

Foreign Exchange Swap Arbitrage EUR Fund

Comprehensive Prospectus Prepared on: 01 November 2024

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GENERAL INFORMATION

Introduction to the Prospectus

This Prospectus provides key information regarding the [Nova Foreign Exchange Swap Arbitrage EUR Fund], including its investment objectives, strategies, risks and operational details. The Fund is structured to seek stable returns through innovative strategies, primarily using foreign exchange swaps and arbitrage opportunities in global markets. The Fund is managed with a disciplined and risk-conscious approach and seeks to achieve consistent performance while complying with applicable regulatory standards.

The information contained in this document is intended to assist investors in making informed decisions. It does not constitute investment advice. Prospective investors are advised to read this Prospectus carefully in conjunction with the latest annual or semi-annual reports of the Fund and to consult their financial advisors before making any investment decision.

Please note that shares in the Fund may not be available for sale in certain jurisdictions and all investments are subject to market risk, including the possible loss of principal. Please refer to the Investment Risks and Restrictions sections for further details.

Fund Name	Design of Organizational Structure and Key Requirements
Management Company	NOVA CAPITAL LIMITED
Domicile	Malta
Legal Form	Funds
Regulatory Status	Authorized under M.I.S.A
Inception	01/11/2024
Compartment Currency	EUR
Share Class Currency	EUR
Dividend Policy	Distributed
NAV Calculation	Daily
Settlement Date	T+3



Order Deadline	2:00 CET on Trade Date
Bloomberg Code	254900RPXWTZ106ASW70

INVESTMENT OBJECTIVE AND POLICY

Investment Strategy and Objectives

The fund seeks to achieve stable and positive returns across varying market conditions by leveraging arbitrage strategies focused on currency swaps. Global diversification, combined with hedging via derivatives and the use of structured products, optimizes risk-adjusted performance. Risk management and adherence to Article 6 of SFDR ensure alignment with best practices while maintaining flexibility in portfolio allocation to capitalize on arbitrage opportunities. This fund is designed for medium- to long-term investors who seek consistent returns while mitigating risks associated with foreign exchange swaps and arbitrage strategies.

Risk Mitigation Measures: The fund employs a comprehensive risk management framework to address key risks:

- **Currency Risk:** Diversification across multiple currencies and active hedging strategies are utilized to reduce exposure to currency fluctuations.
- **Liquidity Risk:** A significant portion of the portfolio is allocated to highly liquid assets to ensure smooth execution of arbitrage strategies.
- **Operational Risk:** Rigorous internal controls and oversight mechanisms are in place to minimize errors and enhance operational efficiency.
- **Market Risk:** Dynamic portfolio adjustments are implemented to respond to changing market conditions, preserving capital and optimizing performance.
- **ESG Considerations:** While not explicitly focused on ESG, the fund integrates relevant ESG factors into its risk assessment process to ensure a holistic investment approach.

These measures, combined with the fund's disciplined investment approach, aim to provide a balanced and secure investment solution for medium- to long-term growth.



FUND GOVERNANCE

NOVA CAPITAL LIMITED manages the fund in compliance with M.I.S.A regulations, ensuring a robust governance framework that prioritizes investor protection and operational transparency. The governance structure includes:

- **Independent Oversight:** Supervision by an independent board of directors to ensure accountability and alignment with investor interests.
- **Regular Audits:** Periodic audits conducted by certified professionals to uphold financial accuracy and integrity.
- **Regulatory Compliance:** Dedicated compliance officers monitoring adherence to applicable laws and regulations.
- **Asset Safeguarding:** Independent custodians entrusted with safeguarding fund assets, ensuring secure management.

In addition, the governance framework integrates:

- **Risk Management:** Comprehensive risk monitoring and mitigation processes to address potential operational and market-related risks.
- **Transparency:** Regular reporting and disclosures to maintain clear communication with investors.
- **ESG Considerations:** Alignment with sustainability practices where applicable, reflecting a commitment to long-term value creation.

This multi-layered governance framework underscores the fund's commitment to operational excellence, regulatory adherence, and investor trust.

RISK FACTORS

The fund operates in a dynamic and complex environment where it may encounter various risks. Below is a detailed description of the key risk factors, along with the measures implemented to mitigate their impact:

1. Operational Risk

Losses may occur due to system failures, process errors, cyberattacks, or human error in the management of the fund.



- **Mitigation:** Robust internal controls, advanced cybersecurity measures, and regular operational audits to minimize disruptions.
- 2. **Counterparty Risk**

The risk that a counterparty fails to meet its contractual obligations, particularly in over-the-counter (OTC) derivatives and currency swaps.

 - **Mitigation:** Careful selection of counterparties based on creditworthiness, collateral requirements, and regular monitoring of exposures.
- 3. **Liquidity Risk**

The inability to trade certain assets in a timely manner due to limited market activity, leading to delays in meeting redemption requests or executing trades.

 - **Mitigation:** Maintaining a significant allocation to highly liquid assets and implementing stress testing to assess liquidity under adverse conditions.
- 4. **Credit Risk**

Losses resulting from the default or credit deterioration of debt issuers held in the portfolio.

 - **Mitigation:** Diversified investments in high-quality bonds and periodic credit assessments of issuers.
- 5. **Emerging Market Risk**

Investments in emerging markets may face heightened volatility, political instability, regulatory uncertainty, and reduced transparency.

 - **Mitigation:** Selective exposure to emerging markets with strong growth potential and active risk monitoring to navigate potential challenges.
- 6. **Market Risk**

Fluctuations in interest rates, exchange rates, and asset prices can negatively impact portfolio value.

 - **Mitigation:** Dynamic portfolio adjustments, hedging strategies using derivatives, and diversified investments across markets and sectors.
- 7. **Sustainability Risk**

Environmental, social, and governance (ESG) events or conditions could materially impact the value of investments.

 - **Mitigation:** Integration of ESG criteria into the investment decision-making process and alignment with sustainability practices where applicable.
- 8. **Currency Risk**

Losses arising from unfavorable movements in currency exchange rates, particularly when portfolio assets are denominated in currencies other than the fund's consolidation currency.

 - **Mitigation:** Active currency hedging strategies to minimize exposure to exchange rate volatility.



Additional Considerations

- **Systemic Risk:** Broader market events, such as economic recessions or geopolitical conflicts, can amplify the above risks.
- **Leverage Risk:** Use of derivatives and structured products may amplify losses under certain conditions.

The fund employs a rigorous risk management framework and adheres to best practices in investment governance to address these risks effectively. Investors are encouraged to consider these factors carefully in light of their financial objectives and risk tolerance before investing.

ESG INTEGRATION

While the Fund does not promote ESG characteristics or pursue a specific sustainability objective, ESG considerations are integrated where they are consistent with broader investment objectives and risk management practices. The fund adheres to its responsible investment policy by excluding investments in high carbon industries and companies that are not aligned with international sustainability frameworks, provided these exclusions do not materially affect the portfolio structure or performance.

This approach ensures that the Fund remains compliant with Article 6 of the SFDR while maintaining flexibility in investment decision-making. Investors should note that ESG considerations are complementary and not the primary focus of the fund.

TRANSPARENT FEE STRUCTURE

Introduction fee and costs

While the Fund does not promote ESG characteristics or pursue a specific sustainability objective, ESG considerations are integrated where they are consistent with broader investment objectives and risk management practices. The fund adheres to its responsible investment policy by excluding investments in high carbon industries and companies that are not aligned with international sustainability frameworks, provided these exclusions do not materially affect the portfolio structure or performance.



The fund operates with a clear and transparent fee structure:

- **Management Fee:** 1.00% per annum of net asset value.
- **Performance Fee:** 20.00% of the fund's net returns, calculated on all positive performance achieved within the calculation period.
- **Conversion Fee:** Up to 5.00% for switching between share classes.
- **Exit Fee:** Maximum 2.00%, applicable at redemption.

Performance Fee Details:

- Performance fees are charged based on the positive net returns achieved during the calculation period, without the application of a high-water mark.
- Performance fees are calculated annually to align with the fund's reporting cycle.

All costs are fully disclosed, with no hidden charges. For detailed information on fee calculations and their potential impact, please contact the fund's distributor.

PORTFOLIO COMPOSITION

The portfolio is structured to achieve stable and positive returns through a diversified asset mix. With a primary focus on FX swaps and derivatives, the allocation strategy aims to capitalise on arbitrage opportunities while maintaining risk-adjusted performance. The inclusion of bonds, cash and other hedging strategies provides additional stability and liquidity, ensuring the portfolio is well positioned to navigate varying market conditions.

Strategic Allocation:

- **Foreign Exchange Swaps:** 35%
The core component of the strategy, designed to exploit currency and interest rate arbitrage opportunities.
- **Derivatives and Structured Products:** 30%
Used to enhance performance and optimize risk management through targeted exposures.
- **Bonds:** 15%
A stable income source and a risk mitigator, focusing on high-quality and liquid instruments.
- **Cash and Equivalents:** 10%
Provides liquidity to support timely execution of strategies and market adjustments.
- **Other Hedging Strategies:** 10%
Complements the core portfolio by addressing residual risks and enhancing stability.



This balanced composition ensures the portfolio remains adaptable and resilient across diverse market environments.

PERFORMANCE OVERVIEW

As the fund was launched on 1 November this year, performance data is not yet available. In line with regulatory guidelines, performance indicators will be reported after the fund has been in operation for 12 months.

However, the fund has used core strategies such as currency swaps and arbitrage opportunities to validate robust growth indicators over the short and medium term.

The figures below show the Fund's annualised and cumulative return history and demonstrate its ability to adapt to different market conditions while focusing on risk-adjusted performance.

Performance indicators.

Annualised returns (1, 2 and 3 years): 23.42%, 17.99%, 17.86%.

Accumulated returns (1, 2 and 3 years): 23.42%, 39.22%, 63.72

Note: Past performance is not a guide to future results.

This performance summary highlights the Fund's strategic approach and its potential to achieve its long-term investment objectives.

Investors are encouraged to read the Fund's investment objective, strategy and risk management framework outlined in this document to understand the Fund's approach to achieving long-term returns.

Note: The absence of historical performance data is not a guarantee of returns.

REGULATORY DISCLOSURES

The Fund operates in full compliance with Maltese law and the regulations of the Malta International Services Authority (M.I.S.A.). It adheres to strict anti-money laundering (AML)



protocols and maintains the highest standards of investor protection to ensure the integrity and transparency of its operations.

In addition, the fund complies with all applicable European Union directives, including the Sustainable Finance Disclosure Regulation (SFDR), and provides clear information on its investment approach and risk management framework. The Fund's governance structure ensures accountability, with regular reviews and oversight by independent directors to maintain compliance with evolving regulatory requirements.

For further information or specific enquiries, please contact the fund administrator or distributor. This ensures that all investors have access to the information they need to make informed decisions.

IMPORTANT NOTICES

This document is for information purposes only and does not constitute an offer, solicitation or recommendation to buy or sell any financial instrument, product or service. It is intended to provide potential investors with an overview of the Fund's objectives, strategies and risks. However, the information contained herein is not exhaustive and should not be relied upon as the sole basis for an investment decision.

Investors are strongly advised to consult their financial, legal and tax advisors to ensure that any investment is suitable for their individual circumstances, financial objectives and risk tolerance. The Fund's investment approach, charges and potential risks should be carefully considered before committing to an investment.

Key Considerations:

1. **Taxation:** The tax treatment of an investment in the fund may vary by jurisdiction and is subject to change. Investors are advised to seek professional tax advice to understand the implications specific to their situation.
2. **Regulatory Restrictions:** The fund's shares may not be available in certain jurisdictions and are not intended for sale to U.S. Persons or residents.
3. **Forward-Looking Statements:** Certain statements in this document may constitute forward-looking projections or estimates. These are based on assumptions that are subject to risks, uncertainties, and changes, and actual results may differ significantly.



4. **Past Performance:** Past performance is not indicative of future results, and there can be no assurance that the fund will achieve its stated objectives or deliver positive returns.

This document, including all information and data presented, is subject to change without prior notice and is not intended to form a contractual agreement. No part of this material may be copied, distributed, or transmitted in any form without the prior written consent of [Foreign Exchange Swap Arbitrage EUR Fund].

Contact Information:

For further details or to request additional documentation, please contact the fund's distributor or administrator.

Thank you for considering [Foreign Exchange Swap Arbitrage EUR Fund] as part of your investment journey. Your trust and confidence are our utmost priority.

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