

**COUNTRY SUPPLEMENT
PRESCIENT GLOBAL FUNDS ICAV**

**ADDITIONAL INFORMATION FOR INVESTORS IN THE FEDERAL REPUBLIC OF
GERMANY**

Important information for German residents

This country supplement dated 9 December 2022 contains information specific to investors in the Federal Republic of Germany ("Germany") regarding Prescient Global Funds ICAV (the "ICAV"). It forms part of and must be read in conjunction with the Prospectus of the ICAV dated 13 November 2019, the Existing Fund Supplement, First Addendum to the Prospectus dated 9 June 2020, Second Addendum to the Prospectus dated 10 March 2021, the Supplement dated 1 December 2022 for the Osmosis Resource Efficient European Equities Fund and Annex to the Osmosis Resource Efficient European Equities Fund dated 1 December 2022, the Supplement dated 20 September 2022 for the Equitile Global Equity Fund, and the Supplement dated 24 June 2022 for Laurium Africa USD Bond Fund (together the "Prospectus").

All capitalised terms herein contained shall have the same meaning in this country supplement as in the Prospectus, unless otherwise indicated. This information specifies and completes the Prospectus as far as sales activities in Germany are concerned.

The Directors of the ICAV, whose names appear under the heading "**Management and Administration**" in the Prospectus, are the persons responsible for the information contained in this country supplement and accept responsibility accordingly. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of the information.

The offering of Shares in the following Classes of the Fund of the ICAV have been notified to the German Financial Services Supervisory Authority (BaFin) in accordance with section 310 of the German Capital Investment Code (*Kapitalanlagegesetzbuch*):

| Fund of the ICAV | Share Class |
|---|--------------------|
| Osmosis Resource Efficient European Equities | Class B |
| | Class C |
| | Class G |
| Equitile Global Equity Fund | Class A USD |
| | Class A EUR |
| | Class A GBP |
| | Class A NOK |
| Laurium Africa USD Bond Fund | Class A1 USD |
| | Class A2 USD |
| | Class B3 USD |
| | Class B4 USD |
| | Class B5 USD |
| | Class B6 USD |

Please note that no application for permission for distribution in the Federal Republic of Germany according to section 309 of the German Capital Investment Code (*Kapitalanlagegesetzbuch*) for shares of the following sub-funds of the ICAV has been made: Prescient Global Positive Return Fund, Prescient Global Equity Fund, Prescient Global Income Provider Fund, Prescient China Balanced Fund, 27four Global Balanced Fund of Funds, 27four Global Equity Fund of Funds, ABAX Global Equity Fund, Seed Global Fund, Integrity Global Equity Fund, ABAX Global Income Fund, Methodical Global Equity Fund, High Street Wealth Warriors Fund, Blue Quadrant USD Capital Growth Fund, Benguela Global Equity Fund, Prescient China Equity Fund, Fairtree Global Flexible Income Plus Fund, Fairtree Global Listed Real Estate Fund, Prescient Global Balanced

Fund, Global Flexible Fund, PortfolioMetrix Balanced Fund, PortfolioMetrix Global Diversified Fund, PortfolioMetrix Global Equity Fund, PortfolioMetrix Cautious Fund, Sigma Select Global Leaders Fund, OMBA Moderate Risk Global Allocation Fund, PPS Global Equity Fund, All Weather Capital Global Emerging Markets Fund, BACCI Global Equity Fund, Prescient Core Global Equity Fund, Peregrine Capital Global Equity Fund, Fairtree Global Equity Fund, ESG Enhanced Market Neutral Fund, Seed Global Equity Fund, Sygnia 4th Industrial Revolution Global Equity Fund, Sygnia Health Innovation Global Equity Fund, Sygnia Global Income Fund, Umbra Balanced Fund, Aylett Global Equity Fund, and RisCura China Equity Fund. Therefore, shares of those sub-funds of the ICAV are not permitted for distribution in Germany.

1. Information Agent in Germany

- 1.1 The role of the information agent in Germany in accordance with section 309 of the German Capital Investment Code (*Kapitalanlagegesetzbuch*) is undertaken by **GerFIS - German Fund Information Service UG (haftungsbeschränkt)**, with its registered office at **Zum Eichhagen 4, 21382 Brietlingen, Germany** (the "**German Information Agent**").
- 1.2 The German Information Agent has been appointed by the Manager, acting on behalf of the ICAV with respect to the Fund, pursuant to a German Information Agent Agreement dated 16 April 2018 entered into between the Manager and the Information Agent.

2. Availability of Documents

- 2.1 The following documents with respect to the ICAV and the Fund are available free of charge in paper form at the registered office of the Information Agent during usual business hours on weekdays (Saturdays, Sundays and public holidays excepted):
 - 2.1.1 Copies of the certificate of incorporation of the ICAV;
 - 2.1.2 Instrument of Incorporation of the ICAV (and any instrument amending the Instrument of Incorporation);
 - 2.1.3 Prospectus most recently issued by the ICAV together with any addenda and/or supplements thereto;
 - 2.1.4 Key investor information document(s) (KIIDs) most recently issued by the ICAV with respect to the Fund;
 - 2.1.5 Most recently published annual and semi-annual reports relating to the ICAV;
 - 2.1.6 Management Agreement, Investment Management Agreement (related to the Fund) and the Depositary Agreement;
 - 2.1.7 ICAV Act, UCITS Regulations and the Central Bank UCITS Regulations; and
 - 2.1.8 Memorandum setting out details of other directorships and partnerships of the Directors of the ICAV.

3. Redemption Requests from and payments to Shareholders in Germany

- 3.1 Shareholders of the Fund in Germany can submit their redemption requests relating to the Shares in the Fund to the respective entity in Germany maintaining their custody accounts (*depotführende Stelle*) which will in turn forward the requests for processing to the Manager or will request the redemption in its own name for the account of the investor. Printed individual certificates have not been issued.

- 3.2 Distributions of the ICAV or the Fund, the payments of redemption proceeds and other payments to Shareholders in Germany will also be made through the respective entity in Germany maintaining the client's custody account (*depotführende Stelle*) which will credit the payments to the Shareholder's account.

4. **Publications**

- 4.1 The Net Asset Value per Share will be published at **www.prescient.ie**. The Subscription Prices and Redemption Prices are available free of charge at **www.prescient.ie**. Notifications to the Shareholders, if any, are available from the Manager's website at **www.prescient.ie**. The latest Subscription Prices and Redemption Prices, notifications to the Shareholders (including attorneys of voting rights) if any, are also available free of charge upon request at the registered office the German Information Agent.
- 4.2 In the cases enumerated in section 298 paragraph 2 of the German Capital Investment Code (*Kapitalanlagegesetzbuch*) notifications to Shareholders in Germany will additionally be provided in a durable medium (i.e. by way of a letter to shareholders) in accordance with section 167 German Capital Investment Code (*Kapitalanlagegesetzbuch*):
- 4.2.1 Suspension of repurchase of the Shares in the Fund;
 - 4.2.2 Termination of the management of or dissolution of the ICAV or the Fund;
 - 4.2.3 Changes to the terms and conditions which are not consistent with the existing investment policy, which affect essential Shareholder rights or which affect the reimbursement of expenses that may be taken from the Fund, including the reasons for the changes and Shareholder rights in an understandable manner and their means of obtaining information thereon;
 - 4.2.4 In the event of a merger of the ICAV or any the Fund, in the form of merger information to be prepared in accordance with Article 43 of UCITS Directive (Directive 2009/65/EC); and
 - 4.2.5 In the event of conversion of the ICAV or the Fund into a feeder fund or in the event of a change to a master fund, in the form of information to be prepared in accordance with Article 64 of the UCITS Directive (Directive 2009/65/EC).

5. **FEES AND EXPENSES**

Information relating to fees and expenses payable by investors is set out in the section of the Prospectus entitled "**Fees and Expenses**". Fees and expenses of the German Information Agent appointed by the Manager on behalf of the ICAV will be borne by the ICAV or the Fund in respect of which the Information Agent has been appointed and will be at normal commercial rates together with VAT, if any, thereon.

6. **Tax Information for German Investors**

- 6.1 The following considerations provide an overview of the income tax consequences of an investment in the ICAV resp. the Fund specified in this Prospectus (hereinafter the "**Investment Fund**").
- 6.2 They only relate to the German taxation of investors in investment funds who are subject to unlimited tax liability in Germany (hereinafter the "**German Investors**"). They do not constitute legal or tax advice. The comments are limited to certain aspects of current and adopted future German tax law and practice and may not apply to certain classes of investors. Prospective investors should be aware that the relevant law or practice and the interpretation of the underlying legal provisions may change, possibly with retroactive effect. These statements are limited to issues of German income, corporation and trade tax. These statements are not to be considered to be exhaustive

and may not be taken as a guarantee to any investor of the tax outcome of investing in the Investment Fund.

- 6.3 Prospective investors are therefore strongly advised to seek independent professional advice concerning possible taxation or other consequences of purchasing, holding, selling or otherwise disposing of the Shares under the laws of their country of incorporation, establishment, citizenship, residence or domicile. Furthermore, it has to be taken into account that – in addition to the income tax and corporation tax – the solidarity surcharge is levied as a supplemental tax and that church tax might arise.

6.4 **Current Tax Rules**

- 6.4.1 The Investment Tax Reform Act of 19 July 2016 (*Investmentsteuerreformgesetz - InvStRefG*), which was published in the Federal Gazette on 26 July 2016, replaced the former semi-transparent taxation regime for mutual investment funds in favour of a concept providing for a separate taxation at the fund level on the one hand and at the investor level on the other hand starting from 1 January 2018.

- 6.4.2 Thereafter, mutual investment funds are no longer fully tax-exempt. Rather, certain domestic earnings are subject to taxation at the investment fund level. At the German Investor level, distributions made by a mutual investment fund, capital gains from a disposal of shares in mutual investment funds and a so-called advance lump-sum (*Vorabpauschale*) are subject to taxation. As compensation, the German Investor will receive under certain conditions a tax-exemption for a portion of the earnings received from the mutual investment fund (so-called partial exemption) to compensate for the tax burden at the Investment Fund level.

- 6.4.3 As a result of the implementation of the InvStRefG, all shares in investment funds have been deemed to be sold at their redemption price on 31 December 2017 and deemed to be re-acquired at their redemption price on 1 January 2018 for tax purposes. This deemed sale constitutes a realisation event for tax purposes. The capital gain realised as a result of the deemed sale will be determined pursuant to the tax provisions applicable until 31 December 2017, but will be taxed only when the shares in investment funds are actually sold. For investment funds whose financial year deviates from the calendar year, a short financial year will be formed for tax purposes. For this short business year, deemed distributed earnings have to be recorded for tax purposes (for the last time) as of 31 December 2017. At the investment fund level, the amounts determined for taxation such as loss carry-forwards will be forfeited as of 1 January 2018.

- 6.4.4 The description below only relates to the tax provisions that apply to mutual investment funds and their investors as from 1 January 2018. Special investment funds, which must fulfil certain additional requirements, are subject to separate provisions. Essentially, special investment funds continue to be subject to a semi-transparent taxation regime similar to the legal situation that applies until 31 December 2017 (i.e. taxation at the investor level of distributed and deemed distributed earnings and of capital gains from a disposal of the investment fund shares), with an option for fully transparent taxation in relation to specific income.

- 6.4.5 Taxation at the Investment Fund level

(a) Taxable income

- (i) The Investment Fund is a foreign investment funds and, as such, separate legal estate within the meaning of section 2 no. 1 German Corporate Income Tax Act

(*Körperschaftsteuergesetz - KStG*) and the Investment Fund itself is generally subject to limited tax liability in Germany with certain income from a domestic source. In particular, domestic income from participations, domestic real estate earnings and other domestic income are subject to limited tax liability in Germany at the Investment Fund level. Domestic income from participations includes, in particular, dividends and payments on equity participation rights paid by German companies as well as manufactured dividend payments and securities lending fees paid in relation to participations in companies resident in Germany. Domestic real estate earnings include, in particular, income from letting and leasing as well as gains from the sale of real estate located in Germany. Other domestic income includes all income within the meaning of section 49 (1) of the German Income Tax Act (*Einkommensteuergesetz - EStG*) except for capital gains within the meaning of section 49 (1) no. 2 lit. e) EStG (i.e. capital gains from the disposal of participations in corporations of at least 1%) unless they are included in domestic income from participations or domestic real estate earnings. Accordingly, the tax liability relates in particular to interest on loans collateralised by domestic real estate, payments on debt participation rights and income from typical silent partnerships, from profit-participating loans and from convertible bonds if the debtor is resident in Germany (section 49 (1) no. 5 lit. a) and c) EStG).

- (ii) To the extent that the taxable income of Investment Fund is subject to withholding tax (in particular dividends), the tax rate is 15.00% and has final effect settling the relevant tax liability. Where solidarity surcharge is levied, the amount of withholding tax is reduced accordingly so that an ultimate withholding tax rate of 15.00% is applied including solidarity surcharge. Where the taxable income of Investment Fund is not subject to a tax deduction at source (in particular domestic real estate earnings), tax is levied on such income by way of a tax assessment. In this case, corporate income tax is applied at a rate of 15.00% plus solidarity surcharge of 5.5% thereon, i.e. at a total rate of 15.825%.
- (iii) To the extent that certain tax-privileged investors hold interests in the Investment Fund, the relevant Investment Fund's generally taxable domestic income may be tax-exempt pursuant to section 8 of the German Investment Tax Act (*Investmentsteuergesetz - InvStG*) at the level of the investment fund under certain conditions and upon application by the relevant investment fund. If only tax-privileged investors within the meaning of section 8 (1) or (2) InvStG may participate in an investment fund or one of its share classes under the relevant investment conditions, the investment fund or the relevant share class is fully tax-exempt under certain conditions without having to make a separate application (section 10 InvStG).

(b) Non-taxable income

Any other types of income not specified under 6.4.5(a) above are not taxable at the level of the Investment Fund. This applies, in particular, to domestic and foreign interest earnings (except for the interest earnings covered by section 49 (1) EStG), foreign dividends, foreign real estate earnings, gains from derivatives transactions, capital gains from the disposal of shares in domestic or foreign corporations as well as earnings from domestic or foreign target investment funds (i.e. for target mutual investment funds, distributions, the advance lump-sum and capital gains from a disposal of fund shares and, for target special investment funds, distributed earnings and deemed distributed earnings as well as capital gains from a disposal of fund shares).

- (c) Moreover, the Investment Fund itself is subject to trade tax in the case that it actively manages a significant part of its assets in an entrepreneurial manner and has a business establishment in Germany.

6.4.6 Taxation of German Investors

- (a) At the German Investor level, current distributions by the Investment Fund, capital gains from a disposal of Investment Fund shares and advance lump-sums (*Vorabpauschale*) are generally fully taxable as investment earnings within the meaning of section 16 InvStG. Section 3 no. 40 EStG and section 8b KStG are not applicable. Capital distributions (*Substanzausschüttungen*) are, in general, fully taxable investment earnings.
- (b) For private investors, investment earnings qualify as capital income and are, as such, subject to a final withholding tax at a rate of 25% (plus solidarity surcharge of 5.5%), in accordance with section 20 (1) no. 3 EStG. Upon application of a private investor, the personal income tax rate applies if this is more beneficial for the respective private investor (so-called more beneficial test - *Günstigerprüfung*). A saver lump sum for income related expenses is deducted from all capital income received by the relevant investor, in the amount of EUR 801 in case of a separate tax assessment and in the amount of EUR 1,602 in case of a joint tax assessment of spouses. No additional income-related expenses are deductible. Losses from capital investments may not be netted with other types of income or be deducted therefrom pursuant to section 10d EStG; however, they reduce the amount of income from capital investments in subsequent assessment periods.
- (c) Business investors are taxed on any taxable income at their personal income tax rate (plus solidarity surcharge of 5.5%). In relation to investors subject to German corporate income tax (*körperschaftsteuerpflichtige Anleger*), a tax rate of 15% (plus 5.5% solidarity surcharge) applies. In the case of a trading business, income is further subject to trade tax. Business expenses related to income from the Investment Fund are generally fully deductible. Losses from investments in the Investment Fund may be offset without limitation.
- (d) For private investors and business investors which are not corporate entities, church tax may be due in addition.
- (e) If tax is deducted by a domestic custodian, any applicable church tax thereon is normally withheld at source in addition to the tax deduction. The deductibility of church tax as a special expense is

taken into account when calculating the amount of taxes to be withheld.

- (f) For tax-exempt institutional investors (such as, for example, pension funds), no withholding tax is deducted under specific conditions in accordance with section 44a (4) EStG. The same applies under certain conditions where German Investors are domestic credit or financial services institutions or domestic asset management companies; in the case of capital gains from a disposal of Investment Fund shares, this also applies under certain conditions where the German Investor is a corporation subject to unlimited tax liability or where the capital gains are business income of a domestic business (section 43 (2) sentences 2 and 3 EStG).
- (g) Investment earnings are not recognised for tax purposes where the Investment Fund shares are held in connection with retirement or basic pension contracts certified pursuant to section 5 or section 5a of the Pension Contract Certification Act (*Altersvorsorgeverträge-Zertifizierungsgesetz*) (section 16 (2) sentence 1 InvStG).

6.4.7 Calculation of advance lump-sum

- (a) For accumulating investment funds, a so-called advance lump-sum (*Vorabpauschale*) is to be applied for tax purposes, irrespective of any distribution to the German Investor, pursuant to section 18 InvStG. The advance lump-sum corresponds to the amount by which an investment fund's distributions in a calendar year fall below the basic income for such calendar year. The basic income is determined by multiplying the redemption price of the investment share at the beginning of the calendar year by 70% of the base interest rate pursuant to section 203 (2) of the German Valuation Act (*Bewertungsgesetz - BewG*). However, the basic income is limited to the surplus amount that occurs between the first and the last redemption price determined in the calendar year plus the distributions made within such calendar year. If no redemption price is determined, the redemption price is replaced by the exchange or market price.
- (b) The advance lump-sum is deemed to be accrued to German Investors on the first working day of the following calendar year, irrespective of the investment fund's financial year. To avoid double taxation, if investment fund shares are sold the advance lump-sums recognised during the holding period are to be deducted from the capital gains pursuant to section 19 (1) sentences 3 and 4 InvStG. For this purpose, German Investors preparing a balance sheet must include an adjustment item and business investors preparing cash flow accounts must include a memorandum item, each in the amount of the advance lump-sums recognised during the holding periods, which is reversed on the sale of the investment share with the effect of reducing profits or, as the case may be, increasing losses.
- (c) In certain conditions, the advance lump-sum is not to be recognised for life insurance companies, health and nursing care insurance companies and in relation to investment fund shares held in connection with occupational pension provision under the German Company Pension Act (section 16 (2) sentence 2 InvStG).

- (d) If the shares are held in safe custody in a German securities account, the taxable advance lump-sums are subject to a withholding tax at a rate of 25% (plus solidarity surcharge and, where applicable, church tax). For private investors, no tax needs to be deducted where the German Investor provides a withholding tax exemption certificate of a sufficient amount. The same applies, under certain conditions, to tax-exempt institutional investors and to domestic credit or financial services institutions or domestic asset management companies. Otherwise, the German Investor must provide to the domestic custodian the amount of withholding tax to be imposed. For this purpose, the custodian may collect the amount of withholding tax to be imposed, without the German Investor's consent, from an account of the German Investor it maintains in the German Investor's name. To the extent that the German Investor does not fulfil its obligation to provide to the custodian the amount of withholding tax to be imposed, the custodian must notify this to the competent tax office.

6.4.8 Partial exemptions

- (a) As a compensation for the tax burden of investment earnings at the Investment Fund level, German Investors of investment funds with a specific investment focus (equity, mixed and real estate funds) receive a partial exemption from tax. The partial exemption is available for all investment earnings from investment funds, i.e. distributions, the advance lump-sum and capital gains from a disposal of investment fund shares. The level of exemption depends on the investment focus and the typical tax burden applying to investment funds with the relevant investment focus.
- (b) *Equity funds* are investment funds which, in accordance with their investment conditions, continuously invest a minimum of 51% of their value in equity investments (see section 2 (6) InvStG).
- (c) Pursuant to section 2 (8) InvStG, equity investments are shares in corporations listed on an exchange or quoted on other organised markets, shares in other corporations to the extent that they are resident and subject to tax and not tax-exempt in an EU/EEA state or are resident in a third state and subject to income tax at a rate of at least 15% without being tax exempt, and shares in equity funds (at a portion of 51% of the value of the investment fund share) and mixed funds (at a portion of 25% of the value of the investment share).
- (d) For equity funds, the partial exemption is 30% for private investors, 60% for business investors and 80% for investors subject to corporate income tax. If the German Investor is a life or health insurance company and the investment fund shares are held as capital assets, if the German Investor is a credit or financial services institution and the investment fund shares are attributable to its trading book, or if the German Investor is a financial enterprise the majority of which is held by a credit or financial services institution and the investment shares are to be reported as current assets at the time of their receipt as business assets, then the partial exemption is 30%, irrespective of whether the German Investor is a business investor or an investor subject to corporate income tax.
- (e) *Mixed funds* are investment funds which, pursuant to their investment conditions, continuously invest a minimum of 25% of

their value in equity investments within the meaning of section 2 (8) InvStG. For mixed funds, the partial exemption is granted at half the rate granted for equity funds, i.e. 15% for private investors, 30% for business investors and 40% for investors subject to corporation tax (for each of the latter two investor types subject to the exceptions mentioned in the preceding paragraph).

- (f) *Real estate funds* are investment funds which, pursuant to their investment conditions, continuously invest a minimum of 51% of their value in real estate and real estate companies (section 2 (9) sentence 1 InvStG). In this case, the partial exemption is granted at a uniform rate of 60% for private investors, business investors and investors subject to corporate income tax. If the real estate fund, in accordance with its investment conditions, continuously invests a minimum of 51% of its value in foreign real estate and foreign real estate companies, the partial exemption is granted at a uniform rate of 80% for private investors, business investors and investors subject to corporate income tax.
- (g) For trade tax purposes, the partial exemptions apply at half the rate at the Investor level.
- (h) Partial exemptions for investment earnings are, in general, already to be considered when calculating the amount of withholding tax. However, in the tax deduction procedure for equity and mixed funds, the exemption rate applicable to private investors of 30% or, as the case may be, 15% is always initially applied in each case; business investors and investors subject to corporate income tax may claim the applicable higher partial exemption rates (60% or 80%) in the tax assessment procedure only.
- (i) Business expenses with an economic nexus to investment earnings from equity, mixed or real estate funds, are proportionally not deductible at the Investor level in the percentage of the relevant partial exemption rates (section 21 InvStG).
- (j) To qualify as an equity, mixed or real estate fund, the investment funds must generally fulfil the relevant investment requirements in their investment conditions. The investment conditions include, in particular, the constitutive documents of the relevant fund such as, for example, its articles of association or company agreement.
- (k) An infringement by the Investment Fund of its investment conditions results in the loss of its status as an equity, mixed or real estate fund. In this case, the investment shares are deemed to be sold at their redemption price at the time of the infringement and to be re-acquired at the same price on the next day. If the investment conditions of an investment fund do not specify a sufficient equity or real estate ratio or if no investment conditions exist, German Investors will nevertheless be granted partial exemptions if they prove that the investment fund has in fact continuously exceeded the minimum investment levels during the financial year. In this case, partial exemptions are taken into account in the relevant German Investor's tax assessment upon application by the German Investor.

6.5 Former Tax Rules applicable until 31 December 2017

For information purposes the German tax rules applicable until 31 December 2017 are summarized hereinafter.

6.5.1 Introduction

- (a) Investors have been subject to the former German Investment Tax Act applicable until 31 December 2017 (*Investmentsteuergesetz 2017*; the "**InvStG 2017**") in relation to their participation in the investment fund, if the Investment Fund and the Shares fall within the scope of the InvStG 2017.
- (b) Pursuant to the InvStG 2017, two different tax regimes applied, one to "**Investment Funds**" and another to "**Investment Companies**", the latter being a new category of fund for InvStG 2017 purposes. "**Investment Funds**" are defined as UCITS and AIFs (i.e. alternative investment funds within the meaning of the AIFM-Directive, "**AIF**"), provided that the UCITS or AIF fulfil additional criteria under the InvStG 2017.
- (c) The taxation principles described below are based on the assumption that the Investment Fund qualified as an investment fund in terms of the InvStG 2017 and is fully transparent in accordance with the taxation principles set forth under the InvStG 2017 by fully complying with the tax reporting and publication requirements under the InvStG 2017 for all classes of shares and also in relation to the Investment Funds.
- (d) In case such tax reporting and publication requirements have not been met, German Investors were subject to an adverse lump-sum taxation, in which case distributions on the Shares, a potential so-called "**interim profit**" and the higher of (i) 70% of the annual increase in the redemption price of the Shares and (ii) 6% of the redemption price at the end of each calendar year was subject to tax and could also be subject to withholding tax.
- (e) Entities, which did not qualify as Investment Funds, have been treated as "**Investment Companies**", to which another tax regime applied. It should be noted that a grandfathering provision exists for existing funds (i.e. such funds are treated as Investment Funds for the purposes of the InvStG 2017 during the grandfathering period) provided that the respective fund meets the following conditions:
 - (i) the fund was launched before 24 December 2013; and
 - (ii) the fund complies (and will continue to comply during the grandfathering period until 31 December 2017) with the criteria of an investment fund under the (previously legally existing, but now abolished) Investment Act (the "**InvA**") as applicable prior to 22 July 2013; and
 - (iv) the fund does not change its terms and conditions in a way that it qualifies – after such change – for the first time as a hedge fund under the abolished InvA or under the Capital Investment Code (*Kapitalanlagegesetzbuch*), which replaced the InvA.
- (f) If all of these conditions are met, then the German Investors in such a fund will be taxed in accordance with the rules applicable to an Investment Fund until 31 December 2017.
- (g) However, if the respective fund does not meet the requirements set out above in relation to the application of the grandfathering

provision and also does not meet the additional criteria introduced by the AIFM Tax Act in relation to an Investment Fund then less favourable tax rules would apply for German Investors, in particular, the following rules would apply:

- (i) if the relevant shares are held as private assets by an individual, distributions by the fund will be subject to the German flat rate tax of 26.38% (plus church tax, if applicable);
 - (ii) if the relevant shares are held by a German institutional investor, actual distributions and capital gains generated by such an investor through the sale of such shares will, in principle, benefit from the general tax reliefs and exemptions available in relation to dividend income and capital gains, however, only provided that in relation to a fund, which is tax resident in a EU member state or in the European Economic Area, such fund is subject to normal corporate taxation in its state of residency. If the investor is not able to provide the necessary evidence, then the actual distribution or capital gain will be subject to German corporation and trade tax.
- (h) However, it should be noted that, irrespective of the application of the above rules under the InvStG 2017, in addition the German Foreign Tax Act (the "**CFC Rules**") may apply at the level of German Investors, i.e. German Investors could be subject to a deemed taxable dividend in circumstances where the respective fund entity earns passive income for the purposes of the CFC Rules (e.g. interest) and such passive income is subject to low taxation (i.e. less than 25%). In particular, the application of the CFC Rules may have a detrimental tax effect, since, in contrast to the rules under the InvStG 2017 prior to the AIFM Tax Act, the application of the InvStG 2017 does not rule out the application of the CFC Rules in relation to Investment Companies.
- (i) The following principles apply based on the understanding that the InvStG 2017 applies to the Investment Fund, which complies with the relevant tax reporting and publication rules under the InvStG 2017. The law differentiates between three types of German investors:
- (i) Private investors (the "**Private Investors**"): such investors which hold Shares as private assets for tax purposes;
 - (ii) Business investors (the "**Business Investors**"): such investors which hold Shares as business assets for tax purposes; and
 - (iii) Institutional corporate investors (the "**Institutional Investors**"): such investors hold Shares as business assets under the rules of the Corporate Income Tax Act (*Körperschaftsteuergesetz*: "**CITA**").
- (j) The InvStG 2017 differentiates between distributed and retained earnings. Such earnings of German Investors may be subject to income tax (*Einkommensteuer*) or corporation tax (*Körperschaftsteuer*) and trade tax (*Gewerbesteuer*).

6.5.2 Distributed Income

- (a) The distributed income of a Fund comprises income utilised by a fund for the purpose of distribution.
- (b) The income comprises:
 - (i) capital income;
 - (ii) other income; and
 - (iii) capital gains.
- (c) The respective items of income can be positive or negative; only positive income can be distributed. The setting off of losses with income, even within the foregoing categories, follows its own rules (please see below under the Section **"Negative Taxable Income"**).
- (d) Distributed fund income is subject to taxation at the level of a Private Investor. Income arising from the Shares held by a Business Investor or an Institutional Investor is in principle taxable income of such investor.
- (e) If the Investment Fund adheres to additional tax reporting and publication requirements, distributed income to the extent it relates to dividends and capital gains on disposal of shares in German or foreign corporations is 40% tax exempt (i.e. 60% are taxable) for Business Investors for income purposes.
- (f) Under the same conditions, distributed income of the Investment Fund is tax exempt for corporation tax purposes in Germany at the level of Institutional Investors if it relates to capital gains on disposal of shares in German or foreign corporations. Regarding capital gains on disposal of shares in German or foreign corporations, 5% of the income is deemed as non-deductible business expenses at the level of an Institutional Investor, leading to an effective 5% taxation of such income.
- (g) Such effective 95% tax exemption does not apply (i) to Shares held as capital investments by investors being life and health insurance companies or (ii) to credit or financial services institutions within the meaning of the Banking Act (*Kreditwesengesetz*) which allocate the Shares to their trading book or (iii) to financial enterprises (*Finanzunternehmen*) which acquire the Shares with the intention to generate short-term profits.

6.5.3 Deemed Distributed Income

- (a) Certain retained earnings (the **"Deemed Distributed Income"**) would generally be deemed to be distributed to German Investors at the end of the Investment Fund's financial year in which the income was earned by the Investment Fund. Therefore, a tax liability for German Investors could arise before payment actually has been received.
- (b) The term Deemed Distributed Income covers, if retained at the Investment Fund level, any income from capital investments, with the exception of option premiums, income from forwards transactions and capital gains from the disposal of shares in

certain corporations or from the disposal of certain other capital claims.

- (c) Certain Deemed Distributed Income, in particular with regard to capital gains generated through the disposal of shares in corporations, may be fully or partially tax exempt for Business Investors and Institutional Investors, provided certain requirements are met.

6.5.4 Negative Taxable Income

- (a) Within an investment fund negative income is to be set off with positive income of the same kind. Income of the same kind exists, where positive income and negative income are to be allocated to the same class of income as specified by the relevant decree of the Federal Ministry of Finance in relation to the Investment Tax Act.
- (b) Losses which are not set off in the year of their occurrence are to be carried forward and to be set off in future business years in accordance with the same principles.

6.5.5 Redemption and Disposal

- (a) Capital Gains arising from the redemption or disposal of the Shares and interim profits will be subject to the flat rate withholding tax at a rate of 25% at the level of a Private Investor, irrespective of the observance of any holding period. In order to avoid double taxation, taxable capital gains arising upon redemption or upon disposal are reduced by Deemed Distributed Income if they had not been distributed prior to redemption or disposal.
- (b) Institutional Investors are generally taxed on capital gains arising from redemption or disposal of the Shares. Capital gains from redemption or disposal of Shares held in business assets are generally 95% tax exempt for an Institutional Investor, to the extent these capital gains relate to realised or unrealised gains, which stem from shareholdings in German or foreign corporations, the distributions of which qualify as dividend income for Income Tax purposes. Accordingly losses are, however, not tax deductible or respectively have to be added to the capital gains arising from the redemption or disposal of the Shares. Such tax treatment is only applicable if the Investment Fund calculates and publishes on a daily basis the positive or negative percentage of the value of the Shares, which relates to such part of the Investment Fund's profit being contained in the income arising from the sale and the redemption price. Such tax treatment does not apply (i) to Shares held as capital investments by investors being life and health insurance companies or (ii) to credit or financial services institutions within the meaning of the German Banking Act (*Kreditwesengesetz*) which allocate the Shares to their trading book or (iii) to financial enterprises (*Finanzunternehmen*) which acquire the Shares with the intention to generate short-term profits.
- (c) Similar rules with a 40% tax exemption apply in relation to Business Investors.

6.5.6 Withholding Tax

- (a) Distributed income is in principle (i.e. subject to certain exemptions) subject to a definite 25% flat rate withholding tax (*Abgeltungssteuer*). The flat rate withholding tax is to be withheld by the German Withholding Agent holding the Shares in deposit for the German Investor. A "**German Withholding Agent**" means a German credit institution or financial services institution within the meaning of the German Banking Act, also covering German branches of a foreign credit institution or financial services institution, as well as domestic securities trading enterprises (*Wertpapierhandelsunternehmen*) or German domestic securities trading banks (*Wertpapierhandelsbanken*). This obligation also applies for dividends paid by a foreign corporation and distributed by the Investment Fund. Under certain circumstances, e.g. in case of a submission of a so-called tax-exemption certificate (provided the amount shown on such certificate is sufficient) or a non-assessment-certificate, the possibility exists that no withholding tax will be withheld.
- (b) The flat rate withholding tax will generally satisfy any income tax liability of the Private Investor in respect of capital investment income (distributed income) or private capital gains. In case Shares will be held in a German custody account the flat rate withholding tax will be withheld by the German Withholding Agent. Otherwise the private individual investor has to include his capital income in his personal tax return. In case of an Institutional Investor or Business Investors the withholding tax is not a final tax.
- (c) Expenses of a Private Investor economically related to the fund investment, e.g. interest expenses in relation to the refinancing of the acquisition of the Shares, are not taken into account for tax purposes.

6.5.7 EU Interest Directive

In principle, Private Investors, which hold an account or a deposit in another EU country, could be subject to the EU Interest Directive with the consequence that the foreign credit institution notifies interest income to the German tax authorities or levies withholding tax. In relation to the individual tax consequences it is recommendable to clarify these with a tax advisor.

6.5.8 Tax Rules for the Correction of Errors

- (a) The Investment Fund must, upon request, provide to the German tax authorities within 3 months documentation with respect to distribution and/or deemed distribution tax figures and the accumulated Deemed Distributed Income for each tax transparent share class/series, in order to verify the accuracy of the published tax information. Given that the InvStG 2017 is an area of tax law which is not free from doubt as it has as yet not been comprehensively dealt with by administrative regulations, court rulings or extensive literature coverage, the basis upon which such figures are calculated is open to interpretation and it cannot be guaranteed that the German tax authorities will accept the Investment Fund's calculation methodology in every material aspect. In particular, the legal and fiscal treatment of investment funds may change in a way that is unforeseeable and beyond the reasonable control of the Investment Fund.
- (b) A detected error should be included in the taxable income of the (current) year where the error is detected. This may, in case of a

basically unfavourable tax correction for the investor, entail that the investor must bear the tax burden resulting from the correction made for previous fiscal years, even if at the relevant time the investor was not invested in the Investment Fund. Conversely, an investor may not be able to benefit from a basically favourable tax correction for the current and previous fiscal years, during which the investor held an interest in the Investment Fund, due to the redemption or sale of the Shares prior to the relevant correction.

Please note that this information is by no means exhaustive. No comment is made on the specific matters that must be taken into account in individual cases, and no specific statements can be made on the taxation of individual Shareholders. Given the complexity of German tax law and especially the AIFM Tax Act introduced in 2013 and the InvStG, Shareholders and potential investors are strongly advised to consult their tax advisor. As mentioned above, for the purposes of this information, we have assumed that the ICAV qualifies as Investment Fund until 31 December 2017 and for periods after 1 January 2018.