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 Plus and Core Brands (together the "Sub-Funds") of AZ Fund 1 (the "Fund")

Luxembourg, 15 May 2020

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 Sub-Funds

With effect as from 19 June 2020, 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.

1. Abritrage Plus

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

The description of the investment 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 20% of the sub-fund's net assets (instead of 100%).

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 50% 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 nets 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 the euro to the US dollar (USD) due to the fact that the majority of the underlying assets of its portfolio and the main indices of the arbitrage strategy are denominated in USD and most of the M&A transactions are in the US market. 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

The expected level of leverage of the sub-fund will be increased from 250% to 350%. 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

2. Sub-fund Core Brands

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

The sub-fund follows a long/short strategy mainly focused on consumer and consumer-related companies. The sub-fund's investment policy has been slightly amended to better define the investment limits.

The investment policy of the sub-fund will be amended so that there are no more geographical constraints (whereas the sub-fund was exposed to more than 50% of its net assets to the equities of companies domiciled in Europe).

The investment policy of the sub-fund will provide that it may invest up to 20% of its net assets in emerging markets equity, up to 20% of its net assets in sub-investment grade corporate bonds and up to 30% of its net assets in cash (whereas no upper limits were previously provided).

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 expected level of leverage of the sub-fund will be increased from 150% to 250%. 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) 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 1st January 2021.

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 Plus For all unit classes	3 months Libor USD + 1% for NON HEDGED unit classes 3 months Libor USD + 1% + cost of hedging for HEDGED unit classes
Core Brands For all unit classes	3 months Euribor + 2.5% for NON HEDGED unit classes 3 months Euribor + 2.5% + cost of hedging for HEDGED unit classes

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

"The additional variable management fee is equal to [20%] of the difference – if positive – between the Unit Return and the Reference Index Return during the Calculation Period.*

**[for institutional unit classes the percentage indicated above is 10%]*

During each Calculation Period, the additional variable management fee is calculated and accrued on each Valuation Date, it being specified that, for the avoidance of doubt, the variable management fee accrued (if any) on the previous Valuation Date during the relevant Calculation Period is no longer taken into consideration.

The accumulated variable management fee (if any) is applied on the last Valuation Date of each Calculation Period and becomes payable to the Management Company on the first Valuation Date following this Calculation Period.

If the Units are redeemed during a Calculation Period, the variable management fee accumulated but not yet paid, calculated for these Units on the Valuation Date on which these Units are redeemed, shall be applied and become payable to the Management Company on the first Valuation Date after the Calculation Period during which the Units were redeemed.

"Reference index" means:

[please refer to the table above]

"Return on Units" means the difference – if positive – between the Reference Net Asset Value per Unit on each Valuation Date and the Reference Net Asset Value per Unit on the last Valuation Date of the previous Calculation Period. For the first Calculation Period of a newly launched Unit Class, "Return on Units" means the difference – if positive – between the Reference Net Asset Value per Unit on each Valuation Date and the Reference Net Asset Value per Unit on the first Valuation Date of this Calculation Period.

"Reference Index Return" means the difference between the Reference Index on each Valuation Date and the Reference Index on the last Valuation Date of the previous Calculation Period. For the first Calculation Period, "Reference Index Return" means the difference between the Reference Index on each Valuation Date and the Reference Index on the first Valuation Date of this Calculation Period.

"Reference Net Asset Value" means, on each Valuation Date, the Net Asset Value of the relevant Unit class, calculated on that Valuation Date, increased by the accumulated variable management fee (if any) and distributions (dividends), if any, during the relevant Calculation Period.

"Calculation Period" means the period from 1 January to 31 December of each year, provided that the first Calculation Period begins on the launch date of the Unit class and ends on 31 December following its launch.

"Hedging Costs" means the hedging costs between the reference currency of the Unit class and the base currency of the Sub-fund, corresponding to the difference (in percentage terms), on each

Valuation Date, between (i) the price of the 3-month maturity exchange rate between the reference currency of the Unit class and the base currency of the Sub-fund, and (ii) the spot rate of the same exchange rate."

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If you are not in agreement with the changes described above, you may redeem your units free of charge until 16 June 2020 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 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