

R EURO CREDIT

Mutual Fund

Prospectus

Version dated on February 15th 2013

R EURO CREDIT

I. General characteristics

I. 1. FORM OF THE UCITS:

Name	:	R Euro Credit
Legal form	:	Mutual fund - incorporated under French law
Date established	:	22 February 1997
Intended term of existence	:	99 years
Summary of the management offer	:	

Unit category	ISIN	Income distribution	Currency of denomination	Subscribers concerned	Minimum initial subscription amount
C unit	FR0007008750	Accumulation	EUR	All subscribers	25 units * Initial net asset value per unit: €152.41
D unit	FR0010134437	Income	EUR	All subscribers	25 units * Initial net asset value per unit: €152.41
F unit	FR0010807107	Accumulation	EUR	All subscribers	1 unit Initial net asset value: €100
I unit	FR0010807123	Accumulation	EUR	All subscribers but more specifically reserved for institutional investors	5,000 units ** Initial net asset value: €1,000
K unit	FR0011418359	Income	EUR	All subscribers but more specifically reserved for institutional investors	50 units ** Initial net asset value: €100,000

The fund has five unit categories: C, D, F, I and K units. These five categories differ specifically in terms of their profit allocation regimes, their management and redemption fees, and their nominal value.

These differences can be explained by the fact that the C and D units are specifically intended to be directly distributed to investors by the fund's management company, or the private client base of the Rothschild Group, while F units are specifically intended for partners of the management company or third-party management companies. I and K units are more specifically intended for institutional investors wishing to benefit from accumulation units.

* The custodian and the asset management company are exempt from the minimum initial subscription requirement and can subscribe to as little as one unit.

** The custodian and the asset management company are exempt from the minimum initial subscription requirement. They can subscribe to as little as one unit.

Indication of the place where the last annual report and interim statement can be obtained.

The latest annual and interim documents will be dispatched within a week on simple request in writing sent by the holder to:
Rothschild & Cie Gestion
Service commercial
29, Avenue de Messine
F-75008 Paris

These documents are also available on the website www.rothschildgestion.fr

Additional information may be obtained from the asset management company's Sales Department (tel: +33 (0)1 40 74 40 84) or by e-mail at the following address: rothschild.opcvm-info@fr.rothschild.com

I. 2. OPERATORS:

Asset management company:

Rothschild & Cie Gestion, a portfolio management company licensed by the French Financial Markets Authority (Autorité des Marchés Financiers or AMF) on 2 November 2004 under number GP 04000060
Ordinary limited partnership (Société en commandite simple - SCS)
29, Avenue de Messine – F-75008 PARIS

Depository, Custodian and Institution responsible for keeping the unit registers:

Rothschild & Cie Banque
Ordinary limited partnership
29, Avenue de Messine – F-75 008 PARIS
French credit institution licensed by the Credit Institutions and Investment Firms Committee (Comité des établissements de crédit et des entreprises d'investissement - CECEI)

Institution responsible for centralising subscription/redemption orders: Rothschild & Cie Banque

Statutory auditors:

Price Waterhouse Coopers
63, Rue de Villiers
F-92 200 Neuilly-sur-Seine
Signatory: duly represented by Ms. Marie-Christine JETIL

Subscription agent:

Rothschild & Cie Gestion. Investors' attention is drawn to the fact that not all Fund distributors have been necessarily mandated by the management company and that the management company is not able to provide a comprehensive list of Fund distributors, as this list is constantly changing.

Agents:

The financial and administrative management of the Fund is undertaken by Rothschild & Cie Gestion alone, without delegation to third parties except as regards the accounting duties, which are delegated in their entirety to:

CACEIS Fund Administration
1-3, Place Valhubert
F-75013 Paris

Advisers: N/A

II. Management and operating procedures

II. 1. GENERAL CHARACTERISTICS:

Characteristics of the units or shares:

Nature of rights attaching to the unit category:

The right attaching to the accumulation units is an ownership right, an equity security. Each unit holder has a right of co-ownership of the Fund assets that is in proportion to the number of units held.

The holding of a register of liabilities and details of the record keeping procedures for liabilities: Records of the liabilities are kept by Rothschild et Cie Banque. Units are admitted to trading by Euroclear France.

Voting rights: There are no voting rights attaching to the Funds units, all decisions being taken by the asset management company. All changes to the way in which the Fund operates are brought to the attention of the holders either on an individual basis, or through the press, or by any other means complying with the rules laid down by the French Financial Markets Authority (Autorité des Marchés Financiers - AMF), depending on the changes concerned.

Form of units or shares: In bearer form

Decimalised form: Fund units are not expressed in decimal form but the asset management company may decide to do so.

Closing date for the financial accounts:

Last day in December (1st closing: December 1997)

Tax treatment:

UCITS (investment companies with variable capital (ICVCs) and mutual funds) are not subject to corporation tax on the income they generate.

As regards private individuals, any profits distributed by a UCITS are classified for tax purposes as income from transferable securities and the tax payable by unit holders depends on the specific nature of the underlying income (dividends, bonds, interest on debt securities, etc.). Holders may therefore benefit from the same tax advantages as those associated with holding the securities directly.

When units are redeemed by holders, any capital gains they make that exceeds the annual disposal threshold are taxable at the prevailing rate.

For legal entities subject to corporation tax, the same principles apply to income distributed by the UCITS.

Legal entities subject to corporation tax are, however, taxed on any latent capital gains or losses on their UCITS portfolios, unless the regime in Article 209 OA of the General Taxation Code (Code Général des Impôts) applies.

Holders domiciled for tax purposes outside France are subject to the tax provisions applying in their country of residence, subject to the application of international tax agreements.

II. 2. SPECIFIC PROVISIONS:

ISIN:

C unit: FR0007008750

D unit: FR0010134437

F unit: FR0010807107

I unit: FR0010807123

K Unit: FR0011418359

Classification: Bonds and other debt securities denominated in euro

UCITS of UCITS: up to 10% of net assets

Management objective:

The investment objective of R Euro Credit is to outperform the Markit iBoxx TM € Corporates index over the recommended investment horizon.

Benchmark indicator:

The Markit iBoxx TM € Corporates¹ index is made up of all fixed-rate bonds issued in euros by public or private companies, with debt exposure of at least EUR 500 million. All bonds must be rated Investment Grade (minimum BBB-) by at least one of the main ratings agencies (Standard & Poor's, Moody's or Fitch). The index value is the weighted average of the bond price per cap, coupon attached. This index is calculated by International Index Company Limited (IIC). The value and method used to construct this index will be published on the Rothschild & Cie Gestion website at the following address: www.rothschildgestion.fr.

This UCITS is not an index-based UCITS.

Investment strategies:

1. Description of investment strategies used:

Overall strategic allocation of the portfolio

Allocation across the yield curve and credit exposure is undertaken on a discretionary basis and the exposure depends on the changes anticipated by the management company in interest rates and yield spreads between government securities and those of private issuers.

The yield-curve asset allocation strategy and credit risk exposure will be implemented either through direct investment or artificially by using forward financial instruments.

At least 80% of the R Euro Credit portfolio is composed of fixed, variable and floating-rate bonds and transferable debt securities, profit-sharing securities and index-linked bonds, all of investment grade quality and of all redemption dates and maturities, plus medium-term transferable bills and convertible bonds (up to a maximum of 10%):

- issued or guaranteed by a euro zone government and securities denominated in euros issued by international financing bodies including at least one eurozone government;
- by private issuers (up to Investment Grade);
- of all maturities.

¹ The Markit iBoxx TM € Corporates and data for this index are the property of International Index Company Limited (IIC), and are accessible via a license given by IIC. IIC makes no representation or warranty, express or implied, and expressly disclaims any warranty of accuracy, merchantability or fitness for a particular purpose or for use on Markit iBoxx TM € Corporates, or vis-à-vis any given on Markit iBoxx TM € Corporates, or vis-à-vis any data on which it is based. IIC can not be held responsible for any error, omission or interruption of availability of the index data on the Markit iBoxx TM € Corporates. IIC undertakes no warranty, express or implied, as to the result obtained by the use of Markit iBoxx TM € Corporates. IIC does not sponsor, endorse, sell or promote any fund or other investment vehicle promoted by Rothschild & Cie Gestion or any third party, seeking a performance based on that of Markit iBoxx TM € Corporates.

The decision to invest in such funds or other vehicles can not be taken into account data on the index or IIC. The attention of potential investors is drawn to the fact that they should invest in such fund or investment vehicle after having carefully considered the risks associated with such investment, as detailed in the prospectus of UCITS concerned, or any similar document prepared by or on behalf of the promoter of the fund or investment vehicle in question.

The fund will also be able to invest up to 10% in high-yield non-investment grade bonds. Investments in unrated can represent up to 10% of fund assets.

A maximum of 10% of the fund's assets may be exposed to debts from non OECD countries. Exposure to markets not in the eurozone is, however, minor.

To achieve its management objective (notably, in managing the portfolio's sensitivity and credit risk), the fund may also trade directly in forward financial instruments quoted on French and foreign regulated or over-the-counter markets (repurchase agreements; interest-rate swaps, credit derivatives, and in particular credit default swaps; and forward foreign-exchange transactions). With this in mind, it hedges its portfolio and/or its exposure to economic sectors, interest rates and credit and currency risks. These transactions are capped at a value equal to the fund's assets.

The percentage of the fund's assets corresponding to the use of credit derivatives is between 0% and 100%.

In order to achieve its management objective, R Euro Credit may invest up to 10% of its assets in the shares or units of European and French harmonized UCITS, subject to compliance with the statutory and regulatory terms and conditions, and notably in money market UCITS for cash management purposes and in diversification UCITS (notably convertible bonds).

The equity risk related to investment in convertible bonds and the foreign exchange risk related to the euro are minor. The interest-rate risk related to investment outside the eurozone is hedged.

The portfolio's sensitivity is between 0 to 8 (including the balance sheet assets and forward financial instruments).

Exposure to weighted average credit lines (including the balance sheet assets and forward financial instruments) will not exceed that of a portfolio of private-sector bonds with a maturity of 0 to 30 years.

Strategies:

The following four sources of added value are used to manage **the interest-rate portfolio**:

- 1) **Sensitivity:** The portfolio's sensitivity increases when a rise in interest rates is anticipated by the manager and vice versa.
- 2) **Exposure to credit risk:** The UCITS management process combines top-down and bottom-up approaches, allowing two source of added value to be identified:
 - The sectoral and geographical allocation is determined on the basis of an analysis of the economic and financial climate. This analysis makes it possible to identify the long-term risks and problems influencing price formation. Particular emphasis is placed on analysis of default histories and examination of competitive play;
 - The selection of securities is based on a fundamental two-stage approach:
 - A quantitative analysis based on the probability of default by:
 - by using a large amount of public-domain data and statistics for each company;
 - by comparing this data with those for companies in the same economic sector;
 - by determining a theoretical value which compares favourably or unfavourably with that of the market.
 - A qualitative analysis based on:
 - the sector's sustainability;
 - study of the competitive parameters;
 - an understanding of the balance sheet;
 - an appreciation of how profitability is achieved (imbalances in supply and demand, cost advantages, patents, brands, legislation and regulations, etc.);
 - an understanding of (balance-sheet and off-balance-sheet) debt maturity ladders;
 - determination of the likelihood of intra-sector survival.
- 3) **Rate-curve positioning:** Securities with the short and very long due maturities will be favoured over those with a medium-term or other maturities, depending on the manager's expectations of the yield curve flattening or steepening.
- 4) **Option strategies:** options on the interest-rate markets may be purchased or sold, depending on whether the manager anticipates changes in volatility and the prices of the underlying instruments.

2. Assets (excluding integrated derivatives):

The asset categories making up the UCITS' asset base are:

- **Equities** : N/A
- **Debt instruments, money-market instruments and bonds**: 90-100% of net assets
Subject to holding range limit given below, the fund will invest in bonds, negotiable debt securities (such as commercial paper), certificates of deposit, and euro commercial paper) of all maturities at fixed,

variable or floating rates, profit-sharing securities, index-linked bonds, bonds rated BBB, convertible bonds (up to a maximum of 10%). The public/private debt mix is not determined in advance and will be achieved on the basis of the market opportunities. In any event, exposure to high yield debt will not exceed 10%. Investments in unrated can represent up to 10% of fund assets. Likewise, the fund's exposure to non OECD country debt will not exceed 10% of its assets.

- **Holding of shares or units in other UCITS or investment funds:** 0-10% of net assets
Subject to the holding range limit given below, the Fund may hold:
 - units or shares of UCITS compliant with the European Directive and governed by French or European law, units or shares of UCITS not compliant with the European Directive but governed by French law, and, to a maximum of 10% of assets, units or shares of UCITS not compliant with the foreign Directive, and in particular alternative fund UCITS with or without simplified rules, managed futures funds, UCITS investing more than 10% in UCITS units or shares, or UCITS feeder funds, UCITS with simplified investment rules, UCITS with simplified procedures, contractual UCITS;
 - units or shares of compliant or non-compliant UCITS governed by French-law and managed by the Rothschild group.

These investments will be made in securities classified as Bonds and other debt securities denominated in euro.

Exposure to currency risk, risk related to interest rates outside the euro zone and equity risk will not exceed 10% of net assets.

- **For each of the categories below:**

	Debt securities, money-market instruments and bonds	UCITS or investment fund shares or units
Holding ranges	90%-100%	0-10%
Investment in financial instruments from non OECD countries	0-10%	0-10%
Investment restrictions imposed by the asset management company	N/A	N/A

3. **Derivatives instruments:**

The UCITS may trade directly on regulated, organised or over-the-counter markets.

The manager will act to counter the equity, credit, interest-rate and foreign-exchange risks. With a view to achieving the management objective, these measures will undertaken for the purposes of hedging the portfolio (sale of forward contracts) and incurring exposure with a view to re-creation of a synthetic exposure to assets, to assets (purchase of forward contracts). In particular, the manager may trade on the market directly in futures, options, swaps and forward foreign-exchange transactions, and in credit derivatives.

These transactions are capped at a value equal to the fund's assets.

Overall portfolio exposure to the equities market, including exposure resulting from the use of derivative instruments, will not exceed 10%.

Overall portfolio exposure to the interest-rate, including any exposure resulting from the use of derivative instruments, is designed to keep portfolio sensitivity within the range of 0 and 8.

Overall portfolio exposure to the currency market, including exposure resulting from the use of derivative instruments, will be minor.

Credit derivatives:

Credit allocation is undertaken at the discretion of the manager.

The credit derivatives used are baskets of Default Credit Swaps (CDS) and CDs on a sole issuer.

These credit derivatives are used for the purpose of hedging by making protective purchases to:

- limit capital-loss risk on certain issuers (present in the portfolio);
- take advantage of any deterioration which is anticipated in the solvency risk of an issuer or a basket of issuers not present in the portfolio which will be greater than that of an exposure present in the portfolio;

and for the purpose of exposure, by making protective sales, to:

- an issuer's credit risk;
- a credit risk on default credit swap baskets.

Given that credit default swaps may be traded for the purposes of exposing the portfolio to, or hedge it against, credit risk, the use of indices to achieve this goal may entail transactions which line by line, might be equated to arbitrage (hedging of the portfolio's overall credit risk through issuers, parent companies, subsidiaries and other entities not present in the portfolio).

The use of these credit derivatives therefore offers the possibility of broad diversification, thus improving the profitability-risk ratio of the portfolio.

The percentage of the fund's assets corresponding to the use of credit derivatives is between 0% and 100%.

The fund will not hold structured securitisation stock in its portfolio.

4. Securities incorporating derivatives (warrants, credit link notes, European medium-term notes, etc.):

In order to achieve the management objective, the manager acts to counter interest-rate, credit and currency risks. These measures will be undertaken for the purposes of hedging or incurring exposure. In particular, the manager may trade on the market directly in warrants, European medium-term notes and bond warrant.

The use of these securities, including derivatives, is intended to hedge or expose the portfolio to interest-rate, credit and currency risk, while keeping the portfolio sensitivity within a range of 0 and 8.

Overall portfolio exposure to the equities market, including exposure resulting from the use of securities incorporating derivatives, will not exceed 10%.

Overall portfolio exposure to the interest-rate market, including any exposure resulting from the use of securities incorporating derivatives, is designed to keep portfolio sensitivity within the range of 0 and 8.

Overall portfolio exposure to the currency market, including exposure resulting from the use of securities incorporating derivatives, will be minor.

5. Deposits:

The UCITS may invest up to 10% of its assets in euro deposits with a term less than or equal to three months to generate interest on the UCITS liquid assets.

6. Cash borrowings:

The UCITS may invest up to 10% of its assets in borrowings, specifically with a view to offsetting deferred payment procedures relating to changes in assets.

7. Temporary purchases and sales of securities:

Temporary purchases or sales of securities will be undertaken in accordance with the Financial and Monetary Code (Code Monétaire et Financier). They will be undertaken for the purposes of cash management and/or to optimize the Fund's income.

These transactions will consist of securities lending and borrowing and/or repurchase agreements and purchase and resale agreements. These temporary sales of securities (securities loans, repurchase agreements) may amount to up to 100% of the UCITS' assets.

Temporary purchases of securities (securities loans, purchase and resale agreements on securities) may amounts to up to 100% of the Fund's assets.

Additional information on remuneration can be found under the heading "Charges and fees".

Risk profile:

"Your money will principally be invested in financial instruments selected by the management company. These instruments are subject to the fluctuations and vagaries of the markets."

Through the mutual fund, the investor is exposed primarily to the following risks:

1. Risk associated with discretionary management: the discretionary management style is based on anticipating the trends for the various markets. There is a risk of the UCITS not always being invested on the best performing markets.
2. Risk of capital loss: the unit holder does not have capital protection.
3. Interest-rate risk: risk for the UCITS (arising from its balance-sheet and off-balance-sheet commitments) arising from its sensitivity to fluctuations in the eurozone yield curve (a sensitivity of between -1 and 6 for the interest-rate portfolio). This means that when interest rates are rising (in the case of positive sensitivity) or falling (in the case of negative sensitivity), the impact on the net asset value of the mutual fund FCP is likely to be unfavourable.
4. Credit risk: the risk of a decline in the quality of loans or of the default of an issuer held in the portfolio, or of the default of an over-the-counter counterparty (swap or repurchase agreement). Positive exposure to credit risk combined with a widening of credit spreads could therefore impact negatively on performance; similarly, negative exposure to credit risk combined with a narrowing of credit-spreads could have a negative impact on performance. However, the exposure to high-yield interest rates never equates to more than 10% of assets.
5. Risk related to exposure to non OECD countries: up to a maximum of 10%; the conditions under which these markets operate and are supervised may differ from the standards prevailing on major international exchanges.
6. Risk of the UCITS' performance not meeting its objectives and of the UCITS not always being invested on the best performing markets.

7. Equity risk: risk of a fall in the portfolio's net asset value due to a downturn in the equities market. This risk is capped at 10% for this Fund.
8. Minor foreign-exchange risk: the UCITS may incur minor currency risk due to differences in performance between currency hedge and the assets hedged.

Guarantee or protection: N/A

Subscribers concerned:

All subscribers. The I units are, however, intended more specifically for institutional investors.

The units and shares of UCITS are not registered in the United States under the US Securities Act of 1933 as amended ("Securities Act 1933") or admitted under any law of the United States, these units or shares are and will never be offered, sold or transferred in the United States (including its territories and possessions) nor benefit, directly or indirectly, to U.S Person (as defined in Regulation S under the Securities Act of 1933) and similar categories (as described in U.S law known as HIRE from 18/03/2010 and the FATCA purview).

Standard investor profile:

this mutual fund is intended primarily for investors looking for exposure to the entire eurozone yield curve for private or public-sector issuers in any geographical region (especially Europe and the United States).

The amount that it is reasonable to invest in this UCITS depends on the unit holder's personal circumstances. To determine this amount, the holder must take into account not only his or her personal wealth/net worth, current needs and the recommended investment horizon but also his or her appetite for risk or preference for more prudent investment. It is also strongly recommended that the holder's investments be sufficiently diversified and not exposed in full to the risks of this UCITS.

Recommended investment horizon: More than 3 years

Methods used to determine and allocate income:

- C unit: accumulation units
- D unit: income units
- F unit: accumulation units
- I unit: accumulation units
- K unit: income units

Distribution frequency:

- C unit: income is fully accumulated
- D unit: income is distributed annually with the possibility of interim dividends
- F unit: income is fully accumulated
- I unit: income is fully accumulated
- K Unit: Income (excluding net realised capital gains or losses) shall be paid out annually with the option of interim dividends.

Unit characteristics:

The mutual fund's C, D, F, I and K units are denominated in euros. They are not expressed in decimal form.

Subscription and redemption procedures

C, D and F units:

Subscription and redemption applications received and centralised with Rothschild & Cie Banque each day at 4 p.m. and executed based on the next net asset value (price unknown).

Minimum initial subscription amount for C and D units: 25 units (the custodian and the asset management company are exempt from the minimum initial subscription requirement of 25 units and may subscribe to as little as one unit).

Minimum initial subscription amount for the F unit: one unit

Initial net asset value of C and D units: €152.41

Initial net asset value of F units: €100

I and K unit:

Subscription and redemption applications are centralised with Rothschild & Cie Banque each day at 4 p.m. and executed based on the next net asset value (price unknown).

The subscription and redemption applications must be received, with 24 hours notice, in advance of the centralisation time, unless the Paris stock exchange is closed or the day concerned is a public holiday in France. Where the latter is the case, receipt is deemed to occur on the preceding business day on which the Paris stock exchange was open. In the event of a

failure to comply with the notice period an entry fee and exit fee of a maximum of 2% may be charged that is not retained by the UCITS.

Minimum initial subscription amount for I unit: 5,000 units (the custodian and the asset management company are exempt from the minimum initial subscription requirement of 5,000 units and can subscribe to as little as one unit.)

Initial net asset value per I unit: €1,000

Minimum initial subscription amount for K unit: 50 units (the custodian and the asset management company are exempt from the minimum initial subscription requirement of 50 units and can subscribe to as little as one unit.)

Initial net asset value per K unit: €100,000

Terms and conditions for switching C, D, F, I and K units:

Applications to switch received are centralised each valuation day and executed in accordance with the terms and conditions set out above. Any fractional units are either settled in cash or added to by subscribing to an additional unit with waiver of the subscription fees.

All switches between the mutual fund's unit categories are deemed to be a sale followed by a sale followed by a redemption and then by a subscription and are therefore subject to the tax treatment applicable to capital gains and losses on the sale of transferable securities.

Receipt of subscriptions and redemptions: Rothschild & Cie Gestion, 29, Avenue de Messine, F-75008 Paris/Rothschild & Cie Banque, 29, Avenue de Messine, F-75 008 Paris.

Determination of the net asset value

The NAV is calculated every day on which the Paris stock exchange is open for trading, except for French public holidays.

The net asset value is published on the management company's website at the following address: www.rothschildgestion.fr

Costs and fees

SUBSCRIPTION AND REDEMPTION FEES:

Subscription fees are added to the subscription price paid by the investor and redemption fees deducted from the redemption value. Fees retained by the UCITS serve to offset the costs it bears in investing and divesting the assets entrusted to it. Fees not retained are payable to the asset management company, subscription agent, distributor, etc.

Fees payable by the investor and charged on subscriptions and redemptions	Base	Scale
Subscription fee not retained by the UCITS	Net asset value X number of units	C, D, F, I and K Units: Maximum 2%
Subscription fee retained by the UCITS	Net asset value X number of units	N/A
Redemption fee not retained by the UCITS	Net asset value X number of units	C, D and F units: N/A I and K unit: Maximum 2%
Redemption fee retained by the UCITS	Net asset value X number of units	N/A

OPERATING AND MANAGEMENT FEES:

These fees cover all costs invoiced directly to the UCITS, with the exception of transaction fees. The transaction fees include the costs for intermediaries (brokerage fees, etc.) and any turnover fee that may be received by, for example, the custodian and asset management company.

The following may be added to the operating and management fees:

- performance fees. These are paid to the asset management company if the UCITS' objectives are exceeded. These are then invoiced to the UCITS;
- turnover fees invoiced to the UCITS;
- part of the income from the temporary purchase and sale of securities.

More information on the fees actually invoiced to the UCITS can be found in the Key Information for Investor Document.

Fees invoiced to the UCITS	Base	Scale
Operating and management costs, including all tax (plus all costs other than transaction fees, performance fees and costs associated with investments in other UCITS and investment funds).	Net assets	C and D units: Maximum 0.71% F unit: Maximum 0.90% I and K unit: Maximum 0.35%
Performance fees	Net assets	N/A
Service providers receiving turnover fees: <u>Custodian</u> : between 0% and 50% Management company : between 50% and 100%	Levied on each transaction	Maximum 0.03% for French and foreign Bonds Maximum EUR 100 for all other transactions

No remuneration is payable to the custodian or asset management company on temporary purchases and sales of securities, all of it being retained by the UCITS. No commission in kind is received by the asset management company.

Rothschild & Cie Gestion takes special care in choosing its intermediaries (brokers). They are selected on the basis of the quality of their research as well as their speed and reliability in executing and processing orders. Only after a thorough and formal process, summarised in a report, do we choose those that we consider the best.

III. Commercial information

Changes that must be communicated individually will be sent to those identified as holders and an advisory notice released by Euroclear France for those not identified as holders.

Changes which need not be notified individually will be communicated either in the documents regularly issued by the Fund and available from the custodian, or through the press or on the asset management company's website (www.rothschildgestion.fr), or by any other means complying with the French Financial Markets Authority's rules.

The redemption or repayment of units is undertaken through Rothschild & Cie Banque.

Information is available on the management company's website (www.rothschildgestion.fr) and in the Fund's annual report on how compliance with social, environmental, and governance criteria is taken into account in the investment policy.

IV. Investment rules

The method of calculating the total risk is the commitment approach.

The Fund will abide by the regulatory ratios applicable to UCITS investing no more than 10% in UCITS.

V. The valuation and accounting rules applying to the assets

The UCITS has adopted the euro as its reference currency.

Securities traded on regulated markets are valued at their closing prices.

The prices used for forward and future market transactions are their settlement prices.

Bonds are valued on the basis of the weighted average of quotes.

UCITS are valued at the last known price.

Treasury bills are valued at the market rate.

Negotiable debt securities with a residual life of more than 3 months are valued at the market rate, with the exception of variable-rate and floating-rate negotiable debt securities not presenting any specific market sensitivity.

A simplifying method, known as depreciation on a straight-line basis, will be used for negotiable debt securities with a residual life of less than 3 months not presenting any specific market sensitivity based on the crystallised rate.

Repurchase and sell/buy-back instruments are valued at the contract price.

Forward foreign exchange transactions are valued at the fix for the day, plus a variable premium/discount depending on the maturity and currency underlying the contract.

Credit default swaps (CDS) are valued:

- for the branch to which the premium relates: pro-rata temporis based on the value of this premium;
- for the branch to which the credit risk relates: based on the market price (mid-point of the price spread published by the dealer).

Interest is recorded on the basis of the matured coupon method.

Portfolio acquisitions are recorded at their acquisition price, excluding fees.

R EURO CREDIT

TITLE I

ASSETS AND UNITS

Article 1 - Co-ownership units

Co-ownership rights are expressed in units, each unit corresponding to a single fraction of the Fund's assets. Each Unit Holder has a right of co-ownership of the Fund assets that is in proportion to the number of units held. The Fund is established for a duration of 99 years from the date of its creation; it may, however, be wound up early or extended beyond this duration as laid down in these Regulations.

Unit categories:

Should the Mutual Fund contain different unit categories, their characteristics and the terms and conditions for access will be laid down in the Key Information for Investor Document and prospectus.

The different unit categories may:

- benefit from different arrangements for the distribution of income (distribution or accumulation);
- be denominated in different currencies;
- incur different management fees;
- incur different subscription and redemption fees;
- have a different nominal value;
- be coupled with total or partial systematic currency risk hedging, as laid down in the prospectus and the Key Information for Investor Document. This hedging is achieved using financial instruments reducing the impact of hedging transactions on the UCITS other categories of units.

Co-owners have the option of consolidating or splitting their Fund units.

Units may be subdivided, on decision by the Asset Management Company's policy making body, into tenths, hundredths, thousandths or ten-thousandths, known as fractional units.

The provisions of the Regulations governing the issue and redemption of units apply to fractional units, the value of which will always be in proportion to that of the unit they represent. All other provisions of the Regulation relating to the units automatically apply to fractional units unless otherwise specified.

Finally, the Asset Management Company's management may, at its own discretion, split the units by creating new units which will be allocated to holders in exchange for their former units.

Article 2 - Minimum asset value

The units cannot be redeemed if the Mutual Fund's assets fall below EUR 300,000; if the assets fall below this threshold for thirty days, the portfolio management company will take the measures necessary to wind up the UCITS in question, or perform one of the operations outlined in Article 411-16 of the General Regulations of the Financial Markets Authority (Autorité des marchés financiers - AMF) (switch of UCITS).

Article 3 - Issue and redemption of units

Units can be issued at any time, at the request of holders, at their net asset value plus any subscription fees that apply.

Redemptions and subscriptions must be undertaken under the terms and conditions and in accordance with the procedures laid down in the prospectus.

Depending on the prevailing legislation and regulations, the Mutual Fund units may be admitted to stock market listing.

Subscriptions must be fully paid-up on the day on which the net asset value is calculated. This may be undertaken in cash and/or through the contribution of securities. The Asset Management Company may reject the securities offered and has seven days from their deposit in which to make its decision known. If the securities contributed are accepted, they will be valued in accordance with the rules laid down in Article 4 and the subscription price will be based on the first net asset value following acceptance of the securities concerned.

Redemptions can only be made in cash, save if the Fund is wound up and the Unit Holders agree to be repaid in securities. They will be paid by the Custodian within five days of the date on which the units are valued.

This deadline may, however, be extended by up to 30 days if repayment is required prior to realisation of assets contained in the Fund as a result of exceptional circumstances.

Except in the case of inheritance or the gifting of an estate, the assignment or transfer of units between Unit Holders or to a third party is deemed to be a redemption followed by a subscription. A third party may add to the units assigned or transferred so that the total units amount, at the very least, to the minimum subscription value specified in the prospectus.

In accordance with Article L. 214-8-7 of the Monetary and Financial Code (Code monétaire et financier), buy-backs of units and the issue of new units by the Mutual Fund may be suspended temporarily by the Asset Management Company where this is required by exceptional circumstances or to protect the interests of the Unit Holders.

If the net assets of the Mutual Fund (or a sub-fund, as the case may be) fall below the threshold laid down in the Regulation, no buy-backs of the units concerned may be undertaken.

In accordance with Article L. 214-8-7, subparagraph 2, of the Financial and Monetary Code, the Mutual Fund may cease issuing units where this is required to comply with the principle of a level playing field between Unit Holders in the following case:

- over 20% of units in the Fund are presented for redemption.

Article 4 – Calculation of the net asset value

The net asset value of units is calculated on the basis of the rules laid down in the detailed provisions in the prospectus.

Contributions in kind may consist solely of securities, assets similar to securities and contracts deemed eligible to form part of the UCITS asset base; they are valued in accordance with the rules applying to calculation of the net asset value.

TITLE II

OPERATION OF THE FUND

Article 5 - The Asset Management Company

Management of the Fund is performed by the Asset Management Company in accordance with the policy laid down for the Fund.

The Asset Management Company acts on behalf of Unit Holders under all circumstances and it alone exercises the voting rights attaching to the securities in the Fund.

Article 5A – Operating rules

The instruments and deposits eligible to form part of the UCITS' asset base and the rules governing investment are set out in the prospectus.

Article 6 - The Custodian

The Custodian is responsible for the safekeeping of the assets in the Fund and processes the orders of the Asset Management Company for the sale and purchase of securities as well as those relating to the exercise of subscription and allotment rights attaching to securities in the Fund. It also undertakes all collections and payments.

It is the responsibility of the Custodian to ensure that the decisions taken by the Asset Management Company have been properly taken. It must take all protective measures it deems necessary and appropriate. In the event of a dispute with the Asset Management Company, it will inform the Financial Markets Authority.

Article 7 - The Statutory Auditor

Subject to the consent of the Financial Markets Authority, a Statutory Auditor is appointed for six financial years by the Board of Directors or the Executive Committee of the Asset Management Company. The Statutory Auditor carries out all the procedures and tests laid down by law and, in particular, certifies, as appropriate, that a true and fair view is given by the accounts and information of an account nature given in the management report and attests to their regularity.

The mandate of the Statutory Auditor may be renewed.

It draws the attention of the Financial Markets Authority and of the Mutual Fund's Asset Management Company to all irregularities and inaccuracies it identifies in conducting its audit assignments.

Asset valuations and determination of the exchange ratios in conversion, merger and demerger operations are conducted under the supervision of the Statutory Auditor. The Statutory Auditor values all contributions in kind and is responsible for drawing up a report on the valuation and its remuneration.

It confirms the accuracy of the composition of the assets and other items prior to publication.

The Statutory Auditor's fees are determined by mutual agreement with the Asset Management Company's Board of Directors or Executive Committee based on a work programme specifying the checks deemed to be necessary.

In the event of liquidation, it values the assets and draws up a report on the terms and conditions for the liquidation.

It attests to the circumstances under which interim dividends may be distributed.

Article 8 - The accounts and management report

At the close of each financial year, the Asset Management Company draws up the summary documents and drafts a management report on the management of the Fund (or each sub-fund, as the case may be) during the past financial year.

The inventory is certified by the Custodian and all the above documents are checked by the Statutory Auditor.

The Asset Management Company keeps these documents at the disposal of the Unit Holders for four months following the close of the financial year and informs them of the amount of any income to which they are entitled: these documents are either sent by post at the request of the Unit Holders or made available to them on the premises of the Custodian or Asset Management Company.

TITLE III

PROCEDURE FOR THE ALLOCATION OF PROFITS

Article 9

The net profit for the financial year is the total interest, arrears, dividends, premiums and lots, attendance fees and all income from the securities making up the Fund's portfolio (and/or each sub-fund) plus the income from any sums currently available, after deduction of the management fees and borrowing costs.

The sums available for distribution equate to the net profit for the financial year plus any retained earnings, plus or minus the income equalisation balance for the previous financial year.

The Asset Management Company decides how the profits are to be distributed.

C units: any sums available for distribution are accumulated in full with the exception of those that must be distributed by law.

E unit: interest-rate products incomes likely being the object of a French withholding tax are distributed

TITLE IV

MERGER – DEMERGER - WINDING UP – LIQUIDATION

Article 10 - Merger - Demerger

The Asset Management Company may contribute the Fund's assets, in full or in part, to another UCITS which it manages or subdivide the Fund into two or more other mutual funds which it will manage.

Any such merger or demerger operations are subject to notice being served on the Unit Holders. Where this occurs, an attestation is issued setting out the number of new units held by each Unit Holder.

Article 11 - Winding up - Extension

if the assets of the Fund (or sub-fund, as the case may be) fall below the threshold laid down in Article 2 above for thirty days, the Asset Management Company will inform the Financial Market Authority and proceed to wind up of the Fund (or sub-fund, as the case may be), except in the event of a merger with another mutual fund.

- The Asset Management Company may wind up the fund (or sub-fund, as the case may be) prematurely; it will inform the Unit Holders of its decision and, from that date onwards, any requests for subscription or redemption will no longer be accepted.
- The Asset Management Company will also wind up the Fund (or sub-fund, as the case may be) in the event of a request to redeem the units in their entirety, if no custodian is appointed on termination of the original custodian's mandate, or when Fund's period of duration is reached and has not been extended.

Regulations

R EURO CREDIT



The Asset Management Company will inform the Financial Market Authority in writing of the date and procedure decided for the winding up. It will then send to the Financial Market Authority the report drawn up by the Statutory Auditor.

Any decision to extend a fund is decided by the Asset Management Company with the consent of the Custodian. Any such decision must be taken at least 3 months prior to expiry of the duration set for the Fund and must be notified to the Unit Holders and the Financial Market Authority

Article 12 - Liquidation

If the Fund is wound up, the Custodian or Asset Management Company is responsible for liquidation process. Where this is the case, they are vested with the broadest powers to realise the assets, pay any creditors, and distribute the surplus to the Unit Holders in cash or securities.

The Statutory Auditor and Custodian will continue to perform their duties until the liquidation process comes to an end.

TITLE V

DISPUTES

Article 13 – Choice of forum – Election of address for service

The competent courts shall have jurisdiction for all disputes between Unit Holders or between the latter and the Asset Management Company or the Custodian that relate to the Fund and that arise during its period of operation or while it is being wound up.