

CARMIGNAC INNOVATION

Coordinated French mutual fund (FCP)

Prospectus

December 2011

DETAILED MEMORANDUM

1. GENERAL CHARACTERISTICS

1.1 STRUCTURE OF THE FUND

o Name

CARMIGNAC INNOVATION

o Legal form and Member State in which the Fund was established

French mutual fund (*Fonds Commun de Placement* – FCP) established in France in compliance with European standards (Directive 85/611/EEC, amended by Directive 2001/107/EC).

o Creation date and intended lifetime

The Fund was approved on 21 January 1997 by the *Autorité des Marchés Financiers* (the French Financial Markets Authority), formerly the *Commission des Opérations de Bourse* (the French Stock Exchange Commission). It was launched on 31 January 1997 for a period of 99 years (ninety-nine years).

o Fund overview

Initial net asset value	Sub-funds	ISIN code	Dividend policy	Base currency	Target subscribers	Minimum initial subscription	Minimum subsequent subscription
EUR 152.45	No	FR0010149096	Accumulation fund	Euro	All investors	1 unit	1 unit

o Address at which the latest annual and semi-annual reports can be obtained

The latest annual and semi-annual reports shall be sent to unitholders within one week upon written request to:

CARMIGNAC GESTION, 24, place Vendôme, 75001 PARIS

The prospectus is available on the website: www.carmignac.com

Contact: Communications department

Tel: 33 (0)1.42.86.53.35

Fax: 33 (0)1.42.86.52.10

The AMF website (www.amf-France.org) contains additional information on the list of regulatory documents and all the provisions relating to investor protection.

1.2 DIRECTORY

o Management company

Carmignac Gestion, a *société anonyme* (public limited company), 24 place Vendôme, 75001 Paris, approved by the COB on 13 March 1997 under number GP 97-08.

o Custodian

CACEIS BANK FRANCE, a *société anonyme* (public limited company) with a Board of Directors.

A credit institution approved by the CECEI, 1-3 Place Valhubert, 75013 Paris.

o Centralisation of subscription and redemption requests

CACEIS BANK FRANCE, a *société anonyme* (public limited company) with a Board of Directors.

A credit institution approved by the CECEI, 1-3 Place Valhubert, 75013 Paris.

o Institutions responsible for ensuring compliance with the centralisation cut-off time

CACEIS BANK FRANCE, 1-3 Place Valhubert, 75013 Paris and CARMIGNAC GESTION, *société anonyme*, 24 place Vendôme, 75001 PARIS

o Registrar

CACEIS BANK FRANCE, a *société anonyme* (public limited company) with a Board of Directors.

A credit institution approved by the CECEI, 1-3 Place Valhubert, 75013 Paris.

o Statutory auditors

Cabinet Patrice VIZZAVONA, 64, boulevard Maurice Barrès, 92200 Neuilly sur Seine

Authorised signatory: Mr Patrice VIZZAVONA

KPMG AUDIT, 1 Cours Valmy, 92923 PARIS La Défense Cedex

o Promoter(s)

Carmignac Gestion, *société anonyme* (public limited company), 24 place Vendôme, 75001 Paris

o Accounting delegated to:

CACEIS FUND ADMINISTRATION, a *société anonyme* (public limited company), 1-3 Place Valhubert, 75013 Paris

2. MANAGEMENT AND ADMINISTRATION PROCEDURES

2.1 GENERAL CHARACTERISTICS

○ Characteristics of the units and shares

ISIN CODE: FR0010149096

Each unitholder has a co-ownership right in and to the assets of the Fund proportional to the number of units they hold.

CACEIS BANK FRANCE assumes the role of custodian.

The administration of units is carried out by Euroclear France.

Specific characteristics of an FCP: no voting rights are attributed to the ownership of units; all decisions are taken by the Management Company.

Unitholders may subscribe and redeem thousandths of units. Units are issued in bearer form.

○ Year-end

The accounting year ends on the date of the last net asset value of the month of December.

○ Applicable tax regime

Investors are reminded that the information that follows only constitutes a general overview of the French tax regime applicable to investments in a French accumulation fund according to current French legislation. Investors are therefore advised to assess their personal situation with their usual tax advisor.

- At Fund level

Due to their co-ownership structure, FCPs are not subject to corporation tax in France; they therefore enjoy a certain level of transparency. Therefore, income received and earned by the Fund in the course of its investment activities is not taxable at this level.

Abroad (in the investment countries of the Fund), gains realised on the sale of foreign transferable securities and foreign income received by the Fund in connection with its investment activities may in some cases be taxable (generally in the form of withholding tax). Foreign taxes may, in limited cases, be reduced or waived if any tax treaties apply.

- At unitholder level

- Unitholders resident in France

Gains or losses realised by the FCP, income distributed by the FCP as well as gains or losses recorded by the unitholder are subject to the applicable tax regime.

- Unitholders resident outside France

Subject to tax treaties, taxes imposed in article 150-0 A of the *Code Général des Impôts* (CGI), the French General Tax Code, do not apply to gains realised at the time of the redemption or sale of units of the Fund by persons who are not resident in France for tax purposes within the meaning of article 4 B of the CGI, or whose registered office is located outside France, provided that these persons have not directly or indirectly held more than 25% of the units at any time in the five years prior to the redemption or sale of their units (CGI, article 244a C).

Unitholders resident outside France shall be subject to the provisions of the tax legislation in force in their countries of residence.

2.2 SPECIFIC PROVISIONS

2.2.1 Classification

International equities

2.2.2 Investment objective

The Fund is managed on a discretionary basis with an active asset allocation policy and is invested in technology stocks. Its risk profile is comparable to that of its performance indicator, which is the following composite index: 50% MSCI ACWF Information Technology, converted into euro + 48% MSCI ACWF Health Care, converted into euro + 2% MSCI ACWF Energy Equipment (before 31/12/1998 the MSCI Energy index was used), converted into euro. The objective of the Fund is to outperform its performance indicator while keeping volatility below the level of this indicator.

2.2.3 Performance indicator

The Fund's performance indicator is the following composite index: 50% MSCI ACWF Information Technology, converted into euro + 48% MSCI ACWF Health Care, converted into euro + 2% MSCI ACWF Energy Equipment (before 31/12/1998 the MSCI Energy index was used), converted into euro. This composite index is not rebalanced and is calculated ex-dividend.

This index does not strictly define the investment universe but allows investors to assess the performance and risk profile that they can expect when investing in the Fund.

The MSCI ACWF Information Technology index is calculated ex-dividend in dollars by Morgan Stanley (Bloomberg code: MXWD0IT) and converted into euro.

The MSCI ACWF Health Care index is calculated ex-dividend in dollars by Morgan Stanley (Bloomberg code: MXWD0HC) and converted into euro.

The MSCI ACWF Energy Equipment index (before 31/12/1998 the MSCI Energy index was used) is calculated ex-dividend in dollars by Morgan Stanley (Bloomberg code prior to 1999: MXWD0EN/Bloomberg code after 1999: MICUEEQS) and converted into euro.

2.2.4 Investment strategy

- Strategies used

The Fund is actively managed and invests mainly in equities of French and foreign companies operating in the areas of information technology, biotechnology, and oil and gas exploration and healthcare technology, without excluding other transferable securities.

The investment strategy is applied without restriction in terms of allocation by geographical zone, sector, type or size of security.

The allocation of the portfolio between the different asset classes and categories of UCITS (equities, balanced, bonds, money market, etc.) based on fundamental analysis of the global macroeconomic environment and of its indicators (growth, inflation, deficits, etc.) may vary according to the manager's expectations.

Stock selection is based on detailed financial analysis, meetings organised by companies, visits to these companies and daily news. Depending on the situation, the criteria used for stock selection are the value of the assets, return, growth and quality of the management, in particular.

As the Fund is managed on an active, discretionary basis, the asset allocation may differ substantially from that of its performance indicator. Likewise, the portfolio established in each of the asset classes on the basis of detailed financial analysis may vary considerably from the weightings of the performance indicator in terms of geographical zones, sectors, ratings and maturities.

- Description of the asset classes

Equities

Subject to regulatory limits, at least 60% of the net assets of the FCP shall be exposed to equities and other securities giving or capable of giving, directly or indirectly, access to capital or voting rights, traded on eurozone and/or international markets, including, in the latter case, a potentially significant portion in emerging countries.

The net assets of the FCP may be invested in small, mid and large caps from all sectors.

Debt securities and money market instruments

In order for the manager to diversify the portfolio, between 0% and 40% of the Fund's assets may be invested in eurozone and/or international fixed rate bonds, money market instruments, floating rate bonds and inflation-linked bonds, including a potentially significant portion in emerging countries.

As the Fund is managed on a discretionary basis, no asset allocation constraints shall apply.

The manager may invest in bonds whose rating is below investment grade.

The average rating of the bonds held directly by the Fund or through investment in UCITS shall be at least investment grade (i.e. rated at least BBB-/Baa3 by the rating agencies Standard & Poor's and Moody's).

There are no restrictions in terms of duration, modified duration or allocation between private and public issuers.

UCITS, investment funds, trackers or Exchange Traded Funds (ETF)

The Fund may invest up to 10% of its net assets in UCITS.

The Fund may invest in UCITS managed by Carmignac Gestion.

The manager reserves the right to invest in money market UCITS, where necessary.

The Fund shall invest in the following assets subject to the regulatory limits:

- French or foreign UCITS that comply with the European Directive;
- where applicable, French funds that do not comply with the European Directive and are classified by the *Autorité des Marchés Financiers* as equity, bond, money market or balanced funds;
- and French venture capital funds (FCPR) and innovation funds (FCPI).

The FCP may use trackers, listed index funds and exchange traded funds on a limited basis.

Derivatives

The manager may invest in futures and options traded on eurozone and/or international regulated or over-the-counter markets.

In this context, the manager may take positions to hedge and/or expose the portfolio to industrial sectors, geographical zones, interest rates, equities (all caps), currencies, transferable securities and similar assets or indices in order to achieve the investment objective.

The portfolio is leveraged or hedged through the sale or purchase of options and/or futures on the main world equity and fixed income indices listed on regulated markets. The maximum commitment of these transactions shall be limited to the total value of the Fund's assets.

The manager may hedge the portfolio in the event of an expected drop in the markets.

The manager may leverage the portfolio in the event of an expected increase in the markets, which may result in a maximum overall exposure of up to 100% of the Fund's net assets.

Where appropriate, the manager may also use interest rate swaps.

The manager may also take positions for the purpose of hedging the portfolio against foreign exchange risks by using forward exchange contracts.

Securities with embedded derivatives

The manager may invest in eurozone and/or international convertible bonds.

From time to time, the manager may invest in securities with embedded derivatives (warrants, EMTN, subscription certificates) traded on regulated or over-the-counter eurozone and/or international markets.

The strategies are identical to those used for derivatives.

In all cases, the amounts invested in securities with embedded derivatives may not exceed 10% of the net assets.

The risk associated with this type of investment shall be limited to the amount invested for the purchase of the securities with embedded derivatives.

Deposits and cash

The FCP may use deposits in order to optimise its cash management and to manage the various subscription or redemption settlement dates of the underlying UCITS. Up to 20% of its assets may be invested in deposits with the same credit institution. This type of operation shall be carried out on an exceptional basis.

The FCP may hold cash on an ancillary basis, in particular in order to meet its redemption obligations in relation to investors.

Cash lending is prohibited.

Cash borrowings

The FCP may borrow cash on a limited basis in order to optimise its cash management and to manage the various subscription or redemption settlement dates of the underlying UCITS. These transactions shall be carried out within the regulatory limits.

Temporary purchase and sale of securities

The FCP may enter into securities lending transactions on a limited basis in order to optimise its income.

Any temporary purchases or sales of securities shall be carried out under market conditions.

Additional information can be found under the heading "Fees and expenses".

2.2.5 Risk profile

The Fund shall invest in financial instruments and, where applicable, UCITS selected by the Management Company. These financial instruments and UCITS shall be subject to the evolution and fluctuations of the market.

The risk factors described below are not exhaustive. It is up to each investor to analyse the risk associated with such an investment and to form his/her own opinion independent of CARMIGNAC GESTION, where necessary seeking the opinion of any advisors specialised in such matters in order to ensure that this investment is appropriate in relation to his/her financial situation.

Risk of capital loss: the portfolio is managed on a discretionary basis and does not guarantee or protect the capital invested. A capital loss occurs when a unit is sold at a lower price than that paid at the time of purchase.

Risk associated with discretionary management: discretionary management is based on the expected evolution of the financial markets. The FCP's performance will depend on the companies selected by the Management Company. There is a risk that the Management Company may not invest in the best performing companies.

Equity risk: as a minimum of 60% of the assets of CARMIGNAC INNOVATION is exposed to equities, the net asset value of the Fund may decrease in the event of a downward movement on the equity markets.

Currency risk: the FCP is exposed to currency risk through the purchase of securities denominated in currencies other than the euro or indirectly through the purchase of financial instruments denominated in euro whose underlying investments are not hedged against currency risk as well as through currency forward exchange contracts. The net asset value of the Fund may decrease.

Interest rate risk: 0% to 40% of the net assets of the Fund is exposed to the interest rate risk of the eurozone and international markets through investments in financial instruments. The net asset value of the Fund may decrease.

Credit risk: The manager may invest in bonds whose rating is below investment grade. The average rating of the bonds held directly by the Fund or through investments in UCITS shall be at least investment grade (i.e. rated at least BBB-/Baa3 by the rating agencies Standard and Poor's and Moody's). The net asset value of the Fund may decrease.

Risk associated with commitments on forward financial instruments: Carmignac Innovation may invest in financial futures, provided they do not exceed the total value of the Fund's assets. As up to 200 % of the Fund's assets may thus be exposed to equities, this may lead to the risk of a more substantial and rapid decrease in the net asset value of the Fund than those that occur on the markets in which the Fund is invested. In the event of the occasional use of securities with embedded derivatives, the risk associated with this type of investment shall be limited to the amount invested for the purchase of the securities with embedded derivatives.

Emerging markets risk: Investors should note that the operating and supervision conditions in emerging markets, where prices may fluctuate significantly, may deviate from the standards prevailing on the large international exchanges.

Liquidity risk: the markets in which the FCP participates may occasionally be subject to temporary illiquidity. These market distortions may have an impact on the pricing conditions under which the FCP might be caused to liquidate, initiate or modify its positions. The net asset value of the Fund may therefore decrease.

2.2.6 Target investors

Units of this Fund have not been registered in accordance with the US Securities Act of 1933. They may therefore not be offered or sold, either directly or indirectly, in the United States or on behalf of or for the benefit of a US person, as defined in Regulation S. Aside from this exception, the FCP is open to all investors.

As the Fund is mainly invested in international stocks (all caps), it is aimed at all types of investors, natural persons and legal entities wishing to diversify their investments through foreign stocks.

The recommended investment period is more than 5 years.

The appropriate investment amount depends on the personal situation of the investor. To determine this amount, investors' personal wealth, their cash requirements now and 5 years from now as well as their degree of risk aversion must all be taken into account. It is recommended that investors seek the advice of a professional in order to diversify their investments and to decide on the proportion of their financial portfolio or wealth that should be invested in this FCP. Investors are also advised to sufficiently diversify their investments to avoid being exposed to the risks of this Fund only.

2.2.7 Allocation of income

Accumulation fund: Dividends are recorded on an accruals basis.

2.2.8 Characteristics of the units

The units are denominated in euro. Thousandths of units may be issued.

2.2.9 Frequency of distributions

No dividends are distributed for an accumulation FCP.

2.2.10 Subscription and redemption procedures

Date and frequency of the net asset value

- Daily.
- The calendar used to determine the net asset value publication days is the legal calendar of public holidays within the meaning of article L.3133-1 of the *Code de Travail*, the French Labour Code.

Terms and conditions of subscriptions and redemptions

Subscription and redemption requests are centralised on each NAV calculation and publication day (D) before 18:00, and are executed on the next business day on the basis of the net asset value calculated using the closing price of D and published on D+1.

Subscription and redemption requests received by Carmignac Gestion before 18:00 are precentralised by Carmignac Gestion and executed under the same conditions as above.

In some countries, the subscription of shares may be carried out according to the specific procedures authorised by the regulatory authority of the country in question.

Subscriptions and redemptions resulting from a request transmitted after the cut-off time mentioned in the prospectus (late trading) are prohibited. Subscription and redemption requests received after 18:00 shall be treated as if they were received on the following NAV calculation and publication day.

Institutions responsible for ensuring compliance with the centralisation cut-off time indicated in the paragraph above:

CACEIS BANK FRANCE, 1-3 place Valhubert, 75013 Paris and CARMIGNAC GESTION, 24, place Vendôme, 75001 Paris

Investors are reminded that requests transmitted to promoters other than the institutions indicated above must take into consideration the fact that the cut-off time for the centralisation of orders applies to said promoters vis-à-vis CACEIS BANK FRANCE. Consequently, such promoters may apply their own cut-off time, which may be earlier than the cut-off time indicated above, in order to take into account the time required to transmit orders to CACEIS BANK FRANCE.

Place and means of publication of the net asset value

CARMIGNAC GESTION, Address: 24 place Vendôme, 75001 Paris.

The net asset value announced at 15:00 each day shall be used for the calculation of the subscriptions and redemptions received before 18:00 on the previous day.

The net asset value is available 24 hours per day on the following number, +33 (0)1 42 61 62 00, and is displayed at the offices of Carmignac Gestion and on the Carmignac Gestion website: www.carmignac.com

2.2.11 Fees and expenses

Subscription and redemption fees

Subscription fees increase the subscription price paid by the investor, while redemption fees decrease the redemption price. The fees charged by the FCP serve to offset the costs incurred by the FCP to invest and disinvest investors' monies. Fees not paid to the FCP are attributed to the Management Company, the Fund promoter, etc.

Expenses payable by the investor, deducted at the time of subscriptions and redemptions	Basis	Rate
Maximum subscription fee payable to third parties	net asset value x number of units	maximum 4% inclusive of tax
Subscription fee payable to the Fund	net asset value x number of units	None
Redemption fee payable to third parties	net asset value x number of units	None
Redemption fee payable to the Fund	net asset value x number of units	None

Management and administration fees

These fees cover all the costs invoiced directly to the FCP, except transaction costs. Transaction costs include intermediary fees (brokerage, stock market taxes, etc.) as well as transaction fees, if any, that may be charged by the custodian and the Management Company in particular. The following fees may be charged in addition to the management and administration fees:

- performance fees. These reward the Management Company if the FCP exceeds its objectives. They are therefore charged to the FCP;
- transaction fees charged to the FCP;
- a portion of the income from temporary purchases or sales of securities.
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Fees charged to the Fund	Basis	Rate
Management and administration fees, inclusive of tax (including all charges (other than transactions costs), performance fees and fees related to investments in UCITS or investment funds)	Net assets	Maximum 1.5% inclusive of tax
Performance fees	Net assets	Maximum 20% of this outperformance when it is established (1)
Transaction fees charged by the Management Company	Maximum payable per transaction	French stock exchange: 0.3% (inclusive of tax) on each transaction; this fee is 0.05% (inclusive of tax) for bond transactions Foreign stock exchange: 0.4% (inclusive of tax) on each transaction; this fee is 0.05% (inclusive of tax) for bond transactions

(1) Performance fees:

The performance fees are based on a comparison between the performance of the Fund and its performance indicator over the calendar year.

If the performance since the beginning of the financial year is positive and exceeds the performance of the following composite index: 50% MSCI ACWF Information Technology, converted into euro, + 48% MSCI ACWF Health Care, converted into euro, + 2% MSCI ACWF Energy Equipment, converted into euro, a maximum daily provision of 20% of this outperformance is established. In the event of underperformance in relation to this index, a daily amount corresponding to a maximum of 20% of this underperformance is deducted from the provision established since the beginning of the year.

Calculation and distribution of the proceeds of temporary purchases and sales of securities

Repurchase agreements are carried out under the market conditions applicable at the time of the transaction. Carmignac Gestion does not receive any fees in relation to these transactions.

Payments in kind

Carmignac Gestion does not receive payments in kind for its own account or on behalf of third parties as defined in the General Regulation of the *Autorité des Marchés Financiers*, formerly the *Commission des Opérations de Bourse*. For further information, please refer to the Fund's annual report.

2.2.12 Choice of intermediaries

Carmignac Gestion uses a multi-criteria approach to select intermediaries guaranteeing best execution of stock market orders.

The criteria applied are both quantitative and qualitative and depend on the markets for which the intermediaries provide services, in terms of both geographical area and instruments.

The analysis criteria include, inter alia, the availability and proactivity of the intermediary representatives, the financial situation of the intermediaries, their speed, the quality of the processing and execution of orders and intermediary costs.

3. COMMERCIAL INFORMATION

3.1 Place and means of publication of the net asset value

CARMIGNAC GESTION, 24 place Vendôme, 75001 Paris.

The net asset value announced at 15:00 each day shall be used for the calculation of the subscriptions and redemptions received before 18:00 on the previous day. The net asset value is available 24 hours per day on the following number, +33 (0)1 42 61 62 00, and is displayed at the offices of Carmignac Gestion and on the Carmignac Gestion website: www.carmignac.com

3.2 Publication of information about the Fund

The latest annual and semi-annual reports shall be sent to unitholders within one week upon written request to: CARMIGNAC GESTION, 24, place Vendôme, 75001 PARIS

The prospectus is available on the website: www.carmignac.com

Contact: Communications department
Tel: 33 (0)1.42.86.53.35
Fax: 33 (0)1.42.86.52.10

4. INVESTMENT RULES

4.1 Regulatory ratios

The FCP shall respect the regulatory limits applicable to standard coordinated French UCITS.

4.2 Specific limits

Minimum equity risk exposure of 60% of the net assets of the Fund.

4.3 Calculating overall risk

Overall risk is calculated using the commitment approach.

5. VALUATION AND ACCOUNTING RULES FOR THE ASSETS

The annual accounts for the 12-month financial year ended on the day of the last net asset value of the year are presented in accordance with the provisions laid down in Accounting Regulatory Committee (CRC) regulation no. 2003-02 of 2 October 2003 with regard to the accounting guidelines applicable to UCITS.

5.1 Main changes introduced by the new chart of accounts for UCITS

The presentation of financial instruments on the balance sheet, previously influenced by risk diversification ratios, has been substituted by presentation according to type of instrument.

Off-balance sheet positions are shown according to their economic features.

Swap transactions are henceforth shown at their nominal value.

The notes provide the reader with further information on the types of risk arising both from holdings in financial instruments and from the implementation of the management strategy described in the prospectus or the simplified prospectus.

The accounting currency is the euro.

5.2 Methods used for the valuation of balance sheet items and futures and options

o Investments in securities

Securities purchased are recorded at their acquisition price excluding fees, and securities sold are recorded at their sale price excluding fees.

Securities, futures and options held in the portfolio denominated in other currencies are converted into the accounting currency on the basis of the exchange rate provided in Paris on the valuation day (ASFFI price provided at 13:00, with the exception of the US\$ which is sourced from REUTERS at 15:00 GMT on the MGTX page). The portfolio is valued according to the following methods:

o French securities

- on the spot market, deferred settlement system: on the basis of the latest price available.
- on the over-the-counter market: on the basis of the latest price available.

French government bonds are valued on the basis of the mid price of a contributor (a primary dealer selected by the French Treasury), supplied by an information server. This price is subject to a reliability check by means of a comparison with the prices of several other primary dealers.

o Foreign securities

- listed and registered in Paris: on the basis of the latest price available.
- not listed and not registered in Paris:
 - on the basis of the latest price available for those in Europe.
 - on the basis of the latest price available for the other securities.

Transferable securities whose prices have not been determined on the valuation day, or whose prices have been adjusted, are valued under the responsibility of the Management Company at their foreseeable sale prices.

o UCITS are valued at the latest redemption price or the latest net asset value available.

They are valued at the latest redemption price or the latest net asset value available.

o Money market instruments and synthetic assets composed of a money market instrument backed by one or more interest rate and/or currency swaps (“asset swaps”)

For those traded in large volumes and which have a residual maturity greater than 3 months: at the market price on the basis of information feeds sourced from a financial information vendor (Bloomberg, Reuters, etc.).

For those not traded in large volumes and which have a residual maturity greater than 3 months: at the market price on the basis of information feeds sourced from a financial information vendor (Bloomberg, Reuters, etc.) for equivalent money market instruments whose price shall be incremented or decreased, where applicable, by a differential representing the issuer's specific characteristics and by applying an actuarial method.

For those with a residual maturity of 3 months or less: on a straight-line basis.

In the case of a debt security valued at the market price whose residual maturity falls below or is equal to 3 months, the last rate used shall be frozen until the final repayment date, unless the security's modified duration requires valuation at the market price (see the previous paragraph).

o Temporary purchases and sales of securities according to the conditions provided for in the contract.

These transactions are valued according to the conditions provided for in the agreement.

Certain fixed income transactions whose maturity is greater than three months may be valued at the market price.

- **Futures and options**

Forward purchases and sales of currencies are valued in consideration of the amortisation of any positive or negative balance carried forward.

5.3 Off-balance sheet transactions

- Transactions on regulated markets
 - **Futures:** these transactions are valued according to the markets on the basis of the settlement price. The commitment is calculated as follows: price of futures contract x nominal value of contract x quantities.
 - **Options:** these contracts are valued according to the markets on the basis of the opening price or the settlement price. The commitment is equal to the conversion of the option into the underlying equivalent. It is calculated as follows: delta x quantity x ratio or nominal value of the contract x price of the underlying equivalent.
- Transactions on over-the-counter markets
 - **Interest rate transactions:** valuation at the market price on the basis of information feeds sourced from a financial information vendor (Bloomberg, Reuters, etc.) and, if necessary, by applying an actuarial method.
 - **Interest rate swap transactions:**
For those with a residual maturity greater than 3 months: valuation at the market price on the basis of information feeds sourced from a financial information vendor (Bloomberg, Reuters, etc.) and by applying an actuarial method.
 - **Backed or non-backed transactions:**
 - Fixed rate/Variable rate: nominal value of the contract
 - Variable rate/Fixed rate: nominal value of the contract
 - For those with a residual maturity of three months or less: valuation on a straight-line basis.
 - In the case of an interest rate swap transaction valued at the market price whose residual maturity is less than or equal to three months, the last rate used shall be frozen until the final repayment date, except in the case of modified duration requiring valuation at the market price (see the previous paragraph).

The commitment is calculated as follows:

 - Backed transactions: nominal value of the contract
 - Non-backed transactions: nominal value of the contract- **Other transactions on over-the-counter markets**
 - Interest rate, foreign exchange or credit transactions: valuation at the market price on the basis of information feeds sourced from a financial information vendor (Bloomberg, Reuters, etc.) and, if necessary, by applying an actuarial method.
 - The commitment is shown as follows: nominal value of the contract.

5.4 Method used to record interest and income from fixed income securities

Income is recorded on an accruals basis.

5.5 Calculation of management and performance fees

The fixed management fees are capped at 1.5% inclusive of tax of the daily average of the assets under management. They are recorded for each net asset value. The calculation is carried out *pro rata temporis* on the basis of the assets under management.

Performance fees: if the performance since the beginning of the financial year is positive and exceeds the performance of the following composite index: 50% MSCI ACWF Information Technology, converted into euro + 48% MSCI ACWF Health Care, converted into euro + 2% MSCI ACWF Energy Equipment, a daily provision of 20% of this outperformance is established. In the event of underperformance in relation to this index, a daily amount corresponding to 20% of this underperformance is deducted from the provision established since the beginning of the year. This provision is deducted annually on 31 December by the management company.

5.6 Transaction fees

CARMIGNAC GESTION receives transaction fees as defined in the *Autorité des Marchés Financiers* (AMF) General Regulation under the following conditions:

- 0.3% (inclusive of tax) for stock market transactions in France, except for bond transactions in which case the fee is reduced to 0.05% (inclusive of tax);
- 0.4% (inclusive of tax) for transactions on foreign stock exchanges, except for bond transactions in which case the fee is reduced to 0.05% (inclusive of tax);

In an exceptional case where a sub-custodian applies a transaction fee for a particular transaction not described in the provisions above, a description of the transaction and the transaction fees charged shall be provided in the management report of the Fund.

5.7 Dividend policy

No dividends are distributed for an accumulation FCP.

5.8 Accounting currency

The FCP's financial statements are recorded in euro.

MANAGEMENT REGULATIONS OF THE FCP CARMIGNAC INNOVATION

TITLE 1: ASSETS AND UNITS

■ ARTICLE 1 – CO-OWNERSHIP UNITS

The co-owners' rights are represented by units, with each unit corresponding to the same fraction of the Fund's assets. Each unitholder has a co-ownership right in and to the assets of the Fund proportional to the number of units they hold.

The duration of the fund is 99 years from its creation, except in the cases of early dissolution or extension provided for in these Regulations (see article 11).

The characteristics of the various classes of units and their eligibility requirements are described in the FCP's prospectus.

The different classes of units may:

- benefit from different dividend policies; (distribution or accumulation)
- be denominated in different currencies;
- be charged different management fees;
- be charged different subscription and redemption fees;
- have a different par value.

The units may be merged or divided.

The Board of Directors of the Management Company may decide that the units shall be sub-divided into tenths, hundredths, thousandths or ten thousandths, with such subdivisions being referred to as fractions of units.

The provisions of the regulations governing the issue and redemption of units shall apply to fractions of units, whose value shall always be proportionate to that of the units they represent. Unless otherwise provided, all other provisions of the regulations relating to units shall apply to fractions of units without any need to make a specific provision to that end.

Lastly, the Management Company's Supervisory Board may decide, at its own discretion, to sub-divide the units by issuing new units which shall be allocated to unitholders in exchange for their existing units.

■ ARTICLE 2 - MINIMUM AMOUNT OF ASSETS

Units may not be redeemed if the Fund's assets fall below EUR 300,000. In such a case, and unless the value of the assets recovers above this amount in the interim period, the Management Company shall take the necessary measures to merge or dissolve the Fund within a period of thirty days.

■ ARTICLE 3 - ISSUE AND REDEMPTION OF UNITS

Units are issued each time a subscription request is received on the basis of their net asset value plus a subscription fee, where applicable.

Subscriptions and redemptions are executed under the conditions and according to the procedures defined in the prospectus.

Units of the Fund may be admitted to an official stock exchange listing in accordance with the regulations in force.

Subscriptions must be fully paid up on the day the net asset value is determined. Subscriptions may be made in cash and/or by a contribution in kind in the form of transferable securities. The Management Company is entitled to refuse any securities offered and, for that purpose, must announce its decision within seven days of the date on which the securities were tendered. If they are accepted, the securities tendered are valued according to the rules laid down in article 4, and the subscription is based on the first net asset value following acceptance of the securities concerned.

Redemptions shall be made solely in cash, except in the event of the liquidation of the Fund if unitholders have stated that they agree to be repaid in securities. The redemption price is paid by the custodian within five days of the valuation day of the units.

However, if in exceptional circumstances the redemption requires the prior sale of assets held in the Fund, this deadline may be extended to a maximum of 30 days.

With the exception of a succession or an inter vivos gift, the sale or transfer of units between unitholders, or unitholders and third parties, is treated as a redemption followed by a subscription; if this involves a third party, the sale or transfer amount must, where applicable, be supplemented by the beneficiary in order to at least reach the minimum subscription amount stipulated by the prospectus.

Pursuant to article L.214-30 of the French monetary and financial code, the Management Company may temporarily suspend the redemption of units or the issue of new units by the Fund when exceptional circumstances and the interests of the unitholders so require.

If the net assets of the Fund have fallen below the minimum threshold set by the regulations, no redemptions may be carried out.

A minimum subscription may be applied according to the procedures set out in the prospectus.

■ ARTICLE 4 - CALCULATION OF THE NET ASSET VALUE

The net asset value is calculated in accordance with the valuation rules specified in the detailed memorandum of the prospectus.

Contributions in kind may comprise only stocks, securities, or contracts admissible as assets of UCITS, and are valued according to valuation rules governing the calculation of the net asset value.

TITLE 2: MANAGEMENT OF THE FUND

■ **ARTICLE 5 - THE MANAGEMENT COMPANY**

The Fund is managed by the Management Company in accordance with the Fund's investment objectives.

The Management Company shall act in all circumstances on behalf of the unitholders and has the exclusive right to exercise the voting rights attached to the securities held in the Fund.

■ **ARTICLE 5A – OPERATING RULES**

The instruments and deposits in which the Fund's assets may be invested, as well as the investment rules, are described in the detailed memorandum of the prospectus.

■ **ARTICLE 6 - THE CUSTODIAN**

The custodian is responsible for the custody of the assets held in the Fund, for processing the orders received from the Management Company in relation to the purchase and sale of securities as well as those relating to the exercise of subscription and allotment rights attached to the securities held in the Fund. It is responsible for all collections and payments.

The custodian must ensure that decisions taken by the Management Company are lawful. Where applicable, it must take any protective measures it deems necessary. In the event of a dispute with the Management Company, it shall inform the AMF.

■ **ARTICLE 7 – THE STATUTORY AUDITOR**

A statutory auditor has been appointed by the Supervisory Board of the Management Company for a term of six financial years with the approval of the AMF.

The statutory auditor carries out the checks and audits established by law and, in particular, certifies whenever necessary the accuracy and consistency of the financial statements and of the accounting information contained in the management report.

The statutory auditor's mandate may be renewed.

The statutory auditor shall inform the AMF and the Management Company of the Fund of any irregularities and misstatements observed during the course of his work.

Assets will be valued and exchange ratios will be determined for the purpose of any conversion, merger or split under the statutory auditor's supervision. The statutory auditor shall review all contributions in kind and, as part of his responsibilities, shall establish a report on his valuation and his remuneration.

The statutory auditor shall certify the accuracy of the composition of the assets and other information before any publication.

The statutory auditor's fees are determined by mutual agreement between the statutory auditor and the Board of Directors of the Management Company on the basis of an agenda indicating all duties deemed necessary.

In the event of a liquidation, the statutory auditor shall value the amount of the assets and establish a report on the terms and conditions of such liquidation.

The statutory auditor certifies positions serving as the basis for the payment of interim dividends.

The statutory auditor's fees are included in the management fees.

■ **ARTICLE 8 - THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT**

At the end of each financial year, the Management Company prepares the financial statements and a report on the management of the Fund during the last financial year.

The list of assets and liabilities is certified by the custodian and all of the above documents are reviewed by the statutory auditor.

The Management Company shall make these documents available to unitholders within four months of the financial year-end and shall notify them of the amount of income attributable to them: these documents shall be sent by post if expressly requested by the unitholders, or made available to them at the offices of the Management Company.

TITLE 3: ALLOCATION OF INCOME

■ **ARTICLE 9 - DISTRIBUTABLE INCOME**

The net income for the financial year is equal to the amount of interest, arrears, dividends, premiums and prizes, directors' fees as well as all proceeds generated by the securities held in the portfolio of the Fund, plus income generated by temporary cash holdings, less management fees and borrowing costs.

Distributable income is equal to the net income for the financial year plus retained earnings, plus or minus the balance of the income equalisation accounts for the last financial year.

The Management Company decides on the allocation of net income.

Net gains/losses are attributed to each class of units in proportion to their share in the total net assets.

Holders of A and E units will be subject to the accumulation policy, i.e. the reinvestment of all income generated.

TITLE 4: MERGER – SPLIT – DISSOLUTION – LIQUIDATION

■ **ARTICLE 10 - MERGER - PLIT**

The Management Company may either merge all or part of the assets of the Fund with another UCITS under its management or with a UCITS managed by another company, or split the Fund into two or more mutual funds under its management.

Such mergers or splits may only be carried out one month after unitholders have been notified. Such mergers or splits give rise to the issue of a new certificate indicating the number of units held by each unitholder.

■ **ARTICLE 11 - DISSOLUTION - EXTENSION**

If the assets of the Fund remain below the amount set in article 2 above for thirty days, the Management Company shall inform the AMF and shall dissolve the Fund, except in the event of a merger with another fund.

The Management Company may dissolve the Fund before term. It shall inform the unitholders of its decision, after which no further subscription or redemption requests shall be accepted.

The Management Company shall also dissolve the Fund if a request is made for the redemption of all of the units, if the custodian's appointment is terminated and no other custodian has been appointed, or upon expiry of the Fund's term, unless such term is extended.

The Management Company shall inform the AMF by post of the dissolution date and procedure. Lastly, it shall send the AMF the statutory auditor's report.

The Fund's extension may be decided by the Management Company subject to the agreement of the custodian. Its decision must be taken at least three months before the expiry of the Fund's term and must be notified to the unitholders and the AMF.

■ **ARTICLE 12 - LIQUIDATION**

In the event of dissolution, the custodian or, where applicable, the Management Company, is responsible for carrying out the liquidation. To this end, they shall be granted the broadest powers to realise assets, pay off any creditors and allocate the available balance among the unitholders in the form of cash or securities.

The statutory auditor and the custodian shall continue to carry out their functions until the end of the liquidation.

TITLE 5: DISPUTES

■ **ARTICLE 13 – JURISDICTION – ADDRESS FOR SERVICE**

All disputes relating to the Fund that may arise during the term of the Fund or during its liquidation, either among the unitholders or between the unitholders and the Management Company or the custodian, shall be submitted to the courts having jurisdiction.