

# PROSPECTUS

FINLES LOTUS FUND

## **PROSPECTUS FINLES LOTUS FUND**

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## **I INTRODUCTION**

### **1. Important Information**

According to Dutch legislation, a Dutch Investment Management Company (the Fund Manager) must have a prospectus available when offering an investment fund. The prospectus must meet certain legal requirements with reference to the Financial Supervision Act (FMSA) and the AIFMD. A prospectus provides investors with information including the financial position of the fund, the investment policy, risks, cost structure and the rights and liabilities associated with investments in the fund. Persons interested in the Finles Lotus Fund need to be aware that investing in the Fund entails financial risks. You are therefore strongly advised to read this prospectus carefully and get acquainted with the full content. The prospectus can be obtained for free at the Fund Manager.

Enclosed in the appendices are the Terms and Conditions of Finles N.V. The Prospectus is available on the website of Finles and will be sent to potential investors for free.

The Fund Manager, the Fund and the Depositary state to comply with the rules laid down by law (FMSA and AIFMD). This prospectus complies with the decision made by or under the rules of the FMSA and the AIFMD.

The responsibility for the content of this prospectus lies with the Fund Manager of the Lotus Fund, Finles NV. In the market Finles N.V. operates under the name Finles Capital Management.

If investors have complaints regarding the Fund Manager of the Finles Lotus Fund or the Fund itself, investors are urged to notify the Board of Directors of the Fund Manager.

The Board of Directors of Finles N.V. consisting of Mr. R.J van Kuijk, Mr. drs. J.A.M. van der Holst and J.P.P.A. van Oudvorst RA declares to their best intention and knowledge that the information contained in this prospectus is in accordance with the facts and contains no omissions that would affect the content of this prospectus.

The distribution of this Prospectus and the offer, sale and delivery of the Participations in certain jurisdictions may be restricted by law. No action has been or will be taken to permit the distribution of this Prospectus in any jurisdiction where any action would be required for such purpose or where distribution of this Prospectus would be unlawful.

This Prospectus will be governed by and construed in accordance with the laws of The Netherlands. This Prospectus will be published in the English language only. Translations of Dutch legal terms used in this Prospectus are for convenience only and shall not influence the interpretation thereof.

Utrecht, October 30, 2014

The Fund Manager, Finles N.V.

### **2. The Finles Lotus Fund**

The Finles Lotus Funds was established on 1 May 1996. The Fund has an investment focus on Asia. The Far-East offers good investment opportunities. Supported by strong economic growth, active country, sector, stock and fund selection, competitive performances can be achieved.

The Finles Lotus Fund (hereafter “the Fund”) is an on shore Dutch regulated multi strategy Asian investment fund (Fonds voor Gemene Rekening) and has an open-ended structure. The Fund is apart from the exceptions mentioned in the Terms and Conditions (Appendix I) of the Finles Lotus Fund, obliged to take back the shares of redeeming investors. The Fund is a tax transparent Fund (fiscaal transparant fonds) which implies that the tax authorities treat any participation as if it was an individual investment of the investor. The Fund itself is not subject to profit tax.

The Finles Lotus Fund has mid-2014 a capital of approximately €6.7 million under management (AUM). This capital is managed collectively for the participants in a joint account. Redemptions and subscription are possible at any business day. The initial minimum investment is €3,500.-.

### 3. Warning

Participants of the Finles Lotus Fund should beware that there are financial investment risks involved. The value of your investment will fluctuate. Past performance is no guarantee for future results.

It is possible that your investment increases in value; it is also possible that your investment will generate little or no return. Your investment can decline substantially in value. Even a total loss of your investment can incur. The loss can never be more than the money you have invested.

For this Fund, there is a Key Investor Information Document available with information regarding this Fund, the costs and risks. Please ask for it and read it before you invest. To obtain this Key Investor Information Document, potential investors can obtain this document at the Fund Manager or it can be obtained from the website ([www.finlescapitalmanagement.nl](http://www.finlescapitalmanagement.nl))

In Chapter III, 7 of this prospectus is a paragraph included regarding the risks involved in investing in the Finles Lotus Fund.

### 4. Finles N.V.

The Fund Manager, Finles N.V. operates globally in the major financial centres. Finles is a privately, owned Dutch company founded in 1977. Finles is an independent provider of financial investment solutions. Here the primary focus is on professional investors like for example pension funds, insurance companies, wealth managers, IFA's (independent financial advisors) and family offices. Nevertheless Finles has a broad client base in professional commercial and consumer markets. Finles N.V. operates both as provider of investment funds like the Finles Lotus Fund, as well as providing tailor made solutions for clients. Amongst this are also advisory, research and due diligence services.

### 5. Definitions

Unless the context otherwise requires, the following capitalised terms used in this Prospectus have the following meanings:

“AFM”	means the Dutch Authority for the Financial Markets ( <i>Stichting Autoriteit Financiële Markten</i> );
“AIFMD”	means the Directive of the European Parliament and of the Council on Alternative Investment Fund Managers and amending directives 2003/41/EC and 2009/65/EC;
“Business Day”	means any day on which banks are generally open for business in The Netherlands;
“Depositary”	means Stichting Circle Depositary Services, a foundation established under the laws of the Netherlands, being the depositary ( <i>bewaarder</i> ) of the Fund or such other depositary as appointed from time to time in accordance with the Terms and Conditions;
“DNB”	means De Nederlandsche Bank N.V., the central bank of The Netherlands;
“EUR”	means the euro, the single currency of the participating member states of the European Union;
“FMSA”	means the Dutch Financial Markets Supervision Act ( <i>Wet op</i>

*het financieel toezicht*) as amended from time to time;

**“Fund”**

means the Finles Lotus Fund, comprised of the aggregate of the fund assets and the fund obligations, in which monies or other assets are called or received for the purpose of collective investment by the Investors, as governed by the Fund’s Terms and Conditions;

**“Fund Manager”**

means Finles N.V., being the manager (*beheerder*) of the Fund, or such other manager as appointed from time to time in accordance with the Terms and Conditions;

**"Management Fee"**

means the fee due by the Fund to the Fund Manager as remuneration for its management of the Fund as set forth in Section 9 of this Prospectus;

**"Net Asset Value"**

means the balance, expressed in euro and US Dollar, of the value of the Fund Assets and the value of the Fund Obligations;

**"Subscription Form"**

means the standard form through which a (prospective) Investor subscribes for Participations and submits itself to the Terms and Conditions;

**"Terms and Conditions"**

means the terms and conditions of management and custody (*voorwaarden van beheer en bewaring*) of the Fund, as amended from time to time;

## 6. Assurance report



**Foederer**  
Member Crowe Horwath International

Paasheuvelweg 16, 1105 BH Amsterdam Z.O.  
P.O. Box 22866, 1100 DJ Amsterdam Z.O.  
Tel. +31 (0)20 56 46 000  
[www.crowehorwathfoederer.nl](http://www.crowehorwathfoederer.nl)  
[amsterdam@crowefoederer.nl](mailto:amsterdam@crowefoederer.nl)

### **ASSURANCE-RAPPORT (ex Section 4:49 subsection 2 under c of the Financial Supervision Act (Wft))**

To: Finles N.V. (the fund manager of Finles Lotus Fund)

#### **Engagement and responsibilities**

We have performed an assurance engagement in respect of the content of the prospectus of Finles Lotus Fund. Our engagement was aimed at establishing whether the prospectus dated 30 October 2014 of Finles Lotus Fund, Utrecht, at least contains the information which is required to be included therein pursuant to Section 4:49, subsection 2 under a through 2 e of the Financial Supervision Act (Wet op het financieel toezicht, hereafter 'Wft'). This assurance engagement is aimed at obtaining a reasonable level of assurance pursuant to Section 4:49, subsection 2 under b through e Wft. Unless specifically stated to the contrary in the prospectus, the information contained in the prospectus is unaudited.

The respective responsibilities are as follows:

- The fund manager of the fund is responsible for preparing the prospectus, which at least contains the information to be included therein under the Wft.
- Our responsibility is to issue an opinion as referred to in Section 4:49, subsection 2 under c of the Wft.

#### **Scope**

We conducted our examination in accordance with Dutch law, including Standard 3000 'Assurance engagements other than audits or reviews of historical financial information'. Based thereon, we have performed the procedures that we deemed necessary under the circumstances to draw a conclusion. We have examined whether the prospectus contained the information required to be included therein under Section 4:49, subsection 2 under b through e, of the Wft. The law does not require the auditor to perform additional procedures with respect to Section 4:49, subsection 2 under a, of the Wft. We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Opinion**

In our opinion the prospectus at least contains the information required to be included therein under Section 4:49, subsection 2 under b through e, of the Wft. With respect to Section 4:49, subsection 2 under a, of the Wft, we report to the extent of our knowledge that the prospectus contains the information required to be included therein.

Amsterdam, 30 October 2014

Crowe Horwath Foederer B.V.

P.P.M. Lemmens RA, w. g.

## **II GENERAL INFORMATION**

### **1. The Fund**

Finles Lotus Fund  
Euclideslaan 151  
3585 BS UTRECHT  
Postbus 2600  
3500 GP UTRECHT  
Phone: 030 - 2 974 974  
Fax: 030 - 2 974 979  
[www.finlescapitalmanagement.nl](http://www.finlescapitalmanagement.nl)  
[fondsen@finles.nl](mailto:fondsen@finles.nl)

Account number 0170786 323  
IBAN: NL26RABO0170786323  
BIC: RABONL2U  
Accountname: Stichting Finles Funds re Finles LF

Minimum investment amount shareclass Euro's: €3,500.-

The Finles Lotus Fund (hereafter: the Fund) is established on 1 May 1996 for an indefinite period as a Dutch on shore regulated collective investment fund (fonds voor gemene rekening) by the Manager, Finles N.V. The Fund has an open-end structure. The Fund is governed by the Terms and Conditions. The Finles Lotus Fund is not listed on a regulated market.

### **2. The Fund Manager**

Finles N.V.  
*Visiting address:* Euclideslaan 151  
3585 BS UTRECHT

*Mailing address:* Postbus 2600  
3500 GP UTRECHT

*Email address:* info@finles.nl

Finles N.V. is registered in the Trade Register in Utrecht, The Netherlands, under number 30143997 and incorporated on 29 August 1997.. The registered office and headquarter is in Utrecht. The bylaws, the Financial Statements and the Interim Financial Statements are available for inspection at the Fund Manager and can be obtained free of charge. In addition, such documents are available on the Fund Manager's website.

The Fund Manager is licensed by the Netherlands Authority for the Financial Markets under the Act on Financial Supervision (FMSA). A copy of the license of the Fund Manager and an extract from the Chamber of Commerce with respect to the Fund Manager and the Depositary, is available at the offices of the Fund Manager or can be downloaded on the website: [www.finlescapitalmanagement.nl](http://www.finlescapitalmanagement.nl)

Finles N.V. is at the time of publication of this prospectus also the Fund Manager of several other funds. These include the following:

- Paraplufonds Finles beleggingsfondsen with the subfunds: Subfonds Finles Collectief Beheer and Subfonds Finles Collectief Beheer in Liquidatie
- Finles EMS Top-Rentefonds
- Finles Multi Strategy Hedge Fund I.L.
- Finles Liquid Macro Fund
- Finles Fountain Umbrella Fund with the subfonds Finles Fountain Fund
- Chatham European Equities Fund

- Finles Global Opportunities Fund B.V.
- Accenta Capital Fund Side Pocket
- Market Neutral Selector Fund
- Hospitaller Funds Sicav PLC
- Finles Lowestoft Equities Fund
- Finles Melanion Fund

Please visit our website for the exact details of these funds and their structure ([www.finlescapitalmanagement.nl](http://www.finlescapitalmanagement.nl)).

### **3. The Depositary**

Stichting Circle Depositary Services acts as the Depositary of the Fund. In Section 3.8 of this Prospectus, the roles and responsibilities of the Depositary are specified.

Name: Stichting Circle Depositary Services

Registered Office: Amersfoort

Visiting address: Utrechtseweg 31D, 3811 NA Amersfoort, The Netherlands

Phone: 033-4673880

Directors: P. J. van der Pols, Secretary / Treasurer; E. A. Kuijl, President.

### **4. Parties involved in the Fund**

#### TMF Fundadministrators BV

The execution of the administration of the Fund (administration of transactions, participants and the financial administration) has been outsourced to TMF Fundadministrators BV, Rotterdam. The daily calculation of the Net Asset Value (NAV or Net Asset Value) of the Fund is included.

#### External Compliance Officer

Finles is using the services of an external compliance officer. Structured periodic meetings and ad hoc advisory services are included as well as assessment of key documents like the prospectus.

Name: Compliance en Advies Financiële ondernemingen

Registered Office: Blaricum

Visiting address: Rotondeweg 22, 1261 BG Blaricum BG Blaricum

Phone: 06 50 61 86 62

Director: A. van der Heiden RA EMoC.

#### RABO Bank.

RABO Bank is the bank where the bank accounts of the Fund are held.

#### Stichting Finles Funds

The Stichting Finles Funds has the sole task of keeping the legal ownership of all values of the Fund. It is a legal requirement that the beneficial (economic) ownership and legal ownership of the Fund are separated.

### **5. Auditor of the Finles Lotus Fund**

Name: Crowe Horwath Foederer

Registered office: Amsterdam

Visiting address: Paasheuvelweg 16, 1105 BH, PO Box 22866 1100 DJ Amsterdam.

Phone: 020-5646000

Website: [www.crowehorwath.net/foederer/](http://www.crowehorwath.net/foederer/)



### III FINLES LOTUS FUND

#### 1. Objective

The Finles Lotus Fund invests in a selection of mainly Asian equity funds, Asian stocks and hedge funds. Through these investments of the Fund a large amount of Asian countries is represented in the portfolio. Capital appreciation is the main objective of the Fund.

Due to the asset mix with both long only and also hedge funds, this Multi Strategy Asia Fund aims to mitigate the downside risks and thus outperform the equity markets in the long run.

Through collective investment with this Fund, the advantage arises in terms of expertise, scale and risk diversification; which are for individual investors almost inaccessible.

The Finles Lotus Fund is particularly suited to investors seeking to pursue a higher risk/return ratio like investing in equities. The Asian equity markets are considered to be very volatile.

#### 2. Shareholdings; Purchases and Sale of Investments (investing and redeeming)

Each participation holds a proportional right to the asset under management of the Finles Lotus Fund. participants can sell their holdings partly or completely at any Business day, or switch to another fund of Finles.

Shares are, with the exception provided in Article 2, of the Terms & Conditions (appendix I), non-transferable. The Fund will, through the Fund Manager, buy and sell participations. The conditions for investing in (participation) and selling of (redemption) shares can be found in Article 2 and 4 of the Terms & Conditions (Appendix I).

##### Investing (participation) by participants

Participants are, after the initial investment of €3,500. - free to make an additional investment, with a minimum of €500,- at a time. The Fund Manager has the possibility to deviate from the minimum initial and additional investment amounts.

An investment begins on the day that the Fund Manager has received a written *and* signed Subscription Form, including a Client Risk Profile Document (existing participants in the Finles Lotus Fund do not need to fill in a new client risk profile document) and the investment proceeds are received on IBANnumber NL26RABO0170786323 in the name of the Stichting Finles Funds re Finles LF. The number of participations, the total investment amount and the purchase price are mentioned and are then registered in the Register of participants.

If an investor decides to invest in the Finles Lotus Fund, the Fund Manager will request a copy of the private investor's valid passport or identity card. Co-participants are also required to send a copy of a valid proof of identity. Co-participants also need to sign the Subscription Form and the Client Risk Profile Document (existing participants in the Finles Lotus Fund or participants in other investment in Finles requires no new valid proof of identity).

The Fund Manager declares that this policy described above complies with the requirements of the Act on Prevention of Money Laundering and Financing of Terrorism (Wet ter voorkoming van Witwassen en Financiering van Terrorisme).

If the participant is a corporation, additional documents with the investment contract also are required to be submitted and they are as follows:

- An original extract from the Chamber of Commerce not older than three months;
- A copy of the articles of association of the company.
- Ultimate Beneficial Owner Declaration (UBO)

The Fund Manager may also choose to invest its own capital in the Finles Lotus Fund or any Fund managed by the Fund Manager. Also other investment Funds managed by the Fund Manager can invest in the Finles Lotus Fund and vice versa. At the time of preparing this prospectus the Subfonds Finles Collectief Beheer (SubFonds FCB) holds an investment in the Finles Lotus Fund. This concerns a investment of approximately €2,77 million. There is no double layer of costs involved. The Finles Lotus Fund does not charge management fees to the Subfonds FCB.

### Redemptions by participants

Participants can fully or partially sell their investment on any Business Day. participants who want to redeem their investment can send a redemption request to Finles N.V. In this request, the participant (s) needs to mention the bank account on which the redemption proceeds should be transferred to. This redemption request needs to be signed by the participant (and by any co-participant if there are any).

This policy described above is in line with the requirements of the Act on Prevention of Money Laundering and Financing of Terrorism (Wet ter voorkoming van Witwassen en Financieringen van Terrorisme).

If the redemption order is received by the Fund Manager before 4 p.m., the redemption is executed that same day. The NAV is calculated the following Business Day before 10am and daily announced on the Fund Manager's website. Redemption orders that are received after 4 p.m. will be executed the next business day.

Payment of the redemption proceeds will take place within seven Business Days after publication of the NAV and will be transferred on the bank account specified by the participant in the redemption request. participants will receive notification indicating the number of redeemed participations, NAV and the total redemption value. Redeemed participations will be excluded from the participants register.

### Dealing by Finles Personnel and Finles N.V.

When investments or redemptions are made by Finles Personnel or the Management Company, transactions can be executed with a four weeks notice period against market conditions. In the annual reports and the interim financial statements up-to-date information is disclosed relating related parties.

### Suspension of investments and redemptions

At sudden and/or serious disruptions of financial markets the Fund Manager has the discretionary power to postpone the daily dealing in the Fund. Redemptions and investments in consultation with the Board of directors of the Fund Manager can be indefinitely suspended in the best interest of investors. Immediately after the terrorist attacks in the United States on 11 September 2001, it was not possible to buy or redeem participations in the Finles Lotus Fund for two consecutive business days. This has been so far the only exception. However, it is conceivable that in severe disruption of the international financial system, the Fund could remain fully or partially closed for a longer period of time.

Suspensions are temporary and will be ended immediately as soon as the conditions for the suspension are no more applicable. Suspensions are only allowed under the following circumstances:

- When one or more stock exchanges or markets, on which investments which the Fund holds are traded, are closed outside the normal trading days or when the trading of these investments are temporarily suspended. It is also possible that selling of the investment that the Fund holds are subject to unusual restrictions because the Fund Manager is not able to issue a best estimate of the share price of an underlying investment.
- Circumstances at which the means of communication or facilities, which are normally used for the calculation of the Net Asset Value of the Fund, are not working properly or when, due to certain reasons, the Net Asset Value can't be calculated within the expected timeframe or accuracy.
- Circumstances whereby the technical means which are used by the Fund Manager to purchase or sell participations are temporarily out of order.
- Circumstances which are associated to a political, economical, military or monetary situation which are not within the influence of the Fund Manager and that prevent the Fund Manager from calculating the Net Asset Value of the Fund accurately.
- Circumstances by which the Fund Manager is not able to fulfil all requests for redemptions that are submitted; for example because the Fund Manager is not able to properly process all these requests.
- Circumstances which could jeopardize the fiscal status of the Fund.

### "Gate" to sell

The Finles Lotus Fund has a so-called "gate" that applies. The Fund Manager reserves the right to redeem a monthly maximum of 10% of the total net assets. The sequence of acceptance of the redemption orders determines the sequence of redemptions. Unexecuted redemptions are automatically moved on to the next month. The objective of this "gate" is to protect both selling and remaining participants. This "gate" may prevent the Fund from mechanically forced selling of its holdings at unfavourable prices. The Fund Manager also reserves the right to redeem more than 10% of NAV per month, provided that the interests of remaining participants will not be at risk.

The Fund Manager will ensure that adequate liquidity in the Fund will be present at all times, taking into account the aforementioned exceptions concerning limitation, or suspension of the redemption of shares or legislation, to meet the liabilities of procurement and reimbursement.

### 3. Performance

An investment in the Finles Lotus Fund is not intended for “short-term investors”. Prices on the stock markets in Asia can fluctuate substantially. Nevertheless, it is possible in these volatile markets to achieve an above average return after a number of years.

Despite the higher volatility in Asian Markets in comparison to the Western Equity Markets, the growth rate in Asia provides an interesting investment opportunity. Asia, in the coming years is expected to continue at an economic growth rate above the growth rate of the rest of the World.

This is no guarantee that the Finles Lotus Fund will achieve a higher than average return in the future. The value of the investments in the Finles Lotus Fund will fluctuate. Past performance is no guarantee for future results.

For the development of the Fund and the (realized and unrealized) changes in value of the Fund please refer to the three most recent annual reports and the latest (Interim) Financial Statements of the Fund which may be accessed through the website of the Fund Manager. The performance data of the Finles Lotus Fund are also included in the latest annual report and the latest interim financial statements of the Fund.

<b>5 year overview Performance, AUM, Profit and Expenses</b>					
(* €1,000)					
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Performance	3.30%	5.22%	-13.85%	16.64%	31.02%
Assets at year end	8,920	9,196	9,561	14,527	12,457
Profit	572	1,023	-/-1,682	2,261	3,324
Expenses	279	285	289	311	255
Total Expense Ratio	3.09%	3.06%	2.52%	2.30%	2.28%

The annual reports and the interim financial statements of the Fund are available on the website of the Manager:

[www.finlescapitalmanagement.nl](http://www.finlescapitalmanagement.nl)

### 4. Investment Policy

The Fund Manager of the Finles Lotus Fund has the view that the growth in Asia will continue and therefore has a long bias towards equities. The Fund is because of this view for a larger part invested in long only stocks and funds that invest in equities. Underlying funds of the Finles Lotus Fund can be actively managed long only country funds. The holdings of these funds consists of shares in companies in a specific Asian country, but also investments are made in multi country funds. The Fund can also make investments in Exchange Traded Funds (ETF's). These are passive managed funds where a certain country index is tracked. ETF's will more or less be used for tactical (shorter term) trades. The Finles Lotus Fund can invest in all Asian countries, like for example Japan, China, Singapore, Hong Kong, Thailand, Taiwan, India, Korea and Indonesia. Next to investing in long only funds the Fund can invest in single stocks. Investments in single stocks will be made to invest in certain investment themes and when there are no funds available to play that certain theme. This only will take place with a small weighting of the portfolio (this bucket will typically not be bigger than 20% of the Fund's AUM). As the Asian equity markets have proven to have periods with sharp declines as well, the Fund will partially invest in Global or Asian absolute return funds (hedge Funds). These funds will be in the portfolio with the aim to protect the Fund's downside risk in sharp falling equity markets. Cash is considered to be an active investment class. When financial markets are facing turmoil or are uncertain the Fund Manager can maintain a large position in cash to protect investors capital.

The Investment Policy is determined by the Fund Manager, Finles N.V. The determination and implementation of the Investment Policy is based on the principles, objectives and restrictions as described in this prospectus.

The Fund Manager is authorized to act on behalf of the Fund to borrow a maximum of 10% of the net assets, not to invest, but to pay out redeeming investors. At the moment of writing this prospectus the Fund has no leverage facility established with a bank and it is not yet foreseen that this facility will be established.

The Finles Lotus Fund holds investments in countries with different currencies. This can create a currency risk. The Fund Manager of the has the ability to hedge or not to hedge currency risks.

At the time of writing this Prospectus the Finles Lotus Fund does not hold any investments in other Finles Funds.

### Selection of Investments

There are many funds active in Asia. From this universe of funds through data analysis, an extensive network of relationships in the region and other various channels, funds are selected in line with the investment policy of the Finles Lotus Fund.

The selection process consists of both qualitative and quantitative analysis of the prospective investments.

Important investment criteria are screened during this process. These criteria include strategy and style, reputation, organization, investment processes, risk management, drawdown analyses, liquidity management, return generation process, consistency track record, correlation analyses, reporting, transparency and quality of service providers (auditor, custodian, depository, broker, Depositary, bank, administrator, etc) .

For a further description of the Finles Investment Process and the people involved please read the corporate presentation. This is available on the website of the Fund Manager [www.finlescapitalmanagement.nl](http://www.finlescapitalmanagement.nl) and [www.finles.eu](http://www.finles.eu)

## **5. Investment Restrictions**

The following investment restrictions will apply to the Fund:

- Direct investments in financial instruments such as options, futures and forwards will exclusively be used for hedging purposes;
- At least 50% of the underlying investments will be invested in investments with a daily NAV and a daily dealing date. Total investments in funds with a mandate also outside of Asia cannot exceed 25% of AUM upon initial investment;
- Investments in any underlying holding cannot exceed 10% of AUM upon initial investment.
- Major changes within the portfolio and the Investment Policy are examined by the Non Executive Board of the fund manager (Raad van Commissarissen).

The Fund shall not invest in funds or financial instruments whereby the risk of participants extends beyond the amount of their investment. The risk of participants in the Finles Lotus Fund extends no further than the amount of their investment; Changes in the Investment Policy of the Fund or any of the Terms and Conditions will not take place before participants are informed. Before changes are implemented, participants will at least have a one month notice period before the changes will be implemented. The Fund Manager itself, within the framework of the Investment Policy set out above can impose more stringent investment restrictions on the Fund. The Non Executive Supervisory Board oversees the Fund Manager, the Fund and the investment restrictions.

## **6. Benchmarks**

The benchmark for Finles Lotus Fund is the Morgan Stanley Far East Index (MSCI Far East). This index is merely used for comparison and indicative use only. The index is no guideline for the investments of the Finles Lotus Fund as the Fund is a Multi Strategy Fund and has a different, more absolute return Investment Policy.

## **7. Risks of investing in the Finles Lotus Fund**

Below various risks are mentioned. Investors need to determine given the size and relevance of the risks involved, whether an investment suits them. The Finles Lotus Fund is considered a high risk fund, but it is expected that the risk will be lower compared with long-only equity investing in Asia as the Fund Manager aims for a more diversified absolute return portfolio. The Fund Manager seeks methods to reduce the long only equity risk and to outperform the Asian equity markets, but there is no guarantee the Fund Manager will succeed. Investing in the Finles Lotus Fund implies taking the risk of losing your money. Never invest in the Finles Lotus Fund if you are not able or willing to risk the loss of capital.

There is a possibility that your investment increases in value, however it is also possible that your investment will generate little or no income and that your investment may lose its value partially or completely.

The possible negative returns are the risk of the individual participant in the Fund. Neither the Fund Manager, nor the Non Executive Supervisory Board of Finles, nor the Depository, nor the Administrator is liable for losses incurred by one or more participants.

### **Market risk**

The investments within the Finles Lotus Fund are subject to market movements and the inherent risk of investing in general. As the Fund is focussed on the Asian markets, market movements in Asia will have a big impact on the performance of the Finles Lotus Fund. Consequently, no certainty can be given that a positive return will be achieved.

Political risks and the possible impact of international crisis and disaster cannot be predicted and can have temporary or long-term negative impact on the NAV and performance.

As market risks and movements are unpredictable, it is not possible for the Fund Manager to inform participants beforehand. Newsletters and other forms of periodic information normally are per definition too late and after negative events have taken place.

The responsibility for obtaining information, advice and decision-making lies with the individual participant.

### **Investment risk**

The portfolio of the Finles Lotus Fund consists of various components; Actively managed long only Funds, ETF's, individual stocks and hedge funds. Here various techniques are applied, such as long-only equity investing in specific Asian countries, shorting stocks and other securities and in some cases, entering into investments with leverage. Under certain market conditions, these techniques can lead to substantial losses. This may adversely affect the value of the Finles Lotus Fund.

The NAV of the Finles Lotus Fund is calculated based on the NAV of the underlying investments. There is a risk that administrative procedures for the calculation of the NAV are not done properly. The Fund Manager invests only in Funds where the NAV is calculated by an independent party or which is determined by an Exchange.

### **Performance risk**

The performance of the Finles Lotus Fund may either be positive or negative. The NAV of the Finles Lotus Fund fluctuates with the price changes of assets in which the Fund invests. This is the result of the investment decisions of the Fund Manager.

### **Liquidity risk**

The investor should keep into consideration that under certain circumstances no certainty can be given that the Fund has sufficient liquidity to pay out redemptions.

In order to meet its redemption obligation, the Fund Manager can borrow to a maximum of 10% of the net assets. This can negatively affect the value of holdings and therefore increase the risk for participants.

The liquidation of underlying positions of the Finles Lotus Fund can be suspended.

Also, some underlying funds can have a flexible payment period where for instance only 95% of the redeemed amount can be received and the remaining 5% first after the publication of the audited annual financial statements.

Some funds have an early redemption fee, if positions are sold for example within 6 or 12 months after the initial investment. The Finles Lotus Fund will avoid these situations as much as possible.

### **Currency risk**

Because investments can be made in various currencies, currency risk can arise if these are not hedged. The Fund Manager of the Fund has the ability to hedge or not to hedge some or all currency risks. This is part of the overall investment decision.

### **Leverage risk**

The Fund Manager is authorized to borrow up to maximum of 10% of net assets. The loan can only be used for temporary liquidity shortage caused by redeeming participants. Loans are not used for the purchase of investments of the Finles Lotus Fund.

In addition, the Finles Lotus Fund can invest in funds that apply leverage. The degree of leverage can vary per fund in which the Finles Lotus Fund invests. For the participants of the Finles Lotus Fund this may be additional risk. Leverage can however also be applied by underlying funds to reduce market risk or even exclude market risk completely.

### **Risk of inflation**

There is a general risk of inflation whereby the value of the investment can adversely be affected.

### **Concentration risk**

The underlying investments of the Finles Lotus Fund may be positioned in such a way that they are concentrated in certain parts of the financial market. For the Finles Lotus Fund this is the case as the Fund is an Asia focussed Fund. The Fund is concentrated in that region.

### **Counter party risk**

It is possible that an issuing institution or counterparty cannot deliver its contractual obligations which may result in suspension of payment, bankruptcy, liquidation or fraud. This may possibly cause losses for the Finles Lotus Funds.

### **Payment risk**

It is possible that settlement via the payment transaction does not occur as expected because payment or delivery of securities by the counterparty was not on time or not as expected.

### **Risk of erosion**

The Fund is subjected to risk of changes in value of capital, including the potential risk of erosion resulting from withdrawals of shares.

### **Risk of marketability**

The marketability of shares or securities in which investments are made will affect the actual buying and selling rates (bid/ask spreads). This could mean that shareholdings or securities can only be sold at a substantially lower price than the attributed value.

### **Suspension of purchase and sales**

In sudden and serious disruption of financial markets, in the interest of the participants of the Fund, the possibility of daily purchase and sale by the Fund Manager in consultation with the Non Executive Supervisory Board can indefinitely be suspended. Immediately after the terrorist attacks in the United States on 11 September 2001, it was not possible to buy or sell shares in the Finles Lotus Fund for two consecutive days. So far, this has been the sole exception. However, it is conceivable that during severe disruptions of the international financial system, that the Fund remains closed for longer periods.

### **“Gate” in selling**

The Finles Lotus Fund has a so-called “gate” that applies. The Fund Manager reserves the right to redeem a monthly maximum of 10% of the total net assets. The sequence of acceptance of the redemption orders determines the sequence of redemptions. Unexecuted redemptions are automatically moved on to the next month. The objective of this “gate” is to protect both selling and remaining participants. This “gate” may prevent the Fund from mechanically selling of its holdings at too low prices. The Fund Manager also reserves the right to redeem more than 10% of NAV per month, provided that the interests of remaining participants will not be at be at risk.

### **Risk related to the Depositary and/or Custodian**

There is a risk that the assets placed at Stichting Finles Funds and/or any securities placed into custody at the Custodians of the underlying funds lose their value as a result of insolvency, negligence or fraudulent actions by the Stichting Finles Funds or the Custodian(s).

### **Monitoring risk**

The Finles Lotus Fund can invest in funds that are not supervised at all, or supervised in a way that cannot be compared with the financial supervision of investment funds in the Netherlands;

### **Financial and Tax Law**

Current financial and/or tax law may change in the future which may have negative effect for the participants of the Fund.

## **8. Custody and Duties of the Depositary**

The Depositary services within the meaning of the Act on Financial Supervision (FMSA) pursuant to the Depositary Services Agreement, is dedicated to Stichting Circle Depositary Services. The agreement was entered into between the following parties:

- Finles N.V. as Fund Manager of the Fund,
- Stichting Finles Funds that holds the legal ownership of the values of the Fund, and
- Stichting Circle Depositary Services.

The Depositary acts to preserve the interest of the participants of the Fund.

The main roles and responsibilities of the Depositary are:

- Safekeeping of the assets of the Fund;
- Check whether the Manager adheres to the investment policy as expressed in the Prospectus;
- Monitor the cash flows of the Fund under the provisions of the applicable regulations and the Prospectus;
- Ensure that in transactions involving the Fund’s assets any consideration is remitted to the Fund within the usual and contractual limits;
- Check whether the income of the Fund is applied in accordance with the applicable regulations, the Agreement for Custody and Depositary and the Prospectus;
- Check whether the calculation of the Net Asset Value of the Units is made in accordance with the applicable regulations, the Agreement for Custody and Depositary and the Prospectus;
- Ensure that the issuance and redemption of Units of the Fund are carried out in accordance with the applicable regulations, the Agreement for Custody and Depositary and the Prospectus;
- Verifying the ownership of the assets of the Fund.

The Depositary may only delegate the custody of these assets. The Depositary must follow the instructions of the Fund Manager, unless they are in conflict with the applicable regulations or the Prospectus.

### **Role of the Depositary**

If the Depositary upon the exercise of his duties finds that the Fund Manager has not acted in accordance with the Prospectus or the applicable regulations, the Depositary may instruct the Fund Manager to take away the negative consequents for the Fund, if possible. Unless a limitation of the liability of the Fund Manager is applicable, the related costs will be on the account of the Fund Manager.

#### Liability of the Depositary

The Depositary shall be liable to the Fund and/ or the participants for the loss by the Depositary or a third party to whom the custody of assets held in custody.

In the case of such a loss of an asset held in custody, the Depositary shall return a financial instrument of identical type or the corresponding amount to the Fund acting on behalf of the Fund without undue delay. The Depositary shall not be liable if it can prove that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary with reference to article 101.1. of the Delegated Regulation AIFMD.

The Depositary shall be liable to the Fund and/or the participants for all other losses suffered by them as a result of the Depositary's negligent or intentional failure to properly fulfil its obligations under the AIFMD.

The financial year-end closing of the Depositary shall be made by December 31 of each calendar year. The financial statements are audited by Hoogeveen Luigjes Accountants en Belastingadviseurs Leusden BV and a copy of these financial statements is available for free on request at the address of the Depositary. A copy of the Depositary Services Agreement is available on request at the address of the Fund Manager without charge. The Service Standards in which the duties of the Depositary are described in detail are part of this Agreement and are also available on request at the address of the Fund Manager without charge.

The appointment of a new Depositary is only possible with the consent of the Non Executive Board and the AFM. Moreover, if the Depositary has indicated its intention to step down, a meeting of participants will be made within four weeks to appoint a new Depositary.

#### **9. Costs**

Participation in the Finles Lotus Fund is made by means of a written request and registration in the Register of participants of the Fund after reading the Prospectus, the Terms and conditions and the Financial Information Leaflet.

#### **Entry and exit fees**

The Fund Manager can charge new participants up to 4% entrance fee. At redemptions a 0,5% exit fee applies. The costs of entry and exit shall be borne by the individual participant. The Fund Manager has the option to deviate from the entry fee and exit fee. These costs are for the benefit of Fund Manager. These costs are used to cover costs of administration and/or sales fees.



## Other Fund costs

The following is an overview of the costs of the Fund, the calculation base thereof, the actual cost in 2013 and its explanatory memorandum:

<b>Overview Costs of the Finles Lotus Fund</b>			
	<b>Types of Cost</b>	<b>Calculation Base</b>	<b>2013</b> €1,000
<b>1</b>	Management fee	% of the Fund according to graduate calculation of interest	158
<b>2</b>	Administration	Fixed fee and variable fee in % of net assets	37
<b>3</b>	Depository	Fixed fee and 4,5% for office expenses	9
<b>4</b>	Supervision AFM/ DNB	Pro rata share of the FLF AUM and the total AUM of the Funds Finles N.V. is managing	1
<b>5</b>	Supervision/Research FCM	Pro rata share of the FLF AUM and the total AUM of the Funds Finles N.V. is managing	58
<b>6</b>	Auditing costs	Annual budget proposed by external auditor	13
<b>7</b>	Bank costs	In accordance to bank charges	3
<b>8</b>	Trading costs	In accordance to tax of buying and selling	Pm
<b>9</b>	Legal Costs	Estimated amount per year	0
	<b>Total Costs</b>		<b>279</b>

### 1. Management Fee

This covers the cost of the Fund Manager for managing the Finles Lotus Fund. A management fee of 1,75% per annum of the NAV is charged. The fee is calculated based on the AUM of the Fund's at the end of every month. VAT is not applicable. These costs are used to cover costs such as administration, data systems, personnel, marketing and publicity.

### 2. Administration costs

The administration costs of the Fund will be a fixed amount of €35,000 per annum. These costs may be adjusted on January 1 of each year by the Administrator in accordance with the Dutch Consumer Price index (CPI) upon prior written notification to the Fund Manager. VAT is not applicable.

### 3. Costs of the Depository

As of July 1, 2014, Stichting Circle Depository Services is appointed as Depository of the Fund. The annual fee is €13,800 and 4.5% surcharge for office expenses. About the cost is VAT due.

### 4. Supervision costs by the Authorities, AFM / DNB

These costs are charged by the Authorities for supervision. These costs are based on the Pro rata share of the FLF AUM and the total AUM of the Funds Finles N.V. is managing. We expect that these costs will not exceed prior year costs.

## **5. Supervision/Research costs by the Fund Manager**

This covers the cost of travel and stay in the context of research of potential new investments, monitoring and supervision of outsourced functions and managers of the underlying investments. These costs are capped at 1% of the total AUM of the funds managed by Finles N.V. These costs are based on the Pro rata share of the FLF AUM and the total AUM of the Funds Finles N.V. is managing. These costs include VAT.

The EMS Top-rente Fund, the Finles Global Opportunities Fund, the Hospitaller funds Sicav, the Finles Liquid Macro Fund, the Chatham European Equities Fund and the Fountain Capital Umbrella Fund are excluded from this calculation and these costs. We expect that these costs will not exceed prior year costs.

## **6. Costs of the Auditors**

This includes the costs of the external auditor for auditing the financial statements of the Fund, assurance of the prospectus, and the assessment of the Fund Manager's reports in connection to the Financial Statements of the Fund. The costs are annually proposed by the external auditor, then budgeted and approved by the Fund Manager and the Non Executive Supervisory Board. We expect that these costs will not exceed prior year costs.

## **7. Bank Costs**

This includes costs in charged by banks in connection with facilitating banking services such as payment traffic on the ongoing current accounts of the Fund.

## **8. Trading costs of the underlying investments**

The trading costs for purchasing are included in the underlying costprice of the investment. The selling expenses of the underlying investments are deducted from the sales price and therefore charged to the Fund.

## **9. Legal fees**

This includes costs incurred by lawyers and legal advisors directly charged in connection with legal issues concerning the Finles Lotus Fund or its underlying investments. The annual budget is capped at €50,000. - including VAT.

Costs are directly charged to the P&L account of the Fund by means of an invoice or directly credited to the current banking account of the Fund. In addition, costs from the Fund Manager of the Fund can be charged by means of an invoice.

## **Ongoing Charge Factor (OCF)**

The Ongoing Charge Factor of Finles Lotus Fund in the year 2013 was 3.09%. This OCF includes all costs incurred in a year that have been charged to the Fund, excluding the costs of transactions and interest. For the year 2014, an OCF of 3.30% is expected. This figure is based on the half year report of 2014. Future market conditions and the growth of the AUM may influence the final outcome of the OCF in 2014.

## **Synthetic Ongoing Charge Factor (SOCF)**

The biggest part of the underlying investments consists of investments in other funds. Therefore, participants should take into account the following possible costs of these investments (if applicable):

- Buying and selling of the underlying investments (transaction costs);
- Management fee (ranging from 0% to 3% of invested assets);
- Performance fee (ranging from 0% to 25% of net profit);
- Custody and Depositary fees.

The above costs may vary, depending on the investment portfolio of the Finles Lotus Fund.

Because the Finles Lotus Fund invests more than 10% of its net assets in other funds, the costs of these underlying investments are recorded and calculated. This is the Synthetic Total Expense Ratio.

The SOCF, *exclusive performance fees of underlying funds*, of the Finles Lotus Fund in the year 2013 was 3.38%. Because the composition of the investment portfolio changes regularly and the underlying funds generally do not disclose

expense ratios, it is not possible to calculate the SOCF accurate. The calculation for the year 2013 is based on approximately 90% of the underlying investments. In the year 2014, a SOCF of about 1.61% is expected. This is an estimate which is based on the half year report 2014.

The total cost ratio of Finles Lotus Fund for 2013 is 3.38 % (OCF of the underlying assets) + 3.09% (OCF Finles Lotus Fund) = 6.47%.

### **Portfolio turnover rate**

The portfolio turnover rate for the year 2013 is 80.00 (2012: 110.18). This factor gives an indication of the turnover of the portfolio. The turnover explains how often the underlying portfolio turns.

### **Inducements**

Any discounts on fees (like subscription fees, management fees and performance fees) of the underlying investment will always go back to the Finles Lotus Fund.

## **10. Valuation and performance calculation**

On behalf of the Fund Manager the independent external administrator will calculate and determine the daily NAV of the Fund. This daily NAV is based on the NAV of the underlying investments. The daily NAV is published on the website of the Fund Manager ([www.finlescapitalmanagement.nl](http://www.finlescapitalmanagement.nl)).

The valuation of assets and liabilities are done according to standards that are regarded as common practice and accepted in the society and by the auditor of the Fund.

Foreign currencies are calculated into Euros against the exchange rates (acting as the conversion rates) published on WM-Reuters at 4 p.m. London time.

The fiscal year is equal to a calendar year.

If a substantial mistake in daily calculation of the NAV occurs, then the external administrator will put a recovery procedure in place. The Fund Manager, the Non Executive Supervisory Board and the AFM will always be informed immediately if an error of the NAV exceeds 0.5%. Participants will be compensated if relevant. Price errors of <0.5% of the NAV are not corrected and not compensated to the participant.

### Use of estimated NAV's

It can be possible that, when there are no official NAV's available of the underlying investments, performance estimates are used into the NAV of the Finles Lotus Fund. If the official NAV of the underlying investment becomes available and the difference between the official NAV and the estimate used, attributes more than 1% to the NAV of the Finles Lotus Fund, compensation can take place. On a case by case basis this will be discussed with the Non Executive Supervisory Board of the Fund Manager. This Non Executive Supervisory Board will take the decision if an actual compensation is needed. If no mistakes have been made in the NAV calculation process by the Fund Manager or the Administrator this compensation will be paid by the Fund.

If capital should not have extracted from the Fund, compensation will always take place.

## **11. Distribution Policy**

Realized performance gains are not distributed, but are added to the NAV of the Fund. Realized performance losses are consequently borne by the Fund.

The revenues in form of interest and dividend that are obtained from underlying investments are added to the NAV of the Fund. Therefore, there is no distribution of these to the participants.

## 12. Reporting and Disclosure of Information

Within six months after the end of the fiscal year, the Fund Manager will produce the Annual Report. The Annual Report, including the report of the Fund Manager and the Financial Statements will be available on the website of Finles N.V. and/or available on request. The Annual Financial Statements are audited by the external auditor PwC.

The Fund Manager will in August of any year publish the Interim Financial Statements. This Report will be available 9 weeks after the first half of the year. This will be available on the website of the Fund Manager and/or can be available upon request without charge.

The Fund Manager produces, on a monthly basis, a financial summary for the participants. These summaries are co-signed by the Depositary and contains at least the following information:

- The total value of the Finles Lotus Fund;
- An overview of the composition of the investments;
- The total number of shares outstanding;
- Most recent NAV of the participations.

The obligation to draw up monthly statements stems from the AFM. The statements are available on the website of Finles N.V. and are available on request.

The Manager intends, but is not obliged, to provide the participants a newsletter several times a year, whereby current market developments are discussed.

Participants receive every year, early March, a summary of their participation for their tax reporting.

Information about illiquid investments of the fund will be disclosed in the Interim Financial Statements and the Annual Reports.

## 13. Tax

The Finles Lotus Fund is regarded as fiscal closed Fund for Joint Account (fonds voor gemene rekening), whereby the tradability of the participations in the Fund is limited to transferability to and from the Fund (through the Fund Manager) or to family members in the direct line. This Fund is considered tax transparent for Dutch tax purposes and therefore not subjected to corporation and profit tax.

Participants in the Fund who are residents of the Netherlands and are subject to private income tax, can in principle set off dividend tax levied on the dividend income received by the Fund against the income tax they owe on their Box I, Box II, and Box III income.

Under the Income Tax Law (Wet IB) investments such as those in the Finles Lotus Fund are generally taxed in Box III. This applies to private investors, being residents of the Netherlands who are subjected to income tax. The taxable income in Box III is determined by taking the balance of assets minus liabilities as per 1 January (with some exceptions) over which a notional performance of 4% is being charged. On this fixed 4% return, residents of the Netherlands will be charged with 30% income tax. The effective tax is therefore 1.2% of the average assets after deducting the relevant liabilities. Box III has a tax free threshold of €21,139 (2013) per tax payer. At the joint request of the taxpayer and his partner this tax free amount can be doubled.

For Netherlands-based entities that are subjected to tax under the Corporation Tax Law (Wet Vpb), dividend income and capital gains realized from investing in the Finles Lotus Fund are subject to a tax rate of:

- 20%: EUR 0 - EUR 200.000;
- 25%: > EUR 200.000.

Any dividend tax withheld from the dividend income received by the Fund, in principle can be deducted by the Dutch Legal entity from the profit tax they have to pay.

The above tax position is based on the tax law of the Netherlands at the time of the publication date of this prospectus. This description summarized the most important tax aspects concerning the Fund and its participants i.e. investors; this is not an opinion, nor an advice. Change in Dutch tax legislation can change the tax position of the Fund. Neither the Fund nor the Fund Manager nor the Depositary nor the Non Executive Supervisory Board nor any other counterparties of the Fund and Finles N.V. can be held liable for this. Participants i.e. investors are advised to check their specific tax situation with their own tax advisor.

#### **14. Participants Meetings**

Within five months after the ending of the fiscal year, a meeting with the participants will take place. During this participants meeting the Fund Manager will review the investment policy of the past year and the investment policy for the coming year. During this meeting the Annual Report of the Fund will be discussed. The participants i.e. investors will be asked to grant discharge for the Fund Manager and the Depositary. Investors are entitled no later than three weeks before the Meeting, to make an agenda proposal accompanied by all relevant documents necessary in their interest.

Meetings shall also be held if approval or decisions of the (Meeting of) participants are required as mentioned in the Terms & Conditions or when the Fund Manager or Depositary deems it necessary in the interest of investors. Investors together representing at least one fourth of outstanding shares can request a meeting. This has to be done by written request including the number of shares represented.

Announcement of every participants meeting is made by the Fund Manager and is subjected to a period of at least fourteen days prior to the date of the meeting. The announcement is send to the address of each participant which contains an indication of the date, time and place of the Meeting, a condensed content of the agenda and a registration form. Also this will be published on the Fund Manager's website. Investors who have registered will receive to their address one week in advance of the meeting the agenda of the meeting accompanied by all relevant documents.

Each participant, regardless of the number of shares held, is entitled to one vote. Decisions are taken by majority of votes present at the meeting and will then be binding. Blank votes are considered not have been cast.

#### **15. Voting policy underlying investments**

The policy of the Fund Manager with respect to the potential use of voting rights with regard to investments of the Fund is as follows: In principle, voting rights will not be used, unless changes to the terms of the investment are proposed which may be disadvantageous to the investors of the Lotus Fund and consequently to the Fund as well.

These could include changes to the Investment Restrictions of the underlying funds, changes to the entry and exit conditions and changes in Management. When voting is needed regarding other Finles Funds where the Finles Lotus Fund holds an investment in the Fund Manager will not make use of voting rights to the appearance of conflict of interest.

When the Fund Manager of the Finles Lotus Fund makes use of voting rights the impact on performance is the primary criteria which is taken into consideration at any voting.

If the Fund Manager decides to make use of voting rights, the Fund Manager will do this by personal presence in the Meetings of the underlying investments or by electronic voting.

#### **16. Liquidation of the Fund**

A proposal by the Fund Manager to liquidate the Finles Lotus Fund can only be done with prior knowledge of the participants. This shall be communicated by the Fund Manager to the known address of each participant.

The Fund Manager is responsible for the liquidation of the Finles Lotus Fund. The Fund Manager will provide participants with a written explanation before proceeding with redemption payments.

Prior to the liquidation and winding up, a liquidation balance sheet and profit and loss account will be prepared which is audited by the external auditor. All costs associated with the liquidation of the Fund will be charged to the Fund.

## **17. Changes in Policy**

The conditions of the Fund are included in this Prospectus, including the Agreement for Custody and Depositary.

The Fund Manager decides on changes in one or more articles of the Agreement for Custody and Depositary, other than as a result of government regulations and, if necessary, after consultation with the Depositary and/or the Non Executive Board.

Before a change in conditions is implemented, the Manager together with the Depositary creates a proposal to this end. This proposal to amend terms with the explanation and the modification to the address of each participant will be announced. In addition, this proposed amendment and the amendment itself are explained on the website ([www.finlescapitalmanagement.nl](http://www.finlescapitalmanagement.nl)) and also the AFM will be informed.

Any changes to the terms of the Fund, because of which rights and interests of the participants are reduced or changes i.e. costs will be imposed on them can only enter into force one month after the decision to amend the conditions has been made to the participants. During this period, participants can redeem their investments in the Fund in compliance with the usual customary conditions. The one month period also applies if the Investment Policy and/or Investment Restrictions of the Fund will be adjusted.

## **18. Other information**

### **Complaints**

Complaints about either the Fund, the Fund Manager, the Depositary, the Administrator, or other parties involved in the Fund may be submitted to the Fund Manager in writing (or e-mail). The Fund Manager will acknowledge receipt of the complaint within 5 Business Days and confirm the expected period the complaint will be handled. The Fund Manager is registered at the KiFID, the Dutch independent Institute for complaints.

### **Professional liability insurance**

The Fund Manager has a professional liability insurance that meets the requirements as stipulated in the AIFMD (Article 9, paragraph 7 of the Directive).

### **Risk Management System**

The Fund Manager has a Risk Management Policy in place that indicates the principal risks of the Fund, how these risks are measured and monitored, and how these risks are managed. The Risk Management Policy is available from the Manager upon request.

### **Statement of the Management**

The Manager declares that the Fund Manager, the Fund, the Depositary and the Prospectus comply with the requirements of or under the Wft / AIFMD.

## **Appendix I            Terms and conditions of management and custody**

### **Article 1            Objective of Management of the Investments**

1. Participation in the Finles Lotus Fund is made possible by transfer of deposits to the (participants) account of the Finles Lotus Fund.
2. The eligible monies will be invested with the aim of achieving maximum returns. Achieving appreciation of equity investments is paramount. The investments shall be subjected to risk mitigating and -spreading that, in the opinion of the Fund Manager; optimum security is obtained with regards to achieving high average returns.
3. The Investment Policy is determined by the Fund Manager, the Non Executive Board supervises this.
4. The policy is aimed to create a widely diversified risk, both between countries and asset classes. The flexibility in the allocation among the various investment categories is aimed to be an optimal balance between risk and performance.
5. The investments may directly or indirectly through Funds and/or consist of listed and unlisted publicly traded shares of Asian companies. To reduce equity beta risks, limited use is possible of derivatives and forward contracts on currencies and other investment instruments and objects that fit into the Investment Policy.
6. The Fund Manager may, within the context of the investment objective sell or buy investments or keep part of the AUM in cash, according to the economical insights. The Fund Manager may further, for investments in various currencies, take risk mitigation measures. The main thing is always that the Fund Manager will make efforts to optimally achieve the investment objectives, but neither without giving any guarantees nor to accept responsibility i.e. liability for the result of his effort. The Fund Manager is authorized on behalf of the Fund to borrow a maximum of 10% of NAV. These loans will only be made for short term financing of redemptions if there are temporary liquidity shortages. This may be necessary because there is usually some waiting time between the sale of a position and the availability of the corresponding funds.
7. The Finles Lotus Fund has a so-called “gate” that applies. The Fund Manager reserves the right to redeem a monthly maximum of 10% of the total net assets. The sequence of acceptance of the redemption orders determines the sequence of redemptions. Unexecuted redemptions are automatically moved on to the next month. The objective of this “gate” is to protect both selling and remaining participants. This “gate” may prevent the Fund from mechanically selling of its holdings at too low prices. The Fund Manager also reserves the right to redeem more than 10% of NAV per month, provided that the interests of remaining participants will not be at be at risk.
8. The Fund Manager of the Finles Lotus Fund is free to hedge currency risk if it is in the interest of the Fund.
9. The Non Executive Board oversees the Investment Restrictions of this prospectus and possible additional restrictions of the Fund Manager.

### **Article 2            Shareholdings i.e. investments in the Fund**

1. The minimum investment in the Finles Lotus Fund is €3.500, there after the minimum additional investment is € 500,-. The Fund Manager has the possibility to deviate from the level of the initial and additional investment. The Fund may allow monthly debiting, but only by means of an issued authorization to the Fund Manager at to be agreed upon conditions. The share entitlement of each participant in the Finles Lotus Fund is denominated in shares and parts of shareholdings, expressed to four decimal places. The Fund Manager has the possibility to deviate from the height of the level of the management fee.
2. Shares are not transferable. Only by the Fund, through the Fund Manager, can the shareholdings be issued or taken. Shares could be “transferred” free of charge to relatives and relatives in the direct line down. Such a transfer requires mediation with the Fund Manager. The Fund will then take through the Fund Manager the shares of transferor and gives it back again to the recipient.
3. Each participant indicating the name and number of shares is held by the Fund Manager in a register. Thereafter any changes in the number of shares will be registered. The participant will receive a statement of his registration and of each amendment. For a participant, registration by the Fund Manager in accordance with the signed statement is conclusive evidence for his part in the Finles Lotus Fund, as long as the participant has not demonstrated the falsity of the statement.
4. The revenues in the form of performance, interest and dividend obtained are added to the result of the Fund and thus added to the NAV of the Fund.
5. Each investment stake entitles to a proportionate share in the assets of the Fund to the extend attribute to the participants.

### **Article 3**      **Calculation and determination of the asset value of the shareholdings and the Fund**

1. The Fund Manager is responsible for the determination of the daily NAV of the Fund. He makes use of the necessary information from the Depository and the Administrator. Determining the value will be based on the date of the known (exchange) rate or when failing that, on the basis of the last known in advance (exchange) rates. It also takes into account the value of investments that are not for open custody, cash and the costs of managing the Fund.
2. At least at the end of each month at the value determined in accordance with paragraph 1 and 2 of equities, bonds, interests in funds, loans, derivatives, managed futures and the like, taking into account accrued but not yet paid interest on bonds and the determined, not yet paid dividend on shares, if these securities are valued on the basis of rates excluding accrued interest or dividends determined. Furthermore, taking into account will be accrued interest and interest due and not yet paid management costs, buying and selling, custody and other costs. By dividing the thus calculated value of the assets by the number of shares outstanding the calculated value of the shares is determined at the end of each (half) year. The calculated value at intermediate data is derived from the NAV determined under paragraph 2.
3. The Fund Manager is entitled to suspend the determination of the NAV temporary in the following cases. The suspension will be disclosed by the regular means of the Fund Manager.
  - a. If one or more relevant markets for the Fund are closed during other than the usual days or when the transactions are suspended or subject to restrictions.
  - b. If for the normal determination of the NAV used means of communication or computation facilities no longer are functioning or if for any reason the determination of the NAV of the Fund is not at the desired speed and/or accuracy.
  - c. Where, among other factors related to the political, economic, military or monetary situation, over which the Fund has no control and no responsibility, the determination hinders the Fund to dispose of asset and the asset value can be determined in a reasonable manner.
  - d. Following a decision to liquidate and eliminate the Fund.

### **Article 4**      **Participation**

1. The Fund Manager has the right to restrict or deny investors, or to terminate the participation of an existing investor, or to impose additional conditions.
2. An investment begins on the day that the Fund Manager has received a written *and* signed Subscription Form, including a Client Risk Profile Document (existing participants in the Finles Lotus Fund do not need to fill in a new client risk profile document) and the investment proceeds are received on IBAN number NL26RABO0170786323 in the name of the Stichting Finles Funds re Finles LF. The number of participations, the total investment amount and the purchase price are mentioned and are then registered in the Register of participants.
3. If it is decided to invest in the Finles Lotus Fund then the Fund Manager is required to ask the private investor for a copy of a valid identity. The co-participant is also required to provide a copy of valid identity to join the investment contract together with a client risk profile.

If the participant is a legal entity, then the following documents together with the Subscription Form and with a client risk profile need to be added:

- An original extract from the Chamber of Commerce not older than three months;
  - A copy of the statutes of the company;
  - Ultimate Beneficial Owner Declaration
4. Participants declare with the written Subscription Form that they have taken notice of this prospectus and accept its Terms and Conditions. They therefore trust the management, administration of the investments and the safekeeping of the securities to the Depository and Fund Manager, respectively. Participants will receive a notice of participation, indicating the number of purchased shares and the purchase price.



## **Article 5**      **End of Participation**

1. Participants can fully or partially sell their investment on any Business Day.
2. Participants who want to redeem their investment can send a redemption request to Finles N.V. In this request, the investor needs to mention the bank account on which the redemption proceeds should be transferred to. This redemption request needs to be signed by the participant (and by any co-participant if there are any). If the redemption order is received by the Fund Manager before 4 p.m., the redemption is executed that same day. The NAV is calculated the following Business Day before 10am and daily announced on the Fund Manager's website. Redemption orders that are received after 4 p.m. will be executed the next Business Day. Payment of the redemption proceeds will take place within seven Business Days after publication of the NAV and will be transferred on the bank account specified by the participant in the redemption request. Participants will receive notification indicating the number of redeemed participations, NAV and the total redemption value. Redeemed participations will be excluded from the participants register.
2. The redemption payment(s) may encounter difficulty due to market conditions, technical and/or given the importance and interests of all investors. In those cases, the redemption payment can be delayed at the discretion of the Manager until the liquidity permits payment, but no later than eight days after the Fund has enough liquidity to pay out the redemptions. Investors will be informed in such a case by the Fund Manager. Redemptions will be paid out in order of having received the requests
3. The Fund Manager has the right to terminate management, custody and administration of the investment of any or all investors. This can be done without a reason, but will be with a notice period of eight weeks. The payments made in such a case will be in accordance with what is mentioned in paragraph 1.

## **Article 6**      **Price and Costs of Investing and Redeeming**

1. A whole share i.e. participation is issued at a price equal to the notional value defined in Article 3, plus entrance fee costs, if applicable. The Fund Manager can charge new participants up to 4% entrance fee. At redemptions a 0.5% exit fee applies. The costs of entry and exit shall be borne by the individual participant. The Fund Manager has the option to deviate from the entry fee and exit fee. These costs are for the benefit of Fund Manager. These costs are used to cover costs such as marketing, publicity and sales.
2. Redemptions will be calculated at the value as defined in Article 3, minus the exit fee of 0.5% of the notional value.

## **Article 7**      **Costs**

### Management Fee

On the total net assets at the end of the month a management fee of 0.1458% is calculated per month. This is 1.75% per annum. The management fee is for the benefit of the Fund Manager.

### Administration

With regards to keeping financial reports of the investment administration, and the Net Asset Value calculation, a fixed compensation of €35,000 and will be charged to the Fund by the independent Administrator TMF Fund administrators B.V. These costs may be adjusted per January 1 of each year by the Administrator in accordance with the Dutch Consumer Price index (CPI) upon prior written notification to the Fund Manager. VAT is not applicable.

### Depositary

This covers the cost of the Depositary within the meaning of the Law (FMSA), in this case Stichting Circle Depositary Services. The annual fee is €13,800 and 4.5% surcharge for office expenses. About the cost is VAT due.

### Supervision AFM / DNB

These costs are charged for supervision of the Fund by the Authorities.

### Monitoring/ Research Costs

Travel and Accommodation expenses and such related to research of potential new investments and monitoring of existing investments are charged to the Fund up to a maximum of 1% of NAV per year. These costs include VAT.

These costs are based on the Pro rata share of the Funds' AUM and the total AUM of the funds Finles N.V. is managing. The EMS Top-rente Fund, the Finles Global Opportunities Fund, the Hospitaller Funds Sicav, the Finles Liquid Macro Fund, the Chatham European Equities Fund and the Fountain Capital Umbrella Fund are excluded from this calculation and these costs. We expect that these costs will not exceed prior year costs.

### Audit Costs

This includes the costs of the external Auditor for auditing the financial statements, the prospectus and the assessment of the Manager Report of the Fund. The costs are annually proposed by the external auditor budgeted and approved by the Fund Manager.

#### Bank Costs

This includes costs incurred by bankers charged in connection with facilitating banking services such as payment traffic on the ongoing current accounts of the Fund.

#### Buying and selling costs of the underlying investments

The costs of purchase and sale of underlying investments (if applicable) are charged to the Fund.

#### Legal fees

This includes costs incurred by lawyers and Legal advisors directly charged in connection with Legal issues concerning the Finles Lotus Fund. These costs are capped at €50,000.- per annum.

### **Article 8**      **Composition of Assets and Result of Investments**

1. The Assets consist of the following components:
  - Securities, including derivatives, options and futures
  - Holdings in investment Funds
  - Cash
  - Other claims
  - Obligations to participants
  - Other debts
2. The result of the investments is determined by the (un)realized difference in value of investments and the performance of the investments. The differences between the purchase value of the investments and the value at any date are considered differences in value. These performance gains or losses are calculated into the NAV.
3. Further adds to the NAV can be consisting of periodic income from investments and income from bank deposits.

### **Article 9**      **Depositary and Legal ownership**

Between the Fund Manager, the Depositary and Stichting Finles Funds an agreement of Management and Custody is arranged. This agreement applies to the relationship between the Fund Manager, the Depositary, Stichting Finles Funds and the Investors in the Fund.

1. Stichting Finles Funds holds the legal ownership of the assets of the Fund.
2. The Depositary acts to preserve the interest of the participants of the Fund. The main roles and responsibilities of the Depositary are:
  - Safekeeping of the assets of the Fund;
  - Check whether the Fund Manager adheres to the investment policy as expressed in the Prospectus;
  - Monitor the cash flows of the Fund under the provisions of the applicable regulations and the Prospectus;
  - Ensure that in transactions involving the Fund's assets any consideration is remitted to the Fund within the usual and contractual limits;
  - Check whether the income of the Fund is applied in accordance with the applicable regulations, the Agreement for Custody and Depositary and the Prospectus;
  - Check whether the calculation of the Net Asset Value of the Units is made in accordance with the applicable regulations, the Agreement for Custody and Depositary and the Prospectus;
  - Ensure that the issuance and redemption of Units of the Fund are carried out in accordance with the applicable regulations, the Agreement for Custody and Depositary and the Prospectus;
  - Verifying the ownership of the assets of the Fund.

The Depositary may only delegate the custody of these assets.

3. The Depositary carries out the instructions of the Fund Manager, provided that implementation of these instructions is the responsibility of the Depositary and as far as these instructions are within the regular course of the custody function.
4. The Depositary is obliged to ensure, as far as it is for him controllable, that no payments on behalf of the Fund Manager are carried out otherwise than can according to these Terms and Conditions and the Prospectus and to and from the designated bank accounts.
5. All investments are held by Stichting Finles Funds in open custody. Investments that do not qualify to be held in open custody will be registered in the name of Stichting Finles Funds.

6. Stichting Finles Funds and the Fund Manager can only together have access to the belongings of the Finles Lotus Fund.
7. Stichting Finles Funds only acts upon a decision of the Fund Manager after receipt of a signed statement by the Manager stating that the action required is following the regular course of the function of the Fund Manager.
8. The Fund Manager and Stichting Finles Funds can in consultation decide, if appropriate, to hold the Fund's assets or securities temporarily in whole or in part elsewhere in custody or store otherwise than as described in these Terms & Conditions and the Prospectus.
9. The Depositary shall be liable to the Fund and/ or the participants for the loss by the Depositary or a third party to whom the custody of assets held in custody. In the case of such a loss of an asset held in custody, the Depositary shall return a financial instrument of identical type or the corresponding amount to the Fund acting on behalf of the Fund without undue delay. The Depositary shall not be liable if it can prove that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary with reference to article 101.1. of the Delegated Regulation AIFMD.
10. The Depositary shall be liable to the Fund and/or the participants for all other losses suffered by them as a result of the Depositary's negligent or intentional failure to properly fulfil its obligations under the AIFMD.

## **Article 10      Report**

1. Within 6 months after the end of each calendar year the Fund Manager will make an annual report available to investors i.e. participants, which includes the financial statements. Next to that, annually in August the Fund Manager will produce the semi annual financial statements. Participants will receive an annual statement with relevant data required for their tax reporting.
2. The annual report will be provided with a statement from the external Auditor. The explanation to the balance sheet and profit and loss account of the annual report at least contains the following information:
  - A closing overview of the course during the year of the investments whereby the investments are classified according to the kind of investments;
  - The composition of investments at the end of the year are broken down according to criteria that best reflect the investment policy of the Fund;
  - A comparative overview of the last five years of the intrinsic value of the Fund, the number of outstanding shares and the Net Asset Value per share, all this at the end of each year;
  - A notice to what extent investments, with the exception of investments in securities listed on a stock exchange, are valued by a sworn appraiser, and the method and regularity with which these valuations are carried out and approved;
  - The amount of liabilities classified according to species at the end of the year, to the extent one and the other is not included in the balance sheet and profit and loss account;
  - An itemized statement of those assets of the Fund that associates within the meaning of Article 389 section 1 of Book 2 of the Civil Code (Burgerlijk Wetboek);
  - A cash flow statement.
3. The Semi Annual Report of the Fund at least contains the following information:
  - A balance sheet, profit and loss account and a statement of changes of the value of the Fund;
  - An overview of the composition of the investment portfolio;
  - A statement of the intrinsic value of the Fund, the number of outstanding participation rights and the intrinsic value per share, one of the other at the end of the first half of the year.
4. In reporting the development of the value is shown as provided in Article 8, taking into account the following principles:
  - In any calendar year unrealized valuation differences are shown as reserve valuation differences, the realised valuation differences are credited to the NAV;
  - The costs of Management and Custody are credited to the NAV.
5. All obtained income and expenses are as results reported in the profit and loss account. This income statement includes at least the following components:
  - All investment income;
  - Other income as defined in paragraph 3 of Article 8
  - Realized and unrealized gains;
  - Management fees, custody cost, and other costs.
6. Furthermore, the (semi) annual accounts and reports are to be prepared in accordance with Part 9 of Book 2 of the Civil Code (Burgerlijk Wetboek) and the applicable regulations under the Act on Financial Supervision (FMSA).

## **Article 11**      **Lending**

1. A participant may request the Manager to cooperate in the establishment of a security right on its investments in the Fund. Establishment of the security right is disclosed to the address of the Fund Manager, under conditions determined by them.
2. Release of shareholdings will take place only after consent of the creditor to which the security rights is established with. In liquidation of the security right, the Fund Manager is entitled to the benefit of the creditor (s) to whom the security right is based on changing the participation to cash, and the termination of the relevant participant shareholdings.
3. The Fund Manager and the Depositary jointly set themselves toward the participants ensuring the proper performance of the respective obligations arising from or related to the establishment of a security rights as defined in paragraph 1 and hereunder safeguarding them against claims of third parties.
4. The Fund Manager and the Depositary are jointly authorized to pledge values of the Fund to third parties as security for liabilities of the Fund.

## **Article 12**      **Participants Meetings**

1. At least once a year, a meeting of participants takes place. The Fund Manager explains the conducted policy to the annual meeting. The Fund Manager also the intended Investment Policy for the next reporting period. Participants are entitled to, no later than three weeks before the meeting; make a proposal for the agenda of the meeting to the Fund Manager accompanied by all relevant documents necessary in their interest.
2. Meetings of the Shareholders shall be held if approval or decision of the (Meeting of) participants are required under the Regulation or Prospectus or when the Fund Manager or Depositary deem it necessary in the interest of the participants.
3. Announcement of every Meeting of participants is made by the Fund Manager and is subjected to a period of at least fourteen days and the day of the Meeting not included. The announcement is send to each participants address. The announcement should contain an indication of date, time and place of meeting, a condensed content of the agenda and a registration form. Participants who have registered can receive a week before the meeting the agenda accompanied by all relevant documents necessary for handling of the agenda.
4. If participants' jointly representing one/forth part of the outstanding shares, want to call for a Meeting, the Fund Manager is required to call for a Meeting. If the Fund Manager has not given within fourteen days of such request the call for a Meeting, to be held within four weeks after the request has been send to the address of all participants and stakeholders, the relevant participants can then call for a Meeting to the participants themselves.
5. Each participant is entitled to one vote, regardless of the number of held shares. Decisions are taken by simple majority of votes present at the Meeting and will then be binding, also for the investors not present at the Meeting. Blank votes are considered not to have been cast.
6. Subjects who were not on the agenda are in principle not to be considered.

## **Article 13**      **Fiscal Year and Control**

1. The fiscal year of the Finles Lotus Fund is equal to a calendar year.
2. The reporting by the Fund Manager is done in Euros.
3. The financial statements will be audited by a Certified Public Accountant.

## **Article 14**      **Communications**

1. The Manager sends all notices, announcements and other correspondence to the participants by letter and/or e-mail to the last address given by them in writing.
2. If participants failed to pass on a change of address in writing to the Fund Manager, all correspondence addressed to them at the office of the Fund Manager are held at their disposal.

#### **Article 15**      **Amendments to Rules and Prospectus**

1. Before a change of the terms (at least the Terms and Conditions and the Prospectus) will be implemented, the Fund Manager will write a proposal together with the Depositary. The Fund Manager will announce any proposal to amend the terms as well as any amendment to the terms to the (e-mail) address of each participant. In addition, this proposal is guided by the Fund Manager on the website ([www.finlescapitalmanagement.nl](http://www.finlescapitalmanagement.nl)). Simultaneously with the publication of the proposal to amend, the Fund Manager reports it to the Supervisor, the Authority for the Financial Markets (AFM).
2. The Proposal will thereof be in force one month after publication.
3. Participants are entitled within one month after publication of the Proposal to amend the participation at the prevailing conditions referred in Article 6 paragraph 2 to terminate if its changes a heavier burden on the participants and/or their rights or security are limited. This one month after publication is also applicable if the investment policy or the investment restrictions of the Fund is changed.

#### **Article 16**      **Appointment of new Manager and Depositary**

1. The Fund Manager, the Depositary and Stichting Finles Funds act in Management and Custody in the best interest of the participants.
2. The Fund Manager has the necessary licenses under the Act on Financial Supervision (FMSA). If this license i.e. authorization is revoked or if the Fund Manager as a holder of the permit submit a request, the Fund Manager is required to communicate this to each of the participants at the addresses known to the Manager or in a national newspaper.
3. If the Fund Manager or the Depositary has indicated the intention to step down, a meeting of shareholders within four weeks will be held to appoint a new Fund Manager or Depositary.
4. The Fund Manager, can appoint an external Auditor or competent Depositary. Such a decision must be submitted to the Authority for the Financial Markets (AFM).

#### **Article 17**      **Termination Finles Lotus Fund, liquidation**

1. A proposal to terminate the Finles Lotus Fund can only be done with knowledge of the meeting of participants.
2. The proposal to terminate the Fund shall be communicated by the Fund Manager at the known (e-mail) addresses of each participant.
3. The Fund Manager is responsible for and will manage the liquidation of the Finles Lotus Fund. The Fund Manager explains the accounts to the participants before proceeding to pay out.
4. Prior to the liquidation and winding up, a liquidation balance sheet and profit and loss account will be prepared which will be audited by an external auditor. The liquidation value of the Fund's assets and the then outstanding number of shares to its base are for settlement with the participating investors. All costs associated with the liquidation of the Fund are charged to the NAV. A positive balance remaining after full settlement belongs to the Manager. A negative balance will be borne by the Manager.

#### **Article 18**      **Guarantee against mixed functions**

Directors of the Fund Manager, respectively of the Depositary are not employed and shall not be employed by the Depositary or respectively the Fund Manager. The Fund Manager and the Depositary have no direct or indirect participations in each other's capital and will not acquire each others capital. The Fund Manager will manage the Finles Lotus Fund in the best interest of the Investors i.e. participants.

**Article 19**      **Other provisions**

1. If participants did not contest, within two months, copies of portfolio overview and other communications sent by the Fund Manager and it would be reasonably considered to have been received, are to be regarded as approved.
2. The administration of the Fund Manager and the Depositary extends across participants as evidence as long as the participants have not proven their falseness.
3. Participants notify the Fund Manager immediately of any change in their legal status and their addresses. The Manager is not liable for any consequences arising from the failure of such communication.

**Article 20**      **Applicable Law**

1. With regards to the present conditions of the rights and obligations, the parties are subjected to Dutch Law.
2. If due to changes in legislation rules, the value of the Fund is affected, the Fund Manager is required to notify the investors i.e. participants of such changes.