



Dear investor, dear partner,

Following our press release, we would like to give you further information on the events of the last few days. First we would like to provide additional context regarding the decision that was taken on Friday, before touching on what will happen over the next few weeks, so that we can start looking beyond.

H2O started investing in private or unlisted securities back in 2015, in accordance with the UCITS directive, which allows up to 10% of on-balance sheet exposure, per fund, to unlisted securities. These securities had the following characteristics: a high yield, providing diversification from the “Global Macro” strategies, and acting as a buffer to drawdowns.

Following the June 2019 events, we tried to sell some of the Tenor related securities, however, the transactions unfortunately failed to settle. Therefore, we decided to restructure these transactions in the form of temporary purchases of securities (“buy and sell backs”), remunerated at an attractive rate. The objective for us has remained to sell these positions at the best price, and in the best interest of our investors.

At the start of 2020, the market dislocations following the COVID 19 crisis and the subsequent closure of the economies which we had not anticipated, affected the proportion of the transactions linked to the private securities within our portfolios. The underperformance of our “Global Macro” strategies, combined with the high yield of the buy and sell back operations, mechanically increased their weight within our portfolios.

As a result, from the end of February 2020, ahead of the COVID-19 crisis, to the end of August 2020, the private or unlisted security exposure increased from between 2.7% and 4.7% (for H2O Adagio, H2O Moderato, H2O Vivace, H2O MultiBonds, H2O MultiStrategies and H2O Allegro) to between 2.8% and 9.0%, depending on the risk level of the funds. As for the “buy and sell back” exposures, they increased from between 1.8% and 15% to between 3.1% and 25%.

In full transparency with the AMF, we have worked to settle all transactions in private securities via a “Securities Purchase Agreement” with a group of private investors. Such an agreement was finalized in the spring (the “Evergreen” contract) covering both the on-balance-sheet private placements and the “buy and sell back” transactions. A specific execution timeline was agreed, with half of the positions to be closed by the end of June 2020 and the remaining transactions to settle before the end of June 2021. This agreement was duly communicated to the AMF, the FCA and our shareholder, Natixis. The execution of this agreement has been slowed down in part due to compliance and due diligence requirements, causing operational delays.

End of August 2020, acknowledging the delay in the execution of this contract and therefore the implied valuation uncertainties, the AMF asked H2O to suspend three French-domiciled funds. In order to ensure the fair and equal treatment of our investors, we decided to suspend all UCITS which contain transactions related to these securities. The objective of this technical and as short

as possible suspension, is to have, on the one hand, ring-fenced side-pocket funds solely holding these "private" securities and, on the other, funds containing our "Global Macro" strategies.

Our objective is to sell these securities, either within the framework of the aforementioned "Evergreen" contract, or by any other means, while bearing in mind that we will act as quickly as possible but as slowly as necessary, and in the best interests of investors.

Finally, it is important to provide you with an assessment of the proportions of the future side-pocketed funds, expressed as a percentage of the existing funds' assets. These will be subject to changes dependent on the market effect on the liquid pocket and on the disposal of the transactions linked to "private" securities. The final size of the side-pockets will be confirmed after the effective split.

As a reminder, at the end of this period and subject to the approval of the "Autorité des Marchés Financiers", you will hold two UCITS: the side-pocketed fund, which will be liquidated, and the new "Global Macro" fund with the same management and performance engine currently in place, excluding private securities.

We want to provide you with full transparency on the situation of each fund. Please see the below table, which includes an estimation of each fund's side-pocket.

31/08/20	AuM (EUR mio)	Estimates	
		Side Pocket	"Global Macro" Funds
H2O Adagio	3650	7-9%	91-93%
H2O Moderato	1180	7-9%	91-93%
H2O MultiEquities	150	3-15%	85-97%
H2O Vivace	140	8-10%	90-92%
H2O MultiStrategies	394	10-25%	75-90%
H2O MultiBonds	3390	20-30%	70-80%
H2O Allegro	887	25-35%	65-75%

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