

# TÜRKISFUND

Société d'Investissement à Capital Variable

incorporated under the laws of the Grand Duchy of Luxembourg

## PROSPECTUS

JANUARY 2007

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Distribution of this Prospectus is not authorised unless it is accompanied, when available, by the latest annual report and any subsequent semi-annual report. These reports form an integral part of this Prospectus.

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## Notice

TÜRKISFUND (the "SICAV") is an open-ended investment company registered on the official list of collective investment undertakings pursuant to part I of the Luxembourg law of December 20, 2002 on collective investment undertakings (the "Law of 2002"). The registration however does not imply approval by any Luxembourg authority of the contents of this Prospectus or the portfolios of securities held by the SICAV.

The shares of the SICAV are offered on the basis of the information and representations contained in this Prospectus. Any information or representation given or made by any selling agent or other person not contained herein or in the documents referred to herein should be regarded as unauthorised and should accordingly not be relied upon.

No action has been taken in order to authorise the distribution of the shares of the SICAV or the distribution of this Prospectus in any country the laws of which require any such action. Consequently this Prospectus cannot be distributed for the purpose of making any offering or solicitation of shares in any country and in any circumstance where such offer or solicitation is unauthorised.

The Directors of the SICAV, whose names appear in chapter 2. "Management and Administration", have taken all reasonable care to ensure that the facts stated herein be correctly and fairly presented with respect to all questions of importance and that no important fact, the omission of which would make misleading any of the statements herein, be omitted. All the Directors accept responsibility accordingly.

Statements made in this Prospectus are based on the law and practice currently in force in the Grand Duchy of Luxembourg and are subject to changes therein.

A subscription of a subscriber residing in a country which has not adhered to the Financial Action Task Force (FATF) regulation will only be taken into consideration if the application is accompanied by the identification documents of the subscriber duly certified by the local authorities of his country of residence. The list of the countries having adhered to the FATF regulation is available upon request at the registered office of the SICAV or can be consulted on the Internet under <http://www.oecd.org/>.

Prospective subscribers who are in any doubt about the contents of this Prospectus or, when available, the annual or semi-annual reports, should as well as in general inform themselves and consult their financial adviser as to the possible tax consequences, the legal requirements and any foreign exchange restriction or exchange control requirements which they might encounter under the laws of the countries of their citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of shares.

The SICAV has not been registered under the U.S. Investment Company Act of 1940. In addition, the shares of each Sub-Fund have not been registered under the U.S. Securities Act of 1933, as amended, and may not be and will not be offered for sale or sold in the United States of America, its territories or possessions or to a "United States person" (as hereinafter defined). The Articles of Incorporation of the SICAV contain certain restrictions on the sale and transfer of shares of each Sub-Fund to such persons.

It is recommended to potential subscribers to inquire at the offices of the SICAV whether the SICAV has published a subsequent Prospectus.

It should be appreciated that the value of the shares and the income from them can fall as well as rise and that accordingly the amount realised by a shareholder on the redemption of shares may be less than the original investment made. Past performance of the SICAV may not be construed as a guarantee of future successful results.

Copies of this prospectus and of the simplified prospectus are available at the registered office of the SICAV and with the Paying Agent in Germany, Isbank GmbH, Rossmarkt 9, D - 60311 Frankfurt/Main.

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## Definitions

The following definitions apply throughout the Prospectus:

Business day	a bank business day in Luxembourg
Class	one or more classes of Shares within a Sub-Fund, whose assets shall be commonly invested according to the investment objective of that Sub-Fund, but where a specific sales and/or redemption charge structure, fee structure, distribution policy, Reference Currency, hedging policy or other specificity shall be applied.
Director	member of the board of directors of the SICAV
Law of 2002	The Luxembourg law of December 20, 2002 on undertakings for collective investment, as may be amended from time to time
EURO	the currency (= base currency) of the SICAV
FATF	the Financial Action Task Force on Money Laundering
Financial year	ends on the last day of December of each year
Net asset value per share	net asset value of a given Sub-Fund and class, computed by subtracting from the total value of its assets an amount equal to all its liabilities, divided by the total number of shares of the relevant Sub-Fund and class outstanding on a given valuation day
OECD	Organisation for Economic Cooperation and Development
Redemption price	net asset value per share of the relevant Sub-Fund and class on a given valuation day (no redemption fee applicable)
Reference Currency	the currency in which the Net Asset Value of a given Sub-Fund or Class is expressed
Share	a share of any Sub-Fund and class in the capital of the SICAV
Shareholder	the holder of one or more Shares in the Capital of the SICAV
SICAV	TÜRKISFUND
Sub-Fund	a portfolio of assets invested according to a specific investment policy
Subscription price	net asset value per share of the relevant Sub-Fund and class on a given valuation day, plus a sales fee as detailed for each Sub-Fund in the Appendix to this Prospectus
Valuation day	each Luxembourg business day as defined for each Sub-Fund in the relevant Appendix. If this so determined valuation day is not a

Luxembourg bank business day, the net asset value will be calculated on the next Luxembourg bank business day

State Economic Enterprises

corporations owned and controlled by the government

# Prospectus

## 1. PRINCIPAL FEATURES OF TÜRKISFUND

The information set out under this chapter is a summary of the principal features of the SICAV and should be read in conjunction with the full text of this Prospectus.

### 1.1. Structure

The SICAV is incorporated in Luxembourg under the laws of the Grand Duchy of Luxembourg as a "Société Anonyme" qualifying as a "Société d'Investissement à Capital Variable" ("SICAV"). At the date of this Prospectus, it offers shares in several Sub-Funds, each linked to a separate investment portfolio of transferable securities.

The SICAV is a self-managed Sicav in accordance with article 27 of the Law of 2002. The Board of Directors has designated two conducting persons, who shall conduct and determine the policy and the day-to-day management of the SICAV in accordance with the provisions of CSSF circular 03/109. The dispositions of this paragraph will be applicable as from February 1, 2007 on.

The Directors may create additional Sub-Funds in the future with different investment objectives, subject to inclusion of the relevant Appendix or Appendices in the current Prospectus.

This "umbrella" structure enables subscribers to select from a range of Sub-Funds, the Sub-Fund(s) which best suit their individual requirements and thus make their own strategic allocation by combining holdings in various Sub-Funds of their own choosing. Each Sub-Fund shall be designated by a generic name.

The SICAV operates as an open-ended company: its shares may be issued, redeemed and converted at prices based on their respective net asset value.

Although the SICAV constitutes one sole legal entity, for the purpose of the relations between shareholders, each Sub-Fund will be deemed to be a separate entity.

Moreover, the Board of Directors may decide to issue, within each Sub-Fund, one or more classes of Shares, whose assets will be commonly invested pursuant to a specific investment policy of the respective Sub-Fund, but where a specific sales and/or redemption charge structure, fee structure, distribution policy, hedging policy, Reference Currency or other specificity is applied to each such Class.

### 1.2. Investment objective

The objective of the SICAV is to offer its shareholders the opportunity to invest in a diversified portfolio of stocks and bonds listed on the main stock exchanges of the world through a set of several Sub-Funds. The SICAV will seek capital appreciation while trying to maintain an adequate level of annual income. Emphasis will be placed on minimizing the risks of the portfolios through efficient sectoral diversification giving due consideration to liquidity. The SICAV may use derivatives for hedging and efficient portfolio management purposes.

Each Sub-Fund is described in the relevant Appendix attached to this Prospectus. The SICAV may, at its sole discretion, issue shares in other newly created Sub-Funds. This Prospectus will be amended accordingly.

### 1.3. The Sub-Funds

Shares are at present offered in the following Sub-Funds, each Sub-Fund having its own specific investment objectives and strategies:

<b>Sub-Fund</b>	<b>Reference Currency</b>
TÜRKISFUND EQUITIES (hereinafter "Equities")	EUR
TÜRKISFUND BONDS (hereinafter "Bonds")	EUR
TÜRKISFUND EUROBONDS (hereinafter "Eurobonds")	EUR

### 1.4. Share prices

The subscription and redemption prices of shares of each Sub-Fund are calculated by reference to the net asset value per share determined on each valuation day in the manner described in the chapter "Net Asset Value".

These prices and the net asset values per share are available at the registered office of the SICAV and published in one or more large newspapers as the Directors may decide on from time to time, namely in the countries in which the shares are publicly offered. The rate at which all or part of the shares of a Sub-Fund (the "initial Sub-Fund") are converted into shares of another Sub-Fund (the "new Sub-Fund") is determined by the formula described in the chapter "How to Convert Shares".

## 2. MANAGEMENT AND ADMINISTRATION

The SICAV is created on an initiative of Isbank GmbH.

<b>Chairman</b>	Bayram ÖZTÜRK General Manager ISBANK GmbH Frankfurt
<b>Directors</b>	Riza Ihsan KUTLUSOY Branch Manager TÜRKIYE IS BANKASI A.S., Istanbul
	Dr. Gürman TEVFIK General Manager İŞ Portföy Yönetimi A.Ş., Istanbul
	Klaus SCHREIBER Assistant General Manager ISBANK GmbH, Frankfurt
<b>Registered Office</b>	5, Allée Scheffer L-2520 Luxembourg
<b>Conducting Persons</b>	Mr. Cenk Aksoy Assistant General Manager İŞ Portföy Yönetimi A.Ş. Is Kuleleri, Kule 2, Kat 3 34330 4.LEVENT - ISTANBUL Turkey

	Mr. Huseyin Gayde Türkisfund 5, Allée Scheffer L-2520 Luxembourg
<b>Investment Manager</b>	İŞ Portföy Yönetimi A.Ş. İs Kuleleri, Kule 2, Kat 3 34330 4.LEVENT - ISTANBUL Turkey
<b>Custodian</b>	CACEIS Bank Luxembourg 5, Allée Scheffer L-2520 Luxembourg
<b>Central Administration, Net Asset Value calculation, Registrar and Transfer Agent</b>	CACEIS Bank Luxembourg 5, Allée Scheffer L-2520 Luxembourg
<b>Distributor</b>	ISBANK GmbH Frankfurt Rossmarkt 9 D-60311 Frankfurt/ Main
<b>Paying Agent in Germany</b>	ISBANK GmbH Frankfurt Rossmarkt 9 D-60311 Frankfurt/ Main
<b>Auditors</b>	Dr. Wollert – Dr. Elmendorff S.à.r.l. 560, rue de Neudorf L-2220 Luxembourg

### 3. GENERAL INFORMATION

#### 3.1. History of the SICAV

TÜRKISFUND is an investment company organised as a société anonyme under the laws of the Grand Duchy of Luxembourg and qualifies as a société d'investissement à capital variable (SICAV). The SICAV was incorporated in Luxembourg on November 19, 1997 for an unlimited period, with an initial capital of DM 70.000,-. The Articles of Incorporation of the SICAV were published in the Mémorial, Recueil des Sociétés et Associations, of Luxembourg, on December 18, 1997. The SICAV is registered with the "Registre de Commerce", Luxembourg under number B-61 596.

The Articles of Incorporation of the SICAV and a notice required by Luxembourg law in respect of the issue and sale of shares by the SICAV are on file with the "Greffe du Tribunal d'Arrondissement" of Luxembourg.

#### 3.2. Investment Manager

The SICAV has appointed İŞ Portföy Yönetimi A.Ş. as Investment Manager - responsible for the implementation overall co-ordination of the investment policy of all Sub-Funds including formulating investment strategies for the Sub-Funds, deciding of any actions to be undertaken in connection with the investment strategies of the Sub-Funds and preparing periodic investment strategy reports for the shareholders of the SICAV - by an investment management agreement, as amended from time to time.

The agreements between the SICAV and the Investment Manager provides that it will remain in force for an unlimited period and that it may be terminated by either party at any time upon 90 days' notice.

As remuneration for its services, the Investment Manager will receive from the SICAV a fee ("Investment management Fee") at an annual rate applicable on the average net assets of each Sub-Fund and/or Class as indicated in the relevant Sub-Fund Appendix.

### **3.3. Distribution of Shares**

Pursuant to agreements dated November 19, 1997, ISBANK GmbH has been appointed distributor of the shares of the SICAV.

ISBANK GmbH was founded in 1992 and has a capital of EUR 51.129.188,12. It has a full banking license and is active in the retail business mainly with Turkish clients, export financing and corporate finance.

The Distributor may in turn conclude contractual arrangements with financial institutions (selling agents) for the distribution of the shares.

The agreement between the SICAV and the Distributor provides that it will remain in force for an unlimited period and that it may be terminated by either party at any time upon 90 days' notice. For its services, the Distributor shall receive from the SICAV (a) fee(s), the details of which are set forth in section 10. "Charges and Expenses".

### **3.4. Custodian and Central Administration**

CACEIS Bank Luxembourg (CACEIS BL) (the "Custodian") has been appointed custodian of the assets of the SICAV which are held either directly by the Custodian, or through correspondent banks or other agents agreed by the SICAV.

The Custodian must in particular:

- (a) ensure that the sale, issue, repurchase and cancellation of the Shares effected by or on behalf of the SICAV are carried out in accordance with the Law of 2002 and the Articles of Incorporation;
- (b) ensure that in transactions involving the assets of the SICAV, the consideration is remitted to it within the usual time limits; and
- (c) ensure that the income of the SICAV is applied in accordance with the Articles of Incorporation.
- (d) The Custodian's appointment is governed by an agreement dated October 1, 2006, as amended. Under this agreement all securities, cash and other assets of the SICAV are entrusted to the Custodian. The agreement may be terminated by either party upon three months' prior written notice.

Under the same agreement, the SICAV has appointed CACEIS BL as Central Administration, Registrar and Transfer Agent to, respectively, administer the computation of the Net Asset Value per Share of the Sub-Funds and perform other general administrative functions, and to register and administer the issue, conversion and redemption of Shares.

CACEIS BL is empowered to delegate, under its full responsibility, all or part of its duties as central administrator to a third Luxembourg entity, with the prior consent of the Board of Directors.

Such prior consent has been given in respect of the delegation of all central administration duties to FASTNET LUXEMBOURG, the latter being in charge of performing such Central Administration duties, under the responsibility of CACEIS BL.

The SICAV has appointed CACEIS BL to provide it with a control process and reporting facilities by signing a service level agreement (the "Service Level Agreement"), as amended from time.

Prior consent of the SICAV has been given in respect of the delegation of the duties laid down in the Service Level Agreement to Fastnet Luxembourg S.A., the latter being in charge of performing such duties under the overall responsibility of CACEIS BL.

This agreement is signed for an unlimited duration and may be terminated by either party with prior written notice of three months.

### **Technical Infrastructure**

The Company has appointed CACEIS BL to provide it with a technical infrastructure by signing a Technical infrastructure agreement, as amended from time to time.

CACEIS BL is a subsidiary of Crédit Agricole - Caisse d'Épargne Investor Services (CACEIS), France, which results from the joint venture between Crédit Agricole Group and Groupe Caisse d'Épargne's securities and financial services branches that occurred on 3<sup>rd</sup> October 2005. CACEIS BL is a bank incorporated as a société anonyme under the laws of Luxembourg, with its registered office at 5, Allée Scheffer, Luxembourg; its paid up capital amounted to EUR 54.000.000,00.

## **4. INVESTMENT OBJECTIVES AND POLICIES**

### **4.1. Investment objective of the SICAV**

The SICAV's objective is to offer its shareholders the opportunity to invest in diversified portfolios of stocks and bonds listed on the main stock exchanges of the world. The SICAV will seek capital appreciation while trying to maintain an adequate level of annual income. Emphasis will be placed on minimizing the risks of the portfolios through efficient sectoral diversification giving due consideration to liquidity. The SICAV may use derivatives for hedging and efficient portfolio management purposes.

The SICAV gives the subscribers direct access to professionally managed and diversified portfolios. Individual subscribers may participate in an investment vehicle with a substantial amount of funds invested; they are therefore able to take advantage of investment terms normally only available to larger professional investors.

The SICAV will comply with the limits set forth under the Chapter 11 "Investment Restrictions".

The SICAV may also seek to protect and enhance the asset value of its different Sub-Funds through hedging strategies consistent with the SICAV's investment objectives by utilizing in general derivatives like currency options, forward contracts and futures contracts, all as set forth under the Chapter 12 "Risk Management".

The investments of the SICAV are subject to normal market fluctuations and, accordingly, it should be emphasized that the price of shares in any of the Sub-Funds, and their income, can vary.

### **4.2. Investment policy of each Sub-Fund**

The specific investment policies of the different Sub-Funds are described in the relevant Appendix or Appendices.

Each Sub-Fund's objective is to aim at a performance consistent with that of the market as a whole in which it invests, while containing volatility of performance and while respecting the principle of risk diversification.

### 4.3. Investment Risks

#### General

Since the value of the shares in a Sub-Fund depends on the performance of the underlying investments, which are subject to market fluctuations, no assurance can be given that the investment objective of the Sub-Funds will be achieved and that the amounts invested can be returned to the investor upon redemption of the Shares.

#### International Investing

Investments on an international basis involve certain risks, including:

- The value of the assets of a Sub-Fund may be effected by uncertainties such as changes in government policies, taxation, fluctuations in foreign exchange rates, social and religious instability, political, economic or other developments in the law or regulations of the countries in which a Sub-Fund may invest and, in particular, by changes in legislation relating to the level of foreign ownership in the countries in which a Sub-Fund may invest.
- Accounting auditing and financial standards, practices and disclosure requirements applicable to some countries in which a Sub-Fund may invest may differ from those applicable in Luxembourg in that less information is available to investors and such information may be out of date.
- A Sub-Fund's assets may be invested in securities denominated in currencies other than the base currency of the Sub-Fund (details for each Sub-Fund are set out in Description of Sub-Funds), and any income from these investments will be received in those currencies, some of which may fall against the base currency of the Sub-Fund. A Sub-Fund will compute its net asset value and make any distributions its base currency. Therefore, there may be a full currency exchange risk which may affect the value of the shares and the income distributions paid by a Sub-Fund.

#### Interest Rate Risk

The Sub-Funds that invest in bonds or other fixed income securities may fall in value if the interest rates change. Generally, the prices of debt securities rise when interest rates fall, while the prices fall when interest rates rise. Apart from longer term debt securities that have high real interest rate, they are usually more sensitive to interest rate changes. Therefore, long-term debt securities may be more volatile and instable while the financial markets are fluctuating.

#### Credit Risk

The Sub-Funds that invest in bonds and other fixed income securities are subject to the risk that issuers not make payments on such securities. An issuer suffering from an adverse change in its financial condition could lower the quality of a security leading to greater price volatility on that security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Sub-Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile. Therefore the borrowing instruments of the same or above the country rating level corporations are preferred to invest.

#### Market Risk

Market risk is the risk of loss arising from negative movements in market variables, including observable variables such as interest rates, exchange rates and equity market indices and others which may be only

indirectly observable such as volatilities and correlations. Market risks are measured, limited and controlled at the portfolio level, and the concentration limits are applied and other controls to individual risk types and to specific exposures.

The value of the relevant the Sub-Fund's investments may fall as a result of negative movements in financial markets generally.

#### Management Risk

In case of the applied investment methods and techniques regarding the management of the Sub-Funds are unsuccessfully, the Sub-Funds may cause to incur losses.

#### Investing in Derivatives

There are certain investment risks which apply in relation to techniques and instruments which the Investment Manager may employ for efficient portfolio management purposes including, but not limited to, those described below. However, should the Investment Manager's expectations in employing such techniques and instruments be incorrect, a Sub-Fund may suffer a substantial loss, having an adverse effect on the net asset value of the Shares.

#### Financial and Derivatives Instruments and Hedging Strategies

Investments of a Sub-Fund may be composed of securities with varying degree of volatility and may comprise, from time to time, financial derivative instruments. Since financial derivative instruments may be geared instruments, their use may result in greater fluctuations of the net asset value of a Sub-Fund concerned.

A Sub-Fund may use financial derivative instruments for efficient portfolio management or to attempt to hedge or reduce the overall risk of its investments or, if disclosed in relation to any Sub-Fund, may be used as part of the principal investment policies. A Sub-Fund's ability to use the strategies may be limited by market conditions, regulatory limits and tax considerations. Use of these strategies involves special risks, including:

1. dependence on the Investment Manager's ability to predict movements in the price of securities being hedged and movements in interest rates;
2. imperfect correlation between the movements in securities or currency on which a derivatives contract is based and movements in the securities or currencies in the relevant Sub-Fund;
3. the absence of a liquid market for any particular instrument at any particular time;
4. the degree of leverage inherent in futures trading (i.e. the loan margin deposits normally required in future trading means that futures trading may be highly leveraged). Accordingly, a relatively small price movement in a futures contract may result in an immediate and substantial loss to a Sub-Fund,
5. possible impediments to efficient portfolio management or the ability to meet repurchase requests or other short term obligations because of a percentage of a Sub-Fund's assets used to cover its obligations.

#### Counterparty Risk

The Sub-Funds will be exposed to credit risk on the counterparties with which they trade in relation to financial derivative instrument contracts that are not traded on a recognised exchange. Such instruments are not afforded the same protections as may apply to participants trading financial derivative instruments on organised exchanges, such as the performance of guarantee of an exchange clearing house. The Sub-Funds will be subject

to the possibility of insolvency, bankruptcy or default of a counter party with which the Sub-Fund trades. Such instruments, which could result in substantial loss to a Sub-Fund.

## **SPECIFIC RISK FACTORS IN RESPECT OF THE INVESTMENTS IN TURKEY**

### **Country Risks**

The SICAV and the Net Asset Values and liquidity of the Shares may be affected generally by exchange rates, stocks and interest rates fluctuations, changes in Turkish governmental policy, taxation, social and religious instability and political, economic or other developments in or affecting Turkey.

The Istanbul Stock Exchange (ISE) is experiencing a period of rapid growth and in many respects the standards of regulation may be less stringent than the stock exchanges of the EU Member States. The international accounting standards (IAS) are granted and enforced by the publicly opened companies on ISE. They are audited on quarterly terms by the independent audit firms. There are new legislations in process to adopt the rules and regulations to EU Directives by the Turkish Capital Market Board.

### ***Illiquid Assets***

The securities markets of Turkey are in the category of emerging markets and in process of development to the level of the EU Member States. They may be subject to substantially greater price volatility and lesser liquidity as a result of a high degree of concentration of market capitalization and trading volume in a small number of companies. In addition, a high proportion of the shares in a significant number of the higher capitalized quoted companies are held by a small number of persons, which may limit liquidity.

### ***Settlements Risks***

All ISE transactions are conducted on a cash basis and settlement must take place on the second business day following the trade. Most equity securities traded on the ISE are settled by the ISE Clearing House and entrusted in dematerialized form by the Custodian Bank on the respective accounts of the Sub-Funds. The transactions are realized in accordance with the international clearing rules and principles. The methods of delivery or receive versus payment regarding the daily transactions are used to eliminate the settlement risks that will occur. With this system the cash and asset transactions are matched simultaneously. The most of the transactions related to the Sub-Funds are executed in an organized markets and subject to low amount of settlement risks.

### ***Accounting and Disclosure Standards***

The companies listed and publicly opened on ISE, are controlled and regulated through the decree and communiqué by the Turkish Capital Market Board and have to ensure high quality of accounting and disclosure standards. According to the international accounting standards (IAS), the publicly opened companies are audited quarterly by the independent audit firms.

In addition, the Sub-Funds may make use of futures contracts or acquire or write options thereon in limited circumstances, and such instruments may also be subject to illiquid situations when market activity decreases or when a daily price fluctuation limit has been reached.

Most futures exchanges limit fluctuations in futures contract prices during a single day by regulations referred to as "day limits". During a single trading day no trades may be executed at prices beyond the daily limit. Once the price of a futures contract has increased or decreased to the limit point, positions

can neither be taken nor liquidated. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the SICAV from promptly liquidating unfavourable positions and therefore, result in losses to the respective Sub-Fund and corresponding decrease in the net asset values per Share.

## **5. TYPES OF SHARES**

Shares will only be issued in registered form.

In the absence of a request for share certificates to be issued, subscribers will be deemed to have requested that their shares be issued in registered form without certificates; confirmation of shareholding will be issued and delivered instead.

### **5.1. Registered shares**

Registered shares are evidenced by entries in the SICAV's register of shareholders. The SICAV shall consider the person in whose name the shares are registered as the full owner of the shares.

Registered shares may be issued with fractions of up to 3 decimals. Shareholders may not take part in the voting for fractions of shares, but are entitled to pro rata dividends and pro rata liquidation proceeds.

Title to shares in registered form is transferred upon delivery of (a) the certificate with the transfer form on the reverse side duly completed or (b) if no share certificate has been issued, another instrument of transfer satisfactory to the SICAV, and by inscription of the name of the transferee in the SICAV's register of shareholders.

### **5.2. Share certificates**

Delivery of share certificates to subscribers, when specifically requested, is made at the risk and at the expense of those subscribers.

### **5.3. General**

The SICAV recommends that subscribers hold registered shares in non-certificated form for security and ease of dealing. Investors will receive instead a confirmation of their shareholding. Registered shares so issued may be redeemed, converted or transferred upon written instruction to the Transfer Agent of the SICAV; in the other cases, the Transfer Agent must first receive the certificates.

## **6. HOW TO APPLY FOR SHARES**

### **6.1. General**

Applications for subscriptions of shares may be sent to either the SICAV or directly to the Transfer Agent of the SICAV in Luxembourg; however, processing of the applications received through the SICAV will only commence once they are received by the Transfer Agent in Luxembourg.

The SICAV reserves the right to reject any application for subscription as a whole or in part.

No shares of any Sub-Fund will be issued during any period when the determination of the net asset value of the relevant Sub-Fund is suspended by the SICAV as described in chapter 14.2. "Suspension of the determination of the Net Asset Value".

Subscribers are invited to complete the Application Form attached hereto. Application for subscription may be made otherwise in writing, provided that all information required in the Application Form are given.

## **6.2. Minimum investment**

For each Sub-Fund and/or Class, the Board of Directors may fix a minimum subscription in number of Shares or amount in the Reference Currency ("Minimum Subscription") of the relevant Sub-Fund and/or Class. In addition the Board of Directors may fix a Minimum Subscription for subsequent subscriptions made by existing Shareholders in that same Sub-Fund or Class ("Minimum Subsequent Subscription").

The Board of Directors may also define from time to time, for a given Sub-Fund or Class, a Minimum Holding requirement in number of Shares or amount in Reference Currency (the "Minimum Holding") for Shareholders, which will however only apply for redemption or conversion requests for Shares held in that Sub-Fund or Class.

If the Minimum Holding requirement is not met, the Company may decide to ask for the redemption of the remaining Shares of a given Shareholder or may invite him to convert his Shares in another Sub-Fund so as to comply with the Minimum Holding requirement.

Such Minimum Subscription and Minimum Holding requirements are detailed for each Sub-Fund in the relevant Appendix to this Prospectus.

## **6.3. Procedure**

After expiry of the initial offering period for Shares in a Sub-Fund and/or Class, Shares will be issued according to the current Prospectus and the respective Appendix at a Subscription Price corresponding to the relevant Net Asset Value per Share plus a sales fee in favour of the Distributor, as described in the relevant Appendix to this Prospectus.

Applications received by the Transfer Agent or the SICAV in Luxembourg until a specific Time Limit on a banking day, will be dealt with on the next following Valuation day at the Subscription Price of the relevant Sub-Fund and/or Class prevailing on that Valuation day.

The Time Limit and Valuation day applicable for each Sub-Fund and/or Class are set out in the relevant Appendix to this Prospectus.

## **6.4. Payments**

The subscription price (excluding the sales fee to be retained directly by the Distributors/or other Sales Agents) is payable according to the instructions as detailed for each Sub-Fund in the relevant Appendix to this prospectus.

The subscription price per share in the payment currencies will be based on a calculation made by the Central Administrative Agent converting the net asset value per share into the payment currencies by reference to relevant average spot rates on the relevant valuation day, as used to value the relevant Sub-Fund(s)'s and/or Class' assets provided that the Directors may (i) adjust or cause the subscription price per share payable to be adjusted by reference to the market rate of such currencies at the time of the calculation of the applicable subscription price per share in case of a de- or re-evaluation of such currencies, or (ii) reject subscriptions paid in a payment currency other than the reference currency of the relevant Sub-Fund and/or Class, if exceptional circumstances or fluctuations in the international currency markets exist, which justify such decision in the interest of the shareholders of the relevant Sub-Fund and/or Class.

Payments must be made either by cheque or by bank transfer for the benefit of the respective Sub-Fund or Class with the Custodian, as described in the Application Form.

Transfer of funds should be made under arrangements giving the SICAV notice of the amount transferred and the value date at which it will be available. When payment is made by cheque, the shares will not be allotted until the funds are collected on behalf of the SICAV.

### **6.5. Anti money laundering procedures**

In the context of money laundering prevention and in compliance with Luxembourg and international regulations applicable thereto, any subscriber will have to establish its identity to the SICAV or to the financial institution which collects its subscription. Namely, the subscription form of an investor must be accompanied, in the case of individuals, by a certified copy of the subscriber's passport or identification card.

In the case of legal entities, a copy of the subscriber's articles of incorporation and, where applicable, an extract from the commercial register (any such copy must be certified to be a true copy of the original by one of the following authorities: ambassador, consul, notary or police officer) is required.

This identification procedure must be complied with by the Central Administration (or the relevant competent agent of the Central Administration) in the case of direct subscriptions to the SICAV, and in the case of subscriptions received by the SICAV from any intermediary resident in a country that does not impose on such intermediary an obligation to identify investors equivalent to that required under Luxembourg laws for the prevention of money laundering.

Without prejudice to the above, the Board of Directors reserves the right to (a) refuse any request for subscription, and (b) repurchase outstanding Shares held by investors who are not authorized to either buy or hold Shares of the SICAV.

## **7. HOW TO REDEEM SHARES**

### **7.1. General**

Any shareholder has the right at any time to have all or part of its shares redeemed by the SICAV. Any shares redeemed by the SICAV will be cancelled.

Redemption requests may be sent to either the SICAV or directly to the Transfer Agent of the SICAV in Luxembourg; however, processing of the requests received through the SICAV will only commence once they are received by the Transfer Agent in Luxembourg.

Any request for redemptions shall be irrevocable except during any period when the determination of the net asset value of the relevant Sub-Fund is suspended by the SICAV as described in chapter 14.2. "Suspension of the determination of the Net Asset Value" hereafter. In the absence of revocation, redemptions will occur as of the first applicable valuation day after the end of the suspension.

The redemption price of shares may be higher or lower than the subscription price paid by the shareholder at the time of subscription, depending on whether the net asset value has appreciated or depreciated.

## **7.2. Procedure**

The redemption requests must be addressed in writing to the Transfer Agent or the SICAV and state the Sub-Fund, the number and the form of shares to be redeemed, the payment currency in which the redemption price is to be paid, and all necessary references enabling the payment of the redemption proceeds. If there is no indication on the redemption request as to the payment currency in which the redemption price should be paid, the Transfer Agent will take into account the reference currency in which the relevant Sub-Fund and/or Class is denominated (see the relevant Appendix).

The redemption requests must be accompanied in the case of bearer shares, by the certificates to be redeemed with all unmatured coupons attached and in the case of registered shares, by the certificates (if any) with the documents (if any) evidencing any transfer of shares.

Redemption requests received by the Transfer Agent of the SICAV in Luxembourg until a specific Time Limit on a banking day will be dealt with on the next following Valuation day at the Redemption Price of the relevant Sub-Fund and/or Class prevailing on that Valuation day.

The Time Limit and Valuation day applicable for each Sub-Fund are set out in the relevant Appendix to this Prospectus.

The redemption price will correspond to the applicable net asset value per share.

## **7.3. Payments**

The redemption price is payable according to the instructions as detailed for each Sub-Fund in the relevant Appendix to this prospectus, provided that all the documents evidencing the redemption as mentioned here above have been received by the Transfer Agent of the SICAV.

# **8. HOW TO CONVERT SHARES**

## **8.1. General**

Any shareholder may request the conversion of all or part of its shares into shares of any other existing Sub-Fund and/or Class.

Acceptance of any applications for conversion is contingent upon the satisfaction of any conditions (including any minimum subscription requirements or institutional investor quality) applicable to the Sub-Fund or Class into which the conversion is to be effected.

Requests may be sent to either the SICAV or directly to the Transfer Agent of the SICAV in Luxembourg; however, processing of the requests received through the SICAV will only commence once they are received by the Transfer Agent in Luxembourg.

Any request for conversions shall be irrevocable except during any period when the determination of the net asset value of the relevant Sub-Fund is suspended by the SICAV as described in chapter 14.2. hereafter. In the absence of revocation, conversions will occur as of the first applicable Valuation day after the end of the suspension.

## 8.2. Procedure

The conversion requests must be addressed in writing to the Transfer Agent of the SICAV and state the Sub-Fund, the number and the form of the shares to be converted, and the form of the shares to be issued in the new selected Sub-Fund and/or Class.

The conversion requests must be accompanied in the case of bearer shares, by the certificates to be converted with all unmatured coupons attached and in the case of registered shares, by the certificates (if any) with the documents (if any) evidencing any transfer of shares.

Conversion requests received by the Transfer Agent of the SICAV in Luxembourg until a specific Time Limit on a banking day will be dealt with on the next following Valuation day.

The Time Limit and Valuation day applicable for each Sub-Fund are set out in the relevant Appendix to this Prospectus.

A conversion order may require the conversion of currency from one Sub-Fund and/or Class to another Sub-Fund and/or Class. In such event, the number of shares of the new Sub-Fund and/or Class obtained on a conversion will be affected by the net foreign currency exchange rate, if any, applied to the conversion.

The SICAV has established the following formula to determine the number of shares of the new Sub-Fund and/or Class into which the shares of the initial Sub-Fund and/or Class will be converted:

$$E = \frac{A \times B \times D}{C}$$

A: number of shares of the existing Sub-Fund and/or Class subject to the conversion order;

B: net asset value per share of the existing Sub-Fund and/or Class

C: net asset value per share of the new Sub-Fund and /or Class;

D: exchange rate between the currency of the initial Sub-Fund and/or Class and the currency of the new Sub-Fund and/or Class. If the currency of the initial Sub-Fund and/or Class and the currency of the new Sub-Fund and/or Class are the same, D will be equal to 1;

E: number of shares of the new Sub-Fund and/or Class obtained in the conversion.

Fractions of shares of the new Sub-Fund and/or Class will only be issued to registered shareholders. Holders of bearer shares will not receive fractions of shares; the corresponding amount will be reimbursed to them.

The conversion shall in principle be made free of charge to the Shareholders. However, the Directors of the SICAV reserve the right to levy a conversion fee (the "Conversion Fee"). Such a fee, if any, is detailed for each Sub-Fund in the relevant Appendix.

## 9. DIVIDENDS

For the time being only distribution shares are issued.

The annual general meeting of shareholders shall each year make the proposals of the Directors in this matter.

The Directors will make a distribution within the limits laid down in Article 27 of the law.

The Directors may, if they deem it advisable, make interim payment of dividends.

Any dividends remaining unclaimed after 5 years following the date of declaration will be forfeited and revert to the respective Sub-Funds.

## 10. PREVENTION OF MARKET TIMING

In general, Market Timing is to be understood as an arbitrage method through which an investor systematically subscribes and redeems or converts Shares of the same UCI within a short time period, by taking advantage of time differences and/or imperfections or deficiencies in the method of determination of the Net Asset Value of the UCI.

**Subscriptions, redemptions and conversions are dealt with an unknown Net Asset Value. The SICAV does not permit practices related to Market Timing and reserves the right to reject subscription and conversion orders from an investor who the SICAV suspects of using such practices. The SICAV takes the necessary measures to protect the other investors.**

Purchases and conversion of Shares should be made for investment purposes only. The SICAV does not permit market-timing or other excessive trading practices. Excessive, short-term (market-timing) trading practices may disrupt portfolio management strategies and harm the Company's performance. To minimise harm to the SICAV and the Shareholders, the Board of Directors has the right to reject any purchase or conversion order from any Shareholder who is engaging in excessive trading or has a history of excessive trading or if a Shareholder's trading, in the opinion of the Board of Directors, has been or may be disruptive to the SICAV or any of its Sub-Funds. In making this judgement, the Board of Directors may consider trading done in multiple accounts under common ownership or control. The Board of Directors has the power to redeem all Shares held by a Shareholder who is or has been engaged in excessive trading. The Board of Directors or the SICAV will not be held liable for any loss resulting from rejected orders or mandatory redemptions.

## 11. CHARGES AND EXPENSES

### 11.1. Setting-up costs

The SICAV bears the costs of its establishment, including the costs of introduction with the regulatory authorities, notarial charges, the cost of preparing and printing this Prospectus and share certificates, and any other fees and costs incurred in connection with the establishment and launching of the SICAV.

These costs are estimated at approximately EUR 75,000 and will be amortized on the assets of the Sub-Funds existing at the setting up of the SICAV. They will be amortized over the 5 first financial years.

Costs in relation with the subsequent launching of new Sub-Funds are amortized on the assets of these new Sub-Funds over 5 financial years.

### **11.2. Investment management fees**

As remuneration for its services, the Investment Manager will receive from the SICAV a fee ("Investment Management Fee") at an annual rate applicable on the average net assets of each Sub-Fund and/or Class as indicated in the relevant Sub-Fund Appendix.

### **11.3. Distributors**

The Distributors or other Sales Agents are entitled to receive a sales fee of up to 5% of the net asset value per share of the relevant Sub-Fund and/or Class which they may directly deduct from the subscription monies received from the subscribers.

In addition, as remuneration for its services, the Distributors will receive a Fee as described in the relevant Sub-Fund Appendix.

### **11.4. Custodian Bank and Central Administration**

CACEIS Bank Luxembourg in compensation for its services as Custodian, is entitled to a variable fee of 0.04% p.a. calculated on the average monthly net asset value per Sub-Fund and payable monthly.

In compensation for its services as Central Administration, Registrar and Transfer Agent CACEIS BL is entitled to receive a variable fee of up to 0.07% calculated on the net assets of each Sub-Fund, during the month and payable by twelfth at the end of said month with a minimum annual fee of EUR 22,500 plus a fix fee of EUR 2,500 p.a. per Sub-Fund for its domiciliation services.

CACEIS BL for the services provided under the Lease and Technical Infrastructure Agreement is entitled to fee of EUR 2,000 payable monthly. For the services provided under the Service Level Agreement CACEIS BL is entitled to a quarterly fee of EUR 2,500.

### **11.5. Other expenses**

The SICAV bears all its operating expenses, including without limitation the costs of buying and selling securities, governmental charges, legal and auditing fees, interest, printing, reporting and publication expenses, paying agency fees, postage, telephone and facsimile, etc..

### **11.6. Allocation of liabilities**

Any charges and costs attributable to a specific Sub-Fund will be allocated directly to that Sub-Fund.

Any charges and costs that cannot be directly attributable to a specific Sub-Fund will be allocated equally to the various Sub-Funds or, if the amounts so require, they will be allocated to the Sub-Funds in proportion to their respective net assets.

### 11.7. Single legal entity

The SICAV is a single legal entity, incorporated with multiple compartments as provided for in article 133 of the Law of 2002.

With regard to the SICAV's creditors, each Sub-Fund shall be exclusively responsible for all debts, liabilities and obligations attributable to it.

## 12. INVESTMENT RESTRICTIONS

The Directors shall, based upon the principle of spreading risks, have power to determine the corporate and investment policy for the investments and the course of conduct of the management and business affairs of each Sub-Fund of the SICAV.

The following definitions shall apply for the purpose of the investments restrictions set forth hereafter:

EU	European Union
CSSF	Commission for the Supervision of the Financial Sector
FATF State	such country deemed from time to time by the Financial Action and Task Force to comply with the FATF regulations and criterias necessary to become a member country of FATF and to have acceptable standards of anti-money laundering legislation
money market instruments	shall mean instruments normally dealt in on the money market which are liquid, and have a value which can be accurately determined at any time
OECD	Organisation for Economic Co-operation and Development
Regulated Market	a market within the meaning of Article 1.13 of directive 93/22/EEC and any other market in any state which is regulated, operates regularly and is recognised and open to the public
transferable securities	shall mean: <ul style="list-style-type: none"> <li>- shares and other securities equivalent to shares,</li> <li>- bonds and other forms of securitised debt,</li> <li>- any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange, excluding techniques and instruments relating to transferable securities and money market instruments.</li> </ul>
UCITS	an Undertaking for Collective Investment in Transferable Securities within the meaning of the EU Council Directive 85/611/EEC on the Coordination of Laws, Regulations and Administrative Provisions relating to Undertakings for Collective Investment in Transferable Securities (UCITS), as amended
other UCI	An Undertaking for Collective Investment.

The Board of Directors, under the supervision and control of the conducting persons shall, based upon the principle of spreading of risks, have power to determine the investment policy for the investments of the SICAV in respect of each Sub-Fund subject to the following restrictions.

The SICAV and/or each Sub-Fund is subject to the following investment restrictions.

- (I) (A) The SICAV and/or each Sub-Fund shall invest in:
- (1) in transferable securities and money market instruments admitted to or dealt in on a Regulated Market in a member state of the EU,
  - (2) transferable securities and money market instruments admitted to official listing on a stock exchange or dealt in on another regulated market in Europe, the American Continent, Asia, Africa and Australasia provided that such market is regulated, operates regularly and is recognised and open to the public,
  - (3) recently issued transferable securities and money market instruments provided that the terms of the issue include an undertaking that application will be made for admission to the official listing on a stock exchange or on another regulated market mentioned under (1) and (2) above and that such admission is secured within a year of the issue.
  - (4) units of UCITS and/or other UCIs, whether situated in an EU Member State or not, provided that:
    - such other UCIs have been authorised under the laws of any Member State of the EU or under the laws of Canada, Hong Kong, Japan, Norway, Switzerland or the United States of America,
    - the level of protection for unitholders in such other UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of directive 85/611/EEC,
    - the business of such other UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period
    - no more than 10% of the assets of the UCITS or of the other UCIs, whose acquisition is contemplated, can, according to their constitutional documents, in aggregate be invested in units of other UCITS or other UCIs
  - (5) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a country which is a Member State of the European Union or, if the registered office of the credit institution is situated in a non-Member State, provided that is subject to prudential rules considered by the CSSF as equivalent to those laid down in Community law;
  - (6) financial derivative instruments, including equivalent cash-settled instruments, dealt in on a Regulated Market and/or financial derivative instruments dealt in over-the-counter ("OTC derivatives"), provided that:
    - the underlying consists of instruments covered under this section, financial indices, interest rates, foreign exchange rates or currencies, in which the SICAV and/or each Sub-Fund may invest according to their investment objective;
    - the counterparties to OTC derivative transactions are institutions subject to prudential supervision and belonging to the categories approved by the CSSF; and

- the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at The SICAV's initiative;
- (7) money market instruments other than those dealt in on a Regulated Market, if the issue or the issuer of such instruments are themselves regulated for the purpose of protecting investors and savings, and provided that such instruments are:
- issued or guaranteed by a central, regional or local authority or by a central bank of an EU Member State, the European Central Bank, the EU or the European Investment Bank, a non-EU Member State or, in case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more EU Member States belong, or
  - issued by an undertaking any securities of which are dealt in on Regulated Markets, or
  - issued or guaranteed by a credit institution which is subject to prudential supervision, in accordance with criteria defined by Community law, or by a credit institution which is subject to and complies with prudential rules considered by the CSSF to be at least as stringent as those laid down by Community law, or
  - issued by other bodies belonging to the categories approved by the CSSF provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, second and third indent of this sub-section 6 and provided that the issuer (i) is a company whose capital and reserves amount at least to ten million Euro (EUR 10,000,000) and (ii) which presents and publishes its annual accounts in accordance with Directive 78/660/EEC, (iii) is an entity which, within a Group of Companies which includes one or several listed companies, is dedicated to the financing of the group, or (iv) is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.
- (B) In spite of what is provided for under (I)(A), above, the SICAV and/or each Sub-Fund may also invest a maximum of 10% of its net assets in transferable securities or money market instruments other than the transferable securities defined under (I) (A) above .
- (II) The SICAV and/or each Sub-Fund may hold ancillary liquid assets.
- The SICAV and/or each Sub-Fund may acquire movable and immovable property which is essential for the direct pursuit of its business.
- (III) (A) Each Sub-Fund will invest no more than 10% of its net assets in transferable securities or money market instruments issued by the same issuing body.  
The Company may not invest more than 20% of the net assets of any Sub-Fund in deposits made with the same body. The risk exposure of a Sub-Fund to a counterparty in an OTC derivative transaction may not exceed 10% of its net assets when the counterparty is a credit institution referred to in (I) (5) above or 5% of its net assets in other cases.
- (B) Moreover, where the SICAV holds on behalf of a Sub-Fund investments in transferable securities and money market instruments of issuing bodies which individually exceed 5% of the net assets of such Sub-Fund, the total of all such investments must not account for more than 40% of the total net assets of such Sub-Fund.

This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

Notwithstanding the individual limits laid down in paragraph (A), the SICAV may not combine for each Sub-Fund:

- investments in transferable securities or money market instruments issued by a single body,
- deposits made with a single body, and/or
- exposures arising from OTC derivative transactions undertaken with a single body in excess of 20% of its net assets.

(C) The 10% limit laid down under (III)(A) above, may be of a maximum of 35% if the transferable securities or money market instruments are issued or guaranteed by an EU Member State, its local authorities, or by another state or by public international bodies of which one or more EU Member states are members.

(D) The limit of 10% laid down under (III)(A) is increased to 25% for certain bonds when they are issued by a credit institution which has its registered office in a Member State of the EU and is subject by law, to special public supervision designed to protect bondholders. In particular, sums deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in case of bankruptcy of the issuer, would be used on a priority basis for the repayment of principal and payment of the accrued interest.

If a Sub-Fund invests more than 5% of its net assets in the bonds referred to in this sub-paragraph and issued by one issuer, the total value of such investments may not exceed 80% of the net assets of the Sub-Fund.

(E) The transferable securities and money market instruments referred to in (C) and (D) shall not be included in the calculation of the limit of 40% in (B).

The limits set out in sub-paragraphs (A), (B), (C) and (D) may not be aggregated and, accordingly, investments in transferable securities or money market instruments issued by the same issuing body, in deposits or in derivative instruments effected with the same issuing body may not, in any event, exceed a total of 35% of any Sub-Fund's net assets;

Companies which are part of the same group for the purposes of the establishment of consolidated accounts, as defined in accordance with directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained under (III).

The SICAV may cumulatively invest up to 20% of the net assets of a Sub-Fund in transferable securities and money market instruments within the same group.

**(F) Notwithstanding the above provisions, the SICAV is authorised to invest up to 100% of the net assets of any Sub-Fund, in accordance with the principle of risk spreading, in transferable securities and money market instruments issued or guaranteed by a Member State of the EU, by its local authorities or agencies, or by another member State of the OECD or by public international bodies of which one or more Member States of the EU are members, provided that such Sub-Fund must hold securities from at least six**

**different issues and securities from one issue do not account for more than 30% of the net assets of such Sub-Fund.**

(IV)

- (A) Without prejudice to the limits laid down under (V), the limits provided under (III) are raised to a maximum of 20% for investments in shares and/or bonds issued by the same issuing body if the aim of the investment policy of a Sub-Fund is to replicate the composition of a certain stock or bond index which is sufficiently diversified, represents an adequate benchmark for the market to which it refers, is published in an appropriate manner and disclosed in the relevant Sub-Fund's investment policy.
- (B) The limit laid down in (A) is raised to 35% where this proves to be justified by exceptional market conditions, in particular on Regulated Markets where certain transferable securities or money market instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.

(V) The SICAV will not:

- (A)
- acquire more than 10% of the non voting shares of the same issuer;
  - acquire more than 10% of the debt securities of the same issuer ;
  - acquire more than 10% of the money market instruments of the same issuers.

The limits laid down in the second and third indents may be disregarded at the time of acquisition if at that time the gross amount of debt securities or of money market instruments or the net amount of the investments in issue cannot be calculated.

Such limits shall not apply to transferable securities and money market instruments issued or guaranteed by a Member State of the EU, its local authorities, any other state, or by public international bodies of which one or more Member States of the EU are members;

These provisions are also waived as regards shares held by the SICAV in the capital of a company incorporated in a non-Member State of the EU which invests its assets mainly in the securities of issuing bodies having their registered office in that State, where under the legislation of that State, such a holding represents the only way in which the SICAV can invest in the securities of issuing bodies of that State provided that the investment policy of the company from the non-Member State of the EU complies with the limits laid down in paragraph (III), (V). and (VI). (A), (B), (C) and (D).

- (B) acquire shares carrying voting rights which would enable the SICAV to exercise significant influence over the management of an issuing body.

(VI) (A) The SICAV may acquire units of the UCITS and/or other UCIs referred under (I) (A) 4), provided that no more than 20% of its net assets be invested in the units of a single UCITS or other UCI.

For the purpose of the application of this investment limit, each sub-fund of a UCI with multiple sub-funds is to be considered as a separate issuer provided that the principle of segregation of the obligations of the various sub-funds vis-à-vis third parties is ensured.

- (B) Investments made in units of UCIs other than UCITS may not in aggregate exceed 30% of the net assets of a Sub-Fund.

The underlying investments held by the UCITS or other UCIs in which the SICAV invests do not have to be considered for the purpose of the investment restrictions set forth under (III) above.

- (C) When the SICAV invests in the units of UCITS and/or other UCIs that are managed, directly or by delegation, by the management company or by any other company with which the management company is linked by common management or control, or by a substantial direct or indirect holding, that management company or other company cannot charge subscription or redemption fees on account of its investment in the units of such UCITS and/or other UCIs.

If any Sub-Fund's investments in UCITS and other UCIs constitute a substantial proportion of that Sub-Fund's assets, it shall disclose in the Sub-Fund's Description the maximum level of the management fees charged both to such Sub-Fund itself and the UCITS and/or other UCIs concerned in which the Sub-Fund intends to invest. In the case any performance fees are levied such performance will not be included in the maximum level of management fees and the Sub-Fund's Description will inform separately on the maximum of performance fees levied. The SICAV will indicate in its annual report the maximum level of management fees charged both to the relevant Sub-Fund and to the UCITS and other UCIs in which such Sub-Fund has invested during the relevant period.

- (D) The SICAV as a whole may acquire no more than 25% of the units of the same UCITS or other UCI. This limit may be disregarded at the time of acquisition if at that time the gross amount of the units in issue cannot be calculated.

- (VII) The SICAV shall ensure for each Sub-Fund that the global exposure relating to derivative instruments does not exceed the total net value of the relevant Sub-Fund.

The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements and the time available to liquidate the positions. This shall also apply to the following subparagraphs.

If the Sub-Fund invests in financial derivative instruments, the exposure to the underlying assets may not exceed in aggregate the investment limits laid down under (III) above. When the Sub-Fund invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down under (III).

When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of this section.

- (VIII) Each Sub-Fund will not:

- (A) purchase any securities on margin (except that the Sub-Fund may obtain such short-term credit as may be necessary for the clearance of purchases and sales of securities) or make short sales of securities or maintain a short position; deposits or other accounts in connection with option, forward or financial futures contracts, are, however, permitted within the limits provided for here below;
- (B) make loans to, or act as a guarantor for, other persons, or assume, endorse or otherwise become directly or contingently liable for, or in connection with, any obligation or indebtedness of any person in respect of borrowed monies, provided that for the purpose of this restriction (i) the acquisition of transferable securities in partly paid form, and (ii) the lending of portfolio

securities subject to all applicable laws and regulations shall not be deemed to constitute the making of a loan or be prohibited by this paragraph;

- (C) borrow more 10% of its total net assets, and then only from banks and as a temporary measure. Each Sub-Fund may, however, acquire currency by means of a back to back loan. Each Sub-Fund will not purchase securities while borrowings are outstanding in relation to it, except to fulfill prior commitments and/or exercise subscription rights;
- (D) mortgage, pledge, hypothecate or in any manner encumber as security for indebtedness, any securities owned or held by each Sub-Fund, except as may be necessary in connection with the borrowings permitted under (VIII)(C), above, and then such mortgaging, pledging, hypothecating or encumbering may not exceed 10% of each Sub-Fund's total net assets. The deposit of securities or other assets in a separate account in connection with option or financial futures transactions shall not be considered to be a mortgage, pledge or hypothecation or encumbrance for this purpose;
- (E) make investments in, or enter into transactions involving precious metals, commodities or certificates representing these.
- (F) may not carry out uncovered sales of transferable securities, money market instruments or other financial instruments.
- (G) may not acquire either precious metals or certificates representing them.

If any of the above limitations are exceeded for reasons beyond the control of the SICAV and/or each Sub-Fund or as a result of the exercise of subscription rights attaching to transferable securities and money market instruments, then the SICAV and/or each Sub-Fund must adopt, as a priority objective, sales transactions for the remedying of that situation, taking due account of the interests of its shareholders.

#### **RISK-MANAGEMENT PROCESS**

The SICAV will employ a risk-management process which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of each Sub-Fund. The SICAV will employ, if applicable, a process for accurate and independent assessment of the value of any OTC derivative instruments.

### **13. RISK MANAGEMENT**

#### **GENERAL**

The SICAV may employ techniques and instruments relating to transferable securities and money market Instruments provided that, for the time being, such techniques and instruments are used for hedging purposes or for the purpose of efficient portfolio management.

When these operations concern the use of derivative instruments, these conditions and limits shall conform to the provisions laid down in Section: "Investment Restrictions".

Under no circumstances shall these operations cause a Sub-Fund to diverge from its investment objectives as laid down in the relevant appendix relating to this Sub-Fund.

Furthermore, the SICAV may, for efficient portfolio management purposes, exclusively resort to Securities Lending and Borrowing and Repurchase Agreement Transactions, provided that the following rules are complied with:

### **13.1. Securities lending**

A Sub-Fund may enter into securities lending transactions provided that they comply with the following regulations:

- a) regulations to ensure the proper completion of lending transactions

A Sub-Fund may only lend securities through a standardised lending system organised by a recognised clearing institution or through a first class financial institution specialising in this type of transaction.

As part of the lending transaction, the relevant Sub-Fund must in principle receive a guarantee, the value of which at the time of the conclusion of the contract must be at least equal to the global valuation of the securities lent. This guarantee must be given in the form of liquid assets and/or in the form of securities issued or guaranteed by a member State of the OECD or by their local authorities or by supranational institutions and undertakings of a community, regional or worldwide nature and blocked in the name of the SICAV until the expiry of the loan contract.

- b) conditions and limits of securities lending

These transactions may not exceed 50% of the global valuation of the securities portfolio concerned. This limit however does not apply where the SICAV is entitled at all times to the cancellation of the contract and the restitution of the securities lent.

These transactions may not extend beyond a period of 90 days, provided that the SICAV is entitled at all times to the cancellation of the contract and the restitution of the securities lent.

### **13.2. Repurchase Agreements**

On an ancillary basis, a Sub-Fund may enter into repurchase agreements which consist of the purchase and sale of securities with a clause reserving the seller the right to repurchase from the purchaser the securities sold at a price and term specified by the two parties in the contractual agreement.

A Sub-Fund can act either as purchaser or seller in repurchase agreements. Its involvement in such transactions is however subject to the following regulations:

- a) regulations to ensure the proper completion of repurchase agreements

A Sub-Fund may not buy or sell securities using a repurchase agreement unless the counterparty in such transaction is a first class financial institution specialising in this type of transaction.

- b) conditions and limits of repurchase agreements

During the life of a repurchase agreement, a Sub-Fund cannot sell the securities which are the object of the agreement, either before the right to repurchase these securities has been exercised by the counterparty, or the repurchase term has expired.

The Sub-Fund must ensure that the level of its exposure to repurchase transactions is such that it is able, at all times, to meet its repurchase obligations.

## **14. TAXATION**

### **14.1. The SICAV**

Under current law and practice, the SICAV is not liable to any Luxembourg income tax, nor are dividends paid by the SICAV liable to any Luxembourg withholding tax.

However, the Sub-Funds of the SICAV are liable in Luxembourg to a tax of 0.05% of its net assets per annum for the Class A, and to a tax of 0.01% of its net assets per annum for the Class I, such tax being payable quarterly and calculated on the basis of the net assets of all Sub-Funds at the end of the relevant quarter.

No stamp duty or other tax is payable in Luxembourg on the issue of shares in the SICAV except a once and for all tax of LUF 50,000.- which was paid upon incorporation.

Under current law and practice, no capital gains tax is payable in Luxembourg on the realised or unrealised capital appreciation of the assets of the SICAV.

Income derived by the SICAV from different sources may be subject to withholding taxes in the countries of origin.

### **14.2. The shareholders**

EU Tax Considerations for individuals resident in the EU or in certain third countries or dependent or associated territories

The Council of the EU has adopted on 3rd June 2003 Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "Directive"). Under the Directive, Member States of the EU will be required to provide the tax authorities of another EU Member State with information on payments of interest or other similar income paid by a paying agent (as defined by the Directive) within its jurisdiction to an individual resident in that other EU Member State. Austria, Belgium and Luxembourg have opted instead for a tax withholding system for a transitional period in relation to such payments. Switzerland, Monaco, Liechtenstein, Andorra and San Marino and the Channel Islands, the Isle of Man and the dependent or associated territories in the Caribbean, have also introduced measures equivalent to information reporting or, during the above transitional period, withholding tax.

The Directive has been implemented in Luxembourg by a law dated June 21, 2005 (the "Law").

Dividends distributed by a Sub-Fund will be subject to the Directive and the Law if more than 15% of such Sub-Fund's assets are invested in debt claims (as defined in the Law) and proceeds realised by shareholders on the redemption or sale of Shares in a Sub-Fund will be subject to the Directive and the Law if more than 40% of such Sub-Fund's assets are invested in debt claims (such Sub-Funds, hereafter "Affected Sub-Funds").

The applicable withholding tax will be at a rate of 15% from July 1, 2005 until June 30, 2008, 20% from July 1, 2008 until June 30, 2011 and 35% from July 1, 2011 onwards.

Consequently, if in relation to an affected Sub-Fund a Luxembourg paying agent makes a payment of dividends or redemption proceeds directly to a shareholder who is an individual resident or deemed resident for tax

purposes in another EU Member State or certain of the above mentioned dependent or associated territories, such payment will, subject to the next paragraph below, be subject to withholding tax at the rate indicated above.

No withholding tax will be withheld by the Luxembourg paying agent if the relevant individual either (i) has expressly authorised the paying agent to report information to the tax authorities in accordance with the provisions of the Law or (ii) has provided the paying agent with a certificate drawn up in the format required by the Law by the competent authorities of his State of residence for tax purposes.

The SICAV reserves the right to reject any application for shares if the information provided by any prospective investor does not meet the standards required by the Law as a result of the Directive.

The foregoing is only a summary of the implications of the Directive and the Law and is based on the current interpretation thereof and does not purport to be complete in all respects. It does not constitute investment or tax advice and investors should therefore seek advice from their financial or tax adviser on the full implications for themselves of the Directive and the Law.

## Luxembourg

Subject to the provisions of the Law, shareholders are not subject to any capital gains, income, withholding, gift, estate, inheritance or other tax in Luxembourg, except for investors domiciled, resident or having a permanent establishment in Luxembourg and except for certain former residents of Luxembourg owning more than 10% of the Shares in the SICAV. The following summary is based on the law and practice currently in force in the Grand Duchy of Luxembourg and is subject to changes therein.

Potential subscribers to the SICAV should inform themselves on applicable laws and regulations (i.e. as to the possible tax requirements or foreign exchange control) of the countries of their citizenship, residence or domicile, and which might be relevant to the subscription, purchase, holding and redemption of shares.

## **15. NET ASSET VALUE**

### **15.1. Determination of the Net Asset Value**

The net asset value per share shall be calculated as a per share figure in the reference currency of the relevant Sub-Fund and/or Class and shall be determined in respect of each Valuation day by dividing the total net asset value of the relevant Sub-Fund and/or Class, being the value of the assets of the Sub-Fund and/or Class less its liabilities, by the number of shares of the relevant Sub-Fund and/or Class then outstanding.

The "Valuation day" is defined, in the relevant Appendix, in respect of each Sub-Fund and/or Class, provided that if any such day is not a Luxembourg bank business day, the shares will be valued on the next Luxembourg bank business day.

The basic accounting principles for determining the net asset value of the Sub-Funds and/or Class are set forth in the Articles of Incorporation, the material provisions of which provide as follows:

- 1) the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Directors may consider appropriate in such case to reflect the true value thereof;

- 2) the value of securities and financial derivative instruments which are quoted or dealt in on any stock exchange shall be in respect of each security and financial derivative instruments, the last known price, and where appropriate, the middle market price on the stock exchange which is normally the principle market for such security or financial derivative instruments;
- 3) units or shares of open-ended investment funds will be valued at their most recent available net asset value;
- 4) securities dealt in on another regulated market are valued in a manner as near as possible to that described in the paragraph 2;
- 5) in the event that any of the securities held in any portfolio on the relevant Valuation day are not quoted or dealt in on a stock exchange or another regulated market or, for any of the securities, no price quotation is available, or if the price as determined pursuant to sub-paragraphs 2) and/or 4) is not in the opinion of the Directors representative of the fair market value of the relevant securities, the value of such securities will be determined based on the reasonably foreseeable sales price determined prudently and in good faith;
- 6) financial derivative instruments which are not listed on any official stock exchange or traded on any other organized market will be valued on each Valuation Day, in accordance with market practice, with a constant, reliable and verifiable method.
- 7) swaps will be valued at their market value established by reference to the applicable interest rates' curve. Swaps on financial instruments or on indices will be valued at their market value established by reference to the respective financial instrument or indices.
- 8) all other assets will be valued at their respective fair values as determined in good faith by the Directors in accordance with generally accepted valuation principles and procedures.

If since the last Valuation day there has been a material change in the quotations on the markets on which a substantial portion of the investments of the SICAV attributable to a particular Sub-Fund is listed or dealt in, the Directors may, in order to safeguard the interests of the shareholders and the SICAV, cancel the first valuation and carry out a second valuation.

The Directors may also adopt, when circumstances so require, other valuation methods in accordance with generally accepted procedures.

The value of the assets denominated in a currency other than the reference currency of the relevant Sub-Fund will be converted at the rates of exchange prevailing in Luxembourg at the time of the determination of the corresponding net asset value.

The total net asset value of the SICAV is equal to the sum of the net assets of the various activated Sub-Funds converted into EUR at the rates of exchange prevailing in Luxembourg on the relevant Valuation day.

The capital of the SICAV shall at any time be equal to the total net asset value of the SICAV. The minimum capital of the SICAV, shall be the equivalent in EURO of the minimum capital as provided for by the Law of 2002.

The net asset value per share of each Sub-Fund and/or Class is calculated in its relevant reference currency.

## **15.2. Suspension of the determination of the Net Asset Value**

The SICAV may suspend the determination of the net asset value of shares of any particular Sub-Fund and/or Class and the issue and redemption of the shares in such Sub-Fund and/or Classes well as the conversion from and to shares of such Sub-Fund and/or Class during:

- 1) any period when any of the principal markets or stock exchanges on which a substantial portion of the investments of any Sub-Fund of the SICAV from time to time is quoted, is closed otherwise than for ordinary holidays, or during which dealings thereon are restricted or suspended;
- 2) the existence of any state of affairs which constitutes an emergency as a result of which disposal or valuation of assets owned by any Sub-Fund of the SICAV would be impracticable;
- 3) any breakdown in the means of communication normally employed in determining the price or value of any of the investments attributable to any Sub-Fund or the current prices or values on any market or stock exchange;
- 4) any period when the SICAV is unable to repatriate funds for the purpose of making payments on the redemption of shares of any Sub-Fund or during which any transfer of funds involved in the realisation or acquisition of investments or payments due on redemption of shares of any Sub-Fund cannot in the opinion of the Directors be effected at normal prices or rates of exchange;
- 5) any period when the SICAV is being liquidated or as from the date on which notice is given of a meeting of shareholders at which a resolution to liquidate the SICAV is proposed.

Any such suspension shall be published by the SICAV and shall be notified to shareholders requesting subscription, redemption or conversion of their shares by the SICAV at the time of the filing of their request for such subscription, redemption or conversion.

Such suspension as to any Sub-Fund shall have no effect on the determination of the net asset value, the issue, redemption and conversion of the shares of any other Sub-Fund if the circumstances referred to above do not exist in respect of the other Sub-Funds.

Pending issues, redemptions and/or conversions are taken into consideration on the next Valuation day after the end of such suspension.

## **16. MEETINGS AND REPORTS**

The annual general meeting of shareholders of the SICAV will be held at the registered office of the SICAV or at such other place in Luxembourg on the first Tuesday in May in each year at 11 a.m., or if any such day is not a bank business day in Luxembourg, on the next bank business day in Luxembourg.

Notices of all general meetings will be sent to the holders of registered shares by registered mail at least 8 days prior to the meeting at their addresses in the register of shareholders. Such notices will include the agenda and specify the time and place of the meeting and the conditions of admission and will refer to the requirements of Luxembourg law with regard to the necessary quorum and majorities required for the meeting. The requirements as to attendance, quorum and majorities at all general meetings will be those laid down in Articles 67 and 67-1 of the law of 10th August, 1915 (as amended) of the Grand Duchy of Luxembourg and in the Articles of Incorporation.

Each share is entitled to one vote.

Resolutions of meetings of shareholders will apply to the SICAV as a whole and to all shareholders of the SICAV, provided that any amendment affecting the rights attached to the shares of any Sub-Fund(s) and the rights of the holders of such shares may further be submitted to a prior vote of the shareholders of the relevant Sub-Fund(s) as far as the shareholders of the fund(s) in question are present or represented.

Except as otherwise required by law or as otherwise provided in the Articles of Incorporation, resolutions at a meeting of shareholders duly convened will be passed by a simple majority of those present or represented and voting.

The Directors may determine all other conditions that must be fulfilled by shareholders for them to take part in any meeting of shareholders.

The Financial Year-end of the SICAV will be the last day of December of each year.

Audited annual reports will be published within 4 months after the financial year-end and unaudited semi-annual reports will be published within 2 months after the end of the relevant period. Such reports will be mailed to each registered shareholder at their registered address and will be made available at the registered office of the SICAV during normal business hours.

## **17. LIQUIDATION - DISSOLUTION OF THE SICAV**

### **17.1 Liquidation — Dissolution of the SICAV**

If the capital of the SICAV falls below two-thirds of the minimum capital as required by the Law of 2002, the Directors must submit the question of the dissolution of the SICAV to a general meeting of shareholders for which no quorum shall be prescribed and which shall decide the matter by a simple majority of the shares present or represented at the meeting.

If the capital of the SICAV falls below one-fourth of such minimum capital, the Directors must submit the question of the dissolution of the SICAV to a general meeting of shareholders for which no quorum shall be prescribed; dissolution may be resolved by shareholders holding one-fourth of the shares present or represented at the meeting.

The meeting must be convened so that it is held within a period of forty days from the ascertainment that the total net asset value of the SICAV has fallen to two-thirds or one-fourth of the minimum capital, as the case may be.

In the event of voluntary liquidation, the operations shall be conducted by one or several liquidators, who shall be appointed by a shareholders' extraordinary general meeting which shall determine their powers and compensation.

The net product of the liquidation relating to each Sub-Fund shall be distributed to the shareholders in the relevant Sub-Fund in the proportion of the number of shares which they hold in such Sub-Fund.

Should the SICAV be voluntarily or compulsorily liquidated, then its liquidation will be carried out in accordance with the provisions of the law which specifies the steps to be taken to enable shareholders to participate in the liquidation distribution(s) and in this connection provides for deposit in escrow at the Caisse de Consignations of any such amounts which have not been claimed by any shareholder as at the close of the liquidation.

Amounts not claimed from escrow within the prescription period are liable to be forfeited in accordance with the provisions of Luxembourg law.

### **17.2. Liquidation - merger of Sub-Funds**

The Directors may decide to merge one or several Sub-Fund(s). The Directors may also decide to liquidate one or several Sub-Fund(s) by cancellation of the relevant shares and refunding to the shareholders of such Sub-Fund(s) the full net asset value of the shares of such Sub-Fund(s).

The Directors may also decide to merge one or several Sub-Fund(s) with one or several Sub-Fund(s) of another Luxembourg SICAV subject to part I of the Law of 2002.

The Directors are also empowered to take any of the above decisions in case of substantial unfavourable changes of the social, political or economical situation in countries where investments for the relevant Sub-Fund(s) are made, or shares of the relevant Sub-Fund(s) are distributed.

Notices of such decisions will be sent to the holders of registered shares by mail to their address in the register of shareholders. Holders of bearer shares will be informed by way of publication of the same notice in the newspapers selected by the Directors, namely in the countries in which shares are publicly offered.

In case of a merger with another Sub-Fund of TÜRKISFUND or with a Sub-Fund of another Luxembourg SICAV subject to part I of the Law of 2002, shareholders of the Sub-Fund(s) to be merged may continue to ask for the redemption of their shares, this redemption being made without cost to the shareholders during a minimum period of one month beginning on the date of publication of the decision of merger. At the end of that period, all the remaining shareholders will be bound by the decision of merger.

In case of the liquidation of a Sub-Fund by decision of the Directors, the shareholders of the Sub-Fund(s) to be liquidated may continue to ask for the redemption of their shares until the effective date of the liquidation. For redemption made under these circumstances, the SICAV will apply a net asset value taking the liquidation fees into consideration and will not charge any other fees. The proceeds of liquidation not claimed by the shareholders entitled thereto as at the close of the operations of liquidation will remain in deposit with the Custodian for a six months period and will thereafter be deposited with the Caisse de Consignations in Luxembourg.

The decision of merger of one or several Sub-Fund(s) with a Luxembourg collective investment undertaking organised under the form of a mutual fund (FCP) subject to part I of the Law of 2002 and the decision of merger of one or several Sub-Fund(s) with another foreign collective investment undertaking belong to the shareholders of the Sub-Fund(s) to be merged. Resolutions in that regard will be passed by the shareholders of the relevant Sub-Fund(s). Only the shareholders having voted for the merger will be bound by the decision of merger. The remaining shareholders will be considered as having asked for the redemption of their shares, this redemption being made without cost to the shareholders at the decision of merger.

## **18. PUBLICATIONS**

The net asset values and the issue, conversion and redemption prices of the shares in any Sub-Fund will be made public and available at the registered office of the SICAV.

The SICAV will arrange for regular publication of the net asset values in the Handelsblatt and such newspapers as the Directors may decide on.

## **19. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Articles of Incorporation of the SICAV and of the material contracts referred to above are available for inspection during usual business hours at the registered office of the SICAV in Luxembourg.

A copy of the Articles of Incorporation of the SICAV and of its most recent financial reports and statements may be obtained free of charge upon request at the registered office of the SICAV.

## **20. ADDITIONAL INFORMATION FOR GERMAN SHAREHOLDERS**

Isbank GmbH has been appointed to act as Paying Agent in Germany.

Any redemption and exchange applications may be lodged with the German Paying Agent for transmission to the SICAV.

Any redemption proceeds, dividends and other payments to the shareholders may, upon their request be transmitted to and /or by the German Paying Agent in cash in EURO.

The prospectus, the simplified prospectus, copies of the articles of incorporation, the Custodian Agreement and the Investment Management Agreement, the annual and semi-annual reports as well as the subscription and redemption price are available at no cost with the German Paying Agent.

The subscription and redemption price, the interim profits as well as the deemed distributable amount will be published in the Handelsblatt and such newspaper as the Directors may decide on.

## Appendices to the Prospectus

Appendix relating to the Sub-Fund

### — TÜRKISFUND EQUITIES —

#### **1. Investment Policy**

The objective of this Sub-Fund is mainly to invest in equities issued by Turkish issuers as well as equities expressed in Turkish Lira.

In the management of the Sub-Fund, the assets which are easy to convert to cash and that carry less risk are preferred out of capital markets securities. Therefore, at least 51% of the portfolio will be invested in shares of companies established in Turkey including State Economic Enterprises which are listed on Istanbul Stock Exchange. On the other hand, the total amount of fixed income securities issued by Turkish Republic, Turkish Government Treasury, public local authorities or Turkish companies as well as in Eurobonds and global bonds may vary between 0% and 49% of the portfolio.

The Sub-Fund may invest in transferable securities issued by the Republic of Turkey via initial public offerings by Central Bank of Turkish Republic and Under secretariat of Treasury.

The Sub-Fund may use techniques and instruments for the purpose of hedging interest rate and stock market fluctuations and currency risks, as further detailed under chapter 12 "Risk Management". Moreover, the Sub-Fund may, for a purpose other than hedging, purchase and sell futures contracts and options as further detailed under the same chapter 12. These techniques and instruments are not used so as to have an important impact on the investment policy of the different Sub-Funds.

#### **2. Risk Factors**

The investments in each Sub-Fund are subject to normal market fluctuations and other risks inherent in all investments; accordingly, there can be no assurance that their investment objective will be achieved.

As this Sub-Fund invests in securities of a defined country, the possibilities of risk diversification may be limited.

The attention of the investors is drawn to the fact that the Sub-Fund, when using the techniques and instruments mentioned here above, bears some greater risks due to the leverage effect, which may be unfavourable to the performance of the Sub-Fund.

Investors should also be aware that Investments in TÜRKISFUND - EQUITIES bear further special risks (e.g. the country of investments, currency, settlement and accounting) as described more detailed under chapter 4.3. Investment Risks.

#### **3. Profile of the typical investor**

This Sub-Fund is available to all investors. It is designed for investors who want exposure to Turkish equities, and who are seeking the potential of fairly strong returns over a 5-10 year period, with a fairly high level of volatility.

The investors must have experience with volatile products, thus this Sub-Fund is appropriate for investors who consider a longer-term investment.

#### **4. Investment Manager**

Pursuant to an investment management agreement İŞ Portföy Yönetimi A.Ş has been appointed Investment Manager to manage this Sub-Fund.

İŞ Portföy Yönetimi A.Ş was established on October 6, 2000 in Istanbul. The initial capital of the corporation was 1,000,000,000,000- Turkish Lira. After the decree of Capital Markets Board, banks are not authorized to do some of the capital markets activities especially about equity trading and asset management. Türkiye İs Bankası A.S. has established İŞ Portföy Yönetimi A.Ş in order to present to institutional customers the independent and professional discretionary or non-discretionary asset management services.

#### **5. Reference Currency**

The Sub-Fund is denominated in EURO.

#### **6. Classes of Shares**

The Shares of the Sub-Fund are issued in the following Classes of Shares:

- Class A, exclusively available to retail investors
- Class I, exclusively available to institutional investors

#### **7. Form of Shares**

Shares will only be issued in registered form.

In the absence of a request for share certificates to be issued, subscribers will be deemed to have requested that their shares be issued in registered form without certificates; confirmation of shareholding will be issued and delivered instead.

#### **8. Offering of Shares**

The shares are issued at a subscription price corresponding to the relevant net asset value per share plus a sales fee of maximum

- for the Class A                    5% and
- for the Class I                    3%

of that net asset value in favour of the Distributor.

#### **9. Minimum investment**

The minimum initial investment amounts to

- in the Class A                    EUR 50,-

- in the Class I EUR 10.000,-

The minimum subsequent investment amounts to

- in the Class A EUR 50,-
- in the Class I EUR 5.000,-

The minimum holding requirement per shareholder for the Class A of the Sub-Fund equals EUR 50,-. No minimum holding is requested for the Class I of the Sub-Fund.

If the minimum holding requirement for a Class is not met any more after a redemption or a conversion request, the SICAV may decide to ask the redemption of the remaining shares of the relevant Class of a given shareholder or may invite him to convert his shares of this Class in another Sub-Fund or class, so as to comply with the holding requirement.

## 10. Valuation day and Time Limit

For the purpose of this Sub-Fund, the following definitions apply:

Valuation day each Monday and Wednesday which is a Bank Business Day in Luxembourg

Time Limit: 4 p.m., Luxembourg time

Applications for subscription, redemption or conversion received by the Transfer Agent or the SICAV in Luxembourg on a banking day before the Time Limit will be dealt with on the next following Valuation day at the subscription/redemption price of the relevant Sub-Fund prevailing on that Valuation day.

## 11. Settlement periods

The subscription price (excluding the sales fee to be retained directly by the Distributors/or other Sales Agents) is payable within 2 business days following the Valuation day.

The redemption price is payable within 2 business days following the Valuation day, provided that all the documents evidencing the redemption as mentioned in the Prospectus have been received.

## 12. Fees

### 10.1. Investment Manager Fee

As remuneration for its services İŞ Portföy Yönetimi A.Ş., acting as the Investment Manager will quarterly receive for TÜRKISFUND - EQUITIES a fee at the annual rate of 0,8%, based upon the average total net assets of the Sub-Fund.

### 10.2. Distributor Fee

As remuneration for its services, Isbank GmbH will quarterly receive for the TÜRKISFUND - EQUITIES a fee at the annual rate of 0,2%, based upon the average total net assets of the Sub-Fund.

### **13. Listing**

Shares of TÜRKISFUND – EQUITIES might be listed on the Istanbul Stock Exchange or any other international stock exchange.

### **14. Historical Performance**

The historical performance of each Sub-Fund is set out in the simplified sales prospectus of the Sub-Fund.

Appendix relating to the Sub-Fund

## — TÜRKISFUND BONDS —

### **1. Investment Policy**

The objective of this Sub-Fund is mainly to invest in Turkish Bonds.

In the management of the Sub-Fund, the assets which are easy to convert to cash and that carry less risk are preferred out of capital markets securities. At least 51% of the portfolio will be invested in public and/or private sector bonds and bills. The Sub-Fund will invest between up to 49% of its portfolio in Turkish shares listed on the Istanbul Stock Exchange to get tax advantage and the rest of its portfolio may be invested in fixed income securities. The Sub-fund may also invest in Eurobonds and global bonds between 0% and 24%. The Sub-Fund may hold liquid assets on an ancillary basis.

The Sub-Fund may invest in transferable securities issued by the Republic of Turkey via initial public offerings by Central Bank of Turkish Republic and under secretariat of Treasury.

The Sub-Fund may use techniques and instruments for the purpose of hedging interest rate and stock market fluctuations and currency risks, as further detailed under chapter 12 "Risk Management". Moreover, the Sub-Fund may, for a purpose other than hedging, purchase and sell futures contracts and options as further detailed under the same chapter 12. These techniques and instruments are not used so as to have an important impact on the investment policy of the different Sub-Funds.

### **2. Risk Factors**

The investments in each Sub-Fund are subject to normal market fluctuations and other risks inherent in all investments; accordingly, there can be no assurance that their investment objective will be achieved.

As this Sub-Fund invests in securities of a defined country, the possibilities of risk diversification may be limited.

The attention of the investors is drawn to the fact that the Sub-Fund, when using the techniques and instruments mentioned here above, bears some greater risks due to the leverage effect, which may be unfavourable to the performance of the Sub-Fund.

Investors should also be aware that Investments in TÜRKISFUND BONDS bear further special risks (e.g. the country of investments, currency, settlement and accounting) as described more detailed under chapter 4.3. Investment Risks.

### **3. Profile of the typical investor**

This Sub-Fund is available to all investors. It is designed to investors who want exposure to Turkish Bonds, and who are seeking moderate returns over a 2-3 year period, with a moderate level of volatility.

#### **4. Investment Manager**

Pursuant to an investment management agreement İŞ Portföy Yönetimi A.Ş has been appointed Investment Manager to manage this Sub-Fund.

İŞ Portföy Yönetimi A.Ş was established on October 6, 2000 in Istanbul. The initial capital of the corporation was 1,000,000,000,000- Turkish Lira. After the decree of Capital Markets Board, banks are not authorized to do some of the capital markets activities especially about equity trading and asset management. Türkiye İs Bankası A.S. has established İŞ Portföy Yönetimi A.Ş in order to present to institutional customers the independent and professional discretionary or non-discretionary asset management services.

#### **5. Reference Currency**

The Sub-Fund is denominated in EURO.

#### **6. Classes of Shares**

The Shares of the Sub-Fund are issued in the following Classes of Shares:

- Class A, exclusively available to retail investors
- Class I, exclusively available to institutional investors

#### **7. Form of Shares**

Shares will only be issued in registered form.

In the absence of a request for share certificates to be issued, subscribers will be deemed to have requested that their shares be issued in registered form without certificates; confirmation of shareholding will be issued and delivered instead.

#### **8. Offering of Shares**

The shares are issued at a subscription price corresponding to the relevant net asset value per share plus a sales fee of maximum

- for the Class A                      5% and
- for the Class I                        3%

of that net asset value in favour of the Distributor.

#### **9. Minimum investment**

The minimum initial investment amounts to

- in the Class A                      EUR 50,-
- in the Class I                        EUR 10.000,-

The minimum subsequent investment amounts to

- in the Class A                      EUR 50,-
- in the Class I                      EUR 5.000,-

The minimum holding requirement per shareholder for the Class A of the Sub-Fund equals EUR 50,-. No minimum holding is requested for the Class I of the Sub-Fund.

If the minimum holding requirement for a Class is not met any more after a redemption or a conversion request, the SICAV may decide to ask the redemption of the remaining shares of the relevant Class of a given shareholder or may invite him to convert his shares of this Class in another Sub-Fund or class, so as to comply with the holding requirement.

## **10. Valuation day and Time Limit**

For the purpose of this Sub-Fund, the following definitions apply:

Valuation day                      each Monday and Wednesday which is a Bank Business Day in Luxembourg

Time Limit:                      4 p.m., Luxembourg time

Applications for subscription, redemption or conversion received by the Transfer Agent or the SICAV in Luxembourg on a banking day before the Time Limit will be dealt with on the following Valuation day at the subscription/redemption price of the relevant Sub-Fund prevailing on that Valuation day.

## **11. Settlement periods**

The subscription price (excluding the sales fee to be retained directly by the Distributors/or other Sales Agents) is payable within 2 business days following the Valuation day.

The redemption price is payable within 2 business days following the Valuation day, provided that all the documents evidencing the redemption as mentioned in the Prospectus have been received.

## **12. Fees**

### **10.1. Investment Manager Fee**

As remuneration for its services, İŞ Portföy Yönetimi A.Ş, acting as the Investment Manager will quarterly receive for TÜRKISFUND BONDS a fee at the annual rate of 0,8%, based upon the average total net assets of the Sub-Fund.

### **10.2. Distributor Fee**

As remuneration for its services, Isbank GmbH will quarterly receive for the TÜRKISFUND BONDS a fee at the annual rate of 0,2%, based upon the average total net assets of the Sub-Fund.

### **13. Listing**

Shares of TÜRKİSFUND BONDS might be listed on the Istanbul Stock Exchange or any other international stock exchange.

### **14. Historical Performance**

The historical performance of each Sub-Fund is set out in the simplified sales prospectus of the Sub-Fund.

Appendix relating to the Sub-Fund  
— TÜRKISFUND EUROBONDS —

### 1. Investment Policy

The objective of this Sub-Fund is mainly to invest in Eurobonds issued by the Republic of Turkey.

In the management of the Sub-Fund the assets, which are easy to convert to cash and that carry less risk are preferred out of capital markets securities. The Sub-Fund will invest in Eurobonds issued by the Republic of Turkey between 51 and 100% of the assets of its portfolio. Furthermore the Sub-Fund may invest between 0 and 49% of its assets in Eurobonds and global bonds issued by a member State of the European Union (a "Member State), its local authorities, by another Eligible State or by public international bodies of which one or more Member States are members or by corporations incorporated in the Republic of Turkey or a Member State

The Sub-Fund may use techniques and instruments for the purpose of hedging interest rate and stock market fluctuations and currency risks, as further detailed under chapter 12 "Risk Management". Moreover, the Sub-Fund may, for a purpose other than hedging, purchase and sell futures contracts and options as further detailed under the same chapter 12. These techniques and instruments are not used so as to have an important impact on the investment policy of the different Sub-Funds.

### 2. Risk Factors

The investments in each Sub-Fund are subject to normal market fluctuations and other risks inherent in all investments; accordingly, there can be no assurance that their investment objective will be achieved.

As this Sub-Fund invests in securities of a defined country, the possibilities of risk diversification may be limited.

The attention of the investors is drawn to the fact that the Sub-Fund, when using the techniques and instruments mentioned here above, bears some greater risks due to the leverage effect, which may be unfavourable to the performance of the Sub-Fund.

Investors should also be aware that Investments in TÜRKISFUND EUROBONDS bear further special risks (e.g. the country of investments, currency, settlement and accounting) as described more detailed under chapter 4.3. Investment Risks.

### 3. Profile of the typical investor

This Sub-Fund is available to all investors. It is designed to investors who want exposure to Euro denominated Eurobonds issued by the Republic of Turkey, and who are seeking moderate returns over a 2-3 year period, with a moderate level of volatility.

### 4. Investment Manager

Pursuant to an investment management agreement İŞ Portföy Yönetimi A.Ş has been appointed Investment Manager to manage this Sub-Fund.

İŞ Portföy Yönetimi A.Ş was established on October 6, 2000 in Istanbul. The initial capital of the corporation was 1,000,000,000,000- Turkish Lira. After the decree of Capital Markets Board, banks are not authorized to do

some of the capital markets activities especially about equity trading and asset management. Türkiye İş Bankası A.S. has established İŞ Portföy Yönetimi A.Ş in order to present to institutional customers the independent and professional discretionary or non-discretionary asset management services.

## 5. Reference Currency

The Sub-Fund is denominated in EURO.

## 6. Classes of Shares

The Shares of the Sub-Fund are issued in the following Classes of Shares:

- Class A, exclusively available to retail investors
- Class I, exclusively available to institutional investors

## 7. Form of Shares

Shares will only be issued in registered form.

In the absence of a request for share certificates to be issued, subscribers will be deemed to have requested that their shares be issued in registered form without certificates; confirmation of shareholding will be issued and delivered instead.

## 8. Offering of Shares

The shares are issued at a subscription price corresponding to the relevant net asset value per share plus a sales fee of maximum

- for the Class A                      5% and
- for the Class I                      3%

of that net asset value in favour of the Distributor.

## 9. Minimum investment

The minimum initial investment amounts to

- in the Class A                      EUR 50,-
- in the Class I                      EUR 10.000,-

The minimum subsequent investment amounts to

- in the Class A                      EUR 50,-
- in the Class I                      EUR 5.000,-

The minimum holding requirement per shareholder for the Class A of the Sub-Fund equals EUR 50,-. No minimum holding is requested for the Class I of the Sub-Fund.

If the minimum holding requirement for a Class is not met any more after a redemption or a conversion request, the SICAV may decide to ask the redemption of the remaining shares of the relevant Class of a given shareholder or may invite him to convert his shares of this Class in another Sub-Fund or class, so as to comply with the holding requirement.

## **10. Valuation day and Time Limit**

For the purpose of this Sub-Fund, the following definitions apply:

Valuation day            each Monday and Wednesday which is a Bank Business Day in Luxembourg

Time Limit:              4 p.m., Luxembourg time

Applications for subscription, redemption or conversion received by the Transfer Agent or the SICAV in Luxembourg on a banking day before the Time Limit will be dealt with on the following Valuation day at the subscription/redemption price of the relevant Sub-Fund prevailing on that Valuation day.

## **11. Settlement periods**

The subscription price (excluding the sales fee to be retained directly by the Distributors/or other Sales Agents) is payable within 2 business days following the Valuation day.

The redemption price is payable within 2 business days following the Valuation day, provided that all the documents evidencing the redemption as mentioned in the Prospectus have been received.

## **12. Fees**

### **10.1. Investment Manager Fee**

As remuneration for its services, İŞ Portföy Yönetimi A.Ş, acting as the Investment Manager will quarterly receive for TÜRKISFUND EUROBONDS a fee at the annual rate of 0,8%, based upon the average total net assets of the Sub-Fund.

### **10.2. Distributor Fee**

As remuneration for its services, Isbank GmbH will quarterly receive for the TÜRKISFUND EUROBONDS a fee at the annual rate of 0,2%, based upon the average total net assets of the Sub-Fund.

## **13. Listing**

Shares of TÜRKISFUND EUROBONDS might be listed on the Istanbul Stock Exchange or any other international stock exchange.

## **14. Historical Performance**

The historical performance of each Sub-Fund is set out in the simplified sales prospectus of the Sub-Fund.

**TÜRKISFUND**

Société d'investissement à Capital Variable

5, Allée Scheffer  
L-2520 Luxembourg

R.C.S. LUXEMBOURG No. B-61596

**Application Form**

To: CACEIS Bank Luxembourg

Registrar and Transfer Agent

5, Allée Scheffer  
L-2520 Luxembourg  
Tel (+352) 4767-1  
Fax (+352) 4767-

I/We, the undersigned:

.....  
.....

natural person (name and first name) or legal person (name of company or organisation)

.....

.....

domiciled at.....

.....

(phone - fax number).....

having received the prospectus and the attached reports and having taken note of these documents, wish to acquire registered shares with no par value in TÜRKISFUND:

	<u>Number</u>	<u>Amount</u>
TÜRKISFUND - Equities		
Class A	.....shares	.....EURO
Class I	.....shares	.....EURO
TÜRKISFUND - Bonds		
Class A	.....shares	.....EURO
Class I	.....shares	.....EURO
TÜRKISFUND - Eurobonds		
Class A	.....shares	.....EURO
Class I	.....shares	.....EURO

These shares are to be issued in registered form, to be registered in the name of  
.....

The certificates and/or the confirmations of registration in the register of shareholders (\*), as well as any correspondence should be sent at the risk of the undersigned to:

(Name) .....

(Address) .....

(\* ) delete whichever is not applicable

In the absence of any express instructions relating to the issue of a registered share certificate, a confirmation of registration will be issued to the shareholder.

The subscription price in the currency of the Sub-Fund and/or Class will be paid within 2 business days following the applicable valuation day by transfer:

[ ] in EURO to Crédit Agricole S.A., in favour of CACEIS Bank Luxembourg account n° FR7630006000012009280600085, swift : AGRIFRPP, Ref.: TURKISFUND / name of the relevant sub-fund.

Made in duplicate in .....

on .....

Signature(s)

Notes:

In case of a joint subscription, this Application Form must be signed by each subscriber.

The joint subscribers shall be represented towards the SICAV by the first signatory who shall represent all the signatories in their relations with the SICAV, except as otherwise agreed upon with the SICAV. This mandate shall remain in force until such time as that another representative is designated for this purpose.

In case of a subscription by a legal person, this Application Form must be completed and signed by a duly authorised natural person who must furnish proof of his/her powers of representation.

A subscription of a subscriber residing in a country which has not adhered to the Financial Action Task Force (FATF) regulation will only be taken into consideration if this Application Form is accompanied by the identification documents of the subscriber duly certified by the local authorities of his/her country of residence. The list of the countries having adhered to the FATF regulation is available upon request at the registered office of the SICAV.

The SICAV has not been registered under the U.S. Investment Company Act of 1940. In addition, the Shares of each Sub-Fund have not been registered under the U.S. Securities Act of 1933, as amended, and may not be and will not be offered for sale or sold in the United States of America, its territories or possessions or to a "United States person" The Articles of Incorporation of the SICAV contain certain restrictions on the sale and transfer of Shares of each Sub-Fund to such persons.