

AZ FUND MANAGEMENT S.A.

Société anonyme

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acting in its capacity of management company of AZ FUND 1
(the "**Management Company**")

Notice to unitholders of the sub-funds Arbitrage, Income, AZ Equity - New World Opportunities, AZ Bond - Income Opportunities, Formula Macro Dynamic Trading, AZ Alternative - Smart Risk Premia, AZ Equity – Global ESG, Long Term Value, Japan Champion and Asia Absolute (together the "Sub-Funds") of AZ Fund 1 (the "Fund")

Luxembourg, 23 November 2019

The board of directors of the Management Company (the "**Board**") would like to inform you about the below described changes in relation to the Sub-Funds which will be implemented with effect as from 1 January 2020 (the "**Effective Date**").

1. Investment policies and names of Sub-Funds

The description of the investment policies and the applicable restrictions of each Sub-Fund will be reformulated and enhanced, mainly with the aim of clarifying and simplifying their reading for investors. The revised investment policies will include further details as to investment strategies, the applicable investment restrictions, the main types of financial derivative instruments which are used, as well as the exposure to currencies and hedging against currency risks.

For some of the Sub-Funds, certain changes will be made to the investment policy, as further described below. The aim of these changes is mainly to adapt the investment policies to the current market conditions and to enable the Sub-Funds to be managed in the best interest of investors. Despite these changes, the Board is of the view that the risk profiles of the Sub-Funds will not change materially.

a) Sub-fund Arbitrage

The new name of the sub-fund will be "AZ Alternative – Arbitrage".

The description of the "merger arbitrage" strategy will be enhanced. The sub-fund invests, directly or indirectly, in long and short positions on equity and equity-related securities worldwide that are involved in extraordinary corporate finance operations. Indirect exposure to such securities will be achieved through the use of financial derivative instruments. The Sub-Fund expects to use only a portion of its assets to attain the desired exposure because of the use of the financial derivative instruments. As a result, the remaining assets of the sub-fund may be invested in low volatility assets

to provide additional long-term total return such as debt securities, money markets instruments and cash.

The revised investment policy of the sub-fund will provide that investment in cash will be reduced to a maximum of 49% of the sub-fund's net assets (instead of 100%).

The revised investment policy of the sub-fund will provide that the sub-fund may invest in debt securities and money market instruments ("MMIs") of developed market issuers up to 80% of its net assets (instead of up to 100% in debt securities, MMIs, cash and cash equivalent previously).

The revised investment policy will provide that the sub-fund may invest up to 10% of its net assets in emerging market corporations involved in extraordinary finance operations and up to 10% in sub-investment grade corporate bonds (whereas there were no upper limits previously).

The sub-fund's investment policy will be amended so that it may invest up to 30% of its net assets in total return swaps ("TRS") with underlying merger arbitrage indices (instead of 25% previously).

The above-mentioned clarifications and changes will not have any material impact on the allocation of the assets or the risk profile of the sub-fund.

The reference currency of the sub-fund will change from Euro to US dollar (USD) due to the fact that the majority of the underlying assets of its portfolio are denominated in USD. Therefore, the hedging strategy of the following unit classes will change as provided in the table below:

Unit class	Current hedge type	New hedge type
A-AZ FUND USD (ACC)	Hedged against EUR	Non hedged
A-AZ FUND USD (DIS)	Hedging against EUR	Non hedged
A-AZ FUND (ACC)	Non hedged	Hedged against USD
B-AZ FUND (ACC)	Non hedged	Hedged against USD
A-AZ FUND (DIS)	Non hedged	Hedged against USD
B-AZ FUND (DIS)	Non hedged	Hedged against USD
A-INSTITUTIONAL USD (ACC)	Hedged	Non hedged
A-INSTITUTIONAL USD (DIS)	Hedged	Non hedged
A-INSTITUTIONAL EURO (ACC)	Non hedged	Hedged against USD
A-INSTITUTIONAL EURO (DIS)	Non hedged	Hedged against USD

The expected level of leverage of the sub-fund will be increased from 200% to 300%. This is mainly due to an increased use of financial derivative instruments (FDIs) for hedging purposes (e.g. currency and duration risk hedging) and the fact that the use of FDIs to manage currency exposures needs to be included in the leverage figures.

The new investment policy of the sub-fund is available on the following website: www.azfund.com.

b) Sub-fund Income

The new name of the sub-fund will be "AZ Bond – Target 2024".

The investment policy of the sub-fund will be fully restated so that it will be transformed into a sub-fund with a target maturity date and its investment limits will be explicitly disclosed. The sub-fund will be structure as a fixed income fund with a "target maturity" set at the 30th of June 2024. The portfolio will be composed of fixed and/or floating rate debt securities, and will have an effective duration close to the target maturity date. In order to actively manage the sub-fund in the interest of the investors, the effective duration may deviate by 6 months from the target maturity without substantially changing the risk profile of the sub-fund.

In light of the above, the new investment policy of the sub-fund will provide that it may invest up to 70% of its net assets in high yield debt securities, up to 50% in hybrid bonds and up to 20% in contingent convertible bonds.

After the "target maturity" of the 30th of June 2024, the sub-fund could either be liquidated, should the Management Company resolve that this option is in the best interest of the unitholders, or continue to be managed in accordance with the limits specified in the investment policy but without any reference to any future target date, nor to any duration constraints.

The new investment policy of the sub-fund is available on the following website: www.azfund.com.

c) Sub-fund AZ Equity - New World Opportunities

The description of the investment strategy will be enhanced.

The revised investment policy of the sub-fund will provide that it may invest up to 20% of its net assets in China A-Shares.

The investment policy of the sub-fund will provide that it may invest up to 30% of its net assets in money market instruments ("MMIs") and/or cash and up to 20% in debt securities of developed market issuers (instead of up to 30% of its net assets in debt securities, MMIs and/or cash).

The minimum exposure of the sub-fund's net assets to emerging market equities will be lowered to 20% (instead of 30% previously), whilst the maximum exposure to emerging markets will remain unchanged.

The above-mentioned changes will not have any material impact on the allocation of the assets of the sub-fund. The risk profile of the sub-fund will be increased once it will start investing in China A-Shares and the SRRI of the sub-fund will change from 5 to 6.

Sigma Funds Management Pty Ltd and AZ Swiss & Partners S.A. will no longer act as investment managers of the sub-fund.

The new investment policy of the sub-fund is available on the following website: www.azfund.com.

d) Sub-fund Global AZ Bond - Income Opportunities

The description of the investment strategy will be enhanced providing that the sub-fund aims to invest the main part of its net assets in higher yielding securities, whereas this risky part of the sub-fund's portfolio will be balanced by investing the remaining part in sovereign debt securities and corporate debt securities of developed countries.

The investment policy of the sub-fund will be amended so that the sub-fund may invest up to 10% of its net assets in contingent convertible bonds, up to 10% in ABS/MBS (instead of 10% in aggregate in both types of assets previously) and up to 5% of its net assets in distressed securities.

The range of exposure of the sub-fund's net assets to emerging market debt securities will be changed to 20% - 70% of its net assets (instead of 30% - 70% previously).

The above-mentioned changes will not have any material impact on the allocation of the assets or the risk profile of the sub-fund.

The new investment policy of the sub-fund is available on the following website: www.azfund.com.

e) Sub-fund Formula Macro Dynamic Trading

The new name of the sub-fund will be "AZ Alternative – Global Macro Conservative" to better reflect that the investment strategy of its master fund is to follow a global macro approach.

The investment policy of the sub-fund will be amended to reflect the revised investment policy of the master sub-fund "AZ Multi Asset – AZ Alternative - Global Macro Conservative" of the fund AZ Multi Asset in which the sub-fund invests. Investment limits will be better defined (instead of investing in all types of assets without any constraints previously).

The revised investment policy of the master sub-fund will further provide that it may invest up to 20% of its net assets in China A-Shares.

The range of exposure of the master sub-fund's net assets to TRS will be reduced to 0% - 30% (instead of 0% - 50% previously).

The above-mentioned clarifications and changes will not have any material impact on the allocation of the assets or the risk profile of the sub-fund.

As for the master sub-fund, the expected level of leverage of the sub-fund will be increased from 200% to 300%. This is mainly due to an increased use of financial derivative instruments (FDIs) for hedging purposes (e.g. currency and duration risk hedging) and the fact that the use of FDIs to manage currency exposures needs to be included in the leverage figures.

The investment management of the sub-fund will be delegated to AZ Investment Management Singapore Ltd. whereas An Zhong (AZ) Investment Management Hong Kong Ltd., which previously acted as investment advisor of the sub-fund, will act as investment advisor to AZ Investment Management Singapore Ltd.

The new investment policy of the sub-fund is available on the following website: www.azfund.com.

f) Sub-fund Long Term Value

The new name of the sub-fund will be "AZ Equity – Global Quality".

The investment management of the sub-fund will be delegated to Vontobel Asset Management, Inc. whereas Azimut Capital Management SGR S.p.A. will no longer act as investment advisor of the sub-fund.

Due to the appointment of the new investment manager, the investment style of the sub-fund will switch from "value" to "quality growth", focusing on companies which have relatively high long-term earnings growth and above-average profitability.

The investment policy of the sub-fund will be amended so that the minimum exposure of the sub-fund's net assets to equities and equity-related securities will increase from 50% to 80%.

The investment policy of the sub-fund will further be amended to provide that the sub-fund may invest between 0% and 40% of its net assets in emerging markets equity (instead of not having any geographical constraint). The sub-fund will be able to invest up to 20% of its net assets in debt securities and/or MMIs (instead of up to 50% in debt securities only). Investments in cash will be limited up to 10% of the sub-fund's net assets.

The whole portfolio will be reviewed by the new investment manager so that a major part of the portfolio will be rebalanced.

However the above-mentioned changes will not have any material impact on the risk profile of the sub-fund.

The expected level of leverage of the sub-fund will be decreased from 300% to 200%.

The management fee will rise from 1.80% to 2.25% of the net assets of the sub-fund, and a service fee of 0.15% will be introduced.

The new investment policy of the sub-fund is available on the following website: www.azfund.com.

g) Sub-fund Japan Champion

The new name of the sub-fund will be "AZ Equity – Japan".

The investment management of the sub-fund will be delegated to AXA Investment Managers UK Ltd. and to J.P. Morgan Asset Management (UK) Ltd., each for half of the sub-fund's net assets, whereas Azimut Capital Management SGR S.p.A. will no longer act as investment advisor of the sub-fund.

The investment policy of the sub-fund will be amended so that the sub-fund will no longer invest in total return swaps (TRS) nor in non-Japanese equities and equity-related securities.

The revised investment policy of the sub-fund will provide that the sub-fund will invest at least 80% of its net assets in Japanese equities and equity-related securities (instead of no minimum investment limit previously). The sub-fund will no longer have the possibility to reduce its net exposure to these assets below that limit.

The revised investment policy of the sub-fund will provide that the sub-fund may invest up to 20% of its net assets in debt securities and MMIs (instead of 100% previously).

Investments in cash will be limited up to 10% of the sub-fund's net assets.

The whole portfolio will be reviewed by the two new investment managers so that a major part of the portfolio will be rebalanced.

However, the above-mentioned changes will not have any material impact on the risk profile of the sub-fund.

The reference currency of the sub-fund will change from Euro to Japanese yen (JPY) due to the fact that the majority of the underlying assets of its portfolio are denominated in JPY. The currency of each of the unit classes and their features will remain unchanged.

The expected level of leverage of the sub-fund will be decreased from 200% to 150%.

The management fee will rise to from 1.80% 2.15% of the net assets of the sub-fund, and a service fee of 0.15% will be introduced.

The new investment policy of the sub-fund is available on the following website: www.azfund.com.

h) Sub-fund Asia Absolute

The new name of the sub-fund will be "AZ Equity – ASEAN".

The investment policy of the sub-fund will be amended to reflect the revised investment policy of the master sub-fund "AZ Multi Asset – ASEAN" of the fund AZ Multi Asset in which the sub-fund invests.

The revised investment policy of the master sub-fund will provide that the sub-fund's investments will be focused on markets of ASEAN (Association of South-East Asian Nations) countries (instead of Asia ex-Japan previously).

The investment policy of the master sub-fund will be amended so that the sub-fund will invest at least 80% of its net assets in equities and equity-related securities (instead of no minimum investment limit previously).

The investment policy of the master sub-fund will further provide that it will invest between 0% and 20% of its net assets in equities and equity-related securities of companies domiciled outside of ASEAN countries.

Investments in debt securities and MMIs of ASEAN issuers will be limited up to 20% of the master sub-fund's net assets (instead of up to 100% without any other constraints in debt securities, MMIs and/or cash previously). Investments in cash will be limited to up to 10% of the master sub-fund's net assets.

The reference currency of the sub-fund will change from Euro to US dollar (USD) due to the fact that this is the standard for sub-funds investing in emerging market countries, as oftentimes emerging markets currencies are not freely exchangeable. The currency of each of the unit classes and their features will remain unchanged.

The majority of the portfolio will be aligned to the new investment guidelines.

The above-mentioned changes will only have a modest impact on the risk profile of the sub-fund, although there will be continuity with the recent track record and volatility. The SRRI of the sub-fund will change from 5 to 6.

The expected level of leverage of the sub-fund will be decreased from 300% to 200%.

AZ Investment Management Singapore Ltd. will act as investment manager of the sub-fund, whereas previously acted as investment advisor of the sub-fund.

The new investment policy of the sub-fund is available on the following website: www.azfund.com.

2. Changes to calculation methodology of the additional variable management fee

In order to bring the methodology for the calculation of the additional variable management fee of the Sub-Funds in line with industry best practice and consistent with IOSCO's Good Practice for Fees and Expenses of Collective Investment Schemes, the current provisions with respect to the Sub-Funds are to be amended and updated with effect as from [1 January 2020].

According to this methodology, the additional variable management fee will apply as a percentage of the excess performance on top of the hurdle rates (please refer to the table below). The performance fee accruals will be adjusted daily and the performance fee will be crystalized once a year (year-end) with no high water mark.

The additional variable management fee is recalculated as of each valuation day during the calculation period and the provisions made (if any) with respect to the previous valuation day are cancelled. The performance fee will be payable only in case of a positive performance on the last valuation day.

Please find below a table describing for each sub-fund the reference index which will be used in this context:

Sub-fund	Reference index
Arbitrage For all unit classes	3 months Libor USD + 0.5% for NON HEDGED unit classes 3 months Libor USD + 0.5% + cost of hedging for HEDGED unit classes
Income For all unit classes	3 months Euribor + 1.5% for NON HEDGED unit classes 3 months Euribor + 1.5% + cost of hedging for HEDGED unit classes
AZ Equity - New World Opportunities For all unit classes	3 months Euribor + 4% for NON HEDGED unit classes 3 months Euribor + 4% + cost of hedging for HEDGED unit classes
AZ Bond – Income Opportunities For all unit classes	3 months Libor USD + 2.5% for NON HEDGED unit classes 3 months Libor USD + 2.5% + cost of hedging for HEDGED unit classes
Formula Macro Dynamic Trading For all unit classes	3 months Euribor + 0.5% for NON HEDGED unit classes 3 months Euribor + 0.5% + cost of hedging for HEDGED unit classes
Long Term Value For unit classes A-AZ FUND (ACC), B-AZ FUND (ACC), and A-AZ FUND USD (ACC) ----- No performance fee for unit classes A-AZ FUND TW (ACC), B-AZ FUND TW (ACC), A-AZ FUND TW USD (ACC) and B-AZ FUND TW USD (ACC)	3 months Euribor + 4% for NON HEDGED unit classes 3 months Euribor + 4% + cost of hedging for HEDGED unit classes ----- N/A

Japan Champion For all unit classes	3 months Libor JPY + 4% for NON HEDGED unit classes 3 months Libor JPY + 4% + cost of hedging for HEDGED unit classes
Asia Absolute	3 months Libor USD + 5% for NON HEDGED unit classes 3 months Libor USD + 5% + cost of hedging for HEDGED unit classes
AZ Equity - Global ESG For all unit classes	3 months Euribor + 4% for NON HEDGED unit classes 3 months Euribor + 4% + cost of hedging for HEDGED unit classes
AZ Alternative - Smart Risk Premia For all unit classes	3 months Euribor + 1.5% for NON HEDGED unit classes 3 months Euribor + 1.5% + cost of hedging for HEDGED unit classes

The new performance fee wording in the prospectus of the Fund will read as follows:

["La commission de gestion variable additionnelle est égale à [20%] de la différence - si positive - entre le Rendement de Parts et le Rendement de l'Indice de Référence durant la Période de Calcul.*

[10% for unit classes A-INSTITUTIONAL EURO (ACC), A-INSTITUTIONAL EURO (DIS), A-INSTITUTIONAL USD (ACC) and A-INSTITUTIONAL USD (DIS) of the sub-fund AZ Equity - Global ESG]

Durant chaque Période de Calcul, la commission de gestion variable additionnelle est calculée et accumulée à chaque Jour d'Evaluation étant précisé que, pour écarter le moindre doute, la commission de gestion variable accumulée (le cas échéant) au Jour d'Evaluation précédent durant la Période de Calcul concernée n'est plus prise en considération.

La commission de gestion variable accumulée (le cas échéant) est cristallisée au dernier Jour d'Evaluation de chaque Période de Calcul et devient payable à la Société de Gestion le premier Jour d'Evaluation suivant cette Période de Calcul.

Si les Parts sont rachetées durant une Période de Calcul, la commission de gestion variable accumulée mais pas encore payée, calculée pour ces Parts le Jour d'Evaluation auquel ces Parts sont rachetées, sera cristallisée et deviendra payable à la Société de Gestion le premier Jour d'Evaluation suivant la Période de Calcul durant laquelle les Parts ont été rachetées.

« Indice de Référence » signifie:

[please refer to the table above]

« Rendement de Parts » signifie la différence – si positive - entre la Valeur Nette d'Inventaire de Référence par Part à chaque Jour d'Evaluation et la Valeur Nette d'Inventaire de Référence par Part du dernier Jour d'Evaluation de la Période Calcul précédente. Pour la première Période de Calcul d'une classe de Parts nouvellement lancée, « Rendement de Parts » signifie la différence – si positive - entre la Valeur Nette d'Inventaire de Référence par Part à chaque Jour d'Evaluation et la Valeur Nette d'Inventaire de Référence par Part du premier Jour d'Evaluation de cette Période de Calcul.

« Rendement de l'Indice de Référence » signifie la différence entre l'Indice de Référence à chaque Jour d'Evaluation et l'Indice de Référence du dernier Jour d'Evaluation de la Période de Calcul précédente. Pour la première Période de Calcul, « Rendement de l'Indice de Référence » signifie la différence entre l'Indice de Référence à chaque Jour d'Evaluation et l'Indice de Référence du premier Jour d'Evaluation de cette Période Calcul.

« Valeur Nette d'Inventaire de Référence » désigne, à chaque Jour d'Evaluation, la Valeur Nette d'Inventaire de la classe de Parts concernée, calculée ce Jour d'Evaluation, augmentée par la commission de gestion variable accumulée (le cas échéant) et des distributions (dividendes), s'il y en a, durant la Période de Calcul concernée.

« Période de Calcul » désigne la période du 1er janvier au 31 décembre de chaque année, à condition que la première Période de Calcul commence à la date de lancement de la classe de Parts et se termine le 31 décembre suivant son lancement.

« Coûts de Couverture » signifie les coûts de couverture entre la devise de référence de la classe de Parts et la devise de base du Compartiment, correspondant à la différence (en termes de pourcentage), à chaque Jour d'Evaluation, entre (i) le prix du taux de change à 3 mois d'échéance entre la devise de référence de la classe de Parts et la devise de base du Compartiment, et (ii) le taux au comptant du même taux de change."]

If you are not in agreement with the changes described above, you may redeem your units free of charge until 27 December 2019 in accordance with the usual redemption procedure foreseen in the Prospectus.

The Prospectus will be updated to *inter alia* reflect the changes described in this notice. A copy of the draft Prospectus and of the revised key investor information documents will be available free of charge upon request at the registered office of the Management Company.

We thank you for your continued support and investments into our Fund. Please do not hesitate to contact us or your financial advisor if you require any further clarification.

The Board