

## COMPLETE PROSPECTUS “VALL BANC FONDS US BOND DIVERSIFIED F.I.”

### I. IDENTIFICATION DETAILS OF THE FUND

**Name:** VALL BANC FONDS US BOND DIVERSIFIED F.I.

**INAF Registration Number:** 0096

**Manager:** Vall Banc Fons SAU

**Depository:** Vall Banc SAU.

**Auditor:** Auditor of the Vall Banc Group

**Supervisory authority:** INAF

**Address of the fund:** Number 3 Carrer de la Unió, 1<sup>st</sup> Floor, AD700 Escaldes Engordany

**Date the fund was established:** 01/09/2009

**Participations:** Registered

**Types:** Single accumulation type

**Duration:** The fund is established for an unlimited duration.

### II. GENERAL CHARACTERISTICS OF THE FUND

**Currency of reference:** The fund is denominated in US Dollars. (USD)

**Category:** FI - USD (Fixed income - Dollar).

**Minimum initial investment:** One participation (initial participation value USD100)

**Minimum investment to be maintained:** One participation.

**Maximum volume of participations per participant:** No maximum volume of participations is envisaged.

**Investor profile at which the fund is aimed:** The basic profile of the clients at whom this type of product is aimed are investors who are looking for a return on their investments through diversification in fixed income assets in order to obtain medium-term yields. Accordingly, investors will have a conservative risk profile and will not be willing to assume significant losses to their investment.

**Minimum recommended duration of the investment:** Willingness to remain in the fund for a period of three to five years.

**Benchmark index:** EFFAS 3-5 year

### III. INVESTMENT POLICY OF THE FUND

**Fund allocation and management objective:** Fixed Income Fund.

The fund is created under the system of Undertakings for Collective Investment in Transferable Securities as a Fixed Income Fund under Andorran law, and the objective of the fund is the medium-term/long-term capital growth, while generating running yields through a diversified portfolio made up of debentures or other debt instruments, including high-yield bonds issued by governments, supranational bodies, local administrations, national public entities and companies from around the world.

The fund is built on the basis of an active management that evolves in accordance with market orientation based on a certain strategic allocation. Accordingly, it will invest in international short, medium and long-term fixed income markets, of both public and private debt mainly issued by the Member States of the OECD or Andorra and/or by companies located in these same countries.

Similarly, the Fund may invest in deposits following high-liquidity criteria with a maturity date of no more than 18 months. The counterparties will be banking entities with registered offices in a member state of the OECD or Andorra and the legal concentration limits established in accordance with current regulations at any time will not be exceeded.

The investment in assets denominated in currencies other than US dollars should not be more than 5% of the Fund's assets.

The average duration of the portfolio shall not be predetermined a priori, and the manager will decide this duration according to market perspectives at any time.

#### **Criteria for selecting and distributing the investments.**

##### **Selection criteria for issuers of securities**

The overall credit rating of the portfolio must not be below Investment Grade. This rating will be assigned by Standard & Poor's or an equivalent ratings agency.

The selection of these securities shall be made bearing in mind the debt ratios of the company as well as the liquidity criteria of the issue market being analysed. The growth forecasts of the issuer as well as the evolution of the actual sector to which it belongs will also be analysed. The most significant items of the company's balance sheet will be reviewed on the basis of profit perspectives, as well as the set of subsidiary companies that form part of the group.

The fund may not invest more than 10% of its assets in each of the marketable securities or money market instruments issued by the same body, and this percentage shall extend to 25% if these are issued by a credit entity that has its registered offices in Andorra or in a Member State of the OECD, and 35% when these are issued or guaranteed by the Andorran state or a Member State of the OECD.

### **Criteria for selecting assets**

Three sectors will make up the fund structure: Investment Grade debt, High Yield debt and investment funds.

The geographic distribution of the investment among the different countries in which this fund will invest shall not be predetermined a priori, and the manager will decide this geographic distribution according to market perspectives. A preference is established for issuances in dollars and with a minimum credit rating of BBB-. This rating will be granted by Standard & Poor's or an equivalent ratings agency.

With regard to the distribution of the assets of the fund in private fixed income and public fixed income assets, this shall not be determined a priori either, and depending on the judgement of the manager itself, it will vary according to the evolution of the assets, and therefore, the totality of the assets could be invested entirely in both private fixed income assets and public fixed income assets.

In its search for higher profitability, the fund may make investments in assets that have a credit rating below BBB- and considered to be High Yield, and so this type of investment will generally be implemented through investment funds. The funds selected within the portfolio will have an objective that is in accordance with the investment policy of the fund, but these must not exceed 20% of the assets of the fund under any circumstances.

The assets in the portfolio shall meet high liquidity criteria to ensure that the position can be quickly terminated if there are capital losses, significant outflows of participations or if there is a desire to materialize the latent capital gains of its position.

The Fund reserves the right to invest provided that it is coherent with its investor aims, and it will fulfil all the requirements included in the applicable regulations, and it will respect the limits and the coefficient for the diversification of risk in the following assets at all times, with the following limitations:

- The fund may acquire structured fixed income products that pursue objectives similar to those of the fund's investment policy as long as they do not exceed 20% of the equity of the fund.
- The fund may not ensure securities of other issuers or buy or sell securities of the Fund on credit.

- The fund may not grant or ask for loans or credits, nor consequently mortgage or give assets belonging to the fund on account.

#### **Distribution of the investments**

The fund will invest mainly in issuances of corporate fixed income, essentially those from OECD countries and with a broad sectorial diversification and an average duration that is adaptable according to market conditions and expectations.

#### **Investment in derivatives**

Derivatives shall be used to hedge exchange-rate and/or interest-rate risk. The limitations on the use of derivatives are restricted by the legal coefficients for the diversification and concentration of risk applied under current legislation.

#### **Benchmark index**

The benchmark index for the Fund is the EFFAS 3-5-year Government Bond index. This is simply a secondary index of reference to be exceeded, and under no circumstances does it imply that the fund only invests in governmental issuances.

#### **Valuation of assets**

The assets of the UCI are measured using general valuation criteria. Securities listed on regulated markets are valued in accordance with the recognized official closing price of the market on which they are listed, and/or in the case of monetary assets, following liquidity criteria between the different counterparties in the market. The investments in UCIs will be valued at the manager's last public net asset value at the moment of the valuation of the fund.

The accounting concept of accrual is the method used for accounting fixed income interest, and any collection rights that arise are recorded through accounts related to credits on assets (5463) and a distinction is made between the accrued fixed and variable interest. Financial income corresponding to the remuneration for capital lent to the issuing company is reflected in the fixed income revenue account (761). When it is effectively received, the amount accumulated in accruals is transferred as effective income to the banks account. The investments in UCIs are valued at the last public net asset value of the manager when the valuation of the fund is made.

#### IV. GUARANTEE OF PERFORMANCE AND EARNINGS DISTRIBUTION POLICY

The results of the fund are obtained by deducting the fees of the management company and depositary, audit costs and other expenses envisaged in the fund's regulations from the total income and the latent and obtained profits.

The fund is directed towards the earnings distribution. These will be distributed on a quarterly basis and they shall be determined as a percentage of the coupons collected during the period. This percentage is set initially at 100%, and it may be modified subsequently according to what the manager may agree, although this percentage must be positive in all cases. No express guarantees of performance are given.

#### V. FEES APPLIED

<b>Fees applied</b>	<b>%</b>	<b>Calculation basis</b>
Management annual fee	1.00%	Fund's assets
Annual depositary fee	0.20%	Fund's assets
Subscription fee	0.50%	-
Redemption fee	1.00%	-

The fund may invest in other UCIs, and accordingly, the Fund may also have to bear any additional expenses resulting from such investments in addition to the direct costs specified in this prospectus, and these will be outlined in the corresponding reports.

When UCIs subject to investment belong to the same group as this fund, the accumulated fees and commissions applicable to this Fund and its participants must not exceed the maximum limits established for the management and depositary fees.

This Fund is exempt from paying any subscription and redemption fees in those cases where shares or participations of the UCI of the group are involved.

Whenever the fees of the fund are established or increased, this will be made public in the manner established by law, and where applicable, participants shall be entitled to exercise their right of withdrawal, and this prospectus will also include the corresponding update.

The **maximum limits** of the fees applied directly to the fund are:

Management fee: 1.50% of the fund's assets

Depositary fee: 0.40% of the fund's assets

Subscription/redemption fee: 5% of the price of the participations

The **expenses that can be charged to the fund** are:

Brokerage and liquidation fees

Auditing expenses

Financial expenses

Legal costs linked to the creation/modification of the UCI

## VI. INFORMATION FOR PARTICIPANTS

### **Publication of the net asset value and the valuation of subscriptions and redemptions**

Each day, the Management Company publishes the net asset value of the fund on the website of the promoter [www.vallbanc.ad](http://www.vallbanc.ad). For the purposes of subscriptions and redemptions requested in this fund, the net asset value applicable will be that corresponding to the same day as the date on which the application is made, provided that this is done before the cut-off time indicated below.

Cut-off time	Value date	Liquidation date
1.00 pm	D	D + 3

In any case, the net asset value applied will be the same for subscriptions and redemptions that are requested at the same time. A subscription application shall be understood to have been made at the moment the amount corresponding to it is entered into the account of the fund.

The management company may request an additional liquidation period in cases where a redemption corresponding to more than 5% of the value of the fund is requested. The manager may provisionally suspend the redemption of the parts if there are exceptional circumstances that require such a decision to be taken, and if the aim of the suspension is to safeguard the legitimate interests of the investors.

### **Annual accounts**

The annual accounts will be closed to coincide with the calendar year and the public financial statements of the fund will be submitted for an external review by an independent auditor of recognised prestige, which shall be contracted by the management company on a permanent basis. However, this auditor may not be the same for more than 4 consecutive years.

## VII. TAXATION

Law 11/2005 of 13 June 2006 implementing the agreement between the Principality of Andorra and the European Community for the establishment of measures equivalent to those envisaged in Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments establishes a regulatory framework to determine which returns or earnings are subject to taxation on savings income.

According to this law, a withholding shall be applied (for the concept of a taxation on savings) at source on interest payments made by paying agents established in the Principality of Andorra to natural persons who are resident in one of the Member States of the European Union. This withholding shall not apply to legal persons or residents of states that are not Member States of the European Union.

The income generated by this investment fund is legally classified as savings income and therefore it is subject to a withholding.

This tax system for withholdings is outlined in the following parameters:

- From 2011 35%

## VIII. IDENTIFICATION DATA OF THE MANAGEMENT COMPANY AND ITS MAIN FUNCTIONS

Date established: 9/11/1992

Registration number: 7098

Registered offices: Number 3 Carrer de la Unió, 1<sup>st</sup> Floor, AD700 Escaldes Engordany

### **Main functions**

The management of the assets, which includes:

- investment decisions,
- exercising, through the depositary, the economic and political rights inherent in the assets

Administrative management activities, which include:

- deciding net asset values, including the applicable tax system,
- accounting and the legal undertakings,
- drafting the complete prospectus and the public reports,
- determining the profits to be distributed (only for UCIs that distribute profits),
- controlling compliance with the applicable regulations,
- managing the register of participants,
- full judicial and extrajudicial representation of the UCI before all kinds of natural and legal persons.

Liability management, which includes:

- accepting subscriptions, redemptions (register of participants) and sending the corresponding orders to the depositary,
- ordering the depositary to redeem/sell participations.

Distribution-related activities, which include:

- sending documentation (advertising reports, management reports, etc.),
- selecting distributors.

## **IX. IDENTIFICATION DATA OF THE DEPOSITARY, MAIN FUNCTIONS AND RELATIONS WITH THE MANAGER**

Date established: 17/07/2015

Registration number: 15593

Registered offices: Number 10 Bonaventura Armengol Street, Montclar Building, Block 1, 2<sup>nd</sup> Floor, AD500 Andorra la Vella

### **Main functions**

The depositary is responsible for safeguarding the transferable securities, financial assets, financial instruments and cash that make up the assets of the fund, and this responsibility will not be affected if it decides to entrust part or the totality of the custody of the securities to a third party.

Likewise, the depositary is responsible before participants for the supervision and monitoring of the management carried out by the fund management company as well as other functions envisaged under the current regulations.

In particular, and in accordance with Article 64 of Law 10/2008 of 12 June, regulating understandings for collective investment under Andorran law, the functions of the depositary are:

- a) The maintenance and safe-keeping of the assets of the fund, although it may entrust the sub-custody of the assets to a third party or to a central securities depository in Andorra or abroad.
- b) Settling transactions on financial instruments and other assets of the fund, and the debit transactions of the fund.
- c) Ensuring that the management company and/or the fund comply with the rules envisaged in the current regulations, rules and the complete prospectus, in relation to the following aspects:
  - procedures for calculating the asset value as well as the procedure for the issue and redemption price of the participations of the fund,
  - the investment decisions of the fund.

The Management Company and the Depositary, together with other companies, belong to the Vall Banc Group.



## X. ADDITIONAL INFORMATION

This document includes the information that is necessary to allow the investor to form an opinion based on the investment being proposed. However, the information that it contains may be changed in the future. These modifications shall be made public in the manner established by law and, where applicable, participants can be allowed to exercise the corresponding right of withdrawal.

The regulations, complete prospectus, simplified prospectus and quarterly reports of the fund can be consulted at the offices of the management company. The regulations and the simplified prospectus are also available for consultation on the entity's website [www.vallbanc.ad](http://www.vallbanc.ad). In addition, all these documents may be expressly requested at the Manager's registered offices.

The fund will be dissolved, and the liquidation period opened:

- a) when the term set out in these regulations has expired,
- b) following an agreement between the management company and the depositary, if the fund has been established for an indefinite period,
- c) by agreement of the management company or the depositary, if either of these entities has ceased to carry out its functions in accordance with the precepts established in the current regulations, and no management entity or depositary has been designated to substitute them,
- d) when the equity of the fund is negative,
- e) when the equity of the fund does not reach the minimum required in accordance with what is established in the current regulations,
- f) due to the non-existence of participants,
- g) because of infringements or breaches of other legal precepts.

Once the investment body has been dissolved, a period for the liquidation of the fund will be opened and the right of redemption and subscription for shares will be suspended.

**Prospectus updated:** 25 April 2016