

Paris / London, 07/08/2024

## H2O AM LLP and the FCA reach a settlement allowing a definitive exit from side-pocketed funds for all unitholders

The H2O AM Group is offering an accelerated and definitive exit for unitholders of the side-pocketed funds. In addition to the €229 million already repaid, the company has secured €250 million which will be paid to all unitholders. As a result, unitholders who sold their units on 14 October 2020 when the funds reopened will recover between 87% and 93% of the value of their total investment at the time of suspension on 28 August 2020, depending on the fund. The unitholders accepting the offer will receive an enhanced and earlier payment by selling their side-pocketed funds. In addition, any sums arising from the sale of assets which remain held by these funds or that may be recovered from fines already paid will be returned to them.

H2O AM LLP, the Group's UK entity, has reached a settlement with the Financial Conduct Authority (FCA). As part of this settlement, a *Final Notice* has been published today which covers events between 2015 and 2019 relating to investments in entities linked to Tennor Holding BV. In this Notice, the FCA highlights that the offer to be made to unitholders in the side-pocketed funds is based on voluntary and significant contributions, without admission of liability, on the part of H2O AM Group and its shareholders and that H2O AM Group has made significant changes to its governance, systems and controls since that period. H2O AM LLP is no longer subject to an FCA investigation.

The H2O AM Group has secured €250 million in order to finance an offer (the "Offer") to all unitholders of the side-pocketed funds in an equal manner, allowing them the opportunity to accept the Offer by selling their units to H2O AM LLP. Unitholders accepting the Offer will receive an enhanced and earlier payment compared to non-participating unitholders, starting in the fourth quarter of 2024, and will relinquish their rights to bring claims against H2O AM Group and any third party in connection with these investments relating to Tennor Holding BV entities, and their management. In addition, any additional proceeds from the liquidation of assets held by the side-pocketed funds or from fines recovered will be redistributed to all unitholders, including those who have accepted the Offer, which is expected to open early September 2024. In the coming weeks, the H2O AM Group will communicate further details on the terms and conditions of the Offer. These have been shared with the FCA and the Autorité des marchés financiers (AMF) and will be presented through various channels, including a dedicated website. The Offer has been prepared with the assistance of Eric Pinon's consulting firm.

This €250 million Offer will enable an accelerated and definitive exit from the side-pocketed funds and will be in addition to the €229 million already repaid. Thus, by accepting the Offer, unitholders who held €100 on 28 August 2020, the day of the suspension, having:

- sold their open-ended funds (FCP) when they reopened on 14 October 2020, will recover 87% to 93% of the value of their investment, depending on the fund (see table 1);
- maintained their investment in the FCPs until 31 December 2023, have recovered their entire investment thanks to performances well in excess of each FCP's objective (see table 2).

Furthermore, over the past few years, H2O AM has consolidated its corporate governance, notably by establishing Supervisory Boards with a two-thirds majority of independent members. These

measures are complemented by the strengthening of its internal control procedures, in order to ensure compliance with the highest standards. Finally, adapting to the consequences of Brexit, H2O AM Group has gradually transferred its portfolio management team to continental Europe. In line with this move, H2O AM LLP will voluntarily apply to cancel its UK permissions by end of 2024.

**Loïc Guilloux**, CEO of H2O AM Group, notes: *"With this settlement, we acknowledge the FCA's findings relating to investments in private securities undertaken by H2O AM LLP between 2015 and 2019 and take a major step forward. Over the last few years, we have significantly improved and consolidated our organisation and strengthened our risk management and compliance teams, governance and internal procedures. These changes ensure that lessons from this period are embedded in our corporate culture. Today, this settlement enables us to provide a concrete and swift solution to all our unitholders and to look to the future, whilst remaining focused on our clients' interests and meeting their needs. Our strengthened governance, resilience and passion for performance will continue to guide us in the years ahead."*

**Table 1: for €100 held on 28 August 2020, the day of the suspension, and a redemption of the open-ended funds (FCP) when they reopened on 14 October 2020.**

Funds	ISIN		% recovery*
	FCP	SP	
H2O Adagio R EUR	FR0013393188	FR0013535077	93.2%
H2O Moderato R EUR	FR0013393295	FR0013535176	89.4%
H2O Allegro R EUR	FR0013393220	FR0013535655	87.0%
H2O MultiBonds R EUR	FR0013393329	FR0013536109	89.8%
H2O MultiStrategies R EUR	FR0010923383	FR0013535408	87.0%
H2O MultiEquities R EUR	FR0011008762	FR0013535598	87.0%
H2O Vivace R EUR	FR0011015478	FR0013535499	87.0%

*\*including acceptance of the Offer and the two reimbursements of the side-pocketed funds, without assuming any further reimbursement nor any funds recovered from fines already paid.*

**Table 2: for €100 held on 28 August 2020, the day of suspension, and open-ended funds (FCP) held until 31 December 2023.**

Funds	ISIN		% recovery*
	FCP	SP	
H2O Adagio R EUR	FR0013393188	FR0013535077	108.1%
H2O Moderato R EUR	FR0013393295	FR0013535176	129.0%
H2O Allegro R EUR	FR0013393220	FR0013535655	152.4%
H2O MultiBonds R EUR	FR0013393329	FR0013536109	144.0%
H2O MultiStrategies R EUR	FR0010923383	FR0013535408	188.4%
H2O MultiEquities R EUR	FR0011008762	FR0013535598	237.8%
H2O Vivace R EUR	FR0011015478	FR0013535499	204.5%

*\*including acceptance of the Offer and the two reimbursements of the side-pocketed funds, without assuming any further reimbursement nor any funds recovered from fines already paid.*

### About H2O AM

Founded in 2010 and with offices in Paris, Monaco, London, Geneva and Singapore, H2O AM is an independent asset management company, mainly specialising in Global Macro strategies.

Based on an investment process developed over more than thirty years and on solid quantitative engineering, the teams implement a discretionary investment process based on a Top-Down and Value approach.

Through relative value strategies in bonds, currencies and equities, H2O AM offers its clients the benefits of diversified alpha with assumed and controlled risk over a defined time horizon.

[www.h2o-am.com](http://www.h2o-am.com)

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### Disclaimer

*This document has been prepared by H2O Asset Management Europe.*

*H2O AM LLP is authorised and regulated by the Financial Conduct Authority (FCA) and is registered in the UK Financial Services Register under reference number 529105, <http://www.fca.org.uk/>.*

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*H2O AM Europe is authorised and regulated by the Autorité des Marchés Financiers (AMF) under the registration number GP-19000011. The AMF register can be accessed at <https://www.amf-france.org>.*

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