

Issue Prospectus of Hermes Alternative Investment Fund

Authorised by the NSC (FSA) as per Authorisation no. 16/05.05.2011

Registered in the FSA Register under no. CSC08FIIR/400023

The investments in alternative investment funds are not bank deposits, and the banks, as shareholders of an investment management company, do not provide any guarantee to the investor as to the recovery of the invested amounts. The approval by the Financial Supervisory Authority, Securities and Financial Investments Department (FSA) of the initiation and performance of the periodical public offering of securities does not involve in any way the approval or assessment by the FSA of the quality of the investment in the respective securities, but proves the compliance by the offeror with the provisions of Law no. 297/2004, Regulation no. 15/2004 as subsequently amended and Regulation no. 9/2014 as subsequently amended and supplemented. The funds entail not only specific benefits, but also the risk of failing to meet the objectives, including that of losses for investors, and the gains obtained from the investment are usually in accordance with the risk-reward principle.

The previous performance does not represent a guarantee of future achievements.

Relevant information regarding Hermes Alternative Investment Fund may be obtained from the registered office of S.A.I. ATLAS ASSET MANAGEMENT S.A. with registered office in Bucharest, 1st District, Soseaua Bucuresti-Ploiesti, nr. 7A, 6th floor, office 1, on the website www.atlas-am.ro and at the e-mail address contact@atlas-am.ro.



DEFINITIONS

The following definitions shall apply to the entire document, unless the context requires otherwise:

NON-UCITS/AIF	Other undertakings for collective investment in transferable securities/Alternative investment funds
FSA	Financial Supervisory Authority
NBR	National Bank of Romania
Tax code	Law no. 227/2015 on the Tax Code, in force as of 1 st of January 2016, as republished, as amended and supplemented
C.R.S.	The common reporting standard used in the Organisation for Economic Cooperation and Development (OECD) in order to improve the transparency and automatic exchange of tax information
Depository	BRD - GROUPE SOCIETE GENERALE S.A. with registered office in Bucharest, 1 st District, sector 1, Turn BRD, Bdul. Ion Mihalache nr. 1-7, registered at the Register of Commerce under no. J40/608/1991, sole registration code 361579, registered in the Banking Register under no. RB-PJR-40-007/1999, registered in the FSA Register under no. PJR10DEPR/400007 of 09.12.2003. The Depository may be contacted by phone at 021.200.83.72; fax 021.200.83.73; website www.brd.ro
EUR	The legal currency of 19 European Union member states part of euro area
F.A.T.C.A.	Foreign Account Tax Compliance Act
Law 31/1990	Companies Law no. 31/1990, as republished, as amended and supplemented
Law 24/2017	Law no. 24/2017 on securities issuers and market operations
Law 297/2004	Capital Market Law no. 297/2004, as subsequently amended and supplemented
GEO 32/2012	Emergency Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management firms and amending and supplementing Capital Market Law no. 297/2004, as subsequently amended and supplemented
O.N.R.C.	Register of Commerce National Office
UCITS	Undertakings for collective investment in transferable securities
Regulation 15/ 2004	Regulation no. 15/2004 on the authorisation and functioning of investment management firms, collective investment undertakings and depositories, as subsequently amended and supplemented
Regulation 9/2014	FSA Regulation on the authorisation and operation of investment management companies, undertakings for collective investment in transferable securities and



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of the depositaries of undertakings for collective investment in transferable securities, as subsequently amended and supplemented

Regulation 10/2015

FSA Regulation no. 10/2015 on alternative investment fund management

General Data Protection Regulation

Regulation EU 679/2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC

Management Company or S.A.I. ATLAS ASSET MANAGEMENT S.A.

S.A.I. ATLAS ASSET MANAGEMENT S.A., a company registered with the Register of Commerce under no. J40/15700/15.09.2008, sole registration code 24467322, with registered office in Bucharest, 1st District, Soseaua Bucuresti-Ploiesti, nr. 7A, Etaj 6 biroul 1, phone: 021 3617821; fax: 021 3617822; e-mail contact@atlas-am.ro, website www.atlas-am.ro

Business Day

A day in which the Romanian inter-bank market is open for business



CHAPTER 1. INFORMATION REGARDING THE MANAGEMENT COMPANY

1.1. Identification data of the Management Company

Hermes Alternative Investment Fund is managed by S.A.I. ATLAS ASSET MANAGEMENT S.A., hereinafter referred to as the “Management Company”, a company formed according to the provisions of Law 31/1990 as amended by Companies Law no. 441/2006, over an unlimited operating period, registered at the Register of Commerce Office under no. J40/15700/15.09.2008, Sole Registration Code 24467322, with registered office in Bucuresti, sector 1, Soseaua Bucuresti-Ploiesti, nr. 7A, Etaj 6 biroul 1, phone: 021 3617821; fax: 021 3617822; e-mail contact@atlas-am.ro, website www.atlas-am.ro.

The Management Company was authorised by the FSA as (i) investment management company by Decision no. 607/14.04.2009 and registered in the FSA Public Register for Investment management companies under the no. PJRO5SAIR/400030 and as (ii) administrator of alternative investment funds by Decision no. 44/15.02.2018 and registered in the FSA Public Register for AIFs under no. PJR07.1AFIAA/400006.

S.A.I. Atlas Asset Management S.A. does not perform the management of individual investment portfolios.

As of the last update of the Issue Prospectus, S.A.I ATLAS ASSET MANAGEMENT S.A. does not have secondary places of business.

S.A.I ATLAS ASSET MANAGEMENT S.A. manages the following investment funds:

- **Audas Piscator Open End Investment Fund**, registered in the FSA Register under no. CSC06FDIR/400060;
- **Piscator Equity Plus Open End Investment Fund**, registered in the FSA Register under no. CSC06FDIR/400071;
- **Monolith Open End Investment Fund**, registered in the FSA Register under no. CSC06FDIR/400077;
- **Hermes Alternative Investment Fund**, registered in the FSA Register under no. CSC08FIIR/400023;
- **Herald Alternative Investment Fund**, registered in the FSA Register under no. CSC08FIIR/400025;
- **DCP Investitii Alternative Investment Fund**, registered in the FSA Register under no. CSC08FIIR/400030;
- **Alchemist Alternative Investment Fund**, registered in the FSA Register under no. CSC08FIIR/400039;
- **Michelangelo Alternative Investment Fund**, registered in the FSA Register under no. CSC08FIIR/400041;

1.2. The subscribed and paid in share capital of the Management Company is RON 910,000.

1.3. The Board of Directors of S.A.I. ATLAS ASSET MANAGEMENT S.A. is formed of the following members:

- 1. Mr. Liviu Stefan Arnautu** – President of the Board of Directors;
- 2. Mr. Dragos Balaci** – Member of the Board of Directors;
- 3. Mr. Petre Terzi** – Member of the Board of Directors.

1.4. The management of S.A.I. ATLAS ASSET MANAGEMENT S.A. is the following:

Mr. Dragos Balaci – General Manager;

Mr. George Nistor – Deputy General Manager.

In case one of the managers is absent, his duties are taken over by Mr. Arnautu Liviu Stefan, President of the Board of Directors, shareholder.

1.5. Professional experience and detailed activities of the members of the Board of Directors and Managers:

Mr. Liviu-Stefan Arnautu - President of the Board of Directors – experience of more than 14 years in the financial market; graduate of “Universitatea Romano-Americana”, Banking and Commercial Relations Department. Mr. Arnautu also holds a diploma in “Credit Risk Management” issued by the Romanian Banking Institute;



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Mr. Dragos Balaci – General Manager – experience of more than 11 years in the financial market; graduate of the Academy of Economic Studies, Faculty of International Economic Relations. Mr. Balaci also holds a Master’s Degree in "Intra-European Trades" issued by the Academy of Economic Studies Bucharest;

Mr. Petre Terzi – Member of the Board of Directors – experience of more than 20 years in the financial market; Mr. Terzi was vice-president and founder of Eximbank between 1991-1996 and member of Eximbank Board of Directors during 1991-2001; Mr. Terzi was also vice-president of CEC and member of the Board of Directors of the Credit Bureau during 2001 -2005;

Mr. George Nistor – Deputy General Manager – has an experience of more than 20 years on the capital market. During 2009 – 2018 he worked for SSIF IEBA Trust in leadership positions, General Manager and Member of the Board of Directors. Prior to that he worked 11 years for ING Bank as Manager of the Capital Market Trading Department. He has a solid experience in capital market investments, share trading, mergers and acquisitions.

CHAPTER 2. INFORMATION REGARDING THE DEPOSITARY

2.1. Identification data of the Depositary:

The Depositary of Hermes Alternative Investment Fund is **BRD - Groupe Societe Generale S.A.**, hereinafter referred to as the “Depositary”, with registered office in Bucharest, Bdul. Ion Mihalache nr. 1-7, 1st district, registered at the Register of Commerce under no. J40/608/1991, sole registration code 361579, registered in the FSA special register under no. PJR10DEPR/400007, phone 021 301.61.00, fax 021 301.68.43, website www.brd.ro.

The branch where the deposit activity is performed is located at Str. Biharia nr. 67-77, cladirea Metav, Corp A2, etaj 2, sector 1, Bucuresti.

The Depositary carries out banking activities, as defined in the Banking Law no. 58/1998, as subsequently amended and supplemented.

The Depositary gives into custody the securities traded on external markets to the following sub-custodians:

- Euroclear Bank S.A./N.V., address B Boulevard du Roi Albert II, B-1210 Brussels – Belgium, phone: +32 (0)2 326 2812, Web: <https://www.euroclear.com/en.html>
- Societe Generale, Spółka Akcyjna Oddział w Polsce, ul. adresa Marszałkowska 111, 00-102 WARSZAWA – Poland, phone: +48 22 528 40 00, Fax: +48 22 528 4444, Web: www.sgcib.pl;
- Societe Generale, 29 Boulevard Haussmann 75009 Paris – France, phone: +33 1 42 14 20 00 Web: <https://www.securities-services.societegenerale.com/en/>;

The Bank’s obligations shall not be impacted by the fact that it granted into custody to a third party (sub-custodian) the assets it keeps.

No conflicts of interest were identified following the delegation of the Depositary’s activity to other third parties (sub-custodian).

CHAPTER 3. INFORMATION REGARDING THE FUND

3.1. Fund’s identity

The fund’s name is Hermes Alternative Investment Fund, hereinafter referred to as the "**Fund**".

The **Fund** was formed based on the company agreement concluded on 27.04.2011 as closed end investment fund falling under NON-UCITS category, having a diversified investment policy aimed to publicly raise capital. Hermes Alternative Investment Fund is registered with the National Securities Commission (NSC) as per **Authorisation no. 16 of 05.05.2011**.



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The Fund operates based on the principle of raising capital from investors, Romanian or foreign natural or legal persons, for the purpose of jointly investing the said capital so as to minimise unit costs generated by the high volume of assets under management.

The Fund is registered in the FSA Register under number **CSC08FIIR/400023** of **05.05.2011** and has an operating period of **180** months. During the **Fund's** operating period, the Investment Management Company may decide to redeem all the fund units outstanding, in case the **investors redeem more than 70% of the Fund's units**. After payment of all fund units, the Investment Management Company shall request the deletion of the Fund from the FSA Register.

The term of the initial issue of fund units was of 7 days starting on the **Fund's** registration date with the NSC (FSA).

The **Fund** was formed upon the initiative of S.A.I. ATLAS ASSET MANAGEMENT S.A., as a private company, without legal status, according to the provisions of the Civil Code applicable to undertakings for collective investment.

The **Fund** carries out its business according to the provisions of GEO 32/2012, Law 297/2004, Regulation 15/2004, Regulation 9/2014, as well as according to the provisions of the Civil Code on private civil companies.

The investors become part of the company agreement by signing the subscription form containing the statement by which they confirm that they received, read and understood the provisions of the Issue Prospectus.

3.2 Fund's objective

The **Fund** addresses natural and legal persons that aim to obtain superior returns and are willing to assume a high investment risk.

The Fund's objective is to obtain such superior returns by applying an active investment policy mainly targeting Romanian financial markets and especially the regulated securities market.

The Fund shall actively invest in a wide range of securities, including derivatives.

Hermes Alternative Investment Fund is a fund with a diversified investment policy with high risk. The **Fund's** assets shall be allocated depending on the forecasted evolution of financial markets and shall comply with the Fund's investment policy and investment limits.

Considering the nature of the investments to be made by the **Fund**, the investors are recommended to invest capital over a period of minimum 60 months. Nevertheless, the fund units may be redeemed out of the **Fund's** assets on the 15th day and the last day of each month. In case the dates set for redemption are non-business days, the fund units shall be offered for redemption on the immediately following business day at the fund unit value of that respective business day.

3.3. Investment policy

The **Fund's** investment strategy shall aim to efficiently invest in securities while observing the investment limits and the investment policy set in the present Issue Prospectus, according to the provisions of GEO 32/2012, Law no. 297/2004, Regulation no. 15/2004 and Regulation no. 9/2014. The securities portfolio shall be mainly formed starting from the predicted macroeconomic environment and the specifics of each issuer. A fundamental analysis and a technical analysis shall be considered. The forecasted macroeconomic environment shall also have a major importance with respect to transactions to be carried out on currency markets.

The **Fund** shall not invest in real estate assets.



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The **Fund** shall not invest in securities such as total return swap, for the purpose of the provisions of EU Regulation no. 2365/2015 on transparency of securities financing transactions and on the reuse of assets.

The **Fund** does not invest directly or indirectly (including by investments in securities issued by undertakings for collective investments that meet the cumulative conditions included at art. 82 letter d) of GEO no. 32/2012) in money market instruments such as commercial papers which are not dealt in on a regulated market or where no composite price model exists.

3.3.1 Main securities in which the Fund shall invest:

The investments of Hermes Alternative Investment Fund shall be made in the asset classes set forth in art. 82 par. (1) of GEO no. 32/2012, as well as in:

- a) securities not accepted to trading on a regulated market;
- b) foreign currency, purchased on the domestic market, freely convertible, according to NBR criteria;

Main derivatives that are to be used:

1. Contracts for difference – CFDs, based on financial indices, shares accepted to trading on regulated markets, interest rates, foreign exchange;
2. Interest rate swaps and foreign currency swaps;
3. Foreign currency forward contracts;
4. Options on financial indices, shares accepted to trading on regulated markets, interest rates, foreign exchange;
5. Futures contracts based on financial indices, shares accepted to trading on regulated markets, interest rates, foreign exchange;

The derivatives used, including those involving the final settlement of cash, traded on a regulated market for the purpose of letters a) and b) of GEO 32/2012 art. 82, and/or derivatives, negotiated outside regulated markets, provided that they cumulatively meet the following conditions:

1. the underlying asset consists of the instruments set forth in art. 82 of GEO 32/2012, financial indices, interest rate and exchange rate, in which the Fund may invest according to its investment objectives;
2. the counterparties to the negotiation carried out outside regulated markets are entities subject to prudential supervision, falling under the categories approved by the FSA;
3. the derivatives negotiated outside regulated market are subject to a daily and verifiable valuation and can be, upon the Fund's initiative, sold, liquidated or closed at any time, at their fair value, by a reverse transaction.

3.3.2 Limits of investment policy

The investments made by the **Fund** shall observe the provisions of Law 297/2004 and the FSA regulations for the enforcement thereof, as follows:

- (1) The **Fund** may not hold more than 20% of its assets in securities and money market instruments not accepted to trading;
- (2) The Fund may not hold more than 10% of its assets in securities and/or money market instruments issued by the same issuer, as set forth in art. 82 letters a) and b) of GEO 32/2012. The 10% limit may be increased up to maximum 40% provided that the total value of securities and money market instruments held by the Fund at each of the issuers where it holds more than 10% does not exceed in any circumstance 80% of the value of its assets. This limit does not apply to deposits and transactions with derivatives negotiated outside regulated markets concluded with financial institutions subject to prudential supervision;



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(3) The Fund may not hold more than 50% of its assets in securities issued by entities in the same group, and in case of the Management Company's group this limit is 40%;

(4) The exposure to counterparty risk in a transaction with derivatives negotiated outside regulated markets may not exceed 20% of the Fund's assets, irrespective of the transaction counterparty;

(5) The value of the current accounts and cash shall be of maximum 10% of the Fund's assets. This limit may be exceeded up to a maximum of 30% provided that the respective amounts result from securities issue, matured investments or the sale of securities in the portfolio and that the limit is exceeded for not more than 30 days.

(6) By exception from the provisions of paragraph (5), the 30% limit may be exceeded up to a maximum of 60% provided that the following conditions are cumulatively met:

- a) the amounts result from the establishment activity, major investments in the Fund's units or major divestments of securities in the portfolio;
- b) the amounts in excess of 30% are placed with the depositary;
- c) the 30% limit is not exceeded for more than 30 days.

(7) The **Fund** may not pledge and hold bank deposits accounting for more than 30% of its assets with the same bank;

(8) Global exposure to derivatives shall not exceed the total value of the Fund's net asset.

(9) The Fund shall invest, according to legal provisions, maximum 10% of its assets in securities of UCITS or Non-UCITS that meet the terms set forth in art. 82 par. D) of GEO 32/2012.

The categories of securities considered for investment and the indicative limits to be applied in building up the portfolio are:

- a) **maximum 70% of the assets in treasury bills accepted to trading** on a regulated market or other trading systems or REPO agreements based on such assets;
- b) **maximum 50% of the assets in municipal and corporate bonds**, irrespective of their maturity and ranking;
- c) **maximum 90% of the assets in shares:** 1) accepted to trading on a regulated market in Romania or a member state; 2) traded on other alternative trading systems in Romania; 3) accepted to the official listing of a stock exchange in a third country or negotiated on another regulated market of a third country which operates regularly and is recognized and open to the public, provided that the choice of stock exchange or regulated market has been approved by the FSA;
- d) **maximum 100% of the assets in short and medium term bank deposits;**
- e) global exposure in relation to derivatives shall be of maximum 100% of the net asset.

The **Fund's** assets allocated according to the investment limits mentioned above shall be carried out depending on financial market conditions, with a preference for securities traded on regulated markets. Furthermore, the Fund shall also invest in derivatives having as underlying asset the exchange rate and/or financial indices/securities traded on regulated markets. Such an allocation makes **Hermes** Alternative Investment Fund a fund with a diversified investment policy as defined in Regulation no. 15/2004 art. 185 letter d).

3.3.3 Technical instruments that may be used to manage the portfolio

The investments in alternative investment funds entail specific advantages (professional management, diversification, liquidity, etc.), but also the risk of failing to meet the objectives, including the decrease of the net asset unit value. The fund units' return depends both on the Fund's investment policy and the evolution of the market and portfolio assets, and the potential return of an investment is usually prorated to its risk level.



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The liquidity and capital collected by the **Fund** shall be mainly invested in securities selected by the Management Company. Such securities shall be subject to the evolution and events on the financial markets.

The **Fund** shall be exposed to the following risks:

Share risk: variation of the shares may have an adverse impact on the fund unit value.

Market risk: risk of loss arising from adverse changes to market factors, leading to a lower value of the assets held by the Fund (the 3 standard market factors are interest rates, foreign exchange rates and share prices)

Interest rate risk: risk of lower market value for interest rate sensitive positions, due to interest rate fluctuations.

Currency risk: risk of loss in value for assets and liabilities denominated in a different currency, as a result of fluctuating exchange rate. This risk occurs when the assets or liabilities denominated in the respective currency are not hedged.

Price risk: risk that the price of a security decreases/increases following the evolution of certain factors that impact on the entire market.

This risk includes changes in the value of the assets, changes in direct or indirect prices (financial ratios, spreads or correlations) as well as the effects of the changes to the volatility and liquidity of such factors.

Management risk: management is based on forecasting the evolution of different markets (shares, bonds, money market, derivatives). There is the risk that such forecasts prove wrong in certain cases so that the **Fund's** investments may not be successful at any time on the best performing markets.

Liquidity risk: risk that a security/position held cannot be sold in a short period of time without a significant impact on its price (there is no demand for that security unless significant price discounts are granted).

Credit risk: is the risk of loss following an adverse change in the creditworthiness of the counterparty or the issuer of the respective security. Credit risk occurs in connection to any kind of receivables and consists in the risk that debtors are not able to meet their obligations (in time or in full) due to bankruptcy or other similar reasons.

Counterparty risk: considers the negative consequences resulted from the failure to pay an obligation, bankruptcy or credit rating downgrade for a counterparty. Counterparty risk includes all the transactions and products generating exposures and does not refer only to lending activities.

Concentration risk: risk of loss from (i) uneven distribution of exposures to counterparties, (ii) contagious effects between debtors or (iii) sector concentration (per industries, geographical areas etc.).

Settlement risk: risk that a counterparty fails to meet its obligation to deliver the securities or to make the related payment according to the terms of the transaction carried out, after the counterparty met its obligation to deliver the cash/securities as agreed.

Operational risk: is defined as the risk of registering losses or failing to obtain the estimated profits, determined by the inconsistent performance of internal processes, the existence of inappropriate personnel or IT systems or by external factors (economic conditions, changes in the investment environment, technological progress etc.). Legal risk is a part of the operational risk, following the failure to apply or the faulty application of the legal or contractual provisions and that have an adverse impact on the operations.

Reputational risk: is the risk of registering losses or failing to obtain the estimated profits following public's and other third parties' lack of trust (clients, shareholders, creditors, employees etc.) in the integrity of the company. The loss of reputation may have an adverse impact (direct or indirect) on the company's value. For example, it may impact on the



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company's capacity to initiate new services and business relations, could lead to the decrease of the client base, legal actions or other financial losses.

The **Fund** may use techniques and instruments in relation to securities according to the terms and conditions set, provided that the respective techniques and instruments are used for an efficient and prudential management of its portfolio.

The **Fund** may also use techniques and instruments for protection against foreign exchange risk and portfolio risk in relation to asset management. Such instruments may be, without being limited to, forward contracts, options, swaps, futures, etc. with different underlying assets, and the investments in such instruments shall be made with the precise aim to hedge the risk and prudently manage the portfolio.

3.3.4 Securities financing according to EU Regulation no. 2365/2016

The **Fund** may use techniques and instruments in relation to securities and money market instruments according to the terms and conditions set forth in GEO no. 32/2012, as subsequently amended and supplemented, FSA Regulation no. 9/2014, as subsequently amended and supplemented and Esma Guide/2012/832, provided that the respective techniques and instruments are used for an efficient and prudential management of its portfolio. When such operations involve the use of derivatives, the terms and limits shall abide by the provisions of GEO no. 32/2012, as subsequently amended and supplemented.

The fundamental and static analysis, the analysis of market ratios, macroeconomic conditions, are some of the instruments/techniques to be used for the prudential and efficient management of the **Fund's** portfolio.

The purpose of the techniques and instruments in relation to securities and money market instruments used to efficiently manage the portfolio is to reduce the risks, costs, as well as to generate additional capital or gains according to the Fund's risk level and the risk diversification norms set forth in GEO 32/2012, as subsequently amended and supplemented.

The **Fund** may use techniques and instruments for protection against foreign exchange risk and portfolio risk in relation to asset management. Such instruments may be, without being limited to, forward contracts, options, swaps, futures, etc. with different underlying assets, and the investments in such instruments shall be made with the precise aim to hedge the risk and prudently manage the portfolio while observing the investment limits and the investment policy set forth in this Issue Prospectus.

The techniques and instruments in relation to securities and money market instruments used to manage the portfolio shall not trigger a default on the investment objectives included in the **Fund's** formation documents and shall not add substantial additional risks versus the agreed risk policy.

The direct and indirect operating costs/fees for using efficient portfolio management techniques are included in the management fee mentioned in this Issue Prospectus and do not include hidden gains.

The **Fund** may engage in the following securities financing transactions set forth in EU Regulation no. 2.365/2015:

- (a) repos and reverse repos:** transaction subject to an agreement whereby a counterparty transfers securities with the commitment to repurchase the same at a specified price on a set future date; these shall constitute a repo agreement when the Fund sells the securities and a reverse repo agreement when the Fund purchases the securities;
- (b) buy-sell back transactions or sell-buy back transactions:** a transaction whereby the Fund purchases or sells securities and agrees to sell or buy back the same at a specified price on a set future date; this transaction shall



constitute for the Fund a buy-sell back transaction when it makes the purchase and a sell-buy back transaction when it sells;

(c) securities lending: a transaction whereby the Fund transfers securities subject to an arrangement whereby the borrower shall return the securities on a future date or upon the lender's request. The Fund may enter into securities lending and may post collaterals in relation thereto subject to the provisions included in the regulations in force.

The securities lending arrangement is concluded by the Company on behalf of the **Fund** with an intermediary authorised in a member state or a credit institution authorised in a member state. The **Fund** shall use as counterparties for securities financing only intermediaries authorised in a member state or credit institutions with registered office in a member state and having an investment grade rating from at least one of Standard & Poor's, Moody's or FitchRatings rating agencies.

The revenues obtained by the **Fund** from the lending operation shall be registered in stages in the **Fund's** assets by daily recording the revenue for the period lapsed from the lending date, within "Other assets" under a distinct position "Revenues obtained from securities lending".

Eligible counterparties for securities lending shall be selected based on criteria that include, without limitation: legal status, country of origin, minimum credit rating. The **Fund** shall enter into securities lending so as to seize the market opportunities in order to obtain financial benefits.

The risks related to securities lending shall be considered accordingly in the risk management system.

The securities subject to lending shall be limited to shares, bonds or money market instruments issued or guaranteed by a member state or a third country, local public authorities of a member state or international public bodies where one or more member states act as members. The maximum share of assets that may be subject to securities financing operations, as % of the **Fund's** total assets, is:

- (1) Repos and sell-buy back transactions 70%
- (2) Reverse repo and buy-sell back transactions 70%
- (3) Securities lending 70%

Policies regarding the management of collaterals received under securities lending operations

In relation to securities lending operations, the **Fund** shall accept collateral in the form of bonds (issued or guaranteed by a member state or a third country, local public authorities of a member state or international public bodies where one or more member states act as members), liquid shares included in the composition of certain stock exchange indices or cash. The securities received as collateral are valued according to the **Fund's** assets valuation rules set forth in this Issue Prospectus.

In case of securities lending, the value of the collateral is set according to the Company's own risk management procedures and accounts at any time for **minimum 100% of the value of the securities subject to lending**.

The collateral agreement is concluded without ownership transfer, according to the legal provisions on financial collateral agreements.

All the collaterals received by the **Fund** for the purpose of securities financing transactions, in order to mitigate counterparty risk, shall meet at all times the following criteria:

(a) Liquidity – any collateral other than cash must be highly liquid and be traded on a regulated market, alternative trading system with transparent prices to allow quick selling for a price that is similar to the value prior to the sale or be traded through the credit institutions authorised by the National Bank of Romania.



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- (b) Valuation** - collaterals received must be valued at least on a daily basis, and the assets the price of which is highly volatile should not be accepted as collateral unless adequate conservative haircuts are set;
- (c) Issuer credit rating** – collaterals received should be posted by an issuer with good credit rating;
- (d) Matching** – the collateral received by the Fund must be issued by an entity that is independent from the counterparty the performance of which is unlikely to match the performance of the counterparty;
- (e) Collateral diversification** (asset concentration) – the collateral should be sufficiently diversified in terms of countries, markets and issuers. The diversification criterion with respect to issuer's concentration is considered to be observed if the **Fund** receives from a counterparty in securities financing and OTC derivatives transactions a set of collaterals with a maximum exposure to a specific issuer of 20% of the **Fund's** net asset value. When the **Fund** is exposed to different counterparties, the various sets of collaterals must be aggregated to determine the 20% exposure to a single issuer.
- (f) Collaterals other than cash may not be sold, reinvested or pledged;**
- (g) Cash collaterals must be:**
- (i) deposited with credit institutions of member states;
 - (ii) invested in government bonds with good credit ratings;
 - (iii) used for the purpose of reverse repo, provided that transactions involve credit institutions that are subject to prudential supervision, and the **Fund** may withdraw the entire accrued cash amount at any time;
 - (iv) invested in short term money market funds, as defined in EU Regulation no. 1131/2017.
- (h) The assets subject to securities financing operations and the collaterals received shall be kept by the **Fund's** depositary and custodian.**

For the purpose of an adequate risk management:

- (1)** eligible counterparties in securities financing are reviewed by the Investments and Risk Management Department;
- (2)** securities received as collateral must have good credit ratings and meet the liquidity and diversification criteria;
- (3)** to set the haircuts, the following shall be considered, without any limitation: issuer type and credit rating, time to maturity, etc.

Both the shares and bonds accepted as collateral and the securities purchased following the investment of cash collateral are subject to the risk categories set forth in this Issue Prospectus. The **Fund** should be able to enforce the collaterals received at any time, without referring to the counterparty or without the latter's approval. The expenses associated with securities financing shall be borne by the **Fund** and all the revenues resulted from the same shall be **Fund's** revenues.

3.3.5. Persons responsible for assessing the investment opportunities

The Board of Directors is responsible for the elaboration of the **Fund's** general investment policy. The analysis department of the Management Company analyses the investment opportunities and the Company's Managers are responsible for the implementation of the investment policy approved by the Board of Directors and making the investment decisions.

CHAPTER 4. OPERATING PROCEDURES

4.1 Fund unit

Fund units represent a capital holding in the **Fund's** net assets and acquiring them is the only way to invest in the **Fund**. The value of a fund unit changes during the Fund's period of existence. The number of fund units is subject to permanent variations resulting both from the regular issuing, as well as from the regular exercise of the right to redeem the fund units issued in the past and outstanding.



Issue Prospectus of HERMES Alternative Investment Fund

The units issued by the **Fund** have the following features:

- Are issued in dematerialised form, of a single type, being registered in the investor's account and expressed in RON;
- Are not traded on a regulated market or an alternative trading system;
- Are fully paid up at the time of subscription, giving the holders equal rights and obligations;
- Fund units may be redeemed out of the Fund's assets on the 15th day and the last day of each month. In case the dates set for redemption are non-business days, the fund units shall be offered for redemption on the immediately following business day at the fund unit value of that respective business day.
- The nominal value of a fund unit is RON 50,000;
- Initial minimum investment in the fund is 2 fund units.

Fractions of units shall be rounded up to 4 digits. The value of a fund unit shall be rounded to 4 digits.

4.2. Information regarding the issue and redemption of fund units

Natural or legal persons interested to become investors in Hermes Alternative Investment Fund must be aware of the content of the Issue Prospectus and pay the value of the fund units. Investors may subscribe a whole or a fraction of fund units, and the first subscription shall be of minimum one fund unit.

The issue price of a fund unit is the purchase price paid by the investor and is formed of the unit value of the net asset calculated by S.A.I. ATLAS ASSET MANAGEMENT S.A. and certified by the Depositary, based on the assets as of the day when the **Fund's** account was credited with the subscription amount, plus the subscription fee. In case the collector account is credited before the dates set for subscriptions, the subscribed amounts shall be kept in the collector account until the date set for the next subscription, and the purchase price is the one calculated based on the assets existing on the date set for the next subscription. The issue price is calculated in RON.

For the first subscription, investors must make available to the Management Company the following documents: for Romanian natural persons – identity card; for foreign natural persons: passport or identity card for foreign citizen of a EU member state; for legal persons - articles of association/company agreement and bylaws, certificate of status issued by the Register of Commerce National Office (for commercial companies) or by similar authorities in the origin country and equivalent documents for other types of legal persons or entities without legal status, certifying the information regarding client identification and documents for the legal person's representative.

In case of natural persons, the subscription of fund units shall be made by investment holders or their representatives by presenting a notarised power of attorney at the registered office of the Management Company.

In case of legal persons, the subscription of fund units shall be made by the legal representative/representatives or the persons empowered by them to carry out operations in connection to the **Fund**.

The subscription form must be filled in and submitted in original by the investor/representative at the registered office of the Management Company.

The payment of the subscribed fund units may be made only in RON, by bank transfer to the **Fund's** account. In case a person who intends to become investor in the **Fund** deposits an amount less than the value of one fund unit, the Management Company shall take the necessary measures to return it to the investor. In case the Management Company may not return the respective amount, it shall be kept at the investor's disposal in a Fund's account and shall be returned upon the investor's request.



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A person that purchased fund units becomes an investor in the **Fund** on the day when the fund units are issued. The fund units are issued on the business day immediately following the one when the Fund's account was credited with the subscription amounts.

The number of **Fund** units purchased by the investor is set as the ratio between the amount paid and the issue price.

Fund units are allocated based on the 'first come first served' principle. In case the number of fund units subscribed exceeds the maximum number of units issued under the respective issue (initial or subsequent), the amount corresponding to oversubscribed fund units is returned to the investors in reverse order of subscriptions.

4.2.1 Initial issue of fund units

The term of the initial issue of fund units was 7 days starting on the **Fund's registration date with the NSC (FSA)**. The maximum number of fund units subject to the initial issue was **100**.

4.2. 2 Subsequent issues of fund units

On a monthly basis, on the 15th and the last day of each month, maximum 30,000 (thirty thousand) fund units shall be offered for subscription. In case the dates set for subsequent issues are non-business days, the fund units shall be offered for subscription on the immediately following business day at the fund unit value of that respective business day.

For subsequent issues of fund units the elaboration of new and updated Issue Prospectus, having the content set forth in capital market regulations, which shall be notified to the FSA prior to the initiation of the offering for subscription, in case there are changes versus the content of the prospectus elaborated before.

4.3 Procedure for redeeming and paying the fund units

The **Fund's** investors have the right to redeem fund units in full or in part on the 15th day and the last day of each month. In case the dates set for redemption are non-business days, fund units shall be offered for redemption on the immediately following business day at the fund unit value of that respective business day.

Redemption takes place by signing and submitting to the **Fund's** Management Company the redemption form containing the number of fund units requested or the value to be redeemed. Redemption forms are irrevocable.

Redeeming a certain number of fund units held by an investor in the Fund shall not lead to the loss of the investor quality as long as it still holds one fund unit. In case that, following a redemption request, the investor would be left with less than a fund unit, it is mandatory to redeem the residual fraction at the same time.

The redemption price is the price due to the investor on the date when the redemption request is registered and is formed of the unit value of the net asset calculated by the Investment Management Company and certified by the Depositary, based on the assets as of the date when the redemption request was registered. Any other legal fees and banking fees shall be deducted from the redeemed amount, according to the issue prospectus. The redemption price is calculated in RON.

The payment of the redemption amounts shall be made only in RON, by transfer to the holder's account.

In case of inconsistencies in the data sent by the investor regarding the transfer of amounts, the additional fees for the operations carried out in excess shall be fully recovered from the latter.

The maximum period for paying the redemption price is 15 days from the registration of the redemption request.



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In case of death of the holder, unless a representative is appointed, the redemption may be requested only based on inheritance documents.

Fund units are cancelled on the business day immediately following the date when the redemption request was registered. The redemption and cancellation of units are made considering the 'first in first out' principle (FIFO).

The investment management company may decide to redeem all the fund units outstanding in case investors redeem more than 70% of total fund units. The investment management company shall notify the investors and the FSA regarding the full redemption of fund units at least 15 prior to the date when all the fund units outstanding shall be redeemed. The redemption price shall be determined based on the assets as of the notified redemption date, calculated according to the present issue prospectus, and the payment shall be made within 15 business days by transfer to the investor's account specified in the subscription form.

4.4 Circumstances in which the issue and redemption may be suspended by the FSA or the Company

The Company may temporarily suspend the issue and redemption of fund units in the following circumstances:

1. In case the value of the redemption requests submitted on a redemption day exceeds 15% of the value of **Fund's** assets, the Company may decide to pay them out up to 15% of the **Fund's** assets; the redemption requests shall be registered using the FIFO method. The Company shall publish on the website www.atlas-am.ro an announcement regarding the suspension of operations, as well as the suspension period, which may not exceed 30 business days;
2. In case the value of the redemption requests submitted during two consecutive redemption periods exceeds 50% of the value of **Fund's** assets, the Company reserves the right to suspend the operations for the next 2 redemption periods;
3. In exceptional cases (for example temporary suspension of transactions on a regulated market, political, economic, military events etc., that may hinder the correct valuation of the Fund's assets) and for the sole purpose of protecting the investors' interest, the Management Company may temporarily suspend or limit the issue and redemption of fund units, in compliance with this Issue Prospectus and the FSA regulations. In such cases, SAI Atlas Asset Management SA, as Fund Manager, must notify its decision and the reasons for suspension to the FSA without delay. The decision shall also be notified to the investors by publishing an information note.

In the less likely case of applying such measures, the effective application terms shall be notified in advance to the FSA and the investors, along with the related reasons.

On Saturdays and Sundays, legal holidays and other days that are non-working days according to the law, no operations shall be performed at the Company's registered office.

Also, the subscription/redemption operations may be suspended based on a decision made by the management of the Management Company, and the suspension reasons and the investor information note shall be notified to the FSA in advance.

The FSA may suspend the issue and redemption of fund units in the following circumstances:

1. For the protection of the public and investors interest, FSA may decide to temporarily suspend or limit the issue and/or redemption of fund units. The suspension document shall specify the suspension terms and reason. The suspension may be extended beyond the initially set period in case the reasons for suspension continue to exist.
2. In case the Fund merges with another investment fund, until the completion of the merger process.



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3. Following a notice sent to the Depositary on the Management Company's failure to provide the information and/or documents requested by the Depositary so as to assess the lawfulness of the operations to release the **Fund's** assets, case in which the suspension may be decided for maximum two business days.
4. In case of transferring the assets to another depositary, during the period of making the transfer of the assets held for the **Fund**, the issue and redemption of fund units shall be suspended. The transfer period may not exceed 30 days from the authorisation date of the new depositary.
5. In case the Management Company shall be replaced by another management company, the FSA may suspend the issue and redemption of fund units in order to transfer the **Fund's** management.

CHAPTER 5. DISTRIBUTION OF FUND UNITS

The subscription and redemption of the **Fund's** units are carried out at the registered office of the Management Company S.A.I. ATLAS ASSET MANAGEMENT S.A. of Romania, Bucharest, sector 1, Soseaua Bucuresti-Ploiesti, nr. 7A, Etaj 6 biroul 1.

CHAPTER 6. PROTECTION OF INDIVIDUALS REGARDING PERSONAL DATA PROCESSING

The personal data of investors are processed by SAI Atlas Asset Management SA in compliance with the General Data Protection Regulation.

By accepting the present Issue Prospectus, the investor declares that it has been informed on the existence of mandatory personal data protection information published at the following address <https://www.atlas-am.ro/legislatie/politica-de-confidentialitate-privind-datele-personale-4>.

CHAPTER 7. METHODS FOR THE DETERMINATION OF NET ASSET VALUE:

The Fund's net asset value per share shall be calculated twice a month, for the last day and for the 15 day of the month respectively; in case the dates set are non-business days, it shall be calculated for the following business day. The calculation is made by the Management Company and certified by the Depositary, according to the provisions of Law 297/2004 as subsequently amended and supplemented, and Regulation 15/2004, as follows:

Net asset value per share = Net asset value / Total number of fund units

The net asset value of the alternative investment fund is calculated by subtracting the obligations out of the total value of the assets:

Net asset value = Total value of the assets – Value of obligations

The total value of the Fund's assets shall be calculated twice a month, for the last day and for the 15th day of the month respectively, by adding up the value of all the assets valued according to FSA regulations. In case the dates set are non-business days, the total value of the assets shall be calculated for the following business day.

The rounding principle considered in the calculation of fractions of fund units and the net asset value per share shall be the rounding to the nearest integer.

In case of subscription operations, the allocated number of fund units is obtained by dividing the subscribed amount to the subscription price and is rounded to four digits.



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In case of redemption operations, the amount resulted by multiplying the net asset value per share by the number of redeemed fund units shall be rounded to two digits. In case a fix amount is redeemed, the number of fund units cancelled is calculated by dividing the respective amount to the redemption price and is rounded to four digits.

The total value of the assets, the net asset value, the issue price and the redemption price shall be expressed in RON in compliance with the foreign exchange regulations issued by the NBR, as well as the provisions of other related regulations issued by the FSA and/or NBR.

In case certain asset elements are denominated in other currencies, for the conversion in RON the exchange rate posted by NBR shall be used, valid on the day for which the calculation is made. For the asset elements denominated in currencies for which the NBR does not post an exchange rate, the reference rate of the respective currency versus EUR shall be used, as posted by the central bank of the country in whose currency the asset is denominated and the EUR/RON exchange rate posted by the NBR for the day for which the calculation is made.

The foreign currency rates, the exchange rates and the total value of each financial instrument in the Fund's asset shall be rounded to 4 digits.

The assets shall be evaluated based on the following rules:

a) Shares:

1) Shares accepted to trading and traded in the last 30 trading days (business days) on a regulated market in Romania, another member state or accepted to the official listing of a stock exchange of a third country shall be evaluated at the closing price of the market section considered main market for the day for which the calculation is made. When accepted to trading on several regulated markets, traded in the last 30 trading days (business days), both in Romania and another member state, the shares shall be evaluated at the closing price of the market section considered main market. In case the securities are also accepted on regulated markets of a third country, the price of the market with the highest liquidity and trading frequency shall be considered. In case of securities accepted to trading exclusively on several stock exchanges of third countries, these shall be evaluated at the closing price of the stock exchange having the highest liquidity and trading frequency for that security, determined based on the volume and number of transactions registered in the last 365 days, valid on the day for which the calculation is made. The calculation is made on a yearly basis, at the beginning of each calendar year.

2) Shares accepted to trading and traded in the last 30 trading days (business days) on other trading systems than regulated markets, including alternative trading systems in Romania, another member state or third country, shall be evaluated at the reference price on the day for which the calculation is made, provided by the operator of the respective trading system for each segment of the respective system. The price used as reference price is calculated based on the trading activity on the day for which the asset is calculated, used as reference in the opening of the next day trading session. When traded on several trading systems other than regulated markets, of a member state, including alternative trading systems in Romania, **traded in the last 30 trading days (business days)**, the shares shall be evaluated at the reference price provided in the alternative systems having the highest liquidity and trading frequency for that security, determined based on the volume and number of transactions registered in the previous calendar year. In case the securities are also accepted on alternative trading systems of a third country, the price of the market with the highest liquidity and trading frequency shall be considered. In case of securities accepted to trading exclusively on several alternative trading systems of third countries, these shall be evaluated at the reference price provided in the alternative systems having the highest liquidity and trading frequency for that security, determined based on the volume and number of transactions registered in the last 365 days, valid on the day for which the calculation is made. The calculation is made on a yearly basis, at the beginning of each calendar year.



3) Shares accepted to trading on a regulated market or other systems than regulated markets, of a member state, including an alternative trading system in Romania or another member state, as well as the ones accepted to the official listing of a stock exchange or an alternative trading system of a third country, but not traded in the last 30 trading days (business days) shall be evaluated in the asset starting on the 31st non-trading day at the book value per share, as resulted from the latest approved yearly financial statements of the respective entity. In case of share capital increase/decrease operations (by increasing/decreasing the number of outstanding shares) of certain companies, registered with the National Office of the Register of Commerce (in case of a company not accepted to trading in a trading place) or which are registered in a central depository's system (for issuers) during the same financial year and for which the new number of outstanding shares is not accurately reflected in the latest approved yearly financial statements, for the purpose of determining the book value mentioned above, the information provided by the company/issuer shall be used, based on justifying documents (registration certificate issued by the National Office of the Register of Commerce or monthly trial balance – in case of unlisted companies – or securities registration certificate, hereinafter referred to as SRC, issued by the FSA – in case of issuers, as well as, to the extent available, a report prepared by an independent auditor certifying the new value of the company's equity); in case of credit institutions, the book value per share may have as basis for calculation the equity included in the monthly reports sent to NBR, if available.

4) Shares not accepted to trading on a regulated market or other trading systems than regulated markets, including alternative trading systems in Romania, a member state or third country shall be evaluated by applying valuation methods according to international valuation standards (where fair value principle is used), approved by the management of the Management Company.

Shares suspended from trading for a period of at least 30 trading days (business days) following the decision of the market or system operator in order to communicate to investors information likely to lead to changes to the price of the issuer's shares shall be evaluated at the weighted average price for the last 30 trading days (business days) calculated until the occurrence of such an event as the arithmetic mean of the weighted average prices of each of the last 30 trading days. In case the suspension from trading takes place during the trading session, for determining the value of that respective day's asset, the shares shall be evaluated at the closing price/reference price, as the case may be, while for counting the 30 trading days (business days) the first day considered shall be the business day following the suspension. In case the suspension takes place at the beginning of the trading session, the first day shall be considered the suspension day. In case the weighted average prices of each of the last 30 trading days are not available for the calculation of the arithmetic mean, the Company, in order to determine the price of the suspended shares, shall use exclusively the value obtained by applying valuation methods according to international valuation standards (where fair value principle is used).

Shares accepted to trading and not traded in the last 30 trading days (business days), the financial statements of which are not available within 90 days from the legal submission dates, are included in the asset at the value set by using the information in the quarterly/half-yearly reports published on the website of the regulated market, alternative trading system, Ministry of Public Finance or of the issuer, based on which the value of the shares could be determined. In case such information is not available, the shares shall be evaluated in the asset with 0 (zero) value. For the purpose of counting the 30 non-trading days (business days), the first non-trading day shall be considered the first business day when the respective share no longer registered transactions.

Shares not accepted to trading, including those issued by credit institutions, the financial statements of which are not obtained within 90 days from the legal submission dates, shall be included in the asset at the value determined by applying valuation methods according to international valuation standards (where fair value principle is used), approved by the management of the Management Company.

Shares of companies regulated by Law 31/1990 under insolvency or reorganisation shall be included in the Fund's net asset with zero value starting on the date when the announcement is published on the website of the regulated market



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or alternative trading system on which they are traded. The provisions also apply to companies not accepted to trading on a regulated market or other alternative trading systems of a member state, including an alternative trading system in Romania or another member state, as well as to the ones not accepted to the official listing of a stock exchange or alternative trading system of a third country, starting on the date when the depositary sends to the Fund the information regarding the respective events.

Shares of companies regulated by Law 31/1990 under legal insolvency or other forms of insolvency and the ones under temporary or final cease of activity shall be included in the Fund's net asset with zero value starting on the date when the announcement is published on the website of the regulated market or alternative trading system on which they are traded. The provisions also apply to companies not accepted to trading on a regulated market or other alternative trading system of a member state, including an alternative trading system in Romania, as well as to the ones not accepted to the official listing of a stock exchange or alternative trading system of a third country, starting on the date when the depositary sends to the Fund the information regarding the respective events.

In case of companies under insolvency or reorganisation, the shares of which were reaccepted to trading on a regulated market or alternative trading system following a final and irrevocable court order by which the appointed syndic judge confirmed the reorganisation plan of the respective issuer and the confirmation of the issuer/market or system operator that the decision confirming the reorganisation plan was not appealed, the respective shares shall be evaluated according to the valuation of securities accepted to trading on a regulated market included in the present document in case the respective shares have a market price, meaning that they registered transactions from the date when they were reaccepted to trading. If the shares do not have a market price, these shall be evaluated, until the registration date of an available reference price, according to the valuation of securities not accepted to trading on a regulated market included herein. The provisions also apply to companies not accepted to trading on a regulated market or other trading systems of a member state, including an alternative trading system in Romania, as well as the ones not accepted to the official listing of a stock exchange or alternative trading system of a third country, starting on the date when the depositary sends to the Fund the information regarding the respective events.

Shares of companies regulated by Law 31/1990 or the applicable legislation of member states or third countries included in the **Fund's** portfolio, not accepted to trading or accepted to trading on a regulated market, an alternative system or other trading systems of a member state, including on an alternative trading system in Romania, as well as the ones accepted to the official listing of a stock exchange or an alternative trading system of a third country, but not traded in the last 30 trading days (business days) with negative equity values, are included in the net asset with zero value.

The valuation methods stated above also apply to shares of companies regulated by Law no. 31/1990 under insolvency or reorganisation procedure not accepted to trading on a regulated market or an alternative trading system.

In case a company accepted to trading on a regulated market/alternative trading system that has negative equity is not traded over a period exceeding 30 trading days, and this period overlaps with the period in which the respective share is suspended from trading, that share is evaluated in the Fund's portfolio with zero value.

In case of split/consolidation of a nominal value of shares accepted to trading on a regulated market or other systems than regulated markets, the shares resulted from the split shall be evaluated, starting on ex-date and until they are available for trading, by dividing the price prior to the split to the split ratio, or by multiplying it with the consolidation ratio. In case of share capital decrease by decreasing the number of shares of companies accepted to trading on a regulated market or other trading systems than regulated markets, starting on ex-date and until they are available for trading, the shares shall be evaluated by dividing the last market price available prior to the share capital decrease to the share capital decrease ratio.



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Dividends, as well as shares distributed without a payment in cash resulted from participations to share capital increases shall be registered in the asset on the first day when the investors buying the shares no longer benefit from the dividend or on the first day when the investors buying the shares may no longer participate in the capital increase.

In case that, due to lack of information, the dividends related to holding shares listed on foreign markets may not be registered according to the provisions above, the value of the respective dividends must be registered in the asset on the date when the Fund's manager or the depositary of its assets obtains the information regarding the ex-dividend date, as proven by certain documents/excerpts/publications.

In case of share capital increases with payment in cash by investors, without the issue of preference rights, if the Management Company decides to participate in the issuer's share capital increase, the due shares and the amount due by the **Fund** following the participation to the share capital increase shall be registered in the asset as follows:

- a) on the first day when the investors buying the shares may no longer participate in the capital increase, in case the market price is higher than the subscription price;
- b) on the effective payment date of the shares subscribed during the share capital increase, in case the market price is lower than the subscription price;

In case the share capital increase with payment in cash by investors is not carried out within the legal period set forth in Law no. 31/1990 from the date of the GSM decision, the Company shall exclude from the Fund's portfolio the subscribed shares and may record the amounts paid for the share capital increase not carried out under "Other assets – receivables". The Company shall take all the legal actions to recover the cash paid to the issuer for the shares that were no longer subscribed for objective reasons out of its control.

In case of share capital increases for which investors must make a payment, with the issue of preference rights, the shares due are registered in the Fund's asset on the effective payment date of the shares subscribed during the share capital increase.

Until they are accepted to trading, the shares subscribed by the Fund during an initial public offering for shares are considered "newly issued securities" and are evaluated based on the purchase price of the shares subscribed during the public offering. This manner of registering and evaluating the respective shares subscribed by the Fund shall be maintained until the date of the first stock exchange transaction. In case the respective shares are not accepted to trading within maximum 12 months from the start day of the offering, the shares shall be evaluated like shares not accepted to trading, as mentioned herein.

In case the public offering for securities involves the issue of tradable allocation rights, the Fund's allocation rights that subscribed and paid-up in full shares during the period of exercising the preference right shall be evaluated as follows:

- a) between the issue date and the date of the possible acceptance to trading of the allocation rights based on the purchase price of the shares subscribed during the public offering;
- b) between the date of the possible acceptance to trading of the allocation rights and the effective date of acceptance of shares to trading, based on the valuation of the respective allocation rights according to the shares accepted on a regulated market included herein.

In case the Fund subscribed and fully paid shares during the offering and held shares of the respective company before the public offering and the acceptance to trading of the respective shares, these shall be evaluated as follows:

- a) between the issue date and the date of the possible acceptance to trading of the allocation rights, they shall be evaluated similarly to shares not accepted to trading included herein;
- b) between the date of the possible acceptance to trading of the allocation rights and the effective date of acceptance of shares to trading, based on the valuation of the respective allocation rights according to the shares accepted on a regulated market included herein.



The allocation rights mentioned shall be included in the Fund's reporting forms as follows:

- a) until the acceptance to trading, under the sections related to other securities and money market instruments not accepted to trading;
- b) after the acceptance to trading and until the issue of the shares subscribed during the public offering, under the sections related to the holding of other securities similar to shares and money market instruments accepted or traded.

Shares of companies not accepted to trading resulted from share capital increases with payment in cash shall be evaluated as follows:

- a) until the capital increase is registered with the National Office of the Register of Commerce, at the subscribed value;
- b) after the capital increase is registered with the National Office of the Register of Commerce, similarly to shares not accepted to trading. In case there are shares of companies regulated by Law 31/1990 under insolvency or reorganisation, they shall be included in the **Fund's** net asset with zero value, from the date when the announcement was made public on the website of the regulated market or alternative trading system on which they are traded. The provisions also apply to companies not accepted to trading on a regulated market or other trading systems of a member state, including an alternative trading system in Romania, as well as to those not accepted to the official listing of a stock exchange or alternative trading system of a third country, starting on the date when the depositary sends to the Fund the information regarding the respective events.

Shares of companies not accepted to trading resulted from share capital increases without payment in cash are registered in the Fund's assets on the date when the ONRC registers the share capital increase, based on justifying documents provided by the company, certifying the new equity value corresponding to the new share capital. By exception, dividends distributed by companies not accepted to trading on a trading place of a member state or on a stock exchange of a third country are registered in the Fund's asset on their receipt date.

The valuation of the shares held by the **Fund** from the participation to the share capital increase without payment in cash, as well as the ones with payment in cash registered in the asset on the first day when the investors buying the shares may no longer participate in the share capital increase, in case the market price is higher than the subscription price, and the investment management company decides to participate in the issuer's share capital increase, shall be made at the closing price of the market section considered main market or the reference price provided in other systems than regulated markets, including alternative trading systems, by the operator of the respective trading system for the day for which the calculation is made. The amount due following the participation to the share capital increase with payment in cash registered in the asset shall be evaluated at the subscription value. In case the FSA does not approve the prospectus for the issue of new shares decided by the GSM of an issuer, the newly issued shares registered before in the Fund's asset according to the provisions in force shall be eliminated from the Fund's asset.

In case the capital increase is made with the issue of preference rights, these shall be registered in the **Fund's** asset on the first day when the investors buying the shares may no longer participate in the capital increase. Until the first trading day, the preference rights shall be evaluated at the theoretical value. The theoretical value of the preference right is calculated using the formula:

*Theoretical value of the preference right = (market price of old shares – subscription price for new shares based on preference rights) * [number of new shares / (number of old shares + number of new shares)] * [number of old shares / number of issued preference rights],* where the market price of old shares is the price evaluated according to the methods set forth herein of the last day when the investors buying the shares have the right to participate in the capital increase.

After the acceptance to trading, preference rights shall be evaluated at the closing price of the market section considered main market of the respective market on the day for which the calculation is made. In case no transactions are registered, the valuation at the theoretical value shall be kept.



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After the trading period for the preference rights and until they are exercised, the preference rights shall be evaluated at the last closing price of the trading period and recorded under a distinct position “*Dividends or other rights receivable*”. At the time when the preference rights are exercised, the corresponding shares shall be recorded accordingly in the **Fund’s** asset.

Dividends and shares distributed without payment in cash, as well as the ones distributed with payment in cash and the amounts due to the **Fund** shall be recorded under a distinct position “*Dividends or other rights receivable*” in the **Fund’s** asset. In case the dividends and shares distributed without payment in cash are not paid/allocated within the legal period/period set forth in the GSM decision, these shall be included in the asset with zero value. If the legal period/period decided by the GSM for the payment/allocation of the dividend falls on a non-business day, it shall be extended until the end of the first business day.

The registration in the Fund’s assets of amounts received from the distributions to shareholders due to share capital decreases by decreasing the nominal value of the share or the decrease of the number of shares and the distribution to shareholders existing as of the registration date of an amount corresponding to the decrease of the nominal value or number of shares approved by the GSM decision shall be made as the registration of dividends distributed to shareholders, by including in the **Fund’s** asset the amounts to be received following the share capital decrease under “*Dividends or other rights receivable*”, along with the decrease of the number of shares related to the share capital decrease.

In case of share capital decreases for a company the shares of which are accepted to trading on a regulated market or alternative trading system, without distribution of cash, following the decrease of the number of shares, starting on ex-date, the new decreased number of shares shall be included in the **Fund’s** asset, and the valuation shall be performed according to the provisions included herein valid in case of split/consolidation of shares’ nominal value. In case the FSA rejects the share capital decrease, the amounts previously registered in the Fund’s asset according to the regulations in force shall be eliminated from the asset starting on the date of the rejection document.

b) Fix income instruments

(1) Fix income instruments accepted to trading and traded in the last 30 trading days (business days) on a regulated market in Romania, another member or accepted to the official listing of a stock exchange of a third country shall be evaluated in the asset at the closing price of the market section considered main market, valid on the day for which the calculation is made. When accepted to trading on several regulated markets, both in Romania and another member state, traded in the last 30 trading days (business days), the fix income instruments shall be evaluated at the closing price of the market section considered main market. In case of fix income instruments accepted to trading also on stock exchanges of third countries, the price of the market having the highest liquidity and trading frequency shall be considered. In case of fix income instruments accepted to trading exclusively on several stock exchanges of third countries, these shall be evaluated at the closing price of the stock exchange having the highest liquidity and trading frequency, determined based on the volume and number of transactions registered in the last 365 days, valid on the day for which the calculation is made. The calculation is made on a yearly basis, at the beginning of each calendar year.

(2) Fix income instruments accepted to trading and traded in the last 30 trading days (business days) on other trading systems than regulated markets, including on an alternative trading systems in Romania, another member state or a third country shall be evaluated at the reference price provided in other trading systems than regulated markets, including alternative systems, by the operator of the respective trading system, for each segment of the respective system, valid on the day for which the calculation is made. The price used as reference price is calculated based on the trading activity on the day for which the calculation of the asset is made, used as reference in the opening of the next day trading session. When accepted to trading on several trading systems other than the regulated markets of a member state, including the alternative trading systems in Romania, **and traded in the last 30 trading days (business days)**, the securities shall be evaluated at the reference price provided in the alternative systems having the highest



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liquidity and trading frequency for the security, determined based on the volume and number of transactions registered in the previous calendar year. In case of fix income instruments accepted to trading exclusively on several alternative trading systems of third countries, these shall be evaluated at the reference price provided in the alternative systems having the highest liquidity and trading frequency, determined based on the volume and number of transactions registered in the last 365 days, valid on the day for which the calculation is made. The calculation is made on a yearly basis, at the beginning of each calendar year.

(3) For fix income instruments not accepted to trading the method based on the daily registration of the interest and depreciation of the discount/premium for the period lapsed from the investment date shall be used.

(4) Fix income instruments accepted to trading on a regulated market or other trading systems than regulated markets of a member state, including on an alternative trading system in Romania, as well as the ones accepted to the official listing of a stock exchange or alternative trading system of a third country, **but not traded in the last 30 trading days (business days)** shall be evaluated in the asset, starting on the 31st day of non-trading, by using the method based on the daily registration of the interest and depreciation of the discount/premium for the period lapsed from the investment date. The daily registration of the interest and the depreciation of the discount/premium shall be made starting from that price level starting on the date when the evaluation method was amended.

(5) For newly issued fix income instruments the method based on the daily registration of the interest and depreciation of the discount/premium for the period lapsed from the investment date shall be used. In case the principal and coupons related to fix income instruments are not paid within 10 business days from the day mentioned in the Issue Prospectus of the fix income instruments, these shall be included in the asset with zero value. In monitoring the number of 10 business days, the calendar to be considered is the one used in the home country of the fix income instruments, as there may be differences between Romanian business days and the business days in other countries. If the due date falls on a non-business day, it shall be automatically extended until the end of the first business day.

In case of fix income instruments not accepted to trading on a regulated market or alternative trading system, included in the Fund's portfolio, for prudential purposes, in case the management company notices, according to the periodical financial statements of the issuer of such instruments, that there is a significant risk that it fails to meet its payment obligations in relation to regular coupons and principal, the management company shall make gradual value adjustments of the exposure to the respective instrument, based on an internal analysis or a valuation report elaborated by an authorised valuator. Such value adjustments shall be notified to the FSA once this procedure starts to be applied.

The depreciation of the value of fix income instruments also applies in case there are delays in the payment of coupons, changes to the payment date, after they reach their maturity, as well as changes to the maturity date.

The Company shall publish complete information on the reasons and causes that triggered the value adjustment, as well as details on the methodology used for gradual value adjustment in the half-yearly and yearly activity report sent to the FSA.

In case that, after making the value adjustment, the issuer of the fix income instruments not accepted to trading on a regulated market or alternative trading system does not effectively meet its payment obligation in relation to regular coupons and principal, these shall be included in the asset with zero value. In case that, after the inclusion in the Fund's asset with zero value according to the provisions above, the issuer of the fix income instruments not accepted to trading on a regulated market or alternative trading system meets all its overdue payment obligations in relation to the Fund, the respective instruments shall be revaluated in the Fund's asset using the method based on the daily registration of the interest and depreciation of the discount/premium for the period lapsed from the investment date.



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The valuation in the Fund's asset of the corporate bonds not accepted to trading on a regulated market or an alternative trading system for which the payment on maturity did not take place within 10 business days from the term set forth in the issue prospectus, shall be made with 0 (zero) value or using the value of the foreclosed collateral, as the case may be, while it shall be forbidden to make additional investments in securities issued by the same issuer. The valuation of the respective collaterals shall be made off balance sheet, according to the rules applicable for the valuation of the Fund's assets. The status of collaterals shall be notified to the FSA when sending the first weekly report on the Fund's net asset after the investment date. The status of collaterals (that may be bank guarantee letters, insurance of the bond issue by an insurance company or other similar justifying documents issued by financial institutions) contains, besides the signature of the Company's responsible persons, the one of the representative of the Fund's Depository.

b) Money market instruments

(1) Money market instruments accepted to trading and traded in the last 30 trading days (business days) on a regulated market in Romania, another member state or accepted to the official listing of a stock exchange of a third country shall be evaluated at the closing price of the market section considered main market, valid on the day for which the calculation is made. When accepted to trading on several regulated markets, both in Romania and a member state, traded in the last 30 trading days (business days), money market instruments shall be evaluated at the closing price of the market section considered main market. In case the financial instruments are also accepted on stock exchanges of a third country, the price of the market with the highest liquidity and trading frequency shall be considered. In case of money market instruments accepted to trading exclusively on several stock exchanges of third countries, these shall be evaluated at the closing price of the stock exchange having the highest liquidity and trading frequency for that instrument, determined based on the volume and number of transactions registered in the last 365 days, valid on the day for which the calculation is made. The calculation is made on a yearly basis, at the beginning of each calendar year.

(2) Money market instruments accepted to trading and traded in the last 30 trading days (business days) on other trading systems than regulated markets, including on an alternative trading system in Romania, another member state or a third country, shall be evaluated at the reference price provided in other trading systems than regulated markets, including other alternative trading systems, by the operator of the respective trading system, for each segment of the respective system, valid on the day for which the calculation is made. The price used as reference price is calculated based on the trading activity on the day for which the calculation of the asset is made, used as a reference in the opening of the next day trading session. When accepted to trading on several trading systems other than regulated markets of a member state, including alternative trading systems in Romania, and traded in the last 30 trading days (business days), money market instruments shall be evaluated at the reference price provided in the alternative systems having the highest liquidity and trading frequency, determined based on the volume and number of transactions registered in the previous calendar year. In case money market instruments are also accepted on alternative trading systems of a third country, the price of the market with the highest liquidity and trading frequency shall be considered. In case of money market instruments accepted to trading exclusively on several alternative trading systems of third countries, these shall be evaluated at the reference price provided in the alternative systems having the highest liquidity and trading frequency, determined based on the volume and number of transactions registered in the last 365 days, valid on the day for which the calculation is made. The calculation is made on a yearly basis, at the beginning of each calendar year.

(3) Money market instruments not accepted to trading on regulated markets or other trading systems than regulated markets, including alternative systems in Romania, another member state or a third country, shall be evaluated in the asset by using the method based on the daily registration of the interest and depreciation of the discount/premium for the period lapsed from the investment date. The daily registration of the interest and depreciation of the discount/premium shall be made starting from that price level from the date when the valuation method was amended.

(4) Money market instruments accepted to trading on a regulated market or other trading systems than regulated markets, including alternative systems in Romania, a member state, as well as the ones accepted to the official listing



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of a stock exchange or an alternative trading system of a third country, but not traded in the last 30 trading days (business days) shall be evaluated in the asset, starting on the 31st day of non-trading, by using the method based on the daily registration of the interest and depreciation of the discount/premium for the period lapsed from the investment date. The daily registration of the interest and the depreciation of the discount/premium shall be made starting from that price level from the date when the valuation method was amended.

Bank deposits and deposit certificates shall be evaluated using the method based on the daily registration of the interest for the period lapsed from the investment date.

Structured deposits shall be evaluated based on the principle of the daily registration of the minimum guaranteed interest of the respective structured deposit, to be granted by the bank. In case a minimum interest is not guaranteed, the valuation shall be made at the level of the current account minimum interest. Upon maturity, if the evolution of the underlying asset observed the deposit conditions, the positive interest difference shall be registered for the entire period lapsed since the deposit was pledged. The valuation method shall be maintained during the entire deposit term.

Deposits with upfront interest payment, irrespective of the deposit term, shall be evaluated at the value of the initial deposited amount during the entire deposit term.

In case of deposits and deposit certificates, if payments were received before maturity, the amounts thus received shall be deducted from the calculated value.

Money market operations, namely repo/reverse repo of assets eligible for trading shall be included in the **Fund's** portfolio as follows:

a) repos in which the **Fund** purchases assets eligible for trading, with the counterparty's firm commitment to repurchase the respective assets on a subsequent date at a price set on the transaction date, are evaluated by the daily registration of the receivable plus the acquisition value;

b) reverse repos in which the **Fund** sells assets eligible for trading, making a firm commitment to repurchase the respective assets on a subsequent date at a price set on the transaction date, are evaluated as follows:

1. during the period between the receipt date of the amount for the money market operation and the date of the firm commitment to repurchase, the securities subject to the operation shall be evaluated daily according to the methods included herein regarding securities accepted and not accepted to trading on a regulated market or other trading systems than regulated markets, including alternative trading systems in Romania, a member state or a third country. The securities subject to the transaction shall be recorded under a dedicated asset line "Securities - support for reverse repo agreements" in the respective security category; art 121 par. 14

2. during the same period, the settlement value and the daily registration of the related debt shall have negative values recorded under an asset line "money market instruments, other than those traded on a regulated market, according to art. 82 letter g) of GEO 32/2012 – reverse repo agreements for securities issued by central public administration".

The newly-issued bonds containing a commitment for listing are evaluated until the date of acceptance to trading similarly to fix income instruments not accepted to trading included herein.

c) Derivatives:

(1) Derivatives accepted to trading on a regulated market in Romania, another member state or accepted to the official listing of a stock exchange of a third country **and traded in the last 30 trading days (business days)** shall be evaluated at the closing price of the market section considered main market, valid on the day for which the calculation is made. When accepted on several regulated markets, both in Romania and another member state, derivatives shall be evaluated at the closing price of the market section considered main market. In case the derivatives are also accepted on stock exchanges of a third country, the price of the market with the highest liquidity and trading frequency shall be



considered. In case of derivatives accepted to trading exclusively on several stock exchanges of third countries, these shall be evaluated at the closing price of the stock exchange having the highest liquidity and trading frequency, determined based on the volume and number of transactions registered in the last 365 days, valid on the day for which the calculation is made. The calculation is made on a yearly basis, at the beginning of each calendar year.

(2) Derivatives accepted to trading on other trading systems than regulated markets of a member state, including on an alternative trading system in Romania, another member state or a third country **and traded in the last 30 trading days (business days)** shall be evaluated at the reference price provided in other trading systems than regulated markets, including alternative systems, by the operator of the respective trading system, for each segment of the respective system, valid on the day for which the calculation is made. The price used as reference price is calculated based on the trading activity on the day for which the calculation of the asset is made, used as a reference in the opening of the next day trading session. When traded on several trading systems other than regulated markets of a member state, including the alternative trading systems in Romania, derivatives shall be evaluated at the reference price provided in the alternative systems having the highest liquidity and trading frequency, determined based on the volume and number of transactions registered in the previous calendar year. In case the derivatives are also accepted on alternative trading systems of a third country, the price of the market with the highest liquidity and trading frequency shall be considered. In case of derivatives accepted to trading exclusively on several alternative trading systems of third countries, these shall be evaluated at the reference price provided in the alternative systems having the highest liquidity and trading frequency for that derivative, determined based on the volume and number of transactions registered in the last 365 days, valid on the day for which the calculation is made. The calculation is made on a yearly basis, at the beginning of each calendar year.

(3) Derivatives accepted to trading on a regulated market or other trading systems than regulated markets, of a member state, including an alternative trading system in Romania, as well as the ones accepted to the official listing of a stock exchange or an alternative trading system of a third country, but not traded in the last 30 trading days (business days) shall be evaluated in the asset, starting on the 31st day of non-trading, by using customary techniques on financial market (reference to the current value of another similar instrument, models for cash flow analysis and options valuation), so as to observe the fair value principle. These techniques shall be approved by the management of the management company.

(4) Derivatives not accepted to trading on regulated markets or other trading systems than regulated markets, including the alternative systems in Romania, of a member state or a third country, shall be evaluated in the asset by using customary techniques on financial market (reference to the current value of another similar instrument, models for cash flow analysis and options valuation), so as to observe the fair value principle. These techniques shall be approved by the management of the management company.

e) Securities of undertakings for collective investment

1) Securities of undertakings for collective investment not traded on a regulated market shall be evaluated at the last net asset value per share calculated and published by their manager.

(2) Securities of undertakings for collective investment accepted to trading and traded in the last 30 trading days (business days) on a regulated market or other systems than regulated markets, including on an alternative trading system in Romania, a member state, as well as the ones accepted to the official listing of a stock exchange of a third country shall be evaluated at the reference price provided in other trading systems than regulated markets, including alternative systems, by the operator of the respective trading system, for each segment of the respective system, valid on the day for which the calculation is made. The price used as reference price is calculated based on the trading activity on the day for which the calculation of the asset is made, used as a reference in the opening of the next day trading session. When traded on several trading systems, other than regulated markets, of a member state, including



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alternative trading systems in Romania, derivatives shall be evaluated at the reference price provided in the alternative systems having the highest liquidity and trading frequency, determined based on the volume and number of transactions registered in the previous calendar year. In case securities are also accepted on alternative trading systems of a third country, the price of the market with the highest liquidity and trading frequency shall be considered. In case of securities accepted to trading exclusively on several alternative trading systems of third countries, these shall be evaluated at the reference price provided in the alternative systems having the highest liquidity and trading frequency for that security, determined based on the volume and number of transactions registered in the last 365 days, valid on the day for which the calculation is made. The calculation is made on a yearly basis, at the beginning of each calendar year.

(3) Securities traded on a regulated market or other systems than regulated markets, including on an alternative trading system in Romania, a member state or a third country, but not traded in the last 30 trading days shall be evaluated in the same manner as not-traded securities.

f) Other investments

The holdings in current accounts shall be evaluated by considering the balance available on the date for which the calculation is made. The amounts existing in the current accounts opened with credit institutions under bankruptcy procedure shall be included in the net asset with zero value.

CHAPTER 8. FEES AND OTHER COSTS

(a) Fees payable by the Fund's investors

As of the update of this Issue Prospectus, the value of the subscription fee is 0.5% of the amount deposited by the investor.

The maximum value of the subscription fee may be 3% of the amount deposited by the investor

The company may change the value of the subscription fee and increase or decrease the same without exceeding the maximum value, and shall notify the FSA within maximum 10 days from such a change, which will enter into force on the date when the notice to investors is published in the daily newspaper mentioned in this Prospectus.

The company may increase the maximum value of the subscription fee only after obtaining the FSA approval and the enforcement after at least 10 days from the publication of the notice to investors.

When the investment in the Fund is kept for at least 365 days from the fund units issue date, the subscription fee may be negotiated. The negotiation shall be concluded by signing an Investment Agreement in this respect.

In case the investor redeems the fund units within the 365 days period, thus breaching the condition mentioned above, it shall bear the subscription fee set forth in the Investment Agreement. For this purpose, the subscription fee set forth for redeeming the fund units within 365 days from the subscription shall be deducted from the redeemed amount.

The company may charge different subscription fees for legal and natural persons, and company's employees respectively. These may also be zero depending on the investor type, invested amount and period. Such discounts do not generate any additional cost for the Fund. The amounts resulted from the subscription amounts are received by the Company.

When redeeming fund units, investors shall not be charged any fees.



(b) Other fees

(i) Fees paid by the Fund:

Fees paid by the Fund:

- (1) fees payable to the Management Company;
- (2) fees payable to the Depositary;
- (3) fees payable to brokers;
- (4) account turnover fees and other banking services;
- (5) tariffs and charges payable to the FSA;
- (6) expenses incurred for the issuance of the **Fund's** documents;
- (7) financial audit fees;

Expenses are booked daily considering the following:

- (a) expense distribution does not cause significant fluctuations in the value per fund unit;
- (b) expenses are planned on a monthly basis, considered on a daily basis in the determination of the net asset value and reconciled at the end of the month (management fees, depositary fees);
- (c) expenses are estimated on a daily basis, booked and reconciled on a regular basis (issue expenses, purchase of LEI code - Legal Entity Identifier). The **Fund's** formation, distribution and advertising costs shall be borne by the Management Company.

The expenses related to the sale/purchase of securities and other financial assets are paid to the companies carrying out the transactions and are borne by the **Fund** in full. The **Fund** shall pay the fees and commissions for specific banking operations (transfers, opening of current accounts, deposits etc.) set by each bank.

(ii) Deposit and custody fee

The Fund pays a deposit fee applied to the monthly average value of the net asset, up to a maximum of 0.06% / month. The fee for safekeeping the securities for the local and external markets is of maximum 0.035%/month of the monthly updated average value of the portfolio in custody. These fees are supplemented by the fees for the intermediation of treasury bills, with a maximum level of 0.1%, fees for the settlement of transactions on external markets, maximum EUR 90/transaction and fees for international transfers (other than the ones for transaction settlement) of maximum EUR 50/transaction. All these fees are paid out of the Fund's assets.

(iii) Management Fee

The Fund's management fee is of maximum 0.4% per month and minimum 0.1% month, out of the monthly average of the Fund's net assets. The management fee is paid monthly. Upon the authorisation of this Issue Prospectus, the management fee charged by the Company was 0.15% per month out of the monthly average of the Fund's net assets.

CHAPTER 9. MERGER, TRANSFORMATION, LIQUIDATION AND MATURITY OF THE FUND

(a) Merger and dissolution of open end investment funds

Open end investment funds may merge by:

- a) absorption of one or more funds by another fund;
- b) creation of a new fund by amalgamating two or more funds.

The merger by absorption involves the transfer of all the assets belonging to one or more open end investment funds to another fund, called the absorbing fund, and leads to the dissolution of the incorporated fund/funds.

The merger by amalgamation involves the establishment of a new open end investment fund, to which the merging funds transfer all their assets and results in the dissolution of all the merging funds. The merger of two or more open end investment funds takes place at the initiative of the company managing the respective funds. By merger, the



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investment management company/companies shall have a sole objective to protect the interests of the investors in the funds involved in the merger.

The management company/companies shall send to the Authority the notice on the intention to merge the funds, together with the draft of the merger agreement and a certificate of status issued by the depository containing the number of investors and the net asset value of the funds subject to the merger.

Within maximum 30 days from document submission, the Authority shall issue a decision for the suspension of the issue and redemption of the fund units of the funds involved in the merger, save for the full redemptions of fund units, until the completion of the merger, but not more than 90 days from the suspension date.

The suspension decision shall become effective 30 days after the date when it was communicated to the management company/companies involved. Within five days from the said communication date, the management company/companies is/are obliged to publish and send to the Authority the proof of publishing the announcement on the intention to merge and the date as of which the issue and redemption of fund units of the funds subject to the merger is suspended. For the purpose of investor protection, the management company/companies must state in the merger announcement that, following the merger, there is no guarantee that the value of the fund unit shall have the same value as before the merger.

The investment management company/companies have the obligation to pay out all the redemption requests submitted during the period between the publication of this announcement and the start date of the suspension of the issue and redemption of the fund units of the funds subject to the merger, as the provisions laid down in art. 110(3) and (4) of Regulation no. 9/2014 do not apply.

In case of merger by absorption, the Authority shall withdraw the authorisation of the absorbed fund, and the absorbing fund shall continue to operate according to the regulations in force.

In case of merger by amalgamation, the FSA shall withdraw the authorisation of the funds involved in the merger and shall authorise the resulted fund. The funds thus merged shall be managed by a single management company.

The management company of the fund resulted from the merger shall submit to the Authority on the business day immediately following the merger a certificate of status issued by the depository presenting the status of the new fund resulted from the merger, similar to the one submitted when filing the merger notice.

The date as of which the fund unit conversion rate is calculated is the merger date. In case the funds involved in the merger have different depositories, the mentioned certificate shall be accompanied by a handover protocol executed upon the transfer of the assets of the open end investment funds involved to the depository of the fund resulted from the merger.

Fund spin-off is prohibited.

(b) Transfer of assets and equity interests

The companies involved in the merger should adopt identical valuation criteria for the same type of securities which are the assets of the fund involved. Such criteria should be identical to those applicable to the resulting fund.

No additional cost shall be incurred by investors as a result of merger. The appropriateness and reliability of the valuation criteria and of the conversion rate for the fund units of the funds involved in the merger must be assessed by financial auditors who are members of the Romanian Chamber of Financial Auditors ("C.A.F.R.").

(c) Fund dissolution

The Authority shall withdraw the Fund's authorisation in the following cases:



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- a) upon the request of the Management Company, based on solid grounds, when the value of the assets no longer provide economic reasons to continue the business;
- b) in case a new manager cannot be appointed after the authorisation of the Management Company is withdrawn.

The request mentioned at letter a) above must be sent to the Authority together with the resolution of the Supervisory Board within two business days from the meeting. The resolution must contain the following:

- a) solid grounds for the decision to dissolve the Fund;
- b) status of holdings (information on the number of investors and net asset value, including the net asset value per unit) certified by the Fund's depositary;
- c) auditor's report concerning the assets and liabilities of the respective open end investment fund;
- d) investor information note regarding the dissolution of the open end investment fund;
- e) schedule (timetable) considered for the dissolution process.

Within 15 days from the submission date of the documents above, the Authority shall issue a suspension decision and shall approve the notice to investors which shall be published by the Company at least on its own website and in the daily newspaper mentioned in the issue prospectus, on the day immediately following the receipt of the suspension decision from the Authority. The operation of suspending the issue and redemption of the Fund's equity interests as part of the liquidation of its assets, shall be carried out without granting investors any redemption right.

Within 5 business days from the start of the suspension period set forth in the Authority's decision mentioned above, the Management Company shall request the Authority to withdraw the authorisation of the open end investment fund and shall attach the following documents and information to the respective request:

- a) up to date status of the fund's holdings existing at the time the suspension begins (information on the number of investors and net asset value, including the net asset value per share) certified by the fund's depositary;
- b) financial auditor's report regarding the updated status of the assets and liabilities of the respective open end investment fund.

Within maximum 15 business days from the communication by the Authority of the decision to withdraw the Fund's authorisation, the Company shall conclude an agreement with a financial auditor, member of CAFR, which shall act as trustee in the Fund's dissolution. The agreement shall comprise the duties and responsibilities of the trustee, decided according to the provisions of Law no. 297/2004 and the implementing regulations thereof. A copy of the agreement signed following the review of at least 3 competing bids to ensure the lowest price shall be sent to the Authority.

The fundamental duty of the trustee is to act in the best interest of fund unit holders.

The trustee's fee shall be paid from the proceeds resulted from the dissolution of the Fund's assets.

The trustee may subcontract natural or legal persons in order to gain assistance and expertise for carrying out its duties and responsibilities, being directly liable for the manner in which they perform their duties. The subcontractors, as well as their duties and responsibilities, must be included in the contract concluded between the management company and the trustee.

The trustee is liable for the payment of the fees and other expenses to all subcontractors, which shall be paid exclusively from the trustee's fee.

The trustee shall foreclose all the assets and take the measures necessary for their preservation. The trustee shall retain copies of all the accounting records and books regarding the Fund, kept by the management company and the depositary.



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Within maximum 20 business days from signing the agreement, the trustee shall make a complete inventory of the Fund's assets and liabilities and shall prepare an inventory report comprising, without being limited to:

- a) a valuation of all assets at market value and a valuation of all the Fund's current liabilities;
- b) a list of all fund unit holders, number and value of fund units held by them prior to dissolution;
- c) a schedule of the dates when assets are sold and the proceeds resulted from the sale are paid out.

This report is sent to the management company and the Authority within maximum 48 hours from the elaboration and shall be published in the Authority's Bulletin.

The trustee shall select a Romanian bank or the Romanian branch of a foreign bank, with a good reputation and financial standing, in order to open an account for the sole purpose of depositing the proceeds resulted from dissolution. The trustee shall be the only person authorised to operate the account. No funds other than the ones resulted from dissolution shall be deposited in this account.

The trustee shall complete the dissolution within maximum 60 business days from the publication of the inventory report. The trustee must sell the Fund's assets at the maximum value offered by the market. The trustee may request the Authority to extend the 60-day period referred to above by maximum 30 days for the purpose of selling the assets.

During the Fund's dissolution, following the request for total redemption, the legal obligations regarding the calculation, certification and publication apply only with respect to the Fund's net asset. When the management company decides not to pursue the withdrawal of the Fund's authorisation, the valid net asset value per unit shall be the last NAVS determined by the Company and certified by the Depositary.

After all the assets are liquidated, the trustee shall pay out all the dissolution expenses, as well as any other outstanding costs and liabilities of the Fund and shall keep record of all the amounts expensed from the sale proceeds. Subsequently, the trustee shall initiate the process of distributing the proceeds resulted from dissolution, according to the dates planned in the inventory report. The trustee shall distribute the proceeds resulted from selling the assets to fund unit holders within maximum 10 business days from the completion of the dissolution. The net amounts shall be distributed strictly based on the number of fund units held by each investor as of the date when the dissolution was initiated and according to the principle of equal, fair and non-discriminatory treatment of all investors, independent from any other criteria.

In case it is not possible to pay the value of the fund units to certain investors, the trustee shall retain the said amounts in the bank account mentioned above over an unlimited period. The said bank account shall be set up in the form of non-interest and non-fee bearing escrow account with a credit institution authorised by the NBR or a branch of a credit institution authorised in another member state.

The trustee makes available to the credit institution the identification data of all the investors whose sums are deposited in the respective collector account, as well information on the updated account balance of each investor.

The trustee's creditors shall not be able to start legal proceedings with respect to the amounts deposited in the said bank account. The trustee shall inform the credit institution about this prohibition at the time of opening the bank account.

The trustee prepares the final report, containing the results of the dissolution process and distribution of proceeds resulted from asset sales, as well as the method of paying the proceeds due to investors and shall produce evidence of payment. The final report shall be sent to the Authority and published in "Bursa" newspaper and the Authority's Bulletin. After all payments are made, the trustee shall close down the bank account, unless the payment of the



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amounts due to some investors is deemed impossible, case in which the above provisions regarding the escrow account shall apply.

The payments above shall be considered to be made in full when all the amounts due to investors are paid.

CHAPTER 10. TAXATION PROVISIONS APPLICABLE TO THE FUND

The Fund does not pay tax on investment gains.

In case of natural persons, the gain obtained from the redemption of fund units at a price higher than the purchase price is subject to tax according to the regulations of Law no. 571/2003 (Taxation Code) as amended and supplemented and to the applicable FSA instructions.

In case of investors legal persons, the gain determined as the difference between the redemption price and the purchase price is treated as financial revenue and is subject to the provisions of the same law, i.e. Law no. 571/2003 as subsequently supplemented with regulations on profit tax. The declaration and payment of the taxes on gains obtained by natural persons from the redemption of fund units shall be carried out according to the applicable provisions of Law no. 571/2003 (Tax Code) as subsequently amended and supplemented, in force.

In case of investors residents in another state than Romania, the applicable taxation provisions shall be the one valid in Romania, or, upon the investor's request, the taxation provisions the most profitable for it shall apply, on condition there is a treaty for the avoidance of double taxation between Romania and the country in which the investor has its tax residence. In this case the investor must submit a valid tax residence certificate.

In case there are other taxes and/or charges due by the **Fund**, regulated based on legal provisions adopted after the approval of this Issue Prospectus, these shall be paid accordingly.

CHAPTER 11. DISTRIBUTION AND PREPARATION OF REGULAR REPORTS

The Management Company shall prepare, send to the FSA and publish reports on the net asset value determined on a monthly basis, for the last business day of the month, certified by the depositary within maximum 15 days from the end of the period to which the report refers.

The Fund's yearly and half-yearly reports shall be published on the website of the Management Company within four months from the end of the financial year and within two months from the end of the semester to which it refers. Also, the yearly and half-yearly reports may be read by the investors at the registered office of S.A.I. ATLAS ASSET MANAGEMENT S.A. or the reports may be made available to them free of charge, upon request.

The **Fund's** management company shall publish in Bursa daily newspaper, within 3 days from elaboration, a notice to investors to notify the availability of such reports, as well as how they may be obtained upon request, free of charge.

CHAPTER 12. DELEGATED ACTIVITY

The Company delegated the Fund's accounting activity to the specialised firm SAI Financial SRL, with registered office in Corbeanca, strada Privighetorilor nr.12, parter, apartament 3, judetul Ilfov, sole registration code 39770331.

The delegation of this activity does not prevent the appropriate supervision of **AIF Hermes** activity and does not prevent S.A.I. ATLAS ASSET MANAGEMENT S.A. to act in the investors' best interests.

CHAPTER 13. FUND'S AUDITOR



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The Fund's auditor is Deloitte Audit SRL, with registered office at Cladirea The Mark, Calea Grivitei nr. 84-98 si 100 – 102, etajul 8 si etajul 9, Sector 1, registered at the Register of Commerce under no. J40/6775/1995, tax number RO7756924.

CHAPTER 14. F.A.T.C.A. AND C.R.S.

The application of F.A.T.C.A. requirements on tax compliance for foreign accounts is a set of legal measures issued in 2010 by the United States of America in order to prevent and reduce tax evasion of the American citizens/residents. According to F.A.T.C.A. provisions, the financial institutions must collect and report to the American tax authorities, directly or through the Romanian authorities, information on the accounts held by clients natural and legal persons (with American citizenship/residence or controlled by American citizens/residents) having tax obligations in the United States of America, irrespective if they are inside or outside the United States of America.

Romania signed a mutual inter-governmental agreement that automatically triggered the compliance with F.A.T.C.A. of the financial institutions registered in Romania. Therefore, the Management Company complies with F.A.T.C.A. requirements. The Management Company is registered on the website of Internal Revenue Service under identification no. GIIN- 4APJM3.99999.SL.642.

Romania also cooperates with the other European Union member states, as well as third states participating to C.R.S. in order to perform an automatic exchange of financial information between tax authorities so as to prevent and reduce cross-border tax evasion of foreign tax residents with respect to their accounts opened abroad.

In this respect, the Management Company complies with the requirements of the Organisation for Economic Cooperation and Development by applying an international standard for improving the transparency and the automatic exchange of tax information, named C.R.S..

The purpose of C.R.S. is to allow tax authorities to receive systematically information for tax purposes, regarding the financial assets held abroad by their residents.

The Management Company shall process and send to the Romanian competent tax authority the information required by the legal provisions, namely: identification data of reportable clients (natural persons, authorised natural persons and legal persons), tax residence jurisdiction/jurisdictions, tax identification number, value of holdings, value of the last transaction initiated by the client right before asset liquidation, etc..

In order for the Fund's investors to confirm the status of being/not being subject to C.R.S. in relation with tax authorities, the self-certification shall be necessary, by which they declare the tax residence country/countries, tax identification number/numbers allocated by the relevant authorities (as the case may be) and submit the document/documents supporting the information provided.

CHAPTER 15. OTHER PROVISIONS

The Management Company is not part of any group for the purpose of art. 2 par. 12 of Law 24/2017.

Notices regarding possible changes to the Issue Prospectus, as well as other information regarding the Fund, shall be published in Bursa newspaper.

Changes to the documents considered at the time when the **Fund** was registered shall be notified to the FSA before they become applicable. In order to notify the investors regarding the changes occurred, the Management Company shall send an information note to the investors within two business days from the date when the same are notified to



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the FSA. In case the investors do not agree with the changes, the Management Company must pay up the request for total redemption submitted within 15 days from the information note.

The Issue Prospectus was initially elaborated on 27.04.2011 and was updated on 25.11.2019 in two original counterparts out of which one for the FSA.

S.A.I. ATLAS ASSET MANAGEMENT S.A.

By George Nistor

Director
