Funds-Axis
UCITS- Core (all jurisdictions)
Rule UCITS11 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

UCITS11: Warning: Where unlisted securities are to be listed with a year

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	N/A
Asset Selection	Asset Type	N/A

Rule Custom Attributes		
RCA. Conditions	UCITS Asset Types	Fund – OpenClosedNotDefined Security - Closed End Fund Security - Standard Security Security - Structured Product not embedding a derivative Security Structured Product embedding a derivative
RCA. Conditions	Days Since Listing	Listing within next 365 days
RCA. Conditions	Instrument Listed Type	Unlisted

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	% to Assets of Scheme
Where Conditions	Pass Condition	N/A
Where Conditions	Breach Condition	N/A
Where Conditions	Denominator	N/A

UCITS11: Rule Results

Results:

7 of 8 sandbox schemes are passing UCITS09

Cause:

This rule considers the eligibility of OTC derivatives, and if they are capable of a reliable valuation. The maximum amount allowable in OTC derivative which are not considered as being reliably priced is 10% in aggregate. If this threshold is breached, UCITS09 will fail.

The rule is using the RCA "Derivative has reliable valuation" = "No"

This RCA is set up only to classify those derivatives where "derivative has reliable valuation"= "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 "Derivative has reliable valuation" = Yes; they will be classified as not reliable. The RCA set-up is fully documented and needs to be fully tested.

Testing

Example 1: Breach Result

Test Example 1:   Scheme: SB2 – Sandbox CDS Fund
Rule Result: Failed

Test Result: Success

FundWare Investment Compliance Result:

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			
⊟	**10047-C** ↑	UCITS09: OTC Derivatives must be Capable of Reliable Valuation	Failed	1	4.0000
		9F9ASRU00 - CDS CS_GP_FIN 1.000000% 20-JUN-2022			1 Securities
		9F9ASWU01 - CDS CSGAG 1.000000% 20-JUN-2022			1 Securities
		9FX479U01 - CDS CSGAG 1.000000% 20-JUN-2022			1 Securities
		9FX485U00 - CDS CS_GP_FIN 1.000000% 20-JUN-2022			1 Securities

FundWare Holding Export Report:

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

The below derivatives have applicable UCITS Asset Types for the purpose of UCITS09 and are marked as not being capable of having a reliable valuation; therefore they are meeting all breach criteria.

Instrument Security Code	Asset Type Group Name	Underlying Asset Type	UnderLying Equity (security name)	RCA.Is OTC	RCA.Derivative has reliable Valuation	Derivative Exchange Name
9FX485U00	Derivatives - Other	Euro Non-Dollar	CRED SUISSE GP FIN (GRN)529/07/2019	Yes	No	OTC
9FX479U01	Derivatives - Other	Euro Non-Dollar	CRED SUISSE GP FIN (US)710/05/2020	Yes	No	OTC
9F9ASWU01	Derivatives - Other	Euro Non-Dollar	CRED SUISSE GP FIN (US)710/05/2020	Yes	No	OTC
9F9ASRU00	Derivatives - Other	Euro Non-Dollar	CRED SUISSE GP FIN (GRN)529/07/2019	Yes	No	OTC
17409609G8JD2U	Derivatives - Other	U.S. TREASURY BILLS	US 10YR NOTE (CBT)Jun18	(blank)	No	Chicago Mercantile Exchange

Note: The 'US 10YR Note..' is also marked as having an unreliable valuation but is not breaching for rule UCITS09 due to it being traded on an exchange.

High Level Holdings Overview:

The fund is made up of:

Asset Type Group Name	RCA.Is OTC	RCA.Derivative has reliable Valuation	% Of Assets
Cash			19.7068
Deposits			0.6501
Derivatives - Forward FX	Yes	(blank)	-0.8199
Derivatives - Other	Yes	No	-0.005
Derivatives - Other	Yes	(blank)	10.2999
Derivatives - Other	(blank)	No	-0.0015
Derivatives - Other	(blank)	(blank)	0.0288
Derivatives - Standard Contracts			0.2825
Fixed Income			13.7535
Fixed Income			59.1613
Payables Receivables			-0.2522
Grand Total			**102.8043**

Example 2: Pass Result

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			
⊟		UCITS09: OTC Derivatives must be Capable of Reliable Valuation	Passed		0.0000

FundWare Holding Export Report:

The Rule Result shown above does not show any assets as the fund does not contain any assets that would cause the rule to breach.

The snapshot below shows the setup of derivatives in this fund. As shown none of the derivatives have been classified as not having a reliable valuation. The below derivative setup is consistent throughout the fund.

Instrument Security Code	Asset Type Group Name	Underlying Asset Type	Underlying Equity	RCA.Is OTC	RCA.Derivative has reliable Valuation	Derivative Exchange Name
JP393295000C	Derivatives - Other	Common Stock	KATITAS CO LTD	Yes	(blank)	OTC
JP391066000C	Derivatives - Other	Common Stock	TOKIO MARINE HOLDINGS INC	Yes	(blank)	OTC
JP390290000C	Derivatives - Other	Common Stock	MITSUBISHI UFJ FINANCIAL GRO	Yes	(blank)	OTC
JP389035000C	Derivatives - Other	Common Stock	SUMITOMO MITSUI FINANCIAL GR	Yes	(blank)	OTC
JP387000000C	Derivatives - Other	Common Stock	MABUCHI MOTOR CO LTD	Yes	(blank)	OTC
JP385590000C	Derivatives - Other	Common Stock	POLA ORBIS HOLDINGS INC	Yes	(blank)	OTC
JP383080000C	Derivatives - Other	Common Stock	BRIDGESTONE CORP	Yes	(blank)	OTC
JP381480000C	Derivatives - Other	Common Stock	SUBARU CORP	Yes	(blank)	OTC
JP378342000C	Derivatives - Other	Common Stock	HIKARI TSUSHIN INC	Yes	(blank)	OTC
JP378010000C	Derivatives - Other	Common Stock	PARK24 CO LTD	Yes	(blank)	OTC
JP376240000C	Derivatives - Other	Common Stock	NOMURA CO LTD	Yes	(blank)	OTC
JP376045000C	Derivatives - Other	Common Stock	NOEVIR HOLDING CO	Yes	(blank)	OTC
JP373540000C	Derivatives - Other	Common Stock	NIPPON TELEGRAPH & TELEPHONE	Yes	(blank)	OTC
JP372800000C	Derivatives - Other	Common Stock	NIPPON PARKING DEVELOPMENT C	Yes	(blank)	OTC
JP372680000C	Derivatives - Other	Common Stock	JAPAN TOBACCO INC	Yes	(blank)	OTC
JP371120000C	Derivatives - Other	Common Stock	AOZORA BANK LTD	Yes	(blank)	OTC
JP367240000C	Derivatives - Other	Common Stock	NISSAN MOTOR CO LTD	Yes	(blank)	OTC

High Level Holdings Overview:

The fund is made up of:

Asset Type Group Name	RCA.Is OTC	RCA.Derivative has reliable Valuation	% Of Assets
Cash	Yes	(blank)	1.0273

Commodities	Yes	(blank)	0.4811
Derivatives - Other	Yes	(blank)	5.1756
Equities	(blank)	(blank)	71.78
Funds	(blank)	(blank)	6.8045
Physical Property	Yes	(blank)	14.7314
Grand Total			**99.9999**

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			
+		UCITS09: OTC Derivatives must be Capable of Reliable Valuation	Passed		0.0000

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			
−		UCITS09: OTC Derivatives must be Capable of Reliable Valuation	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			
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		9F9ASWU01 - CDS CSGAG 1.000000% 20-JUN-2022			1 Securities
		9FX479U01 - CDS CSGAG 1.000000% 20-JUN-2022			1 Securities
		9FX485U00 - CDS CS_GP_FIN 1.000000% 20-JUN-2022			1 Securities

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			
+		UCITS09: OTC Derivatives must be Capable of Reliable Valuation	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			
+		UCITS09: OTC Derivatives must be Capable of Reliable Valuation	Passed		0.0000

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			
+		UCITS09: OTC Derivatives must be Capable of Reliable Valuation	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			
+		UCITS09: OTC Derivatives must be Capable of Reliable Valuation	Passed		0.0000

SB7 - Sandbox Feeder Fund

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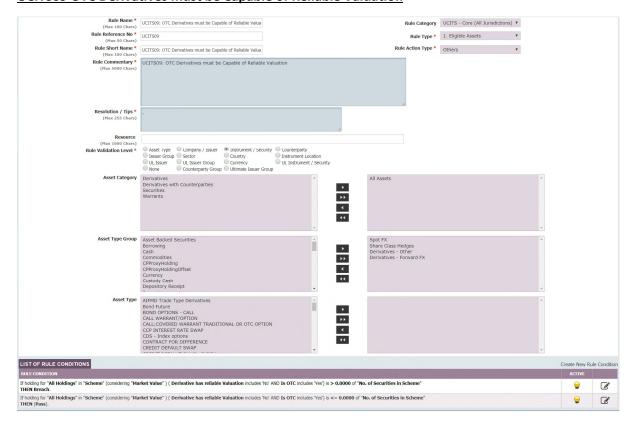
Scheme NAV in Base Currency: 140,560,227.95

Click on rule to view rule details

	Breach ID	Rule	Status	Breach Days	Exposure
		UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
+		UCITS09: OTC Derivatives must be Capable of Reliable Valuation	Passed		0.0000

Appendix A: Rule Construction in FundWare

UCITS09 OTC Derivatives must be Capable of Reliable Valuation

END