
H2O AM - Communication following the hearing on Friday 25 November 2022 of the Enforcement Committee of the Autorité des Marchés Financiers (AMF)



Paris / London, 28 November 2022

The public hearing of the Autorité des Marchés Financiers' (AMF) Enforcement Committee (EC) was held on Friday, 25 November 2022. Its decision is expected in the coming weeks. H2O AM therefore wishes to provide the following clarifications.

H2O AM made the decision, in April 2015, to diversify seven of its funds based on liquid strategies (bonds, currencies and equities depending on the fund), through limited exposure to private debt of mainly European companies operating in diversified sectors and mostly linked to the Tennor Group. In November 2019, the AMF launched an investigation and questioned the company's compliance with investment rules in connection with this exposure to private debt. In August 2020, due to uncertainties in the valuation of specific securities, seven of H2O AM's French funds were temporarily suspended in order to create a side-pocket structure. In November 2021, the AMF Board notified H2O AM of its claims.

In line with its procedure, a rapporteur was appointed by the EC among its members, to investigate the case and draw up a report. A key figure in the enforcement procedure, she is appointed by the Chairman, who ensures that she is free of conflicts of interest in relation to the persons and companies subject to the procedure. Although present at the hearing, she does not take part in the deliberation, as she has no decision-making powers.

In this context, the EC met on Friday to hear the findings of the rapporteur, the opinion of the AMF Board (in this case, channelling the role of public prosecutor) and that of H2O AM. The allegations, which have all been vigorously contested by H2O AM, save for the third, are based on the following grievances:

1. non-compliance with the investment rules in connection with transactions in securities related to the Tennor group;
2. non-compliance with the investment rules in connection with the buy and sell back transactions in respect of securities related to the Tennor group;
3. exceeding an investment ratio.

On this occasion, the AMF Board, in its role as prosecutor, requested the following disciplinary and financial sanctions:

- €75 million fine and a reprimand for H2O AM;
- €15 million fine and a 10-year ban on individual / collective investment management, directorial management in the EU for Bruno Crastes;
- €3 million fine and a reprimand for Vincent Chailley.

Both in her independent report and during the hearing on Friday, the rapporteur considered that the alleged failings were not attributable to the two directors, Bruno Crastes and Vincent Chailley.

H2O AM and its managers have firmly and factually contested the first two allegations brought in this case, which are essentially technical matters. They regret the severity of the requested sanctions – which H2O AM deems unfair and disproportionate to the case and the rapporteur's conclusions – requested by the AMF Board. It is important to underline the complete absence of

any fraud or intentional error on the part of H2O AM, Bruno Crastes and Vincent Chailley; both in the notification of grievances and in the rapporteur's report.

In light of these elements, and without pre-empting the conclusions of the EC, which is independent of the AMF Board, H2O AM awaits the EC's decision, expected in the coming weeks.

As a precaution, H2O AM has set aside a reserve covering the maximum amount foreseen in this type of procedure. This possible financial penalty would therefore not have any impact on the conduct of its activities.

In conclusion, H2O AM would like to remind that:

- 1. The EC's decision is expected in the coming weeks.**
- 2. The grievances under review relate to events prior to February 2020. Consequently, they do not concern the current FCP funds approved by the AMF in October 2020, which continue to evolve.**
- 3. Neither the notification of grievances nor the rapporteur's report mention any elements of fraud or intentional error on the part of H2O AM and its managers.**
- 4. The rapporteur considers that the alleged failings are not attributable to the two directors, Bruno Crastes and Vincent Chailley.**
- 5. H2O AM has already committed to no longer invest in private securities.**
- 6. This procedure is unrelated to the liquidation of the side-pockets and does not affect our full commitment to reimburse these as soon as possible and in the best interest of our unitholders.**
- 7. As a precaution, H2O AM has set aside a reserve covering the maximum amount foreseen in this type of procedure. This possible financial penalty would therefore not have any impact on the conduct of its activities.**

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