



PROSPECTUS

# Candriam Index Arbitrage

07 October 2024

*This Prospectus may be translated into other languages. In the event of any inconsistency or ambiguity in relation to the meaning of any word or phrase in any translation, the French text shall prevail.*



## I. GENERAL CHARACTERISTICS

**Name:** CANDRIAM INDEX ARBITRAGE

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

**Creation date and anticipated term:** Formed on 09/09/2003 for a term of 99 years. The management company was changed from Candriam France to Candriam on 1 July 2022.

Description	ISIN code	Allocation of distributable income	Currency	Amount amount of initial subscription (*)	Minimum amount of subsequent subscriptions	Original net asset value	Type of subscriber
Classique in EUR units	FR0010016477	Capitalisation	EUR	None	None	EUR 10,000.00	All subscribers
N units	FR0013213964	Capitalisation	EUR	None	None	150.00 EUR	Distributors and intermediaries
R units	FR0012088771	Capitalisation	EUR	None	None	100.00 EUR	Financial intermediaries (including distributors and platforms) which: (i) have different arrangements with their clients for the provision of investment services in connection with the fund, and (ii) as a result of their applicable laws and regulations, are not entitled to receive duties, fees and other monetary benefits from the Management Company in connection with the provision of the above-mentioned investment services.
RS units	FR0012088805	Capitalisation	EUR	100,000,000.00 EUR	None	EUR 100.00(**)	Distributors and intermediaries appointed by the Management Company who will not receive any compensation from the Management Company
R2 units	FR0013213998	Capitalisation	EUR	None	None	150.00 EUR	Management mandates between a client and Belfius Banque in which financial management is delegated to Candriam and for which Belfius Banque does not receive any form of remuneration from a Candriam Group entity.
U units	FR0013213972	Capitalisation	EUR	None	None	150.00 EUR	Life assurance products marketed in Italy
V units	FR0011510023	Capitalisation	EUR	EUR 25,000,000.00	None	EUR 1,000.00	All subscribers
V2 units	FR0013244878	Capitalisation	EUR	EUR 25,000,000.00	None	EUR 1,000.00	Insurance companies and life assurance products marketed in Germany
Z units	FR0010896217	Capitalisation	EUR	None	None	EUR 1,000.00	UCIs approved by the Management Company and managed by a Candriam Group entity.
I units	FR0012502268	Capitalisation	EUR	EUR 250,000.00	None	EUR 1,500.00	All subscribers
VB units	FR001400SHT6	Capitalisation	EUR	None	None	EUR 1,000.00	UCIs governed by Belgian law approved by the Management Company.

(\*)The minimum initial subscription amount will not apply to the Management Company, to Candriam Group entities or funds managed by Group entities.

(\*\*) Net asset value multiplied by 10 on 12/05/2015.



### Place where the latest annual and interim reports can be obtained

The latest annual and interim reports will be sent to the unitholder within one week of a request to:

#### **CANDRIAM**

SERENITY – Bloc B  
19-21 route d'Arlon  
L-8009 Strassen (Grand Duchy of Luxembourg)

#### **Candriam – Succursale Française**

40, rue Washington  
75408 Paris Cedex 08  
Tel: 01.53.93.40.00  
[www.candriam.com](http://www.candriam.com)  
contact: <https://www.candriam.fr/contact/>

For further clarification, please contact the Management Company at the address shown above.

### Place where latest voting policy can be obtained

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

#### **CANDRIAM**

SERENITY – Bloc B  
19-21 route d'Arlon  
L-8009 Strassen (Grand Duchy of Luxembourg)

#### **Candriam – Succursale Française**

40, rue Washington  
75408 Paris Cedex 08  
Tel: 01.53.93.40.00  
[www.candriam.com](http://www.candriam.com)  
contact: <https://www.candriam.fr/contact/>

In order to meet regulatory requirements, the Management Company may, over and above the legal publications, communicate the fund's portfolio composition to certain professional investors

In accordance with the provisions of the French law on the protection of persons with regard to the processing of personal data, and all applicable local laws and regulations, in each case, as amended, revised or replaced (including by operation of EU Regulation 2016/679, "GDPR"), the Management Company collects, stores and processes, by electronic or other means, the personal data of investors for the purpose of providing the services requested by the investors and complying with its legal and regulatory obligations. The personal data processed by the Management Company includes, in particular, the name, contact details (including postal or email address), the tax identification number (TIN), banking details, invested amount and holdings in the fund ("Personal Data"). The investor may at his/her discretion refuse to communicate Personal Data to the Management Company. In this case, however, the Management Company may reject a subscription application for units. Investors are entitled: (i) to consult their Personal Data (including, in certain cases, in a format in widespread use which is machine readable); (ii) to have their Personal Data corrected (if it is incorrect or incomplete); (iii) to have their Personal Data deleted if the Management Company or the fund no longer has a legitimate reason to process it; (iv) to impose a limit on the processing of their Personal Data; (v) to prevent their Personal Data being processed by the Management Company under certain circumstances; and (vi) to file a complaint with the relevant regulator by writing to the Management Company at the address of its registered office. Personal Data is processed, in particular, for the following purposes: processing subscriptions, redemptions and conversions of units and payments of dividends to investors; account administration; client relationship management; performing controls on excessive trading and market timing practices; tax identification as may be required under French or foreign laws and regulations (including laws and regulations relating to FATCA or CRS. CRS is the Common Reporting Standard, an information standard for the automatic exchange of information regarding bank accounts between tax authorities, developed by the OECD and implemented by Directive 2014/107/EU); and compliance with applicable anti-money laundering rules. Personal Data supplied by investors is also processed for the purpose of maintaining the register of unitholders of the fund. In addition, Personal Data may be processed for prospecting purposes. Investors have the right to object to the use of their Personal Data for prospecting purposes by writing to the fund. The Management Company may ask investors for their consent to collect or process their Personal Data on certain occasions, for example, for the purposes of marketing. The investors can withdraw this consent at any time. The Management Company also processes investors' Personal Data where necessary to fulfil its contract with the investors in question, or when required by law, such as if the fund receives a request from law enforcement or other government officials. The Management Company also processes investors' Personal Data when this is in its legitimate interests to do this and when these interests are not overridden by investors' data protection rights. For example, there is a legitimate interest in ensuring the effective operation of the fund.

Personal Data may be transferred to affiliates and third-party entities supporting the activities of the fund which include, in particular, the Management Company, administrator, depository, transfer agent and distributors that are located in the European Union. Personal Data may also be transferred to entities which are located in countries outside the European Union and whose data protection laws do not necessarily guarantee an adequate level of protection. When subscribing for units, all investors expressly agree to the transfer and processing of their Personal Data to and by such entities, including those located outside the European Union, and in particular in those countries which do not necessarily guarantee an adequate level of protection. The Management Company or the fund may also transfer Personal Data to third parties such as governmental or regulatory bodies, including tax authorities, in or outside the European Union, in accordance with applicable laws and regulations. In particular, such Personal Data may be disclosed to the French tax authorities, which may in turn, acting as the data controller, disclose it to foreign tax authorities. Investors can obtain more



detailed information about how the fund ensures that transfers of Personal Data comply with the GDPR by contacting the fund at the registered office of the Management Company. Personal Data will not be retained for a period longer than necessary for the purpose of the data processing, subject to applicable legal minimum retention periods.



## II. ORGANISATIONS

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### Management Company:

#### **CANDRIAM**

Approved by the CSSF on 1 April 2004 as a UCITS management company under the number S00000626 and registered since 3 July 2014 as an AIFM under the number A00000634

SERENITY – Bloc B

19-21 route d'Arlon

L-8009 Strassen (Grand Duchy of Luxembourg)

Financial management is performed directly by CANDRIAM and/or by one or more of its branches, namely: .

#### **Candriam – Succursale Française**

40, rue Washington

75408 Paris Cedex 08

#### **Candriam – Belgian Branch**

Avenue des Arts 58

1000 Brussels (Belgium)

### Depositary – custodian:

#### **CACEIS BANK**

Société Anonyme (Public Limited Company)

Registered office: 89-91 rue Gabriel Péri

92120 Montrouge

Postal address: 12, Place de Etats-Unis

CS 40083 – 92549 Montrouge CEDEX

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

The duties of the depositary, as defined in the applicable regulations, include the safekeeping of assets, compliance oversight of the Management Company's decisions, and liquidity monitoring of the FCP.

The depositary is independent of the Management Company.

A description of delegated safekeeping functions, the list of delegates and sub-delegates of CACEIS Bank, and information about potential conflicts of interest arising from these delegations are available on the CACEIS website: [www.caceis.com](http://www.caceis.com)

Up-to-date information is available to investors on request.

### Auditors:

#### **PRICEWATERHOUSECOOPERS Audit**

Registered office and postal address: 63, rue de Villiers  
92200 Neuilly Sur Seine

Signatory: Amaury Couplez

### Delegates:

#### Fund administration and accounting:

#### **CACEIS Fund Administration**

Registered office: 89-91 rue Gabriel Péri

92120 Montrouge

Postal address: 12, Place de Etats-Unis

CS 40083 – 92549 Montrouge CEDEX

### The fund's liabilities are managed by:

#### **CACEIS BANK**

Société Anonyme (Public Limited Company)

Registered office: 89-91 rue Gabriel Péri

92120 Montrouge

Postal address: 12, Place de Etats-Unis

CS 40083 – 92549 Montrouge CEDEX

The Management Company CACEIS Bank is responsible, by delegation of the Management Company, for managing the liabilities of the FCP, including the centralisation and processing of subscription and redemption orders for units of the FCP.

Up-to-date information is available to investors on request.

### Marketing agents:

#### **CANDRIAM**

SERENITY – Bloc B

19-21 route d'Arlon

L-8009 Strassen (Grand Duchy of Luxembourg)



and/or by the branches of CANDRIAM.

Candriam may delegate the marketing of fund units to any third party duly authorised by it. As the fund is admitted to Euroclear France, its units may be purchased or redeemed from financial intermediaries that are not known to the Management Company.

**Advisers:**

None.

**Conflicts of interest policy:**

The Management Company has and maintains effective organisational and administrative procedures to identify, manage and monitor conflicts of interest.

The Management Company also has a delegate selection and monitoring procedure and a contractual policy designed to prevent all potential conflicts of interest.



### III. OPERATING AND MANAGEMENT PROCEDURES

#### 1. GENERAL CHARACTERISTICS

##### Rights attached to the units:

Each unitholder has a right of co-ownership to the assets of the fund in proportion to the number of units held.

##### Entry in a register or note on liabilities holding arrangements:

The depositary is responsible for liability accounting. Euroclear France is responsible for the administration of the units. CACEIS keeps the register of holders of units in (purely) registered form.

##### Voting rights:

As the units of an FCP do not carry any voting rights, the decisions are made by the Management Company.

##### Form of the units:

Bearer shares or registered (pure).

##### Decimalisation:

Yes, each unit is divided into thousandths.

##### Closing date:

Last net asset value in September.

##### Information on the tax regime:

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

#### 2. SPECIFIC PROVISIONS

##### Management objective:

Within the limits of its totally discretionary management, the fund's objective is to seek to outperform, over the minimum recommended investment term, the capitalised €STR, mainly by employing arbitrage strategies on equities and/or indices. The fund aims to achieve annualised volatility of less than 5%.

##### Benchmark index:

The index used does not explicitly take sustainability criteria into account.

The fund is actively managed and the investment approach implies a reference to an index.

Index name	<b>Capitalised €STR</b> It is available from <a href="https://www.emmi-benchmarks.eu">https://www.emmi-benchmarks.eu</a> .
Index definition	It is a short term rate in euros that reflects unsecured overnight borrowing costs in euros for banks in the euro zone.
Use of the index	<ul style="list-style-type: none"><li>- to compare performance,</li><li>- to calculate the outperformance fee for some categories of units</li></ul>
Index provider	It is provided by European Money Markets Institute, which is an entity registered with ESMA in accordance with Article 34 of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014. It is available from <a href="https://www.emmi-benchmarks.eu">https://www.emmi-benchmarks.eu</a> .
	The Management Company has adopted robust written plans to cover the cases where the publication of the benchmark index has been stopped or where major changes in that benchmark have occurred. The Management Company, based on these plans, may choose another benchmark, if appropriate. Any such change of benchmark will be reflected in an updated prospectus. Such plans are available free of charge, upon request, at the registered office of the Management Company.

##### Investment strategy:

- **Strategies used:**

The fund's management objective is to outperform the capitalised €STR over the recommended investment period, capitalised mainly through the use of arbitrage strategies and employing risk monitoring with a view to limiting the fund's volatility.



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

This fund does not particularly take into account an analysis of ESG aspects, and more precisely it does not have sustainable investment as its objective and does not specifically promote environmental and/or social characteristics, as described in the SFDR Regulation.

The fund does not systematically take into account the principal adverse impacts on sustainability for one or more of the following reasons:

- All or some of the issuing companies do not provide sufficient PAI data,
- The PAI element is not considered to be a predominant element in the fund's investment process,
- The fund uses derivative products for which the processing of PAI elements has not yet been defined and standardised".
- The underlying funds might not take account of the principal adverse impacts on sustainability factors as defined by the Management Company.

The investment strategy excludes companies that are significantly exposed to controversial activities (notably tobacco, thermal coal and weapons, etc.). The strategy does not invest in companies that produce, use or hold anti-personnel landmines, cluster bombs, depleted uranium, chemical, biological or white phosphorus weapons.

These exclusions are applicable to direct line investments of which Candriam is the Management Company.

Under certain conditions, the analysis and selection process may also be accompanied by a dialogue with the companies.

Details of Candriam's exclusions policy and company engagement policy are available on the Management Company's website at:

[https://www.candriam.com/4b0e56/siteassets/medias/publications/brochure/corporate-brochures-and-reports/engagement-policy/candriam\\_engagement\\_policy.pdf](https://www.candriam.com/4b0e56/siteassets/medias/publications/brochure/corporate-brochures-and-reports/engagement-policy/candriam_engagement_policy.pdf)

<https://www.candriam.com/siteassets/medias/publications/sri-publications---candriam-policies/exclusion-policy.pdf>

#### Alignment with the Taxonomy

For the funds which do not have sustainable investment as their objective and which do not specifically promote environmental and/or social characteristics, the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

For more details please see the transparency code on the Management Company's website:

<https://www.candriam.com/en/private/market-insights/sri-publications/#transparency>

The portfolio is managed based on two focal points:

- A dynamic equity markets exposure strategy through, in particular, derivative products
- Portfolio fund management strategy.

#### 1. Dynamic strategy

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

The asset manager will employ discretionary statistical arbitrage strategies, using quantitative analyses refined by qualitative analyses.

Any statistical arbitrage strategy on equities, presenting a risk/return ratio in line with the fund's objective, is eligible within our investment universe, such as, for example:

- Event-driven arbitrage such as index readjustments:

The asset manager identifies the equities whose prices will be impacted by a status change in the equities indices. An example of this type of event may be the addition/removal of a security to/from an equities index. The fund will then take long or short positions in the securities identified in this manner in order to benefit from the inefficiencies generated by this event. The asset manager will select the most appropriate hedging, such as via indices, a basket of securities or a comparable security.

- Arbitrage on discounted assets such as closed-end funds:

The asset manager analyses the differences between the exchange price of the units of closed-end funds and the value of the underlying assets. A price difference generates a premium or a discount. The fund will then take long or short positions in funds with substantial premiums/discounts. These positions are systematically hedged, such as via equities indices, trackers or baskets of securities.

- Arbitrage on securities transactions such as demergers:

The asset manager identifies the equities whose prices will be impacted by a demerger. One company, for example, may give rise to two new listed companies. The fund will then take long or short positions in the securities identified in this manner in order to benefit from the inefficiencies generated by this event. The asset manager will select the most appropriate hedging. This may be via indices, a basket of securities or a comparable security.

- Arbitrage on relative values such as arbitrage on equity pairs:

The asset manager analyses the ratio between the prices of two equities or comparable baskets of equities. When the ratio diverges from its mean value, the fund takes a long position on the least expensive and a short position on the most expensive.

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

#### 2. Portfolio fund strategy

The strategy consists of constructing a diversified portfolio invested in securities issued by private issuers (corporate debt and securities issued by financial institutions), government bonds and other French and foreign money market instruments with a short-term rating of at least A-2, when acquired, (or equivalent) by a ratings agency or considered to be of equivalent quality by the Management Company (in particular if there is no rating).

The fund may also make use of efficient portfolio management techniques as described below.

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





- **Instruments used:**

1. **Equities: between 0 and 100%**

The fund may be entirely invested in equity securities and eligible securities equivalent to equity securities.

These are mainly equities traded on any regulated market and units or shares of “closed-end funds” meeting the eligibility criteria of the Code monétaire et financier and the units of which are traded on a regulated market. Investments will essentially be in large and mid-cap securities. However, the asset manager reserves the right to invest in small cap securities. This part of the portfolio is between 0 and 100%.

The net exposure to equities cannot exceed +/-10% of the net assets.

2. **Debt securities and money market instruments: between 0 and 100%**

These are mainly bonds and negotiable debt securities, including *commercial paper*, of all types of issuers with a short-term rating of at least A-2, when acquired, (or equivalent) from one of the ratings agencies.

This part of the portfolio is between 0 and 100%.

3. **Shares or units in UCIs: between 0 and 10%**

In accordance with the applicable laws, the fund may invest up to 10% of its assets in:

- Units or shares in European UCITS which do not hold more than 10% of UCI units,
- Units or shares of European AIFs or foreign investment funds which do not hold more than 10% of UCI units or of foreign investment funds and which meet the three other criteria of the Code Monétaire et Financier.

The UCIs will be managed by Candriam or by an external Management Company.

Within this limit, the fund may also invest in ETFs (Exchange Traded Funds) traded on regulated markets.

4. **Other assets**

The fund may invest up to 10% of its assets in eligible financial securities or money market instruments not traded on a regulated market.

5. **Derivative financial instruments:**

*Type of derivative instruments*

For the purpose of efficiently managing the portfolio, the fund may make use of derivative products such as swaps, futures, options and CDS arising notably from equity, interest rate and foreign exchange risk.

The fund may also make use of total return swaps or other derivative financial instruments which have the same characteristics, for example contracts for difference, for the purpose of (long or short) exposure, hedging or arbitrage.

The underlying instruments to these operations may be either individual securities, financial indices (equities, interest rates, currencies, etc.) in which the fund may invest in accordance with its investment objectives.

These derivatives may be traded on regulated or over-the-counter markets.

*Authorised counterparties.*

In over-the-counter operations, counterparties to these transactions are approved by the Management Company's risk management department and, when the transactions are initiated, have a minimum rating of BBB-/Baa3 from at least one recognised ratings agency or considered to be of equivalent quality by the Management Company (in particular if there is no rating). The counterparties are located in an OECD member country.

Additional information on the one or more counterparties to the transactions is contained in the fund's annual report.

*Financial collateral:*

Cf. section 10. Management of financial collateral for OTC derivative products and efficient portfolio management techniques.

6. **Instruments including derivatives:**

The fund may also use ETNs (Exchange Traded Notes) in commodities index futures and ETCs (Exchange Traded Commodities), which are debt securities traded on a regulated market.

It may hold callable and/or puttable bonds, and more generally any financial instrument containing a financial contract.

7. **Deposits: between 0 and 100%**

The asset manager may make use of cash deposits representing up to 100% of the assets for cash management purposes.

8. **Cash borrowing: between 0 and 10%**

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

9. **Efficient portfolio management technique:**

In order to increase its yield and/or reduce its risks, the fund is authorised to make use of the following efficient portfolio management techniques covering transferable securities and money market instruments:

*Securities borrowing*

For cash management purposes, the fund may use securities borrowing transactions corresponding to up to 100% of the net assets. The proportion is normally expected to vary between 0 % and 75 %.



The use of these transactions must not result in a change in its investment objectives or result in additional risks being taken which exceed its risk profile as defined in the Prospectus.

#### Securities lending transactions

The fund may lend the securities in its portfolio to a borrower directly or through a standardised lending system organised by a recognised securities settlement service or a lending system organised by a financial institution that is subject to prudential supervision rules and that specialises in this type of transaction.

For cash management purposes, the fund may use securities lending transactions corresponding to up to 100% of the net assets. The proportion is normally expected to vary between 0 % and 75 %.

#### Reverse repurchase transactions

The fund may enter into reverse repurchase transactions for which on maturity the seller (counterparty) is required to take back the asset contained in the repurchase agreement and the fund is required to return the asset contained in the reverse repurchase agreement.

Such transactions may relate to 100% of the net assets. The proportion is expected to vary between 50 and 100%.

For the term of the reverse repurchase agreement, the fund may not sell or use the securities which are contained in this agreement as a pledge/collateral unless the fund has other means of coverage.

#### Repurchase transactions

The fund may enter into repurchase transactions for which on maturity the fund is required to reacquire the asset contained in the repurchase agreement and the seller (counterparty) is required to return the asset contained in the reverse repurchase agreement.

To meet temporary liquidity needs, such transactions may relate to 10% of the net assets. The proportion is normally expected to vary between 0 and 10%.

The fund must, on expiration of the term of the repurchase agreement, have the necessary assets to pay the agreed return price to the fund.

The use of these transactions must not result in a change in its investment objectives or result in additional risks being taken which exceed its risk profile as defined in the Prospectus

#### Associated risks and measures to restrict them.

The risks associated with efficient portfolio management techniques (including collateral management) are identified, managed and restricted by the risk management process. The principal risks are counterparty risk, delivery risk, operational risk, legal risk, custody risk and conflict of interest risk (as defined in the section entitled Risk profile), and such risks are limited by the organisation and the procedures defined by the Management Company as follows:

##### - Selection of counterparties and legal framework

Counterparties to these transactions are approved by the Management Company's risk management department and, when the transactions are initiated, have a minimum rating of BBB-/Baa3 from at least one recognised ratings agency or are considered to be of equivalent quality by the Management Company. These counterparties are entities which are subject to prudential supervision. The counterparties are located in an OECD member country. Each counterparty is bound by a contract the clauses of which have been validated by the legal department/risk management department.

##### - Financial collateral

See point 10 entitled *Management of financial collateral for OTC derivative products and efficient portfolio management techniques* below

##### - Restrictions on reinvestment of financial collateral received

See point 10 entitled *Management of financial collateral for OTC derivative products and efficient portfolio management techniques* below

##### - Measures taken to reduce the risk of conflicts of interest

To limit the risk of a conflict of interest, the Management Company has established a process for selecting and monitoring counterparties through committees (reviews) organised by the Risk Management department. In addition, the remuneration of these transactions is in line with market practices in order to avoid any conflict of interest.

##### - Remuneration policy for securities lending activities

Income from securities lending is returned in full to the fund after deduction of costs and direct and indirect operational expenses. The costs and fees paid to the Management Company amount to a maximum of 40% of this income. During the course of this activity, the Management Company is responsible for concluding securities lending operations and the resulting administrative follow-up, the supervision of activity risks, legal and fiscal monitoring of the activity as well as the hedging of the operational risks stemming from this activity. The periodic reports contain detailed information on the income from securities lending activities and on the operational costs and fees engendered.

The annual report contains detailed information on the income from securities lending activities and on the operational costs and charges engendered. It also specifies the identity of the entities to which these costs and charges are paid and specifies if they are related to the Management Company and/or the depositary.



- Remuneration policy for repurchase agreements

Income from repurchase agreements is paid in full to the fund.

- Remuneration policy for securities borrowing activities

Income from securities borrowing activities is paid in full to the fund.

#### Periodic investor information

Further information on the conditions of application of these efficient portfolio management techniques is contained in the annual and semi-annual reports.

### 10. Management of financial collateral for OTC derivative products and efficient portfolio management techniques.

Some over-the-counter transactions in financial instruments are covered by a collateralisation policy that has been validated by the risk management department.

#### *General criteria*

All collateral to reduce exposure to counterparty risk satisfies the following criteria:

- Liquidity: any collateral received in a form other than cash must have a strong level of liquidity and be traded on a regulated market or within the framework of a multilateral trading system making use of transparent price setting methods such that it can be quickly sold at a price close to the valuation prior to the sale.
- Valuation: the collateral received will be valued on a daily basis and assets with highly volatile prices will only be accepted as collateral if sufficiently prudent safety margins are in place.
- Credit quality of issuers: see point b below.
- Correlation: the financial collateral received must be issued by an entity which is independent of the counterparty and does not have a strong correlation with the counterparty's performance.
- Diversification: the financial collateral must be sufficiently diversified in terms of the countries, markets and issuers (for the net assets). As regards issuer diversity, the maximum exposure to an issuer through the collateral received must not exceed 20% of the net assets of the respective fund. However, this limit is raised to 100% for securities issued or guaranteed by a member state of the European Economic Area (EEA), by its local authorities or by public international bodies to which one or more member states of the EEA belong. These issuers must be highly rated (in other words rated at least BBB-/Baa3 by a recognised ratings agency or regarded as such by the Management Company). If the fund exercises this latter option, it must hold securities belonging to at least six different issues, with securities belonging to the same issue not exceeding 30% of the total amount of the net assets.

The management risks connected with collateral, such as operational and legal risks, must be identified, managed and restricted by the risk management process.

The collateral received may be fully mobilised at any time without reference thereto to the counterparty or the need to obtain its agreement.

#### *Types of authorised collateral*

The permitted types of financial collateral are as follows:

- cash denominated in the reference currency of the fund,
- highly rated debt securities (rated at least BBB-/Baa3 or equivalent by one of the ratings agencies) issued by public sector issuers from an OECD country (governments, supranational bodies, etc.) and of a minimum issue size of EUR 250 million, and a maximum residual maturity of 25 years,
- highly rated debt securities (rated at least BBB-/Baa3 or equivalent by one of the ratings agencies) issued by private sector issuers from an OECD country and of a minimum issue size of EUR 250 million, and a maximum residual maturity of 10 years,
- equities listed or traded on a regulated market of a member state of the European Union or on a stock exchange of a state which is a member of the OECD provided the equities are included in a significant index.
- shares or units in undertakings for collective investment offering adequate liquidity and investing in money market instruments, highly rated bonds or shares that meet the conditions stated above.

The risk management department of the Management Company may impose stricter criteria in terms of the collateral received and thereby exclude certain types of instruments, certain countries, certain issuers or certain securities.

In the event of materialisation of the counterparty risk, the fund could end up owning the financial collateral received. If the fund may dispose of such collateral at a value corresponding to the value of the loan/assets transferred, it would not bear negative financial consequences. Otherwise (if the value of assets received as collateral fell below the value of the assets loaned/transferred before they could be sold), it would incur a loss equal to the difference between the value of the assets loaned/transferred and the value of the collateral once it is liquidated.

#### *Level of financial collateral received*

The level of collateral required for over-the-counter financial instruments and efficient portfolio management techniques is determined by the agreements reached with each of the counterparties taking account, as applicable, of factors such as the nature and the characteristics of the transactions, the quality of credit and of the counterparties, as well as market conditions at the time. The counterparty's exposure which is not covered by collateral will at all times remain below the counterparty risk limits fixed by the regulations.

#### *Discounting policy*

The Management Company has put in place a discounting policy suited to each category of assets (depending on the credit quality in particular) received as financial collateral. This policy can be obtained by investors free of charge from the Management Company's registered office.

#### *Restrictions on reinvestment of financial collateral received*

Non-cash financial collateral may not be sold or reinvested or pledged.



Financial collateral received in cash can only be deposited with counterparties meeting the above eligibility criteria, invested in highly rated government loans, used for the purpose of reverse repurchase transactions that can be recalled at any time and/or invested in short-term monetary funds, in accordance with the applicable diversification criteria.

Although invested in assets with a low degree of risk, the investments may, nevertheless, contain some limited financial risk.

#### Safekeeping of collateral

In the event of transfer of ownership, the collateral received will be held by the Depository or a sub-custodian. In other types of collateral agreement, the collateral may be held by an external depository subject to prudential supervision which is not connected to the supplier of the financial collateral.

The collateral received may be fully mobilised at any time without reference thereto to the counterparty or the need to obtain its agreement.

#### Financial collateral in favour of the counterparty

Certain derivatives may initially require collateral to be lodged in favour of the counterparty (cash and/or securities).

#### Periodic investor information

Further information on the conditions of application of these efficient portfolio management techniques is contained in the annual and semi-annual reports.

### 11. Valuation

The various transaction types set out in the section entitled Efficient portfolio management technique are valued on a daily basis at cost plus interest. For contracts exceeding three months, the credit spread of the counterparty may be revalued.

#### Collateral

Collateral received is valued daily by the Management Company and/or the collateral agent. This valuation follows the valuation principles defined in this prospectus, applying the discounts applicable to the instrument type.

Collateral provided is valued daily by the Management Company and/or the collateral agent.

### **TABLE OF DERIVATIVE INSTRUMENTS AND SECURITIES WITH EMBEDDED DERIVATIVES**

	TYPE OF MARKET		TYPE OF RISK					TYPE OF USE	
	Regulated and/or organised markets	OTC markets	Equity	Interest rates	Foreign exchange	Credit	Other risk(s)	Hedging	Exposure
<b>Futures in</b>									
Equities	X	X	X					X	X
Interest rates	X	X		X				X	
Foreign exchange	X	X			X			X	X
Indices	X	X	X					X	X
Volatility	X	X					X	X	X
<b>Options in</b>									
Equities	X	X	X		X		X	X	X
Indices	X	X	X		X		X	X	X
<b>Swaps</b>									
Equities		X	X		X			X	X
Interest rates		X		X				X	
Foreign exchange		X			X			X	X
Indices		X	X					X	X
Volatility		X					X	X	X
<b>Forward exchange</b>									
Currency(-ies)		X			X			X	X
<b>Credit derivatives</b>									
Credit default swaps (CDS)		X				X		X	
i-traxx		X				X		X	
<b>Warrants in</b>									
Equities	X	X	X					X	X
<b>Subscription warrants</b>									
Equities	X	X	X		X			X	X



### **Risk profile:**

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

The fund may be exposed to the following principal types of risk:

### **Risk of capital loss:**

There is no guarantee for investors relating to the capital invested, and investors may not receive back the full amount invested.

### **Equity risk:**

The fund may be exposed to equity market risk through direct investment (through transferable securities and/or derivative products). These investments, which generate long or short exposure, may entail a risk of substantial losses. A variation in the equity market in the reverse direction to the positions can lead to the risk of losses and may cause the net asset value of the fund to fall.

### **Risk arising from discretionary management and the arbitrage strategy:**

The fund aims to generate performance from exposure to various markets according to the asset manager's convictions based on technical and financial indicators. The interpretation of these indicators and the predictions of the asset manager may be wrong and cause the fund to underperform its investment objective. Arbitrage is a technique which consists in benefiting from the differences in prices recorded (or anticipated) between markets and/or sectors and/or securities and/or currencies and/or instruments. If such arbitrage transactions perform unfavourably (a rise in short transactions and/or fall in long transactions), the fund's net asset value may fall.

### **Risk associated with derivative financial instruments:**

Financial derivatives are instruments whose value depends on (or is derived from) one or more underlying financial assets (equities, interest rates, bonds, currencies, etc.). The use of derivatives therefore involves the risk associated with the underlying instruments. They may be used for purposes of exposure or hedging against the underlying assets. Depending on the strategies employed, the use of derivative financial instruments can also entail leverage risks (amplifying downward market movements). In a hedging strategy, the derivative financial instruments may, under certain market conditions, not be perfectly correlated to the assets to be hedged. With options, an unfavourable fluctuation in the price of the underlying assets could cause the fund to lose all of the premiums paid. OTC financial derivatives also entail a counterparty risk (though this may be attenuated by the assets received as collateral) and may involve a valuation risk or a liquidity risk (difficulty selling or closing open positions).

### **Counterparty risk:**

The fund may use OTC derivative products and/or efficient portfolio management techniques. These transactions may cause a counterparty risk, i.e. losses incurred in connection with commitments contracted with a defaulting counterparty.

### **Interest rate risk:**

A change in interest rates, resulting notably from inflation, may cause a risk of losses and reduce the net asset value of the fund (particularly in the event of a rate increase if the fund has a positive rate sensitivity and in the event of a rate decline if the fund has a negative rate sensitivity). Long term bonds (and related derivatives) are more sensitive to interest rate variations.

A change in inflation, in other words a general rise or fall in the cost of living, is one of the factors potentially affecting interest rates and consequently the NAV.

### **Credit risk:**

Risk that an issuer or a counterparty will default. This risk includes the risk of changes in credit spreads and default risk. The fund may be exposed to the credit market and/or specific issuers in particular whose prices will change based on the expectations of the market as regards their ability to repay their debt. The fund may also be exposed to the risk that a selected issuer will default, i.e. will be unable to honour its debt repayment, in the form of coupons and/or principal. Depending on whether the fund is positively or negatively positioned on the credit market and/or some issuers in particular, an upward or downward movement respectively of the credit spreads, or a default, may negatively impact the net asset value.

### **Foreign exchange risk:**

Foreign exchange risk derives from the fund's direct investments and its investments in forward financial instruments, resulting in exposure to a currency other than its valuation currency. Changes in the exchange rate of this currency in relation to that of the fund may negatively affect the value of assets in the portfolio.

### **Liquidity risk:**

Liquidity risk is defined as that of a position in the fund's portfolio that cannot be sold, liquidated or closed at a limited cost and within a sufficiently short time, thus jeopardizing the fund's ability to comply at any time with its obligations to redeem the shares of investors at their request. On certain markets (in particular emerging and high-yield bonds, equities with low market capitalisation, etc.), the quotation spreads may widen under less favourable market conditions, which could impact on the net asset value when assets are purchased or sold. Furthermore, in the event of a crisis on these markets, the securities could also become difficult to trade.

### **Volatility risk:**

The fund may be exposed (taking directional positions or using arbitrage strategies for example) to market volatility risk and could therefore, based on its exposure, suffer losses in the event of changes in the volatility level of these markets.

### **Emerging countries risk:**

Market movements can be stronger and faster on these markets than on the developed markets, which could cause the net asset value to fall in the event of adverse movements in relation to the positions taken. Volatility may be caused by a global market risk or may be triggered by the vicissitudes of a single security. Sectoral concentration risks may also be prevalent on some emerging markets. These risks may also heighten the volatility. Emerging countries can experience serious political, legal and fiscal uncertainties or other events that could impact negatively on the fund. In addition, local depositary and sub-custodial services remain





underdeveloped in non-OECD countries and emerging countries, and transactions carried out in these markets are subject to transaction risk and custody risk. In some cases, the fund may be unable to recover all or part of its assets or may be exposed to delays in delivery when recovering its assets.

#### Risk associated with external factors:

uncertainty about the sustainability of some external environmental factors (such as tax regime or regulatory changes) that may have an impact on operation of the fund. The fund may be subject to a number of legal and regulatory risks, in particular contradictory, incomplete, ambiguous and unpredictable interpretations or applications of laws, restricted public access to the regulations, practices and customs, ignorance or violations of laws by counterparties or other market participants, incomplete or incorrect transaction documents, the absence of amendments established or applied consistently in order to obtain redress, inadequate protection of investors or a failure to apply existing laws. Difficulties in asserting, protecting and enforcing rights may have a significant negative effect on the fund and its transactions. In particular, tax rules may be changed regularly or interpreted differently, increasing the amount of tax payable by the investor or the fund on its assets, income, capital gains, financial transactions or charges paid or received by service providers.

#### Delivery risk:

the fund may want to liquidate assets which at that time are subject to a transaction with a counterparty. In this case, the fund would recall these assets from the counterparty. Delivery risk is the risk that the counterparty, although contractually obliged, may not be able in operational terms to return the assets quickly enough to allow the fund to honour the sale of these instruments on the market.

#### Operational risk:

the operational risk is the risk of direct or indirect losses associated with a number of factors (such as human error, fraud and malice, IT system failures and external events, etc.) which may have an impact upon the fund and/or the investors. The Management Company aims to reduce these risks by putting in place controls and procedures.

#### Legal risk:

the risk of litigation of all kinds with a counterparty or a third party. The Management Company aims to reduce these risks by putting in place controls and procedures.

#### Custody risk:

the risk of loss of assets held by a depositary as a result of insolvency, negligence or fraudulent action by the depositary or a sub-custodian. This risk is mitigated by the regulatory requirements governing depositary services.

#### Risk of conflicts of interest:

selection of a counterparty based on reasons other than the sole interest of the fund and/or unequal treatment in the management of similar portfolios could be the main sources of conflicts of interest.

#### Risk of changes to the benchmark index by the index provider:

Unitholders should note that the benchmark index provider has full discretion to determine and therefore alter the characteristics of the relevant benchmark index for which it acts as sponsor. Under the terms of the licence contract, an index provider may not be required to give licence holders using the relevant benchmark index sufficient notice of changes to the benchmark index. As a result, the Management Company may not be able to inform fund unitholders in advance of changes made by the index provider to the characteristics of the relevant benchmark index.

#### Sustainability risk:

The sustainability risk refers to any environmental, social or governance-related event or situation that might affect the performance and/or reputation of issuers in the portfolio.

Sustainability risks may be subdivided into three categories:

- Environmental: environmental events may create physical risks for the companies in the portfolio. For example, such events could arise from the consequences of climate change, loss of biodiversity, changes in ocean chemistry, etc. Apart from these physical risks, the companies could be negatively impacted by mitigation measures taken to address environmental risks (such as a carbon tax). These mitigation risks could affect companies depending on their exposure to the above risks and how well they adapt to them.
- Social: refers to the risk factors linked to human capital, the supply chain and the way companies manage their impact on society. Issues around gender equality, remuneration policies, health and safety and the risks associated with working conditions in general all fall within the social dimension. The social dimension also includes risks of violation of human rights or labour rights in the supply chain.
- Governance: these aspects are linked to governance structures, for example the independence of the board of directors, management structures, labour relations, remuneration and compliance, or tax practices. The thing that governance risks have in common is that they are due to inadequate oversight of the company and/or the lack of incentive for the company to move towards higher governance standards.

The sustainability risk may be specific to the issuer, depending on its activities and practices, but may also be due to external factors. If an unforeseen event occurs in a specific issuer such as a strike or more generally an environmental disaster, the event could have a negative impact on portfolio performance. In addition, issuers which adapt their activities and/or policies may be less exposed to the sustainability risk.

Possible mitigation measures to manage risk exposure include the following:

- exclusion of controversial activities or issuers
- exclusion of issuers based on sustainability criteria
- inclusion of sustainability risks when issuers are selected or given weightings in the portfolio
- engagement and sound management of the issuers



Where applicable, these mitigation measures are described in the section in the prospectus describing the investment policy of the fund.

#### ESG risk:

Our methodology is based on the definition of ESG sector models by our internal ESG analysts. Our research limitations are largely linked to the nature, extent and consistency of the currently available ESG data.

- Nature: certain ESG dimensions lend themselves more to narrative, qualitative information. Such information is subject to interpretation so it introduces a degree of uncertainty into the models.
- Extent: once the ESG dimensions considered by our analysts to be important for each sector have been defined, there is no guarantee that the data will be available for all the companies in that sector. Where possible, we will try to fill in the missing data from our own ESG analysis.
- Uniformity: the different ESG data providers have different methodologies. Even within the same provider, analogous ESG dimensions may be processed differently depending on the sector. This makes it harder to compare data from different providers.

The absence of European-level common or harmonised definitions and labels incorporating ESG and sustainability criteria may give rise to different approaches among the asset managers to fix the ESG objectives and to determine whether these objectives have been achieved by the funds they manage.

Our methodology excludes or limits exposure to the securities of certain issuers for ESG reasons. As a result, it is possible that certain market conditions will generate financial opportunities that the sub-fund is unable to benefit from.

#### Guarantee or protection:

None

#### Type of subscriber/profile of the typical investor:

Classique in EUR units:	All subscribers, no minimum initial subscription.
N units:	Distributors and intermediaries, no minimum initial subscription.
R units:	Financial intermediaries (including distributors and platforms) which: (i) have different arrangements with their clients for the provision of investment services in connection with the fund, and (ii) as a result of their applicable laws and regulations, are not entitled to receive duties, fees and other monetary benefits from the Management Company in connection with the provision of the above-mentioned investment services.
RS units:	Distributors and intermediaries appointed by the Management Company who will not receive any compensation from the Management Company, minimum initial subscription EUR 100,000,000.00.
R2 units:	Management mandates between a client and Belfius Banque in which financial management is delegated to Candriam and for which Belfius Banque does not receive any form of remuneration from a Candriam Group entity. No minimum initial subscription.
U units:	Life assurance products marketed in Italy, no minimum initial subscription.
V units:	All subscribers, no minimum initial subscription.
V2 units:	Insurance companies and life assurance products marketed in Germany, minimum initial subscription EUR 25,000,000.00.
Z units:	UCIs approved by the Management Company and managed by a Candriam Group entity. No minimum subscription.
I units:	All subscribers with a minimum subscription of EUR 250,000.00.
VB units:	UCIs governed by Belgian law approved by the Management Company, no minimum initial subscription.

The amount it is reasonable to invest in this UCITS depends on the investor's personal circumstances. To determine this amount, investors should take into account their wealth and personal asset base, their requirements at present and for the next three years and whether they wish to take risks or instead opt for a cautious investment approach. Investors are also strongly advised to diversify their investments sufficiently so as not to be exposed solely to the risks of this UCITS.

The minimum recommended investment period is three years.

The units of this fund are not and will not be registered in the United-States in accordance with the U.S. Securities Act of 1933 as amended ("1933 Securities Act") and are not and will not be eligible under any law of the United-States. These units must not be offered, sold or transferred to the United States (including its territories and possessions) or directly or indirectly benefit any U.S. Person (as defined in Regulation S of the 1933 Securities Act and equivalents and Rule 4.7. of the Commodity Exchange Act). Subscribers to units of the fund may be required to certify in writing that they are not U.S. Persons. Unitholders are required to notify the Management Company immediately in the event that they become U.S. Persons and will be required to dispose of their units to non-U.S. Persons. The Management Company reserves the right to redeem any unit that is or becomes the direct or indirect property of a U.S. Person or any holding of units by any person which is illegal or detrimental to the interests of the fund.

However, notwithstanding the foregoing, the FCP reserves the right to make a private placement of its units to a limited number of U.S. Persons to the extent permitted under applicable U.S. law.

In addition, financial institutions which do not comply with the FATCA programme ("FATCA" which stands for the U.S. "Foreign Account Tax Compliance Act"), as included in the "Hiring Incentives to Restore Employment Act" ("HIRE Act"), and its application measures, including the identical provisions adopted by partner countries which have signed an "Intergovernmental Agreement" with the United States, must expect to be forced to have their units redeemed when the programme is put in place.



The fund units may not be offered, sold or transferred to a U.S. employee benefit plan subject to the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”) or any other U.S. employee benefit plan or U.S. individual retirement account or arrangement (“IRA”) and may not be offered, sold or transferred to a fiduciary or any other person or entity acting on behalf of the assets of a U.S. employee benefit plan or IRA (collectively, a “U.S. benefit plan investor”). Subscribers for fund units may be required to certify in writing that they are not a U.S. benefit plan investor. Unitholders are required to notify the fund immediately in the event that they are or become U.S. benefit plan investors and will be required to dispose of their units to non-U.S. benefit plan investors. The fund reserves the right to repurchase any units which are or become owned, directly or indirectly, by a U.S. benefit plan investor. However, notwithstanding the foregoing, the fund reserves the right to make a private placement of its units to a limited number of U.S. benefit plan investors, to the extent permitted under applicable U.S. law.

**Methods for determining and allocating distributable amounts:**

Interest on bonds and debt securities is recognised using the accrued coupons method. All the fund’s distributable amounts are fully capitalised for all the categories of units.

**Share or unit currencies:**

Description	ISIN code	Allocation of distributable income	Currency	Amount amount of initial subscription (*)	Minimum amount of subsequent subscriptions	Original net asset value	Type of subscriber
Classique in EUR units	FR0010016477	Capitalisation	EUR	None	None	EUR 10,000.00	All subscribers
N units	FR0013213964	Capitalisation	EUR	None	None	150.00 EUR	Distributors and intermediaries
R units	FR0012088771	Capitalisation	EUR	None	None	100.00 EUR	Financial intermediaries (including distributors and platforms) which: (i) have different arrangements with their clients for the provision of investment services in connection with the fund, and (ii) as a result of their applicable laws and regulations, are not entitled to receive duties, fees and other monetary benefits from the Management Company in connection with the provision of the above-mentioned investment services.
RS units	FR0012088805	Capitalisation	EUR	100,000,000.00 EUR	None	EUR 100.00(**)	Distributors and intermediaries appointed by the Management Company who will not receive any compensation from the Management Company
R2 units	FR0013213998	Capitalisation	EUR	None	None	150.00 EUR	Management mandates between a client and Belfius Banque in which financial management is delegated to Candriam and for which Belfius Banque does not receive any form of remuneration from a Candriam Group entity
U units	FR0013213972	Capitalisation	EUR	None	None	150.00 EUR	Life assurance products marketed in Italy
V units	FR0011510023	Capitalisation	EUR	EUR 25,000,000.00	None	EUR 1,000.00	All subscribers
V2 units	FR0013244878	Capitalisation	EUR	EUR 25,000,000.00	None	EUR 1,000.00	Insurance companies and life assurance products marketed in Germany
Z units	FR0010896217	Capitalisation	EUR	None	None	EUR 1,000.00	UCIs approved by the Management Company and managed by a Candriam Group entity.
I units	FR0012502268	Capitalisation	EUR	EUR 250,000.00	None	EUR 1,500.00	All subscribers
VB units	FR001400SHT6	Capitalisation	EUR	None	None	EUR 1,000.00	UCIs governed by Belgian law approved by the Management Company





(\*The minimum initial subscription amount will not apply to the Management Company, to Candriam Group entities or funds managed by Group entities.

(\*\*) Net asset value multiplied by 10 on 12/05/2015.

Investors participate in the fund by subscribing to and holding shares in one of the categories of units. In order to guarantee equal treatment of all investors within the same category of units, the individual shares in the category of units have the same rights and obligations.

The Management Company may, while remaining within the framework of the parameters which characterise the various categories of units, conclude agreements with individual investors or a group of investors granting special rights to these investors ("negotiated discounts").

The purpose of these special rights is to provide discounts on the fees billed to the category of units, or specific information. They are granted on the basis of objective criteria defined by the Management Company and are paid from its own funds.

Objective criteria include, but are not limited to (alternatively, or cumulatively):

- The expected holding period for an investment in the fund,
- The investor's willingness to invest during the fund's launch phase,
- The actual or expected amount placed or to be placed by the investor,
- The total assets under management held by the investor in the fund or in another product offered by the Management Company,
- The type of investor (for example repackager, wholesaler, fund management company, asset manager, other institutional or private investor),
- The fees or revenues generated by the investor with a group of companies or all companies affiliated with the group of which the Management Company is part.

Any investor or potential investor in a category of units is entitled to the same agreements if, in the reasonable opinion of the Management Company, he or she is objectively in the same situation as another investor in the same category of units who has concluded agreements. In order to receive the same treatment, any investor or potential investor is able to contact the Management Company in the form of a request. The Management Company will share with the investor or potential investor relevant information about the existence and nature of these specific agreements, will verify the information it received from the investor or potential investor, and will determine on the basis of the information provided to it (including from the investor or potential investor) whether or not the investor or potential investor is entitled to the same treatment.

#### Subscription and redemption arrangements:

Orders are executed as shown in the table below:

Business day D	Business day D	D NAV calculation day	Business day D+1	Business day D+1	Business day D+3	Business day D+3
Centralisation of subscription orders before midday <sup>1</sup>	Centralisation of redemption orders before midday <sup>1</sup>	Order execution on D at the latest	Calculation of NAV	NAV publication	Subscription settlement	Redemption settlement

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

Subscription and redemption orders are centralised by CACEIS Bank, at the following address:

#### **CACEIS BANK**

Registered office: 89-91 rue Gabriel Péri – 92120 Montrouge

Postal address: 12 place des États-Unis - CS 40083 - 92549 Montrouge CEDEX

*Investors should note that orders sent to marketing agents other than the institutions set out above must take account of the fact that these marketing agents are subject to the order centralisation cut-off time imposed by CACEIS Bank. As a result, these marketing agents may impose their own cut-off time, earlier than the one stated here, in order to allow time to send the orders to CACEIS Bank.*

#### Redemption gates:

The management company may use gates to spread out redemption requests from UCITS unitholders over multiple net asset values if they exceed a certain threshold, determined objectively.

#### Description of the method used:

The management company may decide not to execute all redemptions using the same net asset value once a net redemption ratio threshold is reached (all units combined and divided by the net assets of the fund). The gate threshold is therefore applied to all categories of units in the fund. The threshold is objectively set at 5% of the net assets of the fund.

The maximum duration of application of the redemption gate is 20 net asset values over 3 months.

#### Procedures to inform unitholders:

If some or all of their redemption requests are not going to be executed, the relevant unitholders will be personally informed by the centraliser as soon as possible after the centralisation date.

The management company's website will inform all unitholders if the redemption gate is activated.

And finally, all unitholders will be informed of any triggering of the gate in the next periodic reporting for unitholders.



### Processing of unexecuted orders:

Orders which are not executed due to a redemption gate are carried forward and are not cancelled. While the redemption gate remains in effect, redemption orders will be satisfied in the same proportion for all unitholders requesting a redemption at the same net asset value. Orders that are carried forward in this way do not have priority over previous redemption orders. If redemptions are split again at this net asset value, therefore, they are split according to the same conditions as new orders.

Under no circumstances may redemption orders which are unexecuted and automatically carried forward be revoked by the unitholders of the UCITS concerned.

The gating of redemptions is not automatic: when redemption requests net of subscription requests exceed the gate threshold, and if the liquidity situation so allows, the management company may decide to satisfy redemption requests above the proposed threshold and thus execute some or all of the orders that may otherwise have been gated.

### Exemption:

A round trip transaction for taxation purposes, namely a request to redeem units simultaneously linked to a subscription request on the same NAV date, with the same ISIN code, for the same number of units, using the same intermediary and the same account, will not be part of the gate calculation mechanism and will therefore be honoured as it is.

### Illustration of gating:

For example, if the redemption requests for units in a UCITS total 10% of net assets, whereas the gate threshold is set at 5%, the management company may decide to satisfy redemption requests up to 7.5% of net assets (and thus execute 75% of redemption requests instead of 50% if it had strictly applied the gate at 5%).

For more detailed information about gates, the unitholder is invited to refer to the fund rules.

### Frequency of net asset value calculation:

Daily. On every trading day on the Paris Stock Exchange, except for French public holidays.

### Charges and fees:

#### Subscription and redemption fees:

Subscription and redemption fees are added to the subscription price paid by investors or deducted from the redemption price. The fees paid to the UCITS are used to offset the fees incurred by the UCITS in order to invest or divest the assets allocated. Fees not retained are returned to the Management Company, marketing agent, etc.

Maximum charges payable by investors and collected upon subscription or redemption*	Calculation basis	Rate incl. taxes
Subscription fee not paid to the UCITS	NAV x number of units	Classique in EUR, N, R, RS, R2, U, V, V2 and I units: 1.00% Z and VB units: None
Subscription fee paid to the UCITS	NAV x number of units	None
Redemption fee not paid to the UCITS	NAV x number of units	Classique in EUR, N, R, RS, R2, U, V, V2 and I units: 1.00% Z and VB units: None
Redemption fee paid to the UCITS	NAV x number of units	None

\* Exemption conditions: subscription preceded by redemption on the same day for the same number of units, based on the same net asset value and by the same holder.

#### Operating and management charges:

These cover all the costs billed directly to the UCITS apart from the transaction fees. Transaction charges include intermediary charges (brokerage, stock exchange duties, etc.) and any turnover fees, where applicable, which may be collected in particular by the depositary and the Management Company.

In addition to the operating and management charges, there may be:

- Outperformance fees. These are paid to the Management Company if the UCITS outperforms its objectives. They are therefore billed to the UCITS
- Transfer fees billed to the UCITS



Charges billed to the FCP	Calculation basis	Rate/amount incl. taxes/maximum rate
Financial management charges and administration charges external to the Management Company	Net assets	Classique in EUR units: 0.80%* N units: 2.00%* R, RS and I units: 0.70%* R2 units: 0.35%* V and U units: 0.60%* V2 units: 0.85%* Z units: 0.25%* VB units: 0,35%*
Maximum indirect charges (fees and management charges)	Net assets	Not significant **
Turnover fees collected by the depository	Levied on each transaction	Maximum EUR 80/transaction***
Outperformance fee	Net assets	Classique in EUR, N, R, RS, R2, U, V, Z, I and VB units: 20% of performance above the capitalised €STR V2: None

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

\*\* The fund invests a maximum of 10% in UCIs.

\*\*\* Maximum amount that varies according to the instruments used.

#### Research costs:

The costs relating to research as described in article 314-21 of the General Regulation of the AMF may be billed to the UCITS.

The fees listed below are not included in the four categories of fees set out above:

- Contributions owed for management of the UCITS pursuant to 4°, II of article L. 621-5-3 of the Code monétaire et financier,
- Exceptional and non-recurrent taxes, duties and other government fees (relating to the UCITS),

Exceptional and non-recurrent costs in connection with debt collection (e.g. Lehman) or to proceedings in order to exercise a right (e.g. class action lawsuit).

Information about these costs is subsequently also set out in the annual report of the UCITS.

#### Methods of calculating and sharing of fees from temporary acquisitions and sales of securities transactions (efficient portfolio management techniques):

These transactions, if carried out, must be conducted under market conditions. The proceeds of these transactions will be paid in full to the UCITS.

#### Outperformance fees:

For each unit category, the Management Company may be entitled to an outperformance fee based on the outperformance of the net asset value of the unit (NAV) in relation to the benchmark indicator defined below.

Unit	Cap. / Dis.	Currency	ISIN	Outperformance fee	Provisioning rate	Minimum return rate	Model applied
C	Cap.	EUR	FR0010016477	Yes	20%	Capitalised €STR, floored 0	Permanent HWM
I	Cap.	EUR	FR0012502268	Yes	20%	Capitalised €STR, floored 0	Permanent HWM
N	Cap.	EUR	FR0013213964	Yes	20%	Capitalised €STR, floored 0	Permanent HWM
R	Cap.	EUR	FR0012088771	Yes	20%	Capitalised €STR, floored 0	Permanent HWM
RS	Cap.	EUR	FR0012088805	Yes	20%	Capitalised €STR, floored 0	Permanent HWM
R2	Cap.	EUR	FR0013213998	Yes	20%	Capitalised €STR, floored 0	Permanent HWM
U	Cap.	EUR	FR0013213972	Yes	20%	Capitalised €STR, floored 0	Permanent HWM
V	Cap.	EUR	FR0011510023	Yes	20%	Capitalised €STR, floored 0	Permanent HWM
V2	Cap.	EUR	FR0013244878	No	N/A	N/A	N/A
Z	Cap.	EUR	FR0010896217	Yes	20%	Capitalised €STR, floored 0	Permanent HWM
VB	Cap.	EUR	FR001400SHT6	Yes	20%	Capitalised €STR, floored 0	Permanent HWM

## **Reference indicator**

The reference indicator is made up of the two following elements:

- A high water mark (HWM) corresponding to a first reference asset based on the highest NAV achieved at the end of a financial year from 30/09/2021.

The initial HWM corresponds to the NAV of 30/09/2021. If a new unit category is activated subsequently or a pre-existing unit category is reactivated, the initial NAV of this new unit at (re)launch will be used as the initial HWM.

- A hurdle corresponding to a second reference asset based on a theoretical investment of assets at the minimum rate of return which increases the subscription totals and proportionally reduces the redemption totals. If this minimum rate of return is negative, the rate of 0% is used to determine the hurdle rate.

Using a HWM guarantees that unitholders will not be billed for an outperformance fee while the NAV remains below the highest NAV achieved at the end of a financial year from 30/09/2021.

This variable remuneration aligns the interests of the Management Company with those of the unitholders and to be linked to the FCP's risk/return ratio.

## **Method for calculating the outperformance fee**

As the NAV is different for each unit category, the outperformance fees are calculated independently for each unit, producing fees of different amounts.

The outperformance fee is calculated with the same frequency as the NAV calculation.

The outperformance fee is included in the NAV calculation.

If the NAV upon which fee calculation is based, in other words the NAV after the outperformance fee on redemptions but excluding the outperformance fee on units still in circulation, is greater than the two components of the reference indicator (HWM and hurdle), this constitutes an outperformance.

The smaller of these 2 outperformances is the basis of calculation for the provision for an outperformance fee in line with the provisioning rate of this outperformance as set out in the table below (the "Provisioning rate").

In the event of underperformance in relation to one of the two components of the reference indicator, the outperformance fee is reversed in line with the provisioning rate of this underperformance. Nevertheless, the accounting provision for the outperformance fee will never be negative.

When a dilution adjustment is applied to the NAV, it is excluded from the outperformance fee calculation.

In the case of unit categories with distribution rights, any distributions of dividends will have no effect on the outperformance fee of the unit category.

For each unit category denominated in the currency of the fund, outperformance fees are calculated in this currency, whereas for unit categories denominated in another currency, whether or not they are currency hedged, the outperformance fees will be calculated in the currency of the unit category.

## **Reference period**

In general, the outperformance fee is calculated for each 12 month period corresponding to the financial year. This period is regarded as the reference period for calculation of the outperformance fee.

In the case of activation or reactivation of a unit, the first crystallisation of outperformance fees for this unit category cannot take place (apart from redemptions) until the end of the financial year following the financial year during which the unit category was (re)activated.

## **Crystallisation**

Any positive outperformance fee is crystallised:

- at the end of each reference period,
- at the time of each net redemption identified on each NAV calculation, in proportion to the number of units redeemed. In this case, the outperformance fee provision will be reduced by the amount crystallised in this way,
- if applicable, on the closing date of a unit category during the reference period.

In addition, and in accordance with the rules, an outperformance fee may be crystallised:

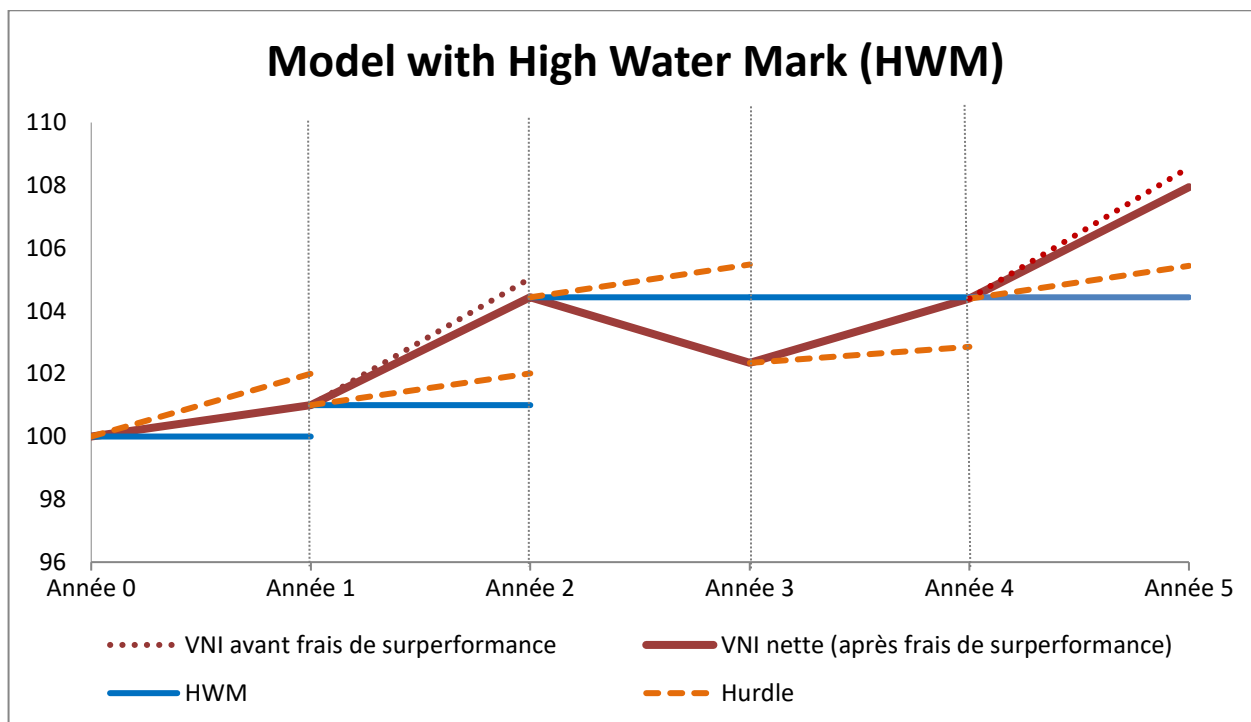
- in the event of merger/liquidation of the fund/unit category during the reference period,
- if the outperformance mechanism changes

## **Clawback of negative performances**

In the event of negative performance during the reference period, the underperformance will be carried over to the following reference period. The HWM will in this case remain identical to that of the previous period.

As for the hurdle, it is reinitialised at the start of each period regardless of whether an outperformance fee has been crystallised or not

Examples illustrating the outperformance fee model applied



**Year 1:** The NAV is higher than the high water mark but lower than the hurdle. **No performance fee is paid. The HWM is adjusted.**

**Year 2:** The NAV at the end of the period is higher than the high water mark and the hurdle. **An outperformance fee is paid. The HWM is adjusted.**

**Year 3:** The NAV at the end of the period is lower than the high water mark and the hurdle. **No performance fee is paid. The HWM does not change.**

**Year 4:** The NAV at the end of the period is higher than the hurdle but not higher than the high water mark. **No performance fee is paid. The HWM does not change.**

**Year 5:** The NAV at the end of the period is higher than the high water mark and the hurdle. **An outperformance fee is paid. The HWM is adjusted.**

	Année 0	Année 1	Année 2	Année 3	Année 4	Année 5
VNI - Début de période	0	100	101	104.4	102.3	104.4
Rendement de la classe d'action (après frais)		1%	4%	-2%	2%	4%
VNI - Fin de période (avant frais de surperformance)	100	101	105	102.3	104.4	108.6
Hurdle - Début de période		100	101	104.4	102.3	104.4
Rendement du hurdle (ou 0% si négatif)		2%	1%	1%	0.5%	1%
Hurdle - Fin de période	100	102	102	105.5	102.9	105.4
HWM - Début de période		100	101	104.4	104.4	104.4
Surperformance classe d'action		0.0	3.03	0.0	0.0	3.1
Commission de surperformance due		NON	OUI	NON	NON	OUI
Commission de surperformance (20%)		0.0	0.61	0.0	0.0	0.63
VNI nette - Fin de période (après frais de surperformance)	100	101	104.4	102.3	104.4	107.9
HWM - Fin de période	100	101	104.4	104.4	104.4	107.9

The performance graphics and performance fee tables presented in this document are simulations and/or are based solely on assumptions. They cannot be considered to be reliable indicators of future performance. They are in no way a guarantee that the fund will achieve or will be likely to achieve performances or receive performance fee amounts similar to those presented.

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

#### Procedure for selecting intermediaries:

Candriam selects intermediaries to which it sends orders for execution for the major classes of financial instruments (bonds, shares, derivative products). The selection is mainly based on the intermediary's execution policy and subject to the "Selection policy for financial intermediaries to which Candriam sends orders for execution on behalf of the UCIs it manages".

The main execution factors considered are: price, cost, speed, probability of execution and settlement, size and type of order.

In application of the broker and counterparty selection and evaluation procedure and at the request of the asset manager, Candriam's Broker Review approves or refuses any new broker application.

Therefore, pursuant to this policy, a list by type of instruments (shares, interest rates, money market, derivatives) of the authorised brokers and a list of the authorised counterparties are kept.

Furthermore, on a periodic basis and as part of the Broker Review, the list of approved brokers is reviewed so as to evaluate them on the basis of various filters and make any appropriate and necessary changes.



## IV. MARKETING INFORMATION

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### Circulation of information on the UCITS

Any information about the FCP can be requested directly from:

#### **CANDRIAM**

SERENITY – Bloc B  
19-21 route d'Arlon  
L-8009 Strassen (Grand Duchy of Luxembourg)

#### **Candriam - Succursale Française**

40, rue Washington  
75408 Paris Cedex 08  
Tel: 01.53.93.40.00

Website: [www.candriam.com](http://www.candriam.com)

Past performance data in relation to the reference indicator is available in the KIID of the fund unit, which can be consulted on the Management Company's website.

### Unit redemptions or repurchases

FCP subscription and redemption applications are centralised at:

#### **Depository – custodian:**

#### **CACEIS BANK**

Registered office: 89-91 rue Gabriel Péri  
92120 Montrouge

### Information on environmental, social and governance quality criteria (ESG)

Information on inclusion or non-inclusion of environmental, social and governance quality criteria in the investment policy is available on the website [www.candriam.com](http://www.candriam.com) and will be included in the annual report where applicable.

## V. INVESTMENT RULES

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The UCITS will comply with the regulatory ratios applicable to general UCITS under French law that comply with Directive 2009/65/EC as defined by the Code Monétaire et Financier. The risk diversification rules applicable to this UCITS must be followed at all times. If these limits are exceeded independently of the Management Company or as a result of the exercise of a subscription right, the priority objective of the Management Company will be to rectify the situation as soon as possible, taking into consideration the interests of the unitholders of the UCITS.

## VI. TOTAL RISK

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The fund's global exposure is calculated using the absolute value at risk (VaR) method. The absolute VaR corresponds to the potential loss in 99% of cases over a period of 20 business days under normal market conditions. The VaR level for a 99% confidence range is below 20%.

The anticipated maximum leverage will be 1 times the net assets. This leverage will be calculated for all derivative instruments according to the nominal method. There may, however, be temporary exposure to a higher leverage.

## VII. REMUNERATION

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The Management Company has established a general framework concerning remuneration of its staff, in particular a remuneration policy (the "Remuneration Policy") in compliance with the applicable regulations and the following principles in particular:

The Remuneration Policy is compatible with sound and effective risk management including sustainability risks. It discourages any risk-taking that is inconsistent with the risk profile and the fund regulations. Candriam has designed policies aiming to promote responsible behaviour among personnel, taking account of sustainability-related impacts.

The Remuneration Policy is compatible with the financial strategy, objectives, values and interests of the Management Company, the fund and the investors, and includes measures to avoid conflicts of interest,

Candriam's remuneration structure is linked to a risk-adjusted performance. The evaluation of performance is set in a multi-year framework appropriate to the minimum holding period recommended to unitholders of the fund, in order to ensure that the performance evaluation process is based on the long term performance of the fund and that the effective payment of the performance-based remuneration elements is spread over the same period,

Candriam aims to ensure that the employees are not encouraged to take inappropriate and/or excessive risks (also concerning sustainability risks) which are incompatible with the risk profile of Candriam and, as applicable, of the funds managed". In addition, when sustainability-related impacts are considered by the fund, Candriam sees to it that the personnel take them fully into account.



The Remuneration Policy therefore ensures that the fixed and variable components of total remuneration are appropriately balanced; that the fixed component of total remuneration is high enough; that the policy concerning variable remuneration elements is sufficiently flexible including the possibility to pay no variable remuneration component.

The details of the updated Remuneration Policy, including the composition of the remuneration committee, a description of how remuneration and benefits are calculated, and how this policy is consistent with the consideration of sustainability risks and impacts, are available from the Management Company's website via this link:

[https://www.candriam.com/siteassets/legal-and-disclaimer/external\\_disclosure\\_remuneration\\_policy.pdf](https://www.candriam.com/siteassets/legal-and-disclaimer/external_disclosure_remuneration_policy.pdf)

A printed copy is available free of charge on request.





## VIII. ASSET VALUATION RULES

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### Valuation rules:

#### Equities, warrants and rights

Equities are valued at the closing price on the various stock exchanges on the reference date.

#### ETFs and UCIs

ETFs and UCIs are valued at the net asset value representative of the markets on the reference date or in the absence thereof the preceding date.

#### Bonds

Bonds are valued at the closing price on the basis of contributor prices on the reference date.

#### Negotiable debt securities and other money market instruments

Negotiable debt securities and other money market instruments are valued using prices calculated on the basis of representative market data on the reference date.

#### Futures and options on organised markets

These financial instruments are valued at the closing prices on the various futures markets on the reference date.

#### Cleared OTC derivatives

Cleared OTC products are calculated based on models validated by the Management Company, using market data such as interest rate curves, spread curves, etc., available from specialised data providers. The prices obtained from the models are compared with those of the CCP.

#### Spot exchange rates

The spot exchange rates are valued from the market data available from specialised data providers.

#### Forward exchange

Forward exchange is valued on the basis of the market data available from specialised data providers (spot price, interest rate curves, etc.).

#### Credit derivatives

Uncleared credit derivatives are calculated based on models validated by the Management Company, using market data such as the spread curve, interest rate curve, etc., available from specialised data providers. The prices obtained are compared with those of the counterparties.

#### Rate swaps

Uncleared interest rate swaps are calculated based on models validated by the Management Company, using market data such as the interest rate curve, etc., available from specialised data providers. The prices obtained are compared with those of the counterparties.

#### Other OTC derivatives

Uncleared OTC products are calculated based on models validated by the Management Company, using market data such as volatility, the interest rate curve, etc., available from specialised data providers.

The prices obtained from the models are compared with those of the counterparties.

#### Repurchase and reverse repurchase agreements, lending and borrowing of securities

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

#### Exceptional treatment

Debt securities in which there are not significant amounts of transactions or for which the price is clearly not representative of the market, may be valued on the basis of an estimated method and under the responsibility of the Management Company. In addition, the actuarial method may be used, the rate applied being that for issues of equivalent securities, where applicable, allocated by a differential representative of the intrinsic characteristics of the issuer of the security.

Options in which there are not significant amounts of transactions and/or for which the price is clearly not representative of the market, may be valued on the basis of a method representative of the close of the market at responsibility of the Management Company.

#### Off-balance sheet

The off-balance sheet commitment on French and foreign futures markets is calculated based on the methods in force:

Outright futures transaction: amount per nominal value by day's price in the currency

Conditional futures transaction: delta amount per underlying nominal value by the day's underlying price in - the contract currency.

The off-balance sheet commitment in equity swaps is calculated in accordance with applicable procedures: amount per underlying price in each currency plus or minus interest on swaps

#### Main sources

The principal specialised data providers for valuations are Bloomberg, CMA, WMC and Factset. The Management Company may, nevertheless, change these at its own responsibility if it deems appropriate.





**Accounting method:**

Interest on bonds and debt securities is recognised using the accrued coupons method.

PROSPECTUS UPDATED ON: 07/10/2024.



# UK SUPPLEMENT

## relating to the issue of units of Candriam Index Arbitrage

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

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

The Fund has appointed CANDRIAM, whose registered office is SERENITY Bloc B, 19-21, route d’Arlon, L-8009 Strassen, Grand Duchy of Luxembourg (the “**Management Company**”), to take care of the investment management and promotional services related to the Fund. The Management Company is EEA authorised and is regulated by the *Commission de Surveillance du Secteur Financier* - CSSF in Luxembourg and the Financial Conduct Authority (the “**FCA**”) in the United Kingdom.

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

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

### Dealing Arrangements and Information

Kroll Advisory Ltd (the “**Facilities Agent**”) has been appointed, pursuant to an agreement with the Management Company to act as the facilities agent for the Fund in the United Kingdom and it has agreed to provide certain facilities at its offices at The News Building, Level 6, 3 London Bridge Street, London SE1 9SG, United Kingdom, in respect of the Fund.

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

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

## Documents Available for Inspection

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

- (a) The management rules of the Fund and any amendments thereto;
- (b) the prospectus most recently issued by the Management Company together with any supplements;
- (c) the key investor information documents most recently issued by the Management Company, and
- (d) the most recently produced annual and half yearly reports relating to the Fund.

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

Kroll Advisory Ltd  
The News Building, Level 6, 3 London Bridge Street,  
London SE1 9SG, United Kingdom

The date of this UK Supplement is October 7, 2024.