

AZ FUND MANAGEMENT S.A.

Société anonyme

35, avenue Monterey

L-2163 Luxembourg

R.C.S. Luxembourg B 73 617

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

Notice to unitholders of the sub-funds Formula 1 – Alpha Plus, Equity Options, Formula 1 – Conservative, Global Unconstrained Bond Fund, Hybrid Bonds, Carry Strategies, Global Currencies & Rates, Italian Excellence 3.0, Italian Excellence 7.0, Alternative Carry Opportunity, Bond Target 2019 Equity Options, Active Strategy and Top Rating of AZ Fund 1 (the "Fund")

Luxembourg, 30 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.

(A) Investment policies and names of the sub-funds Active Strategy and Top Rating

With effect as from 25 January 2020, the description of the investment policies and the applicable restrictions of the sub-funds 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.

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.

1. Sub-fund Active Strategy

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

The Sub-Fund is a fund of funds (FoF) whose "core" investment strategy will continue to be investing up to 100% of its assets in UCITS and/or other UCIs with an investment strategy that could be defined as "alternative" and/or "decorrelated" to the main asset classes. As an example, a non-exhaustive list of such type of strategies is: "Long/Short" (on equity securities and on debt securities), "Market Neutral", "Arbitrage" (on equity securities and on debt securities), "Event Driven", "Global Tactical Asset Allocation" (GTAA), "Global Macro", "Risk Premia", "Volatility", "Cat Bond" and "Multistrategy".

The investment limits on “non-core” UCITS and/or other UCIs will be better defined so that it may invest up to:

- 30% of its net assets in mixed-assets/allocation fund, whereas there was no clear maximum investment limit before;
- 50% of its net assets in fixed income funds of developed countries;
- 20% of its net assets in equity funds;
- 20% in emerging market debt funds;
- 10% of its net assets in funds managed by the Management Company; and
- 10% of its net assets in commodity funds.

Investments in cash will be limited up to 20% of the sub-fund’s net assets.

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

The investment management of the sub-fund will be delegated to Azimut Capital Management SGR S.p.A., whereas it is currently directly managed by the Management Company. Azimut Capital Management SGR S.p.A. has extended and strengthened its expertise in the management of alternative investment strategies. The Management Company has therefore decided to delegate the investment management with respect to the sub-fund to Azimut Capital Management SGR S.p.A.

Azimut Capital Management SGR S.p.A. will be entitled to receive a fee payable by the sub-fund and corresponding to an amount of up to 50% of the net management fee payable to the Management Company.

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

With effect as from 25 January 2020, the sub-fund will be of “Typology 3” with respect to subscriptions, redemptions and conversions: applications for subscriptions, redemptions and conversions must be received by 14.30 two days preceding the relevant net asset value calculation day.

2. Sub-fund Top Rating

The new name of the sub-fund will be "AZ Allocation – Global Conservative".

The investment policy of the sub-fund will be amended in order to provide that it may invest up to 40% of its net assets in equity and equity-related securities (instead of up to 30% of its net assets before).

The new investment policy will provide that it may invest up to 25% of its net assets in sub-investment grade debt securities (whereas it could invest debt securities normally rated investment grade but with the possibility to deviate without limits before).

The revised investment policy of the sub-fund will further provide that it may invest up to 10% of its net assets in total return swaps (TRS) which underlying are equity indices focused on the main economic sectors.

The sub-fund will further be able to invest up to 15% of its net assets in contingent convertible bonds (CoCo bonds) and up to 15% of its net assets in convertible bonds (other than CoCo bonds).

The investment limits of the sub-fund will be better defined so that it will invest between 60% and 100% of its net assets in debt securities of global issuers (instead of up to 40% before).

The investment limits of the sub-fund will be further defined so that it may invest up to 10% of its net assets in emerging markets equities and equity-related securities and up to 15% of its net assets in emerging markets bonds (whereas there were no indication about geographical focus or constraints before).

Investments in cash will be limit up to 20% of the sub-fund’s net assets.

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

(B) Changes to calculation methodology of the additional variable management fee of the sub-funds Active Strategy and Top Rating

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 April 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
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Active Strategy 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
Top Rating 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-AZ FUND CORPORATE (ACC), A-AZ FUND CORPORATE (DIS), A-INSTITUTIONAL EURO (ACC) and A-INSTITUTIONAL EURO (DIS) of the sub-fund Top Rating]*

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."

(C) Sub-fund Bond Target 2019 Equity Options

In accordance with the provisions of the prospectus of the Fund, the target date of the sub-fund will be extended until 31 December 2023. There will be no change of the investment objectives and the applicable restrictions.

The sub-fund will be renamed "Bond Target 2023 Equity Options" as of 1 January 2020.

(D) Sub-funds Formula 1 – Alpha Plus, Equity Options, Formula 1 – Conservative, Global Unconstrained Bond Fund, Hybrid Bonds, Carry Strategies, Global Currencies & Rates, Italian Excellence 3.0, Italian Excellence 7.0 and Alternative Carry Opportunity (the “Sub-Funds”)

IMPact SIM S.p.A. is acting as investment manager with respect to the Sub-Funds since 1st March 2019. The rationale for appointing IMPact as investment manager of the Sub-Funds was driven by the fact that IMPact is the result of a spin-off of some senior and experienced investment managers formerly belonging to Azimut Group, who have decided to set up their own company licensed to perform advisory and management services. The Management Company decided to continue its cooperation with these investment managers thus benefiting from their experience in managing/advising the Sub-Funds.

The Management Company aims at rationalising Azimut's global offer by removing products overlapping their investment policy and thus allowing to obtain more efficiency (administrative, operational and economic). It is therefore planned to merge, inter alia, the sub-funds Formula 1 – Alpha Plus, Equity Options, Formula 1 – Conservative, Global Unconstrained Bond Fund, Carry

Strategies, Global Currencies & Rates and Alternative Carry Opportunity with effect on 3 April 2020 as follows:

- The sub-funds Formula 1 – Conservative, Conservative and Institutional Target will be merged into the sub-fund Top Rating (to be renamed AZ Allocation – Global Conservative as from 25 January 2020);
- The sub-funds Alternative Carry Opportunity and Carry Strategies will be merged into the sub-fund Active Strategy (to be renamed AZ Alternative – Multistrategy FoF as from 25 January 2020);
- The sub-fund Formula 1 – Alpha Plus will be merged into the sub-fund Alternative Cash (to be renamed AZ Alternative – Capital Enhanced as from 1 January 2020);
- The sub-fund Global Currencies & Rates will be merged into the sub-fund Emerging Markets Local Currency Bond (to be renamed AZ Bond - Emerging Local Currency FoF as from 1 January 2020);
- The sub-fund Global Unconstrained Bond Fund will be merged into the sub-fund AZ Bond – Global Macro Bond;
- The sub-fund Bond Target 2021 Equity Options will be merged into the sub-fund AZ Bond – Target 2021;
- The sub-fund Global Emerging Markets Dividend will be merged into the sub-fund Global Emerging Markets Equity (to be renamed AZ Equity – Global Emerging FoF as from 1 January 2020); and
- The sub-fund Equity Options will be merged into the sub-fund Convertible Bond.

Detailed information on the mergers will be provided in a notice which will be sent to unitholders of the sub-funds concerned in the course of December 2019. The Management Company has decided to terminate the appointment of IMPact SIM S.p.A. as investment manager of sub-funds Formula 1 Conservative, Alternative Carry Opportunities, Carry Strategies, Formula 1 Alpha Plus, Global Currencies & Rates, Global Unconstrained Bond, with effect on 31 December 2019 and to directly manage the sub-funds until the effective date of the mergers.

For the sub-funds Italian Excellence 3.0 and Italian Excellence 7.0 it has been decided to appoint Azimut Capital Management SGR S.p.A. as new investment manager in replacement of IMPact SIM S.p.A. with effect as from 1st January 2020.

For Hybrid Bonds, the Management Company has decided to terminate the appointment of IMPact SIM S.p.A. and to directly manage the portfolio of the sub-fund through its portfolio management team as from 1st January 2020.

(E) Italian Excellence 3.0 and Italian Excellence 7.0

Since 31 December 2018, the sub-funds are no longer admitted under the « *piani di risparmio a lungo termine* » law (i.e. the Italian Law n° 232/16 (called “PIR”)) due to a change of the legislation at the end of 2018.

The sub-funds are no longer eligible to fiscal advantages for subscribers who bought their units in the sub-funds for the first time after 31 December 2018. Unitholders who bought their units before 2019 and did not request their redemption, can still benefit from fiscal advantages.

If you are not in agreement with the changes described above, you may redeem your units free of charge until 31 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