentation in the off-balance sheet corresponds to the economic nature of the transaction and not the purpose of the contract.

Off-balance-sheet commitments on dividend swaps are valued at their nominal value off-balance sheet. Backed or un-backed swaps are recorded at their nominal values off-balance sheet.

Given or received guarantees: Nil

REMUNERATION POLICY:

Longchamp Asset Management has implemented a remuneration policy, approved by the AMF on 16/02/2017 and in accordance with the AIFM directive and the UCITS V directive, as well as the directives and recommendations issued by the ESMA. The remuneration policy is consistent and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, the regulations, the constitutional documents of the investment funds under management.

This policy is also in line with the interests of the UCIs and its investors.

Employees identified by Longchamp Asset Management's perimeter receive a fixed salary (in cash), in line with industry practices. They are also eligible for variable remuneration, paid in the form of a bonus, and fully subject to social charges, as the fixed remuneration. This variable remuneration complements, in a balanced manner, the fixed part of the compensation in consideration of the employee's performance. Its determination remains discretionary and takes into account qualitative and quantitative elements such as the financial health of the investment management company, the health of the operational unit concerned, the performance of the UCITS and evaluations of the contributions of each employee.

The complete remuneration policy for employees of Longchamp Asset Management and the total amount of remuneration in respect of the year, broken down according to the regulatory criteria are available free of charge upon written request to your manager: Longchamp Asset Management, 30 rue Galilée, 75116 Paris.