Funds-Axis
UCITS- Core (all jurisdictions)
Rule UCITS07 Review and Testing

Contents

Testing Approach

1. Activate Dummy Sandbox Schemes in FundWare for testing purposes; SB0 – SB7
2. Upload test data to these schemes
3. Funds-Axis to apply UCITS regulatory rules to these test schemes;
   a. Generate a minimum of 1 breach and 1 pass result per UCITS rule
   b. To validate a minimum of 1 breach and 1 pass result per UCITS rule
4. Funds Axis will provide documentation providing explanation of regulatory rule results

UCITS07: FDI must have Eligible Underlying's

Rule Setup Details

Rule Summary		
Rule Category	Rule Category	UCITS – CORE (ALL Jurisdictions)
Rule Sub-Category	Rule Sub-Category	1. Eligible Assets
Asset Selection	Asset Category	All Assets
Asset Selection	Asset Type Group	Derivatives – Standard Contracts Derivatives - Other
Asset Selection	Asset Type	N/A

Rule Custom Attributes		
RCA. Conditions	Derivative Underlying is Eligible	No

Rule Conditions		
Rule Conditions	Holding Level	All Holdings
Rule Conditions	Rule Level	In Scheme
Rule Conditions	Aggregator (Base Value in FW Rules Wizard)	Market Value*
Rule Conditions	Breach Condition	> 0
Rule Conditions	Pass Condition	<= 0
Rule Conditions	Denominator	No. of Securities in Scheme
Where Conditions	Pass Condition	N/A
Where Conditions	Breach Condition	N/A
Where Conditions	Denominator	N/A

The selection of denominator of "No. of Securities in Scheme" has the impact of causing the aggregator to be a "Count" of the instruments in the scheme, notwithstanding that the "Market Value" is in fact selected in the rules wizard.

UCITS07: Rule Results

Results:

6 of 8 sandbox schemes are passing UCITS07

Cause:

This rule considers the eligibility of derivative underlying's. What is considered ineligible for the purposes of UCITS is listed out in the Rule Custom Attribute definition of "Derivative Underlying is Eligible" = No (Please see Appendix B).

The rule is using the RCA "Derivative Underlying is Eligible" = "No".
This RCA is set up only to classify those derivatives where underlying is eligible = "No", not those where it is yes. This RCA is set-up to be "No" for certain derivative assets types and unless they have been manually overridden as "Is UCITS Eligible Underlying Asset" = Yes; they will be classified as Not Eligible.

Testing

Example 1: Breach Result

Test Example 1:	Scheme: SB0 – Sandbox Equity Multi Income Fund
Rule Result:	Failed
Test Result:	Success

FundWare Investment Compliance Result:

SB0 - Sandbox Equity Mutli Income Fund

Date: 01 June 2018   **Valuation Date:** -
Scheme NAV in Base Currency: 82,368,872.99
Click on rule to view rule details

	Breach ID	Rule	Status	Breach Days	Exposure
		UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
⊟	**32562-N**	UCITS07: FDI must have Eligible Underlying's	Failed	1	1.0000
		60031999H1CJ5U - OPT. DAX WEEKLY OPTIONS W4 CALL 12750 25/05/2018			1 Securities

FundWare Holding Export Report:

The Rule Result shown above matches the below extract taken from FundWare:

The below derivative, highlighted in red, is marked as having an ineligible underlying for the purposes of UCITS rules; therefore it is breaching UCITS07.

Instrument Security Code	Security	UnderLying ISIN	Asset Type Group Name	RCA.Derivative Underlying is Eligible
60031999H1CJ5U	OPT. DAX WEEKLY OPTIONS W4 CALL 12750 25/05/2018	WDAXD Index	Derivatives - Other	No
60031999H1CJ2U	OPT. STOXX W OPTIONS W4 CALL 3500 25/05/2018	WSX5ED Index	Derivatives - Other	(blank)*
60031999H1PFHU	OPT. STOXX W OPTIONS W4 CALL 3525 25/05/2018	WSX5ED Index	Derivatives - Other	(blank)*

Derivatives that have not been set with 'Underlying is Eligible' = 'No' come through as (blank) rather than 'Yes' as default. As this rule only considers derivatives set as 'No' this will have no bearing on the rule result and is an indication RCA is classifying the underlying correctly.

High Level Holdings Overview:

The fund is made up of:

Rule Custom Attribute.UCITS Asset Types	Sum of Percentage Of Assets
Security - Standard Security	104.9906
Security - Closed End Fund	2.12
Payable Receivables	1.8008
Derivative Index not diversified ineligible assets	-0.243
Derivative Diversified Index Eligible Assets	-8.6684
Grand Total	**100**

Test Example 2:   Scheme: SB1 – Sandbox Equity Long Short Fund
Rule Result: Pass

Test Result: Success

FundWare Investment Compliance Result:

SB1 - Sandbox Equity Long Short Fund

Date: 01 June 2018   Valuation Date: -
Scheme NAV in Base Currency: 207,842,337.06
Click on rule to view rule details

	Breach ID	Rule	Status	Breach Days	Exposure
		UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
⊟		UCITS07: FDI must have Eligible Underlying's	Passed		0.0000

FundWare Holding Export Report:

The Rule Result shown above does not show any assets as the fund does not contain any securities that would cause the rule to breach. All derivative underlying have not been flagged as in-eligible and therefore appear as '(blank)'.

Instrument Security Code	Security	UnderLying ISIN	Asset Type Group Name	RCA.Derivative Underlying is Eligible
JP304619000C	CFD INVINCIBLE INV.	JP3046190009	Derivatives - Other	(blank)
JP304640000C	CFD JAPAN HOTEL REIT INV.	JP3046400002	Derivatives - Other	(blank)
JP304776000C	CFD INVESCO OFFICE J-REIT	JP3047760008	Derivatives - Other	(blank)
JP312280000C	CFD AMADA HLDGS.	JP3122800000	Derivatives - Other	(blank)
JP314360000C	CFD ITOCHU	JP3143600009	Derivatives - Other	(blank)
JP316565000C	CFD NTT DOCOMO	JP3165650007	Derivatives - Other	(blank)
….	….	….	….	….

High Level Holdings Overview:

The fund is made up of:

Rule Custom Attribute.UCITS Asset Types	Sum of Percentage Of Assets
Security - Standard Security	72.9148
FundAcc_Cash_Capital	20.3569
Derivative Diversified Index Eligible Assets	10.1007
Derivative on Currency	0.1878
Derivative Index not diversified eligible assets	0.1477
Derivative on a Security	0.0995
Derivatives on Inflation rates	0.0653
Derivatives on Interest rates	0.0037
Payable Receivables	-0.2522
Forward FX	-0.8199
Grand Total	**102.8043**

SB0 - Sandbox Equity Mutli Income Fund

Date: 01 June 2018   **Valuation Date: -**
Scheme NAV in Base Currency: 82,368,872.99

Click on rule to view rule details

	Breach ID	Rule	Status	Breach Days	Exposure
		UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
+	32562-N	UCITS07: FDI must have Eligible Underlying's	Failed	1	1.0000

SB1 - Sandbox Equity Long Short Fund

Date: 01 June 2018   **Valuation Date: -**
Scheme NAV in Base Currency: 207,842,337.06

Click on rule to view rule details

	Breach ID	Rule	Status	Breach Days	Exposure
		UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
−		UCITS07: FDI must have Eligible Underlying's	Passed		0.0000

SB2 - Sandbox CDS Fund

Date: 01 June 2018   **Valuation Date: -**
Scheme NAV in Base Currency: 34,087,657.79

Click on rule to view rule details

	Breach ID	Rule	Status	Breach Days	Exposure
		UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
+		UCITS07: FDI must have Eligible Underlying's	Passed		0.0000

SB3 - Sandbox Fund of Fund

Date: 01 June 2018   **Valuation Date: -**
Scheme NAV in Base Currency: 74,086,960.18

Click on rule to view rule details

	Breach ID	Rule	Status	Breach Days	Exposure
		UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
+		UCITS07: FDI must have Eligible Underlying's	Passed		0.0000

SB4 - Sandbox Futures and Options fund

Date: 01 June 2018   **Valuation Date: -**
Scheme NAV in Base Currency: 22,216,808.24

Click on rule to view rule details

	Breach ID	Rule	Status	Breach Days	Exposure
		UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
+	10046-C ↑	UCITS07: FDI must have Eligible Underlying's	Failed	1	11.0000

SB5 - Sandbox MMI Fund

Date: 01 June 2018   **Valuation Date: -**
Scheme NAV in Base Currency: 11,137,506,461.12

Click on rule to view rule details

	Breach ID	Rule	Status	Breach Days	Exposure
		UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
+		UCITS07: FDI must have Eligible Underlying's	Passed		0.0000

SB6 - Sandbox Fixed Income Fund

Date: 01 June 2018   **Valuation Date: -**
Scheme NAV in Base Currency: 232,189,721.95

Click on rule to view rule details

	Breach ID	Rule	Status	Breach Days	Exposure
		UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
+		UCITS07: FDI must have Eligible Underlying's	Passed		0.0000

SB7 - Sandbox Feeder Fund

Date: 01 June 2018   **Valuation Date: -**
Scheme NAV in Base Currency: 140,560,227.95

Click on rule to view rule details

	Breach ID	Rule	Status	Breach Days	Exposure
		UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
+		UCITS07: FDI must have Eligible Underlying's	Passed		0.0000

Appendix A: Rule Construction in FundWare

UCITS07: FDi must have Eligible Underlying's

Appendix B: RCA Construction in FundWare

END