

ensemble, à l'essentiel

# **DEXIA INDEX ARBITRAGE**

**FULL PROSPECTUS**

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**SIMPLIFIED PROSPECTUS**

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**PART A: STATUTORY SECTION**

**1. BRIEF DESCRIPTION**

<b>ISIN code:</b>	FR0010016477 (“Classique units in EUR”) FR0010896217 (Z units)
<b>Name:</b>	<b>DEXIA INDEX ARBITRAGE</b>
<b>Legal form of the UCI:</b>	Fonds Commun de Placement (FCP) – under French law
<b>Creation date and anticipated term:</b>	Formed on 09.09.03 for a term of 99 years
<b>Sub-fund:</b>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
<b>Feeder fund:</b>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
<b>Management company:</b>	DEXIA ASSET MANAGEMENT
<b>Other delegated functions:</b>	<b>Fund administration and accounting:</b> RBC DEXIA INVESTOR SERVICES FRANCE
<b>Custodian bank – depository :</b>	RBC DEXIA INVESTOR SERVICES BANK FRANCE
<b>Statutory Auditors:</b>	KPMG - AUDIT
<b>Centralisation of subscription and redemption orders:</b>	RBC DEXIA INVESTOR SERVICES BANK FRANCE
<b>Distributor:</b>	Dexia Asset Management and Dexia Group companies

**2. INFORMATION ON INVESTMENTS AND MANAGEMENT**

<b>Category:</b>	Diversified
<b>Management objective:</b>	The fund's objective is to outperform, over the minimum recommended investment term, the EONIA , mainlyœ by employing arbitrage strategies on equities and/or indices. The fund aims to achieve annualised volatility of less than 5%.
<b>Benchmark index:</b>	EONIA (Euro Overnight Index Average) is the average of the day-to-day rates in the Eurozone and is calculated by the European Central Bank and represents the Eurozone’s risk-free rate.
<b>Investment strategy:</b>	The fund's investment strategy is to employ arbitrage strategies (dynamic strategy and portfolio fund management strategy) combined with risk monitoring in order to limit the fund's volatility.  The portfolio's dynamic strategy is a market-neutral equity strategy. To this end, the management company employs various quantitative and qualitative analysis techniques in order to identify the shares whose prices will be impacted by the change in status of the equities indices. This type of event may be, for example, the addition or removal of a security in/from an equities index. The fund will then take buying or selling positions in the securities identified in this manner in order to benefit from the inefficiencies generated by this event. In order to hedge the market risk connected with this position, the management company will select the most appropriate form of hedging. This hedging may, for

example, be equities indices, a basket of securities or one security in a comparable sector.

Foreign exchange risk is generally hedged using forward foreign-exchange instruments.

The portfolio fund strategy consists in building a diversified portfolio invested in securities of private issuers (*corporate debt and securities issued by financial institutions*), Government bonds and other French and foreign money market instruments rated at least A- by either Moody's or Standard & Poor's at the time of purchase.

The fund will use equities listed on a regulated market (essentially large and medium caps) and similar securities, including the units or shares of "Closed-end Funds" meeting the eligibility criteria of the Code Monétaire et Financier and traded on a regulated market within a percentage of between 0 and 100% of the portfolio depending on the fund's arbitrage strategies. It may also invest up to 100% of its assets in bonds and other debt securities. For portfolio diversification purposes, the fund may invest up to 10% of its assets in all types of shares or units in harmonised French or European UCITS.

In order to achieve its investment objective, the fund may make use of the following:

- - derivative instruments (futures, options, swaps) on regulated, organised or OTC markets, for the purpose of hedging and/or exposure to equity risk, indices, foreign exchange and volatility, but also for hedging purposes on the interest rate and credit markets.
- the fund may invest in ETF (i.e. Exchange Traded Funds) traded on regulated markets.
- Securities that include derivatives such as warrants.

The fund may, in order to manage its cash flow, make use of deposits, the borrowing of cash and temporary security purchase and sale transactions.

#### **Risk profile:**

Your money will mainly be invested in the financial instruments selected by the management company. These instruments will be subject to market trends and uncertainties.

The fund may be exposed to the following main types of risks:

**Risk of loss of capital:** Investors are advised that any capital they invest is not guaranteed and that they may therefore not receive back the full amount invested.

**Risk arising from arbitrages:** Arbitrage is a technique which consists of benefiting from the differences in prices recorded (or anticipated) between markets and/or sectors and/or securities and/or currencies and/or instruments. If such arbitrage transactions perform unfavourably (a rise in sell transactions and/or fall in buy transactions), the UCI's net asset value may fall.

**Equity risk:** if the equities or indices to which the portfolio is exposed fall in price, the net asset value of the fund may fall.

**Liquidity risk:** this risk reflects the liquidity of the investment vehicles used. It occurs in particular with OTC positions and in the event of circumstances that could cause a considerable imbalance between the supply and demand for shares or interrupt trading in the instruments on the markets on which they are traded.

Interest rate risk:

The fund may be up to 100% exposed to short-term interest rate risk via debt securities and money market instruments. Interest rate risk is the risk associated with a rise in interest rates, which can trigger a fall in the price of certain debt securities and money market instruments, and thereby a fall in the UCI's net asset value.

**Credit risk:** this is the risk of the fall in the credit rating of a private issuer or the default of the issuer. The value of the debt instruments in which the UCI is invested may fall, which could result in a fall in the net asset value.

**Counterparty risk:** this risk measures the losses incurred by the fund in respect of the commitments made with a defaulting counterparty.

**Foreign exchange risk:** The fund buys and sells securities denominated in currencies other than the fund's currency. In spite of its policy of hedging

invested assets, the fund may be adversely impacted by changes on the foreign exchange markets affecting gains generated between two hedging periods. This risk is a residual risk.

**Types of subscribers/profile of the typical investor:**

"Classique units in EUR": All subscribers.

"Z units": reserved for feeder funds managed by an entity of the Dexia Asset Management Group.

The amount it is reasonable to invest in this UCI depends on the investor's personal circumstances. In order to determine this, you need to take account of your personal wealth/assets, your requirements at present and in 3 years time, but also whether you wish to take risks or, conversely, prefer to make a cautious investment. It is also highly recommended that you diversify your investments sufficiently so that you are not solely exposed to the risks of this UCI.

The minimum recommended investment period is three years.

**3. INFORMATION ON FEES, COMMISSIONS AND TAXATION**

**Fees and Commissions:**

***Subscription and redemption fees:***

The subscription and redemption fees have the effect of increasing the subscription price paid by the investor or reducing the redemption price. The fees paid to the UCI are used to offset the fees incurred by the UCI in order to invest or divest the assets allocated. The fees not paid to the UCITS are allocated to the management company, distributor etc.

<b>Maximum fees payable by the investor, deducted at the time of subscription and redemption*</b>	<b>Basis</b>	<b>Rate</b>
Subscription fee not paid to the UCI	NAV x number of units	"Classique units in EUR": 1% "Z units": nil
Subscription fee paid to the UCI	NAV x number of units	"Classique units in EUR": Nil "Z units": Nil
Redemption fee not paid to the UCI	NAV x number of units	"Classique units in EUR": 1% "Z units": nil
Redemption fee paid to the UCI	NAV x number of units	"Classique units in EUR": Nil "Z units": Nil

\* **Conditions of exemption:** subscription preceded by a redemption made on the same day for a same number of units, based on the same net asset value and by the same holder.

### ***Operating and management fees:***

These fees cover all the fees billed directly to the UCI apart from the transaction fees. Transaction fees include intermediary fees (brokerage, stock exchange duties, etc.) and any movement commissions, where applicable, which may be collected notably by the custodian and the management company.

In addition to the operational and management fees, there may be:

- outperformance fees. These reward the management company if the UCI exceeds its targets. They are therefore billed to the UCI
- movement commissions billed to the UCI;
- a share of any income arising from the temporary acquisition and sale of securities.

<b>Fees billed to the fund</b>	<b>Basis</b>	<b>Rate/Amount incl. tax</b>
Operational and management fees	Net assets	- "Classique units in EUR": 0.80% maximum *  - "Z units": 0.06% maximum*
Outperformance commission	Net assets	"Classique units in EUR": 20% above the EONIA performance  "Z units": 20% above the EONIA performance

\*As the management company has not opted for VAT, these fees will be billed excluding VAT and the amount including taxes is equal to the amount excluding tax.

### ***Outperformance commission***

20% of the fund's outperformance (see calculations in the detailed prospectus).

### **Tax system:**

Depending on your tax status, any capital gains and revenues derived from holding units in the UCI may be subject to taxation. We advise you to find out about this from your tax adviser.

## **4. COMMERCIAL INFORMATION**

### **Subscription and redemption procedure:**

#### **"Classique units in EUR":**

The initial net asset value is set at EUR 10,000  
The units were subdivided by 10 on 03.08.09.

#### **"Z units"**

The initial net asset value is set at EUR 1,000

Subscription and redemption orders for "Classique units in EUR" and "Z units" will be executed on the basis of the net asset value dated business day D. They must be received by the custodian on business day D before noon and will be settled on business day D+3.

Subscriptions may relate to an amount, a whole number of units or a fraction of a unit, each unit being divided into thousandths.

Redemptions may relate to a whole number of units or a fraction of a unit, each unit being divided into thousandths.

Subscription and redemption applications are centralised at RBC Dexia Investor Services Bank France, whose address is as follows:

<b>Closing date:</b>	Last net asset value in September.
<b>Allocation of income:</b>	Interest on bonds and debt securities is accounted for using the accrued coupons method. All of the fund revenue is capitalised for both the “Classique units in EUR” and the “Z units”.
<b>Frequency of net asset value calculation:</b>	Daily on every Paris stock exchange trading day, with the exception of French public holidays.
<b>Place and method for publishing or notifying the net asset value:</b>	Available from the management company
<b>Denomination currency of units or shares:</b>	“Classique units in EUR”: Euro “Z units”: Euro

Description	ISIN code	Allocation of income	Currency denomination	Minimum initial subscription	Minimum subsequent subscriptions	Original net asset value	Foreign exchange risk hedging
“Classique units in EUR”:	FR0010016477	Capitalisation	Euro	Nil	Nil	EUR 10,000	see risk profile
“Z units”	FR0010896217	Capitalisation	Euro	Nil	Nil	EUR 1,000	see risk profile

**Creation date:** The fund was approved by the Autorité des Marchés Financiers on 28.08.03. It was formed on 09.09.03.

## 5. ADDITIONAL INFORMATION

The full prospectus of the UCI and the latest annual and interim reports will be sent out, if requested in writing by the holder, within a week by:

**Management company:** **DEXIA ASSET MANAGEMENT**  
40 rue Washington – 75008 Paris  
Tel: 01.53.93.40.00  
[www.dexia-am.com](http://www.dexia-am.com)  
E-Mail : [investor.support-dam@dexia.com](mailto:investor.support-dam@dexia.com)

The "voting policy" document and the report on the conditions under which the voting rights were exercised can be consulted at the registered office of the management company or sent out to any holder who requests it from:

**Management company:** **DEXIA ASSET MANAGEMENT**  
40 rue Washington – 75008 Paris  
FAO: the compliance officer  
Tel: 01.53.93.40.00  
[www.dexia-am.com](http://www.dexia-am.com)  
E-Mail : [investor.support-dam@dexia.com](mailto:investor.support-dam@dexia.com)

Any further information regarding this fund can be obtained from the management company at the address stated above.

Date of publication of the prospectus: 01.10.10

The AMF website ([www.amf-France.org](http://www.amf-France.org)) contains additional information on the list of regulatory documents and all the provisions on investor protection.

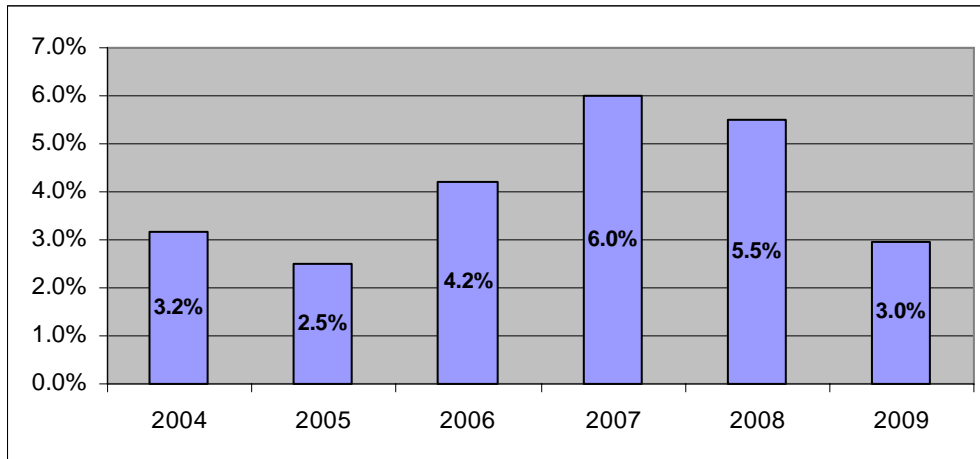
This simplified prospectus will be sent to subscribers prior to subscription.

PART B: STATISTICS

"Classique units in EUR"

Performance of the Dexia Index Arbitrage Fund at 31.12.09

Annual performances



Performance is calculated with net coupons reinvested.

Annualised performance	1 year	3 years	5 years
Dexia Index Arbitrage	3.0%	4.8%	4.2%
Benchmark index *	0.7%	2.9%	2.7%

*Past performance is not necessarily indicative of future performance. Performance may vary.*

\* From 01.10.08: EONIA (in place of the 1-month Euribor)

**Fees billed to the UCI over the last financial year ended 30.09.09.**

**Ownership of UCI < 10%**

<b>Operational and management fees</b>	<b>0.80%</b>
Cost of investing in other UCI or investment funds This cost is determined by: the costs of buying UCI and investment funds less the retrocessions negotiated by the management company of the investing UCI	NA
<b>Other fees billed to the UCI</b>	<b>0.62%</b>
These fees are broken down as follows:	
Outperformance commission	0.60%
Movement commission	0.02 %
<b>Total billed to the UCI over the last financial year</b>	<b>1.42 %</b>

**NA – not applicable**

Operational and management fees:

These fees cover all costs billed directly to the UCI apart from transaction fees and the outperformance fee, where applicable. Transaction fees include intermediary fees (brokerage, stock exchange duties etc.) and the movement commission (see below).

The operational and management fees mainly include the financial management fees, administrative and accounting fees, depository, custodian and audit fees.

Cost of purchasing UCI and/or other investment funds:

Some UCI invest in other UCI or in foreign-registered investment funds (target UCI). The acquisition and ownership of a target UCI (or investment fund) generates two categories of costs for the buyer UCI, as follows:

- Subscription and redemption fees. The proportion of these fees paid to the target UCI, however, is the same as transaction fees and is therefore not counted here.
- fees billed directly to the target UCI which represent indirect costs for the buyer UCI.

In some cases, the buyer UCI may negotiate retrocessions, or rather discounts on some of the fees. These discounts reduce the total fees that the buyer UCI actually incurs.

Other fees billed to the UCI

Other fees may be billed to the UCI. These are:

- outperformance fees. These are paid to the management company when the UCI has outperformed its objectives.
- movement commissions. These are charged to the UCI each time a transaction is carried out on the portfolio. The full prospectus describes these commissions. The management company may collect them based on the conditions set out in Part A of the simplified prospectus.

Investors' attention is drawn to the fact that these fees may vary considerably from one year to the next and that the figures shown here are for the previous financial year.

**Details of transactions over the past financial year ended 30.09.09**

**Related companies**

Out of the total transactions for this financial year, the transactions between the management company on behalf of the UCI it manages and related companies represented:

Class of assets	Transactions
Equities	0.01 %
Debt instruments	43 %
Exchange rates	85.2 %
Lending / Borrowing of securities	0.0 %
Financial futures instruments	0.0 %



**Performance of the Dexia Index Arbitrage Fund at 31.12.11**

Annual performances

Performance is calculated with net coupons reinvested.

<b>Annualised performance</b>	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>
Dexia Index Arbitrage	...	...	...
EONIA	...	...	...

*Past performance is not necessarily indicative of future performance. Performance may vary.*

**Fees billed to the UCI over the last financial year ended 30.09.10.**

**Ownership of UCI < 10%**

<b>Operational and management fees</b>	
Cost of investing in other UCI or investment funds This cost is determined by: the costs of buying UCI and investment funds less the retrocessions negotiated by the management company of the investing UCI	NA  - -
<b>Other fees billed to the UCI</b> These fees are broken down as follows:  Outperformance commission  Movement commission	
<b>Total billed to the UCI over the last financial year</b>	%

**NA – not applicable**

Operational and management fees:

These fees cover all costs billed directly to the UCI apart from transaction fees and the outperformance fee, where applicable. Transaction fees include intermediary fees (brokerage, stock exchange duties etc.) and the movement commission (see below).

The operational and management fees mainly include the financial management fees, administrative and accounting fees, depository, custodian and audit fees.

Cost of purchasing UCI and/or other investment funds:

Some UCI invest in other UCI or in foreign-registered investment funds (target UCI). The acquisition and ownership of a target UCI (or investment fund) generates two categories of costs for the buyer UCI, as follows:

- Subscription and redemption fees. The proportion of these fees paid to the target UCI, however, is the same as transaction fees and is therefore not counted here.

- fees billed directly to the target UCI which represent indirect costs for the buyer UCI.

In some cases, the buyer UCI may negotiate retrocessions, or rather discounts on some of the fees. These discounts reduce the total fees that the buyer UCI actually incurs.

Other fees billed to the UCI

Other fees may be billed to the UCI. These are:

- outperformance fees. These are paid to the management company when the UCI has outperformed its objectives.

- movement commissions. These are charged to the UCI each time a transaction is carried out on the portfolio. The full prospectus describes these commissions. The management company may collect them based on the conditions set out in Part A of the simplified prospectus.

Investors' attention is drawn to the fact that these fees may vary considerably from one year to the next and that the figures shown here are for the previous financial year.

**Details of transactions over the past financial year ended 30.09.10**

**Related companies**

Out of the total transactions for this financial year, the transactions between the management company on behalf of the UCI it manages and related companies represented:

Class of assets	Transactions
Equities	XX%
Debt instruments	XX%
Exchange rates	XX%
Lending / Borrowing of securities	0.0 %
Financial futures instruments	0.0 %

**DETAILED PROSPECTUS**

**GENERAL DESCRIPTION**

**1. FORM OF THE UCI**

**Name:** **DEXIA INDEX ARBITRAGE**

**Legal form of the UCI:** Fonds Commun de Placement (FCP) – under French law

**Creation date and anticipated term:** Formed on 09.09.03 for a term of 99 years

Description	ISIN code	Allocation of income	Currency denomination	Minimum initial subscription	Minimum subsequent subscriptions	Original net asset value	Foreign exchange risk hedging
“Classique units in EUR”:	FR0010016477	Capitalisation	Euro	Nil	Nil	EUR 10,000	see risk profile
"Z units"	FR0010896217	Capitalisation	Euro	Nil	Nil	EUR 1,000	see risk profile

**Place where latest annual report and last interim report can be obtained:** The latest annual and interim reports will be sent out within a week if requested by the holder from the management company:

DEXIA ASSET MANAGEMENT  
40 rue Washington – 75008 Paris  
Tel: 01.53.93.40.00.  
[www.dexia-am.com](http://www.dexia-am.com)  
E-Mail : [investor.support-dam@dexia.com](mailto:investor.support-dam@dexia.com)

Any additional explanations can be obtained from the management company at the contact details shown above.

**2. SERVICE PROVIDERS**

**Management company:** **DEXIA ASSET MANAGEMENT**  
**Authorised on 19 March 2003 under number GP 03007**  
*Registered office and postal address:* 40, rue Washington – 75008 Paris

**Custodian - depository:** **RBC Dexia Investor Services Bank France**  
*Registered office and postal address:* 105 rue Réaumur – 75002 Paris

**Statutory Auditors:** **KPMG – AUDIT**  
*Registered office and postal address:* Immeuble KPMG - 1, Cours Valmy  
92923 Paris La Défense Cedex

*Signatory :* Mr Pascal Lagand

**Centralisation of subscription and redemption orders:** **RBC DEXIA INVESTOR SERVICES BANK FRANCE**  
*Registered office and postal address:* 105 rue Réaumur – 75002 Paris

**Other delegated functions:** **Fund administration and accounting:**  
**RBC DEXIA INVESTOR SERVICES FRANCE**  
*Registered office and postal address:* 105 rue Réaumur – 75002 PARIS

**Distributors:** **DEXIA ASSET MANAGEMENT**  
**40, rue Washington**  
**75008 PARIS**  
and Dexia Group companies

Dexia Asset Management may delegate the distribution of the fund's units to any third party it duly authorises. As the fund is admitted to Euroclear France, its units may be purchased or redeemed from financial intermediaries that are not known to the management company.

**Advisers:** **None**

## **OPERATING AND MANAGEMENT PROCEDURES**

This section contains all of the fund's operational and management methods.

### **1. GENERAL DESCRIPTION**

**Description of the units or shares:** FR0010016477 ("Classique units in EUR")  
FR0010896217 ("Z units")

- Rights attached to the units: each unitholder has a right of co-ownership to the assets of the fund in proportion to the number of units owned.
- The custodian is responsible for liability accounting. Euroclear France is responsible for the administration of the units.
- Voting rights: as the units of an FCP fund do not carry any voting rights, decisions are made by the management company.
- Form of the units: bearer.
- Decimalisation: yes, each share is divided into thousandths.

**Closing date:** Last net asset value in September.

**Tax system:** The fund is not liable for corporate income tax. In accordance with the transparency principle, the tax authorities take the view that the holder is the direct holder of a fraction of the financial instruments and cash sums held by the fund. The tax system applicable to the sums distributed by the fund or to the unrealised or realised capital gains or losses of the fund depends on the taxation provisions applicable to the investor and/or the jurisdiction of the funds. Investors are advised to consult an adviser on this matter.

### **2. SPECIFIC PROVISIONS**

**Category:** Diversified

**Management objective:** The fund's objective is to outperform, over the minimum recommended investment term, the EONIA , mainlyœ by employing arbitrage strategies on equities and/or indices.  
The fund aims to achieve annualised volatility of less than 5%.

**Benchmark index:** EONIA (Euro Overnight Index Average) is the average of the day-to-day rates in the Eurozone and is calculated by the European Central Bank and represents the Eurozone's risk-free rate.

**Investment strategy:** **Strategies used**

The fund's management objective, over the recommended investment period, is to outperform the EONIA, mainly through the use of arbitrage strategies and employing risk monitoring in order to limit the fund's volatility.

There is no limit to the proportion of equity arbitrage strategies in the fund.

The management of the portfolio revolves around the following two points:

- Dynamic strategy,
- Portfolio fund management strategy

**Dynamic strategy:**

The portfolio's dynamic strategy is a market-neutral equity strategy.

The management company employs various quantitative and qualitative analysis techniques in order to identify the shares whose prices will be impacted by the change in status of the equities indices. This type of event may be, for example, the addition or removal of a security in/from an equities index.

The fund will then take buying or selling positions in the securities identified in this manner in order to benefit from the inefficiencies generated by this event. In order to hedge the market risk connected with this position, the management company will select the most appropriate form of hedging. This hedging may, for example, be equities indices, a basket of securities or one security in a comparable sector.

Foreign exchange risk is generally hedged using forward foreign-exchange instruments.

The fund reserves the right to allocate some of the portfolio to other types of strategies, in particular arbitrage on issues of subscription rights, arbitrage on closed-end funds and holding company discounts.

**Portfolio fund strategy:**

This strategy consists in building a diversified portfolio invested in securities of private issuers (corporate debt and securities issued by financial institutions), Government bonds and other French and foreign money market instruments rated at least A- by either Moody's or Standard & Poor's at the time of purchase.

This part of the portfolio accounts for between 0 and 100% of the fund's net assets.

**Assets used (excluding integrated derivatives)****- Equities:**

The fund may be invested in capital securities and securities equivalent to capital securities 100% eligible.

These are mainly equities traded on any regulated market and units or shares of "closed-end funds" meeting the eligibility criteria of the Code Monétaire et Financier and the units of which are traded on a regulated market. Investment will mainly be in large and mid-cap stocks. However, the management company reserves the right to invest in small-caps. This part of the portfolio is between 0 and 100%.

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

Mainly bonds and negotiable debt instruments, including convertible bonds and *commercial paper*, for which either the Moody's or the Standard & Poor's rating at the time of the purchase is at least A-. This part of the portfolio is between 0% and 100%.

**- Shares or units in UCITS:**

The fund may invest up to 10% of its assets in all types of shares or units in harmonised French or European UCITS.

Within this limit, the fund may also invest in the following UCITS and investment funds managed by Dexia Asset Management group companies:

- French or foreign harmonised or non-harmonised UCITS or investment funds investing no more than 10% of their assets in units or shares of other UCITS or investment funds,
- Investment funds under foreign law that meet the criteria set by the general regulations of the *Autorité des Marchés Financiers*,
- UCITS employing simplified investment rules (with or without leverage effect), alternative fund UCITS, FCIMT (fonds commun d'intervention sur les marchés à terme) [futures mutual] and contractual funds.
- the fund may invest in ETF (i.e. Exchange Traded Funds) traded on regulated markets.

This class of assets will be used in order to diversify the portfolio and optimise performance.

***Other assets:***

The fund may invest up to 10% of its assets in subscription warrants and financial instruments not traded on regulated markets or in negotiable debt instruments that do not fulfil the four conditions stipulated in the regulatory part of the Code Monétaire et Financier. Investment in subscription warrants takes place within the context of the fund's equity positions. Other instruments are used to manage the fund's liquidity.

***Derivatives:***

The fund may trade in financial futures instruments listed on French and foreign regulated or OTC markets.

In this context, in order to achieve the investment objective, the management team may enter into positions with a view to:

- Exposing and/or hedging the portfolio through derivatives on the equities, indices, foreign exchange and volatility markets for the euro-denominated Classique units.
- Hedging the portfolio on the interest rate and credit market.

The following table sets out the conditions in which the fund may trade in derivatives and securities incorporating derivatives.

The fund's commitment ratio is calculated using the probabilistic VaR method. The VaR corresponds to the potential loss in 95% of cases over a 7-day period in normal market conditions. The VaR level for a 95% confidence interval will be below 5%.

***Instruments integrating derivatives:***

The fund may invest in warrants in order to achieve the management objective up to a limit of 10% of the assets.

The fund may also invest in convertible bonds by means of callable *assets swaps*.

***Deposits***

The management company may make cash deposits representing up to 100% of the fund's assets for cash management purposes.

***Cash borrowing***

The fund may temporarily register a debit balance as a result of transactions related to cash flow (investments and divestments in progress, subscription/redemption and purchase/sale transactions, etc.), up to a limit of 10% of the fund's assets.

***Temporary purchases and sales of securities***

The fund may enter into temporary security purchase and sale transactions (repurchase agreements and the lending/borrowing of securities) in order to achieve the management objective.

Temporary purchases and sales of securities will be subject to a limit of 100% of the assets.

**Agreements constituting financial guarantees:**

***Derivatives***

When using derivatives, the fund may enter into agreements under the terms of which financial guarantees may be given.

Such transactions, which are concluded in accordance with the regulatory provisions applicable to funds (in particular the provisions of the Code Monétaire et Financier and any subsequent regulations), may give rise to the transfer of full title to collateral. Such transfers take place within a secure contractual framework, which forms an integral part of an ISDA agreement or other market framework agreement.

*Cash overdraft*

By way of security against the cash overdraft facility granted by the custodian bank or institution, the fund grants the latter a financial guarantee in the simplified form laid down in the provisions of articles L.413-7 and thereafter of the Code Monétaire et Financier.

**TABLE OF DERIVATIVE INSTRUMENTS AND SECURITIES INTEGRATING DERIVATIVES**

	<b>TYPE OF MARKET</b>		<b>DESCRIPTION OF RISK</b>					<b>DESCRIPTION OF ACTIVITY</b>	
	Regulated and/or organised markets	OTC markets	Equities	Interest rates	Foreign exchange	Credit	Other risk(s)	Hedging	Exposure
<b>Futures contracts in</b>									
Equities	X	X	X					X	X
Rate	X	X		X				X	
Exchange rates	X	X			X			X	X
Indices	X	X	X					X	X
Volatility	X	X					X	X	X
<b>Options in</b>									
Equities	X	X	X		X		X	X	X
Rate									
Exchange rates									
Indices	X	X	X		X		X	X	X
Volatility									
<b>Swaps</b>									
Equities		X	X		X			X	X
Rate		X		X				X	
Exchange rates		X			X			X	X
Indices		X	X					X	X
Volatility		X					X	X	X
<b>Foreign exchange futures</b>									
Currency(-ies)		X			X			X	X
<b>Credit derivatives</b>									
Credit Default Swap (CDS)		X				X		X	
i-traxx		X				X		X	
Credit Link Notes (CLN)									
<b>Warrants in</b>									
Equities	X	X	X					X	X
Rate									
Exchange rates									
Credit									
<b>Subscription warrants</b>									
Equities	X	X	X		X			X	X
Interest rates									



**Risk profile:**

Your money will mainly be invested in the financial instruments selected by the management company. These instruments will be subject to market trends and uncertainties.

The fund may be exposed to the following main types of risks:

**Risk of loss of capital:**

Investors are advised that any capital they invest is not guaranteed and that they may therefore not receive back the full amount invested.

**Risk arising from arbitrages:**

Arbitrage is a technique which consists in benefiting from the differences in prices recorded (or anticipated) between markets and/or sectors and/or securities and/or currencies and/or instruments. If such arbitrage transactions perform unfavourably (a rise in sell transactions and/or fall in buy transactions), the UCI's net asset value may fall.

**Equity risk:** if the equities or indices to which the portfolio is exposed fall in price, the net asset value of the fund may fall.

**Liquidity risk:** this risk reflects the liquidity of the investment vehicles used. It occurs in particular with OTC positions and in the event of circumstances that could cause a considerable imbalance between the supply and demand for shares or interrupt trading in the instruments on the markets on which they are traded.

**Credit risk:** this is the risk of the fall in the credit rating of a private issuer or the default of the issuer. The value of the debt instruments in which the UCI is invested may fall, which could result in a fall in the net asset value.

**Counterparty risk:** this risk measures the losses incurred by the fund in respect of the commitments made with a defaulting counterparty.

**Foreign exchange risk:**

The fund buys and sells securities denominated in currencies other than the fund's currency. In spite of its policy of hedging invested assets, the fund may be adversely impacted by changes on the foreign exchange markets affecting gains generated between two hedging periods. This risk is a residual risk.

**Types of subscribers/profile of the typical investor:**

"Classique units in EUR": All subscribers.

"Z units": reserved for feeder funds managed by an entity of the Dexia Asset Management Group.

The amount it is reasonable to invest in this UCI depends on the investor's personal circumstances. In order to determine this, you need to take account of your personal wealth/assets, your requirements at present and in 3 years time, but also whether you wish to take risks or, conversely, prefer to make a cautious investment. It is also highly recommended that you diversify your investments sufficiently so that you are not solely exposed to the risks of this UCI.

The minimum recommended investment period is three years.

**Allocation of income method:**

Interest on bonds and debt securities is accounted for using the accrued coupons method. All of the fund revenue is capitalised for both the "Classique units in EUR" and the "Z units".

**Description of the units or shares:**

"Classique units in EUR": Euro

"Z units": Euro

**Subscription and redemption procedure:**

**"Classique units in EUR":**

The initial net asset value is set at EUR 10,000  
The units were subdivided by 10 on 03.08.09.

**"Z units"**

The initial net asset value is set at EUR 1,000

Subscription and redemption orders for "Classique units in EUR" and "Z units" will be executed on the basis of the net asset value dated business day D. They must be received by the custodian on business day D before noon and will be settled on business day D+3.

Subscriptions may relate to an amount, a whole number of units or a fraction of a unit, each unit being divided into thousandths.

Redemptions may relate to a whole number of units or a fraction of a unit, each unit being divided into thousandths.

**L**

Description	ISIN code	Allocation of income	Currency denomination	Minimum initial subscription	Minimum subsequent subscriptions	Original net asset value	Foreign exchange risk hedging
"Classique units in EUR"	FR0010016477	Capitalisation	Euro	Nil	Nil	EUR 10,000	see risk profile
"Z units"	FR0010896217	Capitalisation	Euro	Nil	Nil	EUR 1,000	see risk profile

Subscription and redemption applications are centralised at RBC Dexia Investor Services Bank France, whose address is as follows:

**RBC DEXIA INVESTOR SERVICES BANK FRANCE**

*Registered office and postal address: 105 rue Réaumur – 75002 Paris*

**Frequency of net asset value calculation:**

Daily on every Paris stock exchange trading day, with the exception of French public holidays.

**Fees and Commissions:**

***Subscription and redemption fees:***

The subscription and redemption fees have the effect of increasing the subscription price paid by the investor or reducing the redemption price. The fees paid to the UCI are used to offset the fees incurred by the UCI in order to invest or divest the assets allocated. The fees not paid to the UCI are allocated to the management company, distributor etc.

Maximum fees payable by the investor, deducted at the time of subscription and redemption*	Basis	Rate
Subscription fee not paid to the UCI	NAV x number of units	"Classique units in EUR": 1% "Z units": Nil
Subscription fee paid to the UCI	NAV x number of units	"Classique units in EUR": "Z units": nil Nil
Redemption fee not paid to the UCI	NAV x number of units	"Classique units in EUR": 1% "Z units": nil
Redemption fee paid to the UCI	NAV x number of units	"Classique units in EUR": "Z units": nil nil Nil

\* **Conditions of exemption:** subscription preceded by a redemption made on the same day for a same number of units, based on the same net asset value and by the same holder.

#### **Operating and management fees:**

These fees cover all the fees billed directly to the UCI apart from the transaction fees. Transaction fees include the intermediary (brokerage, stock exchange duties, etc.) fees and movement commissions, where applicable, which may be collected notably by the custodian.

In addition to the operational and management fees, there may be:

- outperformance fees. These reward the management company if the UCI exceeds its targets. They are therefore billed to the UCI
- movement commissions billed to the UCI;
- a share of any income arising from the temporary acquisition and sale of securities.

Fees billed to the fund	Basis	Rate/Amount incl. tax
Operational and management fees	Net assets	- "Classique units in EUR": 0.80% maximum* - "Z units": 0.06% maximum*
Outperformance commission	Net assets	- "Classique units in EUR": 20% of performance over and above that of the Eonia - "Z units": 20% above the EONIA performance
Movement commissions collected by the custodian	Deducted from each transaction	Variable, based on the financial instruments taken by the custodian.

\* Since the management company has opted out of VAT, these fees are charged excluding VAT and their amount including taxes is equal to their amount excluding taxes.

#### **Outperformance fee:**

20% of the fund's outperformance as defined below.

On each fund valuation date, a benchmark asset is established based on a theoretical investment at the EONIA annual rate for Classique units denominated in EUR. In the case of redemption, the last benchmark asset calculated and the previous day's cumulative amount of subscriptions received are reduced beforehand in proportion to the number of units redeemed. Similarly, a proportion of any provision for variable management fees on the accounting balance at the last valuation is pro rata to the number of units redeemed, finally allocated to a separate third-party account. This proportion of the variable management fees is paid to the fund manager when the redemption occurs.

When the fund is valued, if the accounting balance, defined as the net book value of the assets after deducting the variable management fees on redemptions, but excluding the provision for variable management fees corresponding to the units still in issue, is greater than the benchmark asset, an outperformance (or in the opposite case, an underperformance) is recorded. The provision for variable management fees on the outstanding figure is adjusted to 20% of the amount of this new outperformance by an allocation or write-back of a provision before calculating the net asset value. The reversals of provisions will not exceed the provision charges. The provision for variable management fees on the total assets

is only payable to the fund manager in respect of the amount at the end of the financial period.

The reference period is a financial year.

Subscribers may at any time obtain details from the fund manager regarding the methods for calculating the variable management fees. The total amount of the variable management fees will appear in the fund's annual report.

## COMMERCIAL INFORMATION

All information about the fund can be requested directly from:

**Management company:**

**DEXIA ASSET MANAGEMENT**

40, rue Washington - 75008 Paris

Tel: 01.53.93.40.00

[www.dexia-am.com](http://www.dexia-am.com)

E-Mail : [investor.support-dam@dexia.com](mailto:investor.support-dam@dexia.com)

Fund subscription and redemption applications are centralised at:

**Custodian - depository:**

**RBC DEXIA INVESTOR SERVICES BANK FRANCE**

*Registered office and postal address: 105 rue Réaumur – 75002 Paris*

## INVESTMENT RULES

### REGULATORY RATIOS APPLICABLE TO THE UCI (UCI INVESTING NO MORE THAN 10% IN OTHER UCI)

In accordance with the provisions of Articles R214-1 to R214-18 of the Code Monétaire et Financier , the rules applicable to the composition of the assets stated in the Code Monétaire et Financier and risk distribution rules applicable to this UCI must be followed at all times. If these limits are exceeded independently of the management company or as a result of the exercise of a subscription right, the priority objective of the management company will be to rectify the situation as soon as possible, taking into account the interests of the unitholders of the UCI.

The commitment ratio of the UCI is calculated on the basis of the probabilistic absolute VaR method.  
The selected VaR threshold is 5.

## ASSET VALUATION AND ACCOUNTING RULES

### Financial instruments:

Equities will be valued at the price at 4 p.m. on the various stock exchanges. Financial instruments for which no price is recorded on the valuation date are valued at their estimated market value under the management company's responsibility.

Subscription warrants are valued based on their price at 4 p.m. on the various stock markets. Financial instruments for which no price is recorded on the valuation date are valued at their estimated market value under the management company's responsibility.

UCI are valued at their last known net asset value.

Traditional bonds: The calculated price corresponds to the average of the contributors' prices collected at 4 p.m. If the price for a financial instrument has not been recorded on the valuation date, it will be valued on the basis of models developed by the management company, using market data available on Bloomberg for equivalent securities, interest rate curve, etc.

Convertible bonds: The calculated price corresponds to the average of the contributors' prices collected at 4 p.m. If the price for a financial instrument has not been recorded on the valuation date, it will be valued on the basis of models developed by the management company, using market data available on Bloomberg for interest rate curve, etc.

Negotiable debt instruments: The calculated price corresponds to the average of the contributors' prices collected at 4 p.m. Securities in which there is not a significant number of transactions will be valued using the actuarial method, the rate applied being that for issues of equivalent securities. Negotiable debt instruments with a residual term of equal to or less than 3 months, in the absence of a particular sensitivity, may be valued using the linear method.

### Temporary purchases and sales of securities:

Repurchase agreements, reverse repurchase agreements and securities borrowing/lending are valued at cost plus interest.

### Fixed-term and conditional financial instruments:

Futures traded on organised markets are valued based on prices at 4 p.m. Financial instruments for which no price is recorded on the valuation date are valued at their estimated market value under the management company's responsibility.

Options on organised markets will be calculated based on models, using the market data available on Bloomberg such as volatility, the price of the underlying assets, dividends, etc.

Exchange rates will be valued on the basis of the prices at 4 p.m.

The forward exchange rate is calculated using the spot exchange rate and the futures points in the databases at 4 p.m.

Credit derivatives are calculated based on models developed by the management company, using the market data available on Bloomberg such as the price of the bond, the interest rate curve, etc. The prices obtained are compared with those of the counterparties.

Asset swaps are calculated based on models developed by the management company using the market price of the underlying bond and the market data available on Bloomberg such as the interest rate curve, etc.

Swaps are calculated in the systems with the market data available on Bloomberg such as the interest rate curve, etc.

OTC products are calculated based on models developed by the management company using the market data available on Bloomberg such as volatility, interest rate curve, etc. The prices obtained from the models are compared with those of the counterparties.

Options on convertible bonds (Ascots) are calculated based on models developed by the management company using the market price of the underlying bond and market data available on Bloomberg such as the interest rate curve, etc. The prices obtained are compared with those of the counterparties.

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## MANAGEMENT REGULATIONS

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### DEXIA ASSET MANAGEMENT

40 rue Washington  
75408 Paris Cedex 08

## SECTION I

### ASSETS AND UNITS

#### ARTICLE I – CO-OWNERSHIP UNITS

Co-owners' rights are expressed in terms of units, with each unit corresponding to an equal portion of the fund's or sub-fund's assets, as the case may be. Each unitholder has co-ownership rights over the fund's assets in proportion to the number of units owned.

The duration of the fund is 99 years with effect from its creation date unless wound up early or extended as stated in the rules.

In the event that the fund is an umbrella UCI, each sub-fund will issue categories of units to represent the assets of the FCP allocated to it. In this case, the provisions of these rules, as applicable to the FCP's units, will apply to the categories of units issued to represent the sub-fund's assets.

The units may be subdivided, consolidated or split into fractions at the decision of the Board of Directors of the management company into tenths, hundredths, thousandths or ten thousandths, which are referred to as fractions of units.

Provisions contained in the rules governing the issue and redemption of units also apply to fractions of units, the value of which is always proportionate to that of the units they represent. All the other provisions of the rules relating to the units apply to the fractions of units without the need to specify so, except where otherwise provided for.

Lastly, the Board of Directors of the management company may at its sole decision subdivide the units by creating new units which will be allocated to the holders in exchange for the old units.

#### ARTICLE II – MINIMUM VALUE OF ASSETS

Where the fund's assets or, if applicable, those of a sub-fund, fall below the amount set out in the regulations, redemption of units is suspended. If the assets remain below the amount set out in the rules for a period of 30 days, the management company would take the necessary steps to merge or wind up the fund.

#### ARTICLE III – ISSUE AND REDEMPTION OF UNITS

The units are issued at all times at the request of the bearers on the basis of the net asset value plus, where applicable, subscription fees.

Subscriptions and redemptions are carried out subject to the conditions and the methods stated in the simplified prospectus and the detailed prospectus.

Units in investment funds may be listed on the stock exchange in accordance with applicable regulations.

Subscriptions must be fully paid up on the day on which net asset value is calculated. They may be made in cash and/or by the contribution of securities. The management company is entitled to refuse the securities offered and to this effect has a period of seven days from the date of their deposit to notify its decision. In the event of acceptance, the securities contributed will be valued using the rules set forth in Article IV and the subscription is carried out on the basis of the first net asset value following acceptance of the securities in question.

Redemptions will only be made in cash, unless the fund is liquidated when the unitholders have given their agreement to be repaid in securities. They will be settled by the custodian within a maximum period of five days following the valuation date of the unit.



Pursuant to article L. 214-30 of the French Monetary and Financial Code, redemption of units and the issue of new units may be temporarily suspended by the Management Company where this is required by exceptional circumstances and is in unitholders' best interests. In particular, this applies where assets included in the fund must be realised before units can be redeemed. The period during which redemptions and issues of new units is suspended may be extended; however, it may not exceed 30 days.

If the fund's net assets fall below the amount set out in the rules, no units may be redeemed.

Except in the event of inheritance or an inter vivos settlement, the sale or transfer of units between holders, or from holders to a third-party, is treated in the same way as a redemption followed by a subscription. In the case of a third party, the sale or transfer must, where applicable, be supplemented by the beneficiary to reach at least that of the minimum subscription required in the simplified prospectus and in the full prospectus.

The fund may stop issuing units pursuant to paragraph 2 of article L. 214-30 of the Code Monétaire et Financier in the following cases:

- the UCI is dedicated to a maximum of 20 holders,
- the UCI is dedicated to a category of investors as defined precisely in the full prospectus of the UCI;
- in objective situations resulting in the closure of subscriptions such as a maximum number of units issued, a maximum amount of assets reached or the expiry of a specific subscription period. These objective situations are set out in the full prospectus.

#### **ARTICLE IV – CALCULATION OF NET ASSET VALUE**

The calculation of the net asset value of the unit follows the valuation rules shown in the detailed description in the full prospectus.

Contributions in kind may only include securities, stocks or contracts authorised to make up the UCI's assets. They are valued in accordance with the valuation rules applicable to calculating the net asset value.

### **SECTION II**

#### **OPERATION OF THE FUND**

#### **ARTICLE V – MANAGEMENT COMPANY**

The management company is responsible for managing the fund in accordance with the policy set for the fund.

The management company acts on behalf of the unitholders in all circumstances and may only exercise the voting rights attached to the securities included in the fund.

#### **ARTICLE Vb – OPERATING RULES**

The instruments and deposits eligible to be included in the fund's assets, as well as the investment rules are described in the detailed description in the full prospectus.

#### **ARTICLE VI – CUSTODIAN BANK**

The custodian is responsible for the custody of the assets in the fund, examines the orders of the management company to purchase and sell securities as well as those relating to the exercise of subscription and allocation rights attached to the securities included in the fund. It processes all receipts and payments.

The custodian must ensure that the management company's decisions are properly made. It must take any protective measures it deems necessary, as appropriate. In the event of a dispute with the management company, it will inform the Autorité des Marchés Financiers.

#### **ARTICLE VII – STATUTORY AUDITORS**

A firm of auditors is appointed for six financial years following the approval of the Autorité des Marchés Financiers and by the Board of Directors of the management company.

It will carry out the tests and checks required by law and notably certify, when required, that the accounts and accounting details contained in the operations report give a true and fair view.

The auditors' term of appointment may be renewed.

It will inform the Autorité des Marchés Financiers as well as the management company of the fund of any irregularities and inaccuracies that it detects whilst carrying out its assignment.

The asset valuations and the determining of the exchange parities in the conversion, merger or demerger transactions will be carried out under the control of the auditors.

They will make an assessment of any contributions in kind and draw up, at their own responsibility, a report on the valuation and payment.

The auditors will confirm that the content of the assets and other items are accurate prior to publication.

The auditors' fees are set by mutual agreement between them and the Board of Directors of the management company based on a working programme specifying the duties deemed necessary.

These fees are paid by the Management Company.

In the event of the fund's liquidation, the auditors will value the assets and prepare a report on the conditions of this liquidation.

It shall confirm the statements serving as a basis for the distribution of interim payouts.

## **ARTICLE VIII – FINANCIAL STATEMENTS AND MANAGEMENT REPORT**

At the end of each financial year, the management company will draw up the financial statements and a report on the management of the fund during the past financial year.

The inventory is certified by the custodian and the documents referred to above are audited by the auditors.

The management company will keep these documents available for the unitholders for four months after the financial year-end date and inform them of the revenues to which they are entitled. These documents will be sent out by mail if expressly requested by the unitholders or made available to them at the management company or the custodian.

### **SECTION III**

#### **APPROPRIATION OF INCOME**

## **ARTICLE IX – ALLOCATION OF INCOME**

Net income for a given financial year is equal to the amount of interest, dividends, premiums, shares and any other income relative to the securities making up the fund's portfolio (and/or that of each sub-fund), plus any temporarily available amounts and less any amortisation charges and borrowing costs.

The amount of funds available for distribution is equal to net income for the year plus any retained income, plus or minus any accrued income pertaining to the year just ended.

For each category of units, where applicable, the fund may opt for one of the following formulas:

full capitalisation: the distributable sums are fully capitalised apart from those sums which are subject to compulsory distribution by law.

full distribution: the sums will be distributed in full, rounded up to the nearest whole number; option to distribute interim payments;

□for funds wanting to retain the option of capitalisation and/or distribution. The management company will decide on the allocation of income each year. The option exists to distribute interim payments. The management company may decide during the financial year to distribute one or more interim payments subject to the net revenue limits on the date of the decision.

## SECTION IV

### MERGER - DEMERGER - WINDING UP - LIQUIDATION

#### ARTICLE X – MERGER AND DEMERGER

The management company may transfer, in whole or in part, the assets contained in the fund to another UCI which it manages or split the fund into two or several other funds which it will manage.

These merger or splitting transactions may only be carried out one month after advising the unitholders. They will carry the right to the delivery of a new certification specifying the number of units held by each bearer.

The provisions of this article also apply to each sub-fund.

#### ARTICLE XI - WINDING UP – EXTENSION

If the assets of the fund were to remain less than the amounts specified in Article 2 above for a period of 30 days, the management company will inform the Autorité des Marchés Financiers and will wind up the fund, unless a merger takes place with another fonds commun de placement.

The management company may wind up the fund early. It shall inform the unitholders of its decision and from this date, no subscription or redemption requests will be accepted.

The management company will also wind up the fund in the event of a request to redeem all the units, the termination of the role of the custodian, in cases where no other custodian has been appointed, or, on expiry of the duration of the fund, unless the term is extended.

The management company will inform the Autorité des Marchés Financiers by mail of the date and the procedure to be adopted for the winding-up process. It will then send the auditors' report to the Autorité des Marchés Financiers.

The management company may decide to extend the term of a fund by agreement with the custodian. Its decision must be made at least three months prior to the expiration of the fund's specified term and disclosed to the unitholders and the Autorité des Marchés Financiers.

The provisions of this article apply to each sub-fund as appropriate.

#### ARTICLE XII – LIQUIDATION

If the fund is wound up, the custodian or management company, as the case may be, is responsible for the liquidation of the fund. To this end, they are invested with the broadest possible powers to realise assets, pay any creditors and distribute any available balance between the unitholders in cash or as securities.

The auditors and the custodian bank will continue to carry out their duties until the liquidation process has been completed.

## SECTION V

### DISPUTES

#### ARTICLE XIII – JURISDICTION AND ELECTION OF DOMICILE

Any disputes relating to the fund which may arise during its period of operation, or when it is liquidated, either between the unitholders or between the unitholders and the management company or the custodian are subject to the jurisdiction of the competent courts.

## **UK SUPPLEMENT**

### **relating to the issue of units of Dexia Index Arbitrage**

**This UK Supplement should be read in conjunction with and forms part of the Prospectus dated August 3rd, 2009 as amended or supplemented from time to time (the “Prospectus”).** References to the Prospectus are to be taken as references to that document as supplemented or amended hereby. In addition, words and expressions defined in the Prospectus, unless otherwise defined below, shall bear the same meaning when used herein.

Dexia Index Arbitrage (the “**Fund**”) (a French Fonds Commun de Placement - FCP) is a recognised collective investment scheme for the purposes of section 264 of the Financial Services and Markets Act 2000 (“**FSMA**”) of the United Kingdom.

The Fund has appointed Dexia Asset Management, whose registered office is 40, rue Washington, F-75008 Paris, France (the “**Management Company**”), to take care of the investment management and promotional services related to the Fund. The Management Company is EEA authorised and is regulated by the *Autorité des Marchés Financiers* in France and the Financial Services Authority (the “**FSA**”) in the United Kingdom.

The Prospectus is being distributed in the United Kingdom by the Management Company. Other persons distributing the Prospectus in, from, or into the United Kingdom must satisfy themselves it is lawful to do so.

Potential investors should note that the investments of the Fund are subject to risks inherent in investing in units and other securities. The level of risks associated with an investment in the Fund is further described in the detailed description of the prospectus. The value of investments and the income from them, and therefore the value of, and income from, the units in the Fund can go down as well as up and an investor may not get back the amount they invest. Changes in exchange rates between currencies may also cause the value of the investment to diminish or increase.

In making an investment decision, prospective investors must rely on their own examination of the legal, taxation, financial and other consequences of an investment in the Fund and the terms of the offering including the merits and risks involved. Prospective investors should not treat the contents of this document as advice relating to legal, taxation or investment matters and are advised to consult their own professional advisers concerning the acquisition, holding or disposal of units.

### **UK Taxation**

The attention of potential United Kingdom investors is drawn to the summary of the anticipated tax treatment in the United Kingdom set out below.

#### ***General***

The taxation of income and capital gains of the Fund and unit-holders is subject to the fiscal law and practice of France, any jurisdiction in which the Fund makes investments, and of the jurisdictions in which unit-holders are resident or otherwise subject to tax. The following general summary of the anticipated tax treatment in the United Kingdom does not constitute legal or tax advice and applies only to United Kingdom resident and domiciled investors holding Units as an investment.

Prospective investors should consult their own professional advisers on the implications of making an investment in, holding or disposing of, Units and the receipt of distributions (whether or not on redemption) with respect to such Units under the laws of the countries in which they are liable to taxation.

This summary is based on the taxation law in force and practice understood to be applicable at the date of this UK Supplement but prospective investors should be aware that the relevant fiscal rules and practice or their interpretation may change. The following tax summary is not a guarantee to any investor of the tax results of investing in the Fund.

### ***The Fund***

The Directors intend to conduct the affairs of the Fund in such a manner as to minimise, so far as they consider reasonably practicable, taxation suffered by the Fund. This will include conducting the affairs of the Fund so that it does not become resident in the United Kingdom for taxation purposes. Accordingly, and provided that the Fund does not carry on a trade in the United Kingdom (whether or not through a permanent establishment situated therein), the Fund will not be subject to United Kingdom income tax or corporation tax other than United Kingdom income tax on certain United Kingdom source income.

Dividends, interest and other income as well as capital gains received by the Fund may be subject to withholding or similar taxes imposed by the country in which such dividends, interest, other income or capital gains originate.

Transfer taxes may be payable by the Fund in the United Kingdom and elsewhere in relation to the acquisition and/or disposal of Investments. In particular, stamp duty reserve tax at the rate of 0.5% (or, if the transfer does not take place in Dematerialised Form, stamp duty at an equivalent rate) will be payable by the Fund in the United Kingdom on the acquisition of units in companies incorporated in the United Kingdom or which maintain a unit register in the United Kingdom. This liability will arise in the course of the Fund's normal investment activity and on the acquisition of Investments from subscribers on subscription for units.

In the absence of an exemption applicable to a prospective unit-holder (such as that available to intermediaries under section 88A of the Finance Act 1986) stamp duty reserve tax (or stamp duty) at the same rate as above will also be payable by prospective unit-holders on the acquisition of units in companies incorporated in the United Kingdom or which maintain a unit register in the United Kingdom for the purpose of subsequent subscription for units, and may arise on the transfer of Investments to unit-holders on redemption.

Because the Fund is not incorporated in the United Kingdom and the register of holders of shares will be kept outside the United Kingdom, no liability to stamp duty reserve tax will arise by reason of the transfer, subscription for or redemption of units except as stated above. Liability to stamp duty will not arise provided that any instrument in writing transferring units in the Fund is executed and retained at all times outside the United Kingdom.

### ***UK unit-holders***

Subject to their personal circumstances, unit-holders resident in the United Kingdom for taxation purposes may be liable to United Kingdom income tax or corporation tax in respect of any dividends or other income distributions of the Fund.

Chapter V of Part XVII of the UK Income and Corporation Taxes Act 1988 ("the UK Taxes Act") provides that if an investor who is resident or ordinarily resident in the United Kingdom for taxation purposes holds a "material interest" in an overseas fund that constitutes an "offshore fund" and that fund does not qualify as a "distributing fund" throughout the period during which the investor holds that interest, any gain accruing to the investor upon the sale, redemption or other disposal of that interest will be taxed at the time of such sale, redemption or disposal as income and not as a capital gain.

Special rules apply where United Kingdom investors are insurance companies, investment trusts, authorised unit trusts or open-ended investment companies. Such unit-holders should seek their own professional advice as to the tax consequences of their investment in the Fund.

An individual unit-holder domiciled or deemed for UK tax purposes to be domiciled in the United Kingdom may be liable to UK inheritance tax on their Units in the event of death or on making certain categories of lifetime transfer.

For a United Kingdom corporate unit-holder, under the rules for the taxation of corporate and government debt contained in the Finance Act 1996, if the fund in which the corporate investor has invested has more than 60 per cent by market value of its investments in debt securities, money placed at interest (other than cash awaiting investment), building society units or holdings in unit trusts or other offshore funds with, broadly, more than 60 per cent of their investments similarly invested, investors within the charge to corporation tax in the United Kingdom will be subject to tax as income on all profits and gains arising from and fluctuations in the value (calculated at the end of each accounting period of the investor and at the date of disposal of the interest) of the Units, in accordance with fair value accounting. These rules will apply to such investors if the 60 per cent limit is exceeded at any time during the investor's accounting period, even if it was not holding Units of the Fund at that time.

The attention of all unit-holders is drawn to the fact that the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 could be material to any such person whose proportionate interest in the Fund (whether as a unit-holder or otherwise as a "participator" for United Kingdom taxation purposes) when aggregated with that of persons connected with that person is 10% or greater, if at the same time, the Fund is controlled in such a way that it would, were it to be resident in the United Kingdom for taxation purposes, be a "close" company. If applied, this could result in a person with such an interest in the Fund being treated for the purposes of United Kingdom taxation of chargeable gains as if a part of any capital gain accruing to the Fund had accrued to that person directly, that part being equal to the proportion of the gain that corresponds to that person's proportionate interest in the Fund.

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of Sections 739 to 745 of the Income and Corporation Taxes Act 1988 (the "**Taxes Act**"). These provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad and may render them liable to taxation in respect of undistributed income and profits of the Fund on an annual basis.

The attention of UK corporate investors is also drawn to the provisions of Chapter IV Part XVII of the Taxes Act, which contains provisions that may subject certain United Kingdom resident companies to corporation tax on profits of companies not so resident, in which they have an interest. The provisions affect United Kingdom resident companies which have an interest of at least 25 per cent of the profits of a non-resident company which is controlled by residents of the

United Kingdom and which does not distribute substantially all of its income and is resident in a low tax jurisdiction. The legislation is not directed towards the taxation of capital gains.

### **Important**

A United Kingdom investor who enters into an investment agreement with the Company to acquire units in response to the Prospectus will not have the right to cancel the agreement under the cancellation rules made by the FSA. The agreement will be binding upon acceptance of the order by the Fund.

The Fund does not carry on any regulated activity from a permanent place of business in the United Kingdom and United Kingdom investors are advised that most of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Fund. Unit-holders in the Fund may not be protected by the Financial Services Compensation Scheme established in the United Kingdom. The registered address of the Fund is set out in the "Additional Information" section of the Prospectus.

### **Dealing Arrangements and Information**

KINETIC PARTNERS LLP (the "**Facilities Agent**") has been appointed, pursuant to an agreement with the Management Company to act as the facilities agent for the Fund in the United Kingdom and it has agreed to provide certain facilities at its offices at One London Wall, Level 10, London EC2Y 5HB, in respect of the Fund.

The attention of investors is drawn to the subscription and repurchase procedures contained in the Prospectus in particular with regard to the deadlines for the Fund. Requests for the repurchase of units (a "**Redemption Request**") may be sent to either the Facilities Agent at the abovementioned offices or the Transfer Agent of the Fund at the offices mentioned in the Prospectus.

Units are issued and repurchased at the net asset value per unit as determined on the relevant valuation day as set out in the Prospectus. Details of the determination of the net asset value per unit are set out in the section entitled "Commercial information" in the Prospectus. Information on the most recently published net asset value per unit may be obtained from either the Facility Agent at the abovementioned offices or the Management Company.

### **Documents Available for Inspection**

The following documents of the Fund may be obtained free of charge during usual business hours from the offices of the Facilities Agent:

- (a) the prospectus of the Fund most recently issued by the Management Company together with any supplements, including the simplified prospectus and the Management Rules of the Fund;
- (b) the most recently produced annual and half yearly reports relating to the Fund.

Complaints about the operation of the Fund may be submitted to the Management Company directly or through the Facilities Agent at the following address:

KINETIC PARTNERS LLP  
One London Wall, Level 10,  
London EC2Y 5HB

The date of this UK Supplement is October 20<sup>th</sup>, 2009.