

EXPLANATORY MEMORANDUM

October 1997

CITISELECT SICAV

a Société d'Investissement à Capital Variable under the Luxembourg Law

Subscriptions of shares (the “Shares”) in CitiSelect Sicav (the “Company”) are made on the basis of the current Explanatory Memorandum. Once published, the latest annual report as well as the latest half-yearly report, if published after the latest annual report, form part of this Explanatory Memorandum. No information other than that contained in this Explanatory Memorandum, in the aforementioned reports and in the documents mentioned in this Explanatory Memorandum, which are available to the public, may be given in connection with the offer.

The distribution of this Explanatory Memorandum and the offering of Shares contemplated herein may be restricted in certain jurisdictions; persons into whose possession this Explanatory Memorandum comes are required to inform themselves of and to observe such restrictions. This Explanatory Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The Shares of the Company are not registered under the United States Securities Act of 1933. Shares of the Company may neither be bought nor held directly by, nor may be transferred to, any investor who is a "United States person". For the purposes of this Explanatory Memorandum, a United States person is any of the following: (i) any United States citizen or resident, (ii) any corporation, partnership or other entity organized or existing under the laws of any state, territory or possession of the United States, (iii) any estate or trust of which any executor, administrator or trustee is a United States person, (iv) any agency or branch of a foreign entity located in the United States, (v) any discretionary or non-discretionary accounts held by a fiduciary for the benefit or account of a United States person, or (vi) any foreign partnership or corporation formed by a United States person principally for the purpose of investing in unregistered securities.

Holders of Shares are required to notify the Company of any change in their non-U.S. status.

Shares of the Company do not represent an obligation of, nor are they guaranteed by Citibank N.A. or any other subsidiary of Citicorp. Exposure to the Company involves investment risk including the possible loss of capital. It should be appreciated that the value of the Shares can fall or rise.

Prospective purchasers of Shares should inform themselves as to the legal requirements, exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

The members of the board of directors (the “Directors”) of the Company whose names appear below, are responsible for the information contained in this Explanatory Memorandum. To the best of their knowledge and belief, the Directors (who have taken all reasonable care to ensure that such is the case) confirm that the information contained in the Explanatory Memorandum is in accordance with the facts and does not omit anything likely to affect the importance of such information.

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1. The Company

CitiSelect Sicav (the "Company") was established in Luxembourg on 22nd July, 1997 as a Société d'Investissement à Capital Variable under Part I of the Law of March 30th, 1988 relating to Undertakings for Collective Investment.

The Company has been established as an umbrella Sicav. The Directors may on behalf of the Company issue different classes of Shares, each class being related to a specific portfolio of assets (each a "Portfolio") established within the Company. In respect of each Portfolio the Company pursues a specific investment policy.

The Company may in the future create new Portfolios, in which case this Explanatory Memorandum will be supplemented to refer to the creation of any such new Portfolios. The Company as a whole constitutes a single legal entity but for the purpose of the relations as between Shareholders, each Portfolio is deemed to be a separate entity.

Holders of Shares in the Company ("Shareholders") may request the Company to redeem their Shares or to switch Shares of one Portfolio into Shares of another Portfolio, as more fully described hereafter.

2. Investment objective and policies

The Company currently offers for subscription Shares in 15 different Portfolios which can be classified into three main types, which differ in terms of investment policy and risk levels.

Folio 200 Portfolios:

Folio 200 Portfolios, designed for low risk levels, strive to provide increases in capital value primarily through income, which is reinvested. The Folio 200 Portfolios are composed of a strategic asset allocation of high quality short term debt securities and instruments which qualify as transferable securities, fixed income securities and to a lesser degree equity investments. Risk is controlled through active management of individual investments in each Asset Class as defined below.

Individual Portfolios of this risk category, which are only differentiated by the currency in which their net asset value is calculated, are:

- a. CitiSelect Sicav - Folio 200 BEF
- b. CitiSelect Sicav - Folio 200 DEM

- c. CitiSelect Sicav - Folio 200 USD
- d. CitiSelect Sicav - Folio 200 GBP
- e. CitiSelect Sicav - Folio 200 ESP

Folio 300 Portfolios:

Folio 300 Portfolios, designed for a moderate risk level, seek to increase capital value through a balanced emphasis on income and capital appreciation. The Folio 300 Portfolios are composed of a strategic asset allocation across global equities, bonds and short term debt securities and instruments which qualify as transferable securities, and through active management of individual investments in each Asset Class as defined below.

Individual Portfolios of this risk category, which are only differentiated by the currency in which their net asset value is calculated, are :

- a. CitiSelect Sicav - Folio 300 BEF
- b. CitiSelect Sicav - Folio 300 DEM
- c. CitiSelect Sicav - Folio 300 USD
- d. CitiSelect Sicav - Folio 300 GBP
- e. CitiSelect Sicav - Folio 300 ESP

Folio 400 Portfolios:

Folio 400 Portfolios, designed for an above moderate risk level, aims to provide increases in capital value primarily through primary emphasis on capital appreciation. The Folio 400 Portfolios are composed of a strategic asset allocation across global equities, bonds and short term debt securities and instruments which qualify as transferable securities, and through active allocation of individual investments in each Asset Class as defined below.

Individual Portfolios of this risk category, which are only differentiated by the currency in which their net asset value is calculated, are:

- a. CitiSelect Sicav - Folio 400 BEF
- b. CitiSelect Sicav - Folio 400 DEM
- c. CitiSelect Sicav - Folio 400 USD
- d. CitiSelect Sicav - Folio 400 GBP
- e. CitiSelect Sicav – Folio 400 ESP

Investment Policies

The Folio 200, Folio 300 and Folio 400 Portfolios will each allocate assets to the following list of asset classes (each an "Asset Class"): European Equities, US Equities, Asia Pacific Ex-Japan Equities, Japanese Equities, Global Bonds and short term debt securities and instruments which qualify as transferable securities. The Folio 300 and Folio 400 Portfolios may also allocate assets to Emerging Market Equities.

The Portfolios of each risk category have a benchmark mix which represents the way such Portfolios will be allocated over the long term. This mix will vary, within specified ranges, over the short term based on the General Portfolio Manager's projections of investment returns for each Asset Class. The General Portfolio Manager will not try to choose the precise moment when a major reallocation should be made, rather reallocation decisions will be implemented gradually over time.

The Company may hold for each Portfolio ancillary liquid assets in current or deposit accounts or regularly traded short-term money market instruments issued or guaranteed by highly rated institutions and having a remaining maturity of less than twelve months.

Subject to the "Investment Restrictions" laid out under section 7(c), the Company can make use of various derivative instruments to hedge the Portfolios against market and currency risks, as well as to enhance returns in accordance with the principles of prudent and efficient portfolio management. The General Portfolio Manager and the investment advisors are expected to actively use derivative instruments for both hedging and efficient portfolio management purposes. ***Shareholders should be aware that the use of derivative instruments for other purposes than hedging carries a certain degree of risk.***

When managing the assets of the Portfolios of the Company shall comply with the safeguards set forth in section 7(c) "Investment Restrictions" hereafter.

Diversification and efficient portfolio management will be emphasized in the management of all the Portfolios. However, over time, the Folio 300 Portfolios are expected to experience higher interim volatilities and potentially higher returns than the Folio 200 Portfolios. Similarly, the Folio 400 Portfolios are expected to exhibit greater volatility in its pursuit of higher returns than the Folio 300 Portfolios. The Folio 200 Portfolios are exposed to lower market risks than the Folio 300 Portfolios which, in turn, are exposed to lower market risks than Folio 400 Portfolios.

The assets of the Company are subject to normal market risks and no assurance can be given that the objectives set out above will be achieved.

As stated above, the Folio 300 Portfolios and the Folio 400 Portfolios may invest in Emerging Market Equities. ***Shareholders of such Portfolios should be aware that investment in emerging markets carries a higher degree of risk than that normally associated with investment in more developed markets.*** In particular, investments in such markets may be affected by changes in government policies including changes in economic policy and taxation, restrictions on foreign investment and on foreign currency repatriation. Also, companies investing in such markets may not be subject to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable in more developed countries.

The Company may, on behalf of the different Portfolios, from time to time, enter into temporary borrowing arrangements (subject to the restrictions set out in Section 7 (c) 6) below with, and buy from or sell securities, foreign exchange or other financial instruments from or through members of the Citicorp Group provided that such transactions are realised at market conditions and wherein so doing would be in the best interests of the shareholders.

Pooling and Co-Management

For the purpose of efficient management, the General Portfolio Manager may pool the management of all or part of the assets of specific Asset Classes held for all or any of the Portfolios in accordance with their respective investment policies. Each Portfolio will participate in the relevant pool of assets in proportion to the assets contributed thereto by it. Such pools are used solely for internal management purposes and do not constitute separate entities and are not directly accessible to investors. For further details, see under Section "7 (e) headed "Pooling".

In order to reduce operational and administrative charges while allowing a wider diversification of the investments, the Board of Directors may decide that part or all of the assets of one or several Portfolios will be co-managed with assets attributable to other Portfolios or belonging to other Luxembourg collective investment schemes. For further details see under Section "7 (f) headed "Co-Management".

In the context of such pooling and/or co-management the General Portfolio Manager will appoint different investment advisors for specific Asset Classes.

The General Portfolio Manager will be responsible for selecting and monitoring the investment advisors and for assuring compliance of the Portfolios and the Company as a whole with the investment restrictions. In selecting and reviewing the performance of

investment advisors, the General Portfolio Manager will adopt selection criteria aimed at appointing some top performing investment advisors in the market in which the relevant Asset Class invests. Such investment advisors may be selected from outside of the Citicorp Group.

3. Investment in the Company

a) Issue of Shares

Shares are issued by the Company subject to receipt of the issue price by the Custodian Bank.

Shares of each Portfolio are issued in registered form and a confirmation advice will be issued to the Shareholder. No registered Share certificate will be issued. Fractions of registered Shares will be issued up to 3 decimal places.

Bearer Shares are available for issue only in respect of subscriptions made through certain sales agents in specified jurisdictions as determined from time to time by the Directors. If bearer shares are offered by a sales agent in a specific jurisdiction, this will be indicated in the supplement to this Explanatory Memorandum relating to such jurisdiction. Bearer Share certificates shall be issued in denominations of 1,10,100,1000 or 10,000 Shares. No fractions of bearer Shares are issued.

Shares may be acquired for the first time during the initial subscription period from October 15, 1997 to November 28, 1997 at the price of respectively 10,000 BEF, 100 DEM, 100 USD, 10 GBP and 1,000 ESP. The subscription application and subscription monies must be received by the Custodian Bank by no later than the close of business in Luxembourg on November 28, 1997.

Minimum initial subscription amounts may be determined by the sales agents through which the shares are subscribed. No minimum initial subscription amount is applicable for subscription requests addressed directly to the Company.

Following the initial issue, the offer price of Shares in the Company shall be the net asset value per Share for the relevant Portfolio calculated on the applicable Valuation Date (as defined in sub-paragraph d)). Any issue taxes incurred shall be charged in addition. A sales charge may be added, not exceeding 3% of the net asset value which shall be payable to, or retained by, the sales agents involved in the distribution of the Shares.

Subscription applications will normally be dealt with on the Valuation Date immediately following the bank business day in Luxembourg on which the application is received at the offices of the Company, provided that the application is received not later than 3.00 p.m. (Luxembourg time) on such bank business day. Any subscriptions received after such time will be deemed to have been received on the next following bank business day in Luxembourg. Payment for Shares issued must be received within 3 bank business days in Luxembourg counting from and including the relevant Valuation Date.

Confirmation advices will normally be sent to Shareholders within 5 bank business days in Luxembourg of the date of allotment subject to the purchase price having been paid in full.

The Company shall comply with the laws and regulations of the countries in which the Shares are offered. The Company may, at any time and at its discretion, suspend or limit the issue of Shares to physical persons or legal entities temporarily or permanently in particular countries or areas. The Company may exclude certain individuals or corporate bodies from the purchase of Shares when this appears to be necessary to protect the Shareholders and the Company as a whole.

Moreover, the Company may:

- (i) reject subscription applications, in whole or in part if it deems that the accepting of the subscription order may be detrimental to the Company and its shareholders; and
- (ii) redeem Shares in the Company held by Shareholders who are excluded from acquiring or holding such Shares.

Sales Agents, Nominees

The Company may appoint banks and financial institutions as sales agents. Subject to local law in countries where shares are offered, such sales agents can, with the agreement of the Company and the respective shareholders, accept to act as Nominee for the investors. In this capacity, the sales agent shall, in its name but as Nominee for the investor, purchase or sell shares for the investor and request registration of such operations in the Company's unit register.

However, the investor may invest directly in the Company without using the nominee service and there must be an agreement between the investor and the nominee which shall contain a termination clause giving the investor the right to exercise his title to the shares subscribed through the nominee. However, the aforesaid provisions are not applicable for

shareholders solicited in countries, where the use of the services of a nominee is necessary or compulsory for legal, regulatory or compelling practical reasons.

The sales agent is deemed to represent to the Company that :

- a) each investor is not a United States person (as defined above);
- b) the sales agent will notify the Company immediately if it learns that an investor has become a United States person (see Redemptions);
- c) in the event that the sales agent has discretionary authority with respect to shares which become beneficially owned by a United States person, the sales agent will cause such shares to be redeemed; and
- d) the sales agent will not knowingly transfer or deliver any shares or any part thereof or interest therein to a United States person nor will any shares be transferred in the United States, its territories or possessions.

The Company may, at any time, require sales agents to make additional representations to comply with any changes in applicable laws and requirements.

Money laundering

Pursuant to the fight against Drug Addiction Act dated 7th July, 1989 and the anti money laundering recommendations applicable in Luxembourg, professional obligations have been outlined to prevent the use of Undertakings for Collective Investment for money laundering purposes. As a result, the identification documents of the subscribers (a certified copy of the passport or the identification card) and/or the status of financial intermediaries (a recent original extract of the Trade Register and, where applicable or if requested, a certified copy of the business authorisation delivered by the competent local authorities) shall be delivered to the Administration Agent. Such identification is, in principle, not required if the subscription is collected by a sales agent who is subject to equivalent customer identification requirements to those prescribed by Luxembourg law.

b) Redemptions of Shares

Shareholders may request the redemption of their Shares on each Valuation Date at the net asset value. No redemption fee will be charged. Redemption applications will normally be dealt with on the Valuation Date immediately following the bank business day in Luxembourg on which the application is received at the offices of the Company provided that the application is received not later than 3.00 p.m. (Luxembourg time) on such bank business day. Redemption applications received after such time will be deemed to have been received on the next following bank business day in Luxembourg.

Depending on the movement in the net asset value, the redemption price may be higher or lower than the purchase price paid. Payment for Shares is generally made within 3 bank business days in Luxembourg counting from and including the relevant Valuation Date, unless specific statutory provisions such as foreign exchange restrictions or other circumstances beyond the Custodian Bank's control make it impossible to transfer the redemption proceeds to the country where the redemption was requested. Payment will be made in respect of Shares of each Portfolio in the currency in which the relevant net asset value is calculated.

In case of a significant volume of redemption requests for any given Valuation Date, the Company may decide that part or all such requests for redemption be deferred until the corresponding assets have been sold.

Shares redeemed shall be automatically canceled.

Compulsory Redemption

If the Company becomes aware that any Shares are owned directly or indirectly by any person in breach of any law or requirement of a country or governmental or regulatory authority, or otherwise in the circumstances provided hereunder, the Company may require the redemption of such Shares.

c) Switching of Shares

Shareholders may switch all or part of their Shares of a Portfolio (the "original Portfolio") into Shares of another Portfolio (the "new Portfolio").

Switching may take place on any Valuation Date subject to any suspension of the determination of the net asset value of any relevant Portfolio (see Section 7 (f) below). Switching applications will normally be dealt with on the Valuation Date immediately following the bank business day (in Luxembourg) on which the application is received at the offices of the Company provided that the application is received not later than 3.00 p.m. (Luxembourg time) on such bank business day. Switching applications received after such time will be carried forward to and deemed to have been received on the next following bank business day in Luxembourg.

Switching between Portfolios will be effected at prices which exclude the sales charge. A switching fee up to 1% of the amount switched may be charged by and payable to intermediaries involved in the distribution of the Shares. The rate at which all or any part

of a holding of Shares of the original Portfolio is converted on any Valuation Date into Shares of the new Portfolio will be determined in accordance with the following formula (or as nearly as may be in accordance therewith so that the number of Shares of the new Portfolio to be allotted and issued is a multiple of one thousandth of a Share):

$$A = \frac{B \times C - E}{D}$$

where:

A is the number of Shares of the new Portfolio to be allotted;

B is the number of Shares of the original Portfolio to be switched;

C is the Net Asset Value per Share of the original Portfolio ruling on the relevant Valuation Date;

D is the Net Asset Value per Share of the new class ruling on the relevant Valuation Date (excluding any sales charge); and

E is the switching fee of up to 1 % of B x C

d) Valuation Date

For the purpose of the issue, redemption and switch of Shares, the net asset value per Share of each Portfolio will be calculated on each day which is a bank business day in Luxembourg.

4. Distributions

The Company issues, in relation to each Portfolio, shares entitling to dividend distributions (“Dividend Shares”) and shares in respect of which no dividends will be declared and paid (“Accumulation Shares”).

At the annual general meeting the holders of Dividend Shares of each Portfolio shall, after the approval of the annual accounts, decide in separate class meetings whether and to what extent distributions are to be made. It is the present intention of the Directors to recommend to the holders of Dividend Shares to decide the distribution of substantially all of the income attributable to the relevant Portfolio.

Entitlement to dividends and allocations not claimed within 5 years of the due date shall be forfeited and the corresponding assets shall revert to the Portfolio concerned, for account of the holders of Dividend Shares.

The Accumulation Shares of a Portfolio will have that portion of such Portfolio's net investment income attributable to such Shares retained within the Portfolio, thereby accumulating value in the price of the Accumulation Shares.

There may be tax advantages in investing in one or other category of share. Consequently, investors are advised to consult their own professional advisor.

5. Charges and Expenses

Charges borne by the Company

The following expenses are borne directly by the Company :

- A Management fee of up to 2.00% per annum will be charged to each Portfolio. The fee will be accrued daily and paid monthly based on the average net asset value of each Portfolio, encompassing all fees payable for the Company's administration and the investment advisory and management fees payable to the General Portfolio Manager and the investment advisors;
- all other taxes which may be payable on the assets, income and expenses chargeable to the Company;
- standard brokerage and bank charges incurred by the Company's business transactions;
- fees, expenses and transaction charges of the Custodian Bank;
- fees of agents in places of registration of the Company and of any paying agents;
- the cost, including that of legal advice, which may be payable by the Company or the Custodian Bank for actions taken in the interests of the Shareholders;
- the fees and expenses incurred in connection with the registration of the Company with, or the approval or recognition of the Company by, the competent authorities in any country or territory and all fees and expenses incurred in connection with maintaining any such registration, approval or recognition;
- the fees and expenses incurred in connection with the listing of the Shares on any stock exchange and all fees and expenses incurred in connection with maintaining any such listing;
- the cost of preparing, filing and publishing the Articles of Incorporation and other documents in respect of the Company, including notifications for registration, Explanatory Memorandums or memorandums for all governmental authorities and stock

exchanges (including local securities dealers' associations) which are required in connection with the Company or with offering the Shares of the Company, the cost of printing and distributing yearly and half-yearly reports for the Shareholders in all required languages, together with the cost of printing and distributing all other reports and documents which are required by the relevant legislation or regulations, the cost of bookkeeping and computation of the daily net asset value per Share, the cost of notifications to Shareholders, the fees of the Company's auditors and legal advisors, and all other similar administrative expenses;

- legal, audit and other reasonable expenses incurred in the selection and appointment of investment advisors.

The Management fee effectively charged during any semi-annual period to each Portfolio will be disclosed in the annual or semi-annual reports covering such period.

All recurring fees are first deducted from the investment income, then from realized capital gains and then from the assets. Other expenses may be written off over a period not exceeding 5 years.

The expenses of establishing the Company amounting to approximately US Dollars 45,000 will be written off over a period of 5 years. These expenses will, in principle, be borne by the Portfolios created at the launch of the Company. Where further Portfolios are created in the future, these Portfolios will bear, in principle, their own formation expenses. The Directors may however decide for newly created Portfolios to participate in the payment of the initial formation expenses of the Company in circumstances where this would appear to be more fair to the Portfolios concerned and their respective Shareholders. Any such decision of the Directors will be reflected in the updated Explanatory Memorandum which will be published upon the launch of the newly created Portfolios.

6. Taxation

a) The Company

The Company's assets are subject to a tax ("taxe d'abonnement") in the Grand Duchy of Luxembourg of 0.06 % per annum, payable quarterly on the basis of the net assets of the Company at the end of each quarter provided that no such tax is due on the portion of the assets of the Company invested in other Luxembourg collective investment undertakings (if any).

b) The Shareholders

Under current legislation, Shareholders are not subject to any capital gains, income or withholding tax in Luxembourg except for (i) those domiciliated, resident or having a permanent establishment in Luxembourg, or (ii) non residents of Luxembourg who personally or by attribution hold 25 per cent. or more of the issued share capital of the Company and who dispose of all or part of their holdings within six months from the date of acquisition, or (iii) in some limited cases, some former residents of Luxembourg who personally or by attribution hold 25 per cent. or more of the issued share capital of the Company.

The foregoing is based on the Directors' understanding of the law and practice currently in force in Luxembourg and is subject to changes therein. It should not be taken as constituting legal or tax advice and investors are advised to obtain information and, if necessary, advice regarding the laws and regulations applicable to them by reason of the subscription, purchase, holding and realisation of Shares in their countries of origin, residence or domicile.

7. General Information**a) General Portfolio Manager and Investment Advisors**

The Company has entered into a General Portfolio Management Agreement appointing Citicorp Trust, NA, California ("CTNAC") as General Portfolio Manager of the Company.

The General Portfolio Manager has been appointed to select investment advisors and to monitor investment performance and compliance with investment restrictions and guidelines. The General Portfolio Manager will allocate to each investment advisor a portion of the assets of the Company (generally assets relating to a specific Asset Class as described in the investment policy) in respect of which the investment advisor concerned shall have the authority and responsibility for investing such assets in accordance with such investment advisor's best judgment pursuant to the investment style and processes agreed from time to time between such investment advisor and the General Portfolio Manager and in compliance with the investment restrictions and guidelines applicable to the Company and each of its Portfolios.

The General Portfolio Manager may also act as investment advisor in respect of one or several Asset Classes. The investment advisors appointed from time to time by the General Portfolio Manager in respect of specific Asset Classes shall be described in the Appendix

“Investment Advisors” which will be attached hereto at any time where any investment advisors will have been appointed.

The General Portfolio Manager and the investment advisors selected by the General Portfolio Manager will assume their functions and duties under the overall control and supervision of the Directors.

CTNAC was established in 1985. With offices in San Francisco and Los Angeles, the company serves high net worth individuals and organizations with Custody, Investment Management and Fiduciary (i.e. Trust and Estate administration) services.

CTNAC's Alternative Investment Group is charged with developing and managing investment products that are uncorrelated with world stock and bond markets. The team has built an expertise and track record in managing portfolios for individual high net worth clients as well as for retail clients.

Mr Madhav Misra is a Director and Executive Vice-President of Citicorp Trust N.A. California. He is currently the Managing Director of Alternative Investments at Citibank Global Asset Management. Mr Misra has worked at Citibank for twelve years with a focus managing multi-advisor funds for the past seven years. Prior to joining Citibank, Mr Misra held senior professional positions with the international consulting firm of Booz, Allen & Hamilton in New York, Peat Marwick & Mitchell in London and Siemens, a German multinational, in the Middle East. He received a B.A. in economics from Delhi University and an M.B.A. in finance from Columbia University. Mr Misra is a Fellow of the Institute of Chartered Accountants in England and Wales.

There are potential sources of conflicts of interest between the Company and its Shareholders and the Citicorp Group. These include the following:

- a) The Citicorp Group may purchase and sell for its own account securities in which the Company may also invest. In addition, the Company in its normal course may purchase and sell assets from and to the Citicorp Group on an arms' length basis. In addition, the Citicorp Group may give investment advice in respect of, or manage third-party funds that are invested in, the same securities in which the Company will invest.
- b) As a major banking institution, the Citicorp Group may lend money to many of the companies or countries in which the Company will invest. Credit decisions that the Citicorp Group makes in respect of such companies or countries could have an impact on the market value of the securities in which the Company invests. Furthermore, the

Citicorp Group's position as a lender will, in almost all instances, be senior to the securities in which the Company invests.

- c) The Citicorp Group also engages in other activities involving or affecting the securities in which the Company will invest. In particular, the Citicorp Group may be involved in origination of transactions concerning such securities, underwriting such securities and acting as broker-dealer in respect of such securities. In addition, the Citicorp Group may perform other services for portfolio companies and receive fees, commissions and other remuneration therefor.
- d) In conjunction with its various activities, the Citicorp Group may come into possession of confidential information that could, if known to the public, affect the market value of the securities in which the Company will invest. In accordance with internal guidelines, the Citicorp Group will not disclose such information to the Company or use such information for the benefit of the Company.

CTNAC, as General Portfolio Manager to the Company, will have duties of loyalty to the Company.

In effecting foreign exchange or in making any purchase or sale of any security or other asset for the Company, the General Portfolio Manager or any other Citicorp subsidiaries or affiliates may act as counterparty, principal, agent or broker in the transaction and may be separately compensated in that capacity.

All investment advice provided by the General Portfolio Manager on the Company's behalf will be based on publicly available information.

b) Custody and Administration

By an agreement dated 30th September, 1997 terminable by either party upon three month's notice, Credit Agricole Indosuez Luxembourg ("the Custodian Bank") has undertaken to provide custodian services for safekeeping the securities and cash in the Company's assets as well as administrative services, comprising the bookkeeping of the Company and the calculation of the net asset value.

The Custodian Bank will further, in accordance with the law of March 30th, 1988 :

- a) ensure that the sale, issue, repurchase and cancellation of shares effected by or on behalf of the Company are carried out in accordance with the law and the Articles of Incorporation;

- b) ensure that in transactions involving the assets of the Company, the consideration is remitted to it within the usual time limits;
- c) ensure that the income of the Company is applied in accordance with its Articles of Incorporation.

The Custodian Bank has further accepted the appointment as Domiciliary and Registrar and Transfer Agent to the Company. In such capacity, the Custodian Bank will be responsible for handling and processing all, subscription, redemption and conversion orders, for keeping the register of Shareholders and for mailing and publicising statements, reports and notices to shareholders.

The Custodian was incorporated in Luxembourg as a société anonyme in 1969 and has its registered office at 39, Allée Scheffer, Luxembourg. It has engaged in banking activities since its incorporation and as at 31st December, 1996 its share capital amounted to LUF 1,250 million.

The fees payable to the Custodian Bank for providing custody and administration services, and which are comprised in the maximum Management Fee of 2% referred to above, are partly based on the net assets and partly expressed as a fixed amount per transaction or a fixed amount for a certain period.

c) Investment Restrictions

In making investments on behalf of the Company, the Company shall comply with the following safeguards:

1. The Company may not purchase securities of a single issuer if upon such purchase more than 10 % of the net assets of a Portfolio would consist of the securities of such issuer, subject to the value of the securities held in the securities of issuers in which it invests more than 5 % of the net assets of such Portfolio not exceeding 40 % of the net assets of the relevant Portfolio, provided that:
 - (i) the above limit of 10% shall be 35% in respect of transferable securities issued or guaranteed by a Member State of the EU, its local authorities, or public international bodies of which one or more European Union ("EU") Member States are members, or by any other State;
 - (ii) the securities referred to under (i) of this paragraph are not to be taken account of in applying the limit of 40% set forth in this paragraph;

- (iii) the limits set out above may not be aggregated and, accordingly, investments in transferable securities issued by the same issuer effected in accordance with the limits set out above may not, in any event, exceed a total of 35 % of the relevant Portfolio's net assets;
 - (iv) the Company may invest up to 100 % of the net assets of each Portfolio in different transferable securities issued or guaranteed by any Member State of the EU, its local authorities, or by any other State of the OECD or by public international bodies of which one or more of such EU Member States are members; and**
 - (v) if the Company makes use of the provision under (iv) of this paragraph, the relevant Portfolio must hold securities from at least six different issues, and securities from any one issue may not account for more than 30% of the net assets of the relevant Portfolio.
2. The Company may not invest more than 10 % of the net assets of a Portfolio in non-quoted securities; for this purpose quoted securities means (i) transferable securities admitted to official listing on a stock exchange in any member State of the EU, (ii) transferable securities admitted to official listing on a recognized stock exchange in any other country in Eastern and Western Europe, Asia, Oceania, the American continents and Africa, (iii) transferable securities dealt in on another regulated market in any such member State of the EC or such other country referred to above, provided that such market operates regularly and is recognized and open to the public, and (iv) recently issued transferable securities, provided that the terms of the issue allow that application be made for admission to the official listing on any of the stock exchanges or regulated markets referred to above and that such admission is secured within a year of issue; provided that the Company may invest up to 10 % of the net assets of each Portfolio in debt instruments which are equivalent to transferable securities because of their characteristics, being, inter alia, transferable, liquid and having a value which can be accurately determined at any valuation date provided further that the total of such debt instruments and of the securities not quoted shall not exceed 10 % of the net assets of such Portfolio.
3. The Company may invest up to 5 % of the net assets of each Portfolio in shares or Units of other collective investment funds, provided that they are of the open-ended type, provided further that they are undertakings for collective investments in transferable securities within the meaning of the first and second indent of article 1, paragraph 2 of the Council Directive of 20 December 1985 (85/611/EEC) and provided the investment policy is not contrary to that of the relevant Portfolio. The acquisition of shares or Units in a collective investment fund or of an investment company which is managed by the Company or by any other company with which the Company is linked by common

management or control or by substantial direct or indirect holding shall be permitted only in case of investment in a collective investment fund or investment company which specializes in the investment in a specific geographical area or economic sector. In such event the Company may not charge any fee or cost on account of transactions in connection with such shares or Units.

4. The acquisition by the Company shall in any event be limited to a maximum of 10 % of the shares or Units in such other collective investment fund or investment company then outstanding. Such limitation to 10 % shall also be applicable to the acquisition of debt securities or the acquisition of non-voting stock issued by a single issuing body. Further the Company shall not acquire securities which enable it to exercise a significant influence over the management of the issuer thereof.
5. The limitations set forth in 4. above shall not be applicable to the acquisition of securities which
 - are issued or guaranteed by member States of the EU or their local authorities,
 - issued or guaranteed by non-member States of the EU or
 - issued by public international bodies of which one or more EU member States are members.

The limitations set forth in sub-paragraph 1. to 4. shall be applicable at the time of acquisition of securities and need not be complied with when exercising subscription rights attaching to the securities which form part of the assets of the Company. If such limits are exceeded as result of the change of the value of the assets or for other reasons which are beyond the control of the Company, then the Company shall seek to restore such limits taking due account of the interests of the Shareholders.

6. The Company may borrow for a short term up to a maximum of 10 % of the net assets of any specific Portfolio and provided such borrowings shall not be used to acquire investments and the Custodian Bank shall have agreed to such borrowing and the conditions thereof. This limitation shall not be applicable to back-to-back loans entered into for the purpose of acquiring foreign exchange.
7. Within the following limits and within the investment guidelines determined in respect of each Portfolio, the Company may on behalf of the Company employ techniques and instruments relating to transferable securities as well as instruments intended to provide protection against exchange risks:

(a) Options on securities

It may deal in options on securities, options on stock indices and on other financial instruments, as well as in financial futures only if such options and futures are traded on a recognized exchange or a regulated market which operates regularly and is recognized and open to the public.

It may write put options on securities provided it maintains during the lifetime of such options adequate liquid reserves in order to cover the full exercise prices payable in respect of the securities to be purchased upon exercise of such options.

It may write call options on securities provided such options are covered by assets within the Portfolio concerned. In such event the corresponding assets are to be maintained within such Portfolio until the exercise date of the options concerned, except if a sale thereof appears advisable in the context of decreasing markets and provided the liquidity of the market is sufficient to ensure immediate cover of any open position. In this case the aggregate exercise price of all uncovered options shall not exceed 25 % of the net assets of the relevant Portfolio.

It may acquire call and put options on securities provided that the aggregate acquisition prices (in terms of premiums paid) of all options on securities and such options that are acquired for purposes other than hedging shall not exceed 15 % of the net assets of the relevant Portfolio.

(b) Futures and Options on indices, interest rates and other financial instruments.

It may enter into index futures or interest rate futures contracts or purchase or write options thereon, including:

- i) the acquisition of put options or the writing of call options and the entering into futures sales contracts all for hedging purposes, provided the value of the underlying securities included in such futures sales contracts does not exceed, together with the underlying securities comprised in options on stock indices or on other financial instruments purchased and/or sold for the same purpose, the market value of the assets to be hedged and provided further that in connection with interest rate futures contracts or options thereon, currency risks shall be avoided, and
- ii) the purchase and writing of options on stock indices and other financial instruments and the entering into futures sales and/or purchase contracts for purposes other than hedging, provided the value of the underlying securities of such futures and options

contracts do not exceed, together with the value of the underlying securities of all options on securities and on stock indices or on other financial instruments acquired for purposes other than hedging, the net assets of the Portfolio concerned.

With respect to options referred to under a) and b) above, the Company may enter into over-the-counter option transactions with first class financial institutions participating in this type of transactions if such transactions are more advantageous to the Company, or if quoted options having the required features are not available

(c) Currency hedging transactions

In order to hedge foreign exchange risks it may have outstanding commitments in currency futures and/or hold currency options provided such futures and options are dealt in on a regulated market, or enter into currency forward contracts or currency swaps with highly rated financial institutions. It may further for hedging purposes enter into interest swap transactions with highly rated financial institutions, whereby currency risks shall be avoided. The amounts of all pending transactions shall not exceed the market value of the relevant assets of the Portfolio concerned denominated in the currency to be hedged.

8. The Company shall not for the benefit of the Company:

a) invest in real estate;

b) invest in commodities (including precious metals) or in certificates representing commodities;

c) invest in securities issued by the Company;

d) make uncovered short sales;

9. The Company shall not lend portfolio securities of the Company except against adequate security blocked in the favor of the Company either in the form of guarantees issued by highly rated banking institutions or in the form of a pledge on cash or debt securities issued by Member States of the OECD. The value of such security, at the conclusion of the lending agreement, must be at least equal to the value of the global valuation of the securities lent. No securities lending may be made except through recognized clearing houses or highly rated financial institutions specializing in this type of transaction and for more than one half of the aggregate market value of securities held by each Portfolio and for periods exceeding 30 days.

10. Subject to acquisition of debt instruments the placing of bank deposits and the lending of securities referred to above, the Company shall not on behalf of the Company make loans to third parties or guarantee the obligations of third parties.

The Company need not comply with the investment limit percentages above when exercising subscription rights attaching to securities which form part of the assets of a specific Portfolio.

If such percentages are exceeded for reasons beyond the control of the Company or as a result of the exercise of subscription rights, the Company must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of the Shareholders.

d) Net Asset Value

The net asset value per Share of each Portfolio is expressed in the reference currency of the relevant Portfolio. The net asset value per Share of Dividend Shares and Accumulation Shares of each Portfolio shall be determined by the Company on each Valuation Date under the supervision of the Custodian Bank, by dividing the net assets corresponding to each class of shares, being the value of the assets corresponding to the relevant class less the liabilities attributable to such class by the number of Shares of such class outstanding

The assets and liabilities of the Company shall be allocated in the following manner:

- a) the issue price which shall be received upon issue of Shares connected with a specific Portfolio shall be attributed in the accounts of such Portfolio. Assets and liabilities of that Portfolio as well as income and expenses which are related to a specific Portfolio, shall be attributed to it taking into account the following provisions;
- b) an asset derived from another asset will be applied to the same Portfolio as the asset from which it was derived. On each revaluation of an asset the increase or decrease in value shall be applied to the Portfolio concerned;
- c) if the Company incurs liability of any kind in connection with an asset attributable to a Portfolio, then such liability shall be attributed to the same Portfolio;
- d) if an asset or liability cannot be attributed to any Portfolio, then such asset or liability shall be allocated to all the Portfolios prorata to the respective net asset values of the Portfolios;

- e) upon a distribution to holders of Shares of a specific Portfolio or upon a payment of expenses on behalf of holders of Shares of a specific Portfolio, the proportion of the total net assets attributable to such Portfolio shall be reduced by the amount of the distribution or of such expenses.
- f) if Dividend Shares and Accumulation Shares are issued within the same Portfolio, the attribution rules referred to above shall apply mutatis mutandis to such two classes of Shares.

The assets of the Company will be valued as follows:

- (a) securities listed on a stock exchange will be valued at the last reported closing price. If a security is listed on several stock exchanges, the last available sales price at the stock exchange which constitutes the main market for such securities, will be prevailing; for securities, for which trading on the relevant stock exchange is thin and secondary market trading is done between dealers who, as main market makers, offer prices in response to market conditions, the Company may decide to value such securities in line with the prices so established;
- (b) securities dealt in on a regulated market shall be valued in a manner similar to listed securities;
- (c) securities which are neither listed on any stock exchange nor dealt in on a regulated market will be valued at their last available market price; if there is no such market price, they will be valued in good faith by the Company in accordance with such prudent valuation rules as the Company may determine and on the basis of the reasonable foreseeable sales prices;
- (d) liquid assets will be valued at their face value with interest accrued;
- (e) assets denominated in a currency other than that in which the net asset value will be expressed, will be converted at the applicable market rate. In that context account shall be taken of hedging instruments used to cover foreign exchange risks.

The allocation of the assets and liabilities of the Company among the different Portfolios is relevant for the respective relationships between the Shareholders holding Shares of such different Portfolios, the Company and the Custodian Bank and does not affect rights which third parties may legally have vis-à-vis the Company, which constitutes one single collective investment scheme.

In varying its policies in respect of each Portfolio, the Company may apply different rules of valuation if this appears to be appropriate in the light of the investments made, provided that one set of rules shall be applied to the valuation of all assets allocated to a specific Portfolio.

The Company is entitled to deviate from the valuation rules set out in (a), (b) and (c) above in valuing the assets attributable to any given Portfolio by adding to the prices referred to in (a), (b) and (c) above an amount reflecting the estimated cost of the acquisition of corresponding assets in the event the Company expects further investments to be made on behalf of such Portfolio, or by deducting from the prices referred to in (a), (b) and (c) above an amount reflecting the estimated cost of the disposal of such assets, in the event the Company expects investments attributable to such Portfolio to be sold.

In the event of it being impossible or incorrect to carry out a valuation in accordance with the above rules owing to particular circumstances, the Company is entitled to use other generally recognised valuation principles, which can be examined by an auditor, in order to reach a proper valuation of the Company's total assets.

The net asset value shall be rounded up or down to the nearest current unit of the relevant currency.

e) Pooling

The Company may invest and manage all or any part of the portfolio assets established for two or more Portfolios (for the purposes hereof "Participating Portfolios") on a pooled basis. Any such asset pool shall be formed by transferring to it cash or other assets (subject to such assets being appropriate in respect to the investment policy of the pool concerned) from each of the Participating Portfolios. Thereafter, the Company may from time to time make further transfers to each asset pool. Assets may also be transferred back to a Participating Portfolio up to the amount of the participation of the Portfolio concerned. The share of a Participating Portfolio in an asset pool shall be measured by reference to notional units of equal value in the asset pool. On formation of an asset pool, the Company shall determine the initial value of notional units (which shall be expressed in such currency as the Company may consider appropriate) and shall allocate to each Participating portfolio notional units having an aggregate value equal to the amount of cash (or to the value of other assets) contributed. Thereafter, the value of the units shall be determined by dividing the net assets of the asset pool by the number of notional unit subsisting.

When additional cash or assets are contributed to or withdrawn from an asset pool, the allocation of notional units of the Participating Portfolio concerned will be increased or reduced, as the case may be, by a number of notional units determined by dividing the amount of cash or the value of assets contributed or withdrawn by the current value of a Share. Where a contribution is made in cash, it may be treated for the purpose of this calculation as reduced by an amount which the Company considers appropriate to reflect fiscal charges and dealing and purchase costs which may be incurred in investing the cash concerned; in the case of cash withdrawal, a corresponding deduction may be made to reflect costs which may be incurred in realising securities or other assets of the asset pool.

Dividends, interest and other distributions of an income nature earned in respect of the assets in an asset pool will be applied to such asset pool and cause the respective net assets to increase. Upon the dissolution of the Company, the assets in an asset pool will be allocated to the Participating Portfolios in proportion to their respective participation in the asset pool.

f) Co-Management

In order to reduce operational and administrative charges while allowing a wider diversification of the investments, the Board of Directors may decide that part or all of the assets of one or several Portfolios will be co-managed with assets attributable to other Portfolios or assets belonging to other Luxembourg collective investment schemes. In the following paragraphs, the words "co-managed entities" shall refer globally to the Company and each of its Portfolios and all entities with and between which there would exist any given co-management arrangement and the words "co-managed Assets" shall refer to the entire assets of these co-managed entities and co-managed pursuant to the same co-management arrangement.

Under the co-management arrangement, the Investment Advisors will be entitled to take, on a consolidated basis for the relevant co-managed entities, investment, disinvestment and portfolio readjustment decisions which will influence the composition of the assets of the Portfolios. Each co-managed entity shall hold a portion of the co-managed Assets corresponding to the proportion of its net assets to the total value of the co-managed Assets. This proportional holding shall be applicable to each and every line of investment held or acquired under co-management. In case of investment and/or disinvestment decisions these proportions shall not be affected and additional investments shall be allotted to the co-managed entities pursuant to the same proportion and assets sold shall be levied proportionately on the co-managed Assets held by each co-managed entity.

In case of new subscriptions in one of the co-managed entities, the subscription proceeds shall be allotted to the co-managed entities pursuant to the modified proportions resulting from the net asset increase of the co-managed entity which has benefited from the subscriptions and all lines of investment shall be modified by a transfer of assets from one co-managed entity to the other in order to be adjusted to the modified proportions. In a similar manner, in case of redemptions in one of the co-managed entities, the cash required may be levied on the cash held by the co-managed entities pursuant to the modified proportions resulting from the net asset reduction of the co-managed entity which has suffered from the redemptions and, in such case, all lines of investment shall be adjusted to the modified proportions. Shareholders should be aware that, in the absence of any specific action by the Company or its appointed agents, the co-management arrangement may cause the composition of assets of the Portfolios to be influenced by events attributable to other co-managed entities such as subscriptions and redemptions. Thus, all other things being equal, subscriptions received in one entity with which a Portfolio is co-managed will lead to an increase of such Portfolio's reserve of cash. Conversely, redemptions made in one entity with which a Portfolio is co-managed will lead to a reduction of such Portfolio's reserve of cash. Subscriptions and redemptions may however be kept in the specific account opened for each co-managed entity outside the co-management arrangement and through which subscriptions and redemptions must pass. The possibility to allocate substantial subscriptions and redemptions to these specific accounts together with the possibility for the Company or its appointed agents to decide at any time to terminate the co-management arrangement permit the Company to avoid the readjustments of the assets of its Portfolios if these readjustments are likely to affect the interest of the Company or the Portfolios and of their shareholders.

If a modification of the composition of the Company or one or several Portfolio's assets resulting from redemptions or payments of charges and expenses peculiar to another co-managed entity (i.e. not attributable to the Company or the Portfolio concerned) is likely to result in a breach of the applicable investment restrictions, the relevant assets shall be excluded from the co-management arrangement before the implementation of the modification in order for it not to be affected by the ensuing adjustments.

Co-managed Assets shall only be co-managed with assets intended to be invested pursuant to investment objectives identical to those applicable to the co-managed Assets in order to assure that investment decisions are fully compatible with the investment policy of the Portfolios. Co-managed Assets shall only be co-managed with assets for which the

Custodian is also acting as depositary in order to assure that the Custodian is able, with respect to the Company or its Portfolios, to fully carry out its functions and responsibilities pursuant to the Law of March 30, 1988 on undertakings for collective investment. The Custodian shall at all times keep the Company's assets segregated from the assets of other of co-managed entities and shall therefore be able at all time to identify the assets of the Company and of each Portfolio. Since co-managed entities may have investment policies which are not strictly identical to the investment policy of a Portfolio, it is possible that as a result the common policy implemented may be more restrictive than that of that Portfolio.

The Company may decide at any time and without notice to terminate the co-management arrangement.

Shareholders may at all times contact the registered office of the Company to be informed of the percentage of assets which are co-managed and of the entities with which there is such a co-management arrangement at the time of their request. Annual and half-yearly reports shall state the co-managed Assets' composition and percentages.

g) Suspension of Net Asset Value calculation

The Company may temporarily suspend calculation of the net asset value per Share of a Portfolio and hence the issue, the redemption and the switching out of or into Shares of such Portfolio when:

- a) a market which is the basis for the valuation of a major part of the assets attributable to the relevant Portfolio is closed, or when trading on such a market is limited or suspended;
- b) a political, economic, military, monetary or other emergency beyond the control, liability and influence of the Company makes the disposal of the assets of any Portfolio impossible under normal conditions or such disposal would be detrimental to the interests of the Shareholders;
- c) the disruption of the communications network or any other reason makes it impossible to determine the value of a major portion of the assets of any Portfolio;
- d) owing to the limitations on the exchange transactions or other transfers of assets, the business transactions become impracticable in respect of any Portfolio, or where it can

be objectively demonstrated that purchases and sales of the assets of any Portfolio cannot be effected at normal prices.

A suspension with respect to any particular Portfolio will not automatically effect the calculation of the net asset value of the Shares of the Portfolios.

h) Incorporation, Share capital

The Company is an investment company with limited liability organised as a société anonyme under the laws of the Grand-Duchy of Luxembourg and qualifies as a Société d'Investissement à Capital Variable under Part I of the law of 30th March, 1988 regarding undertakings for collective investments and the law of 10th August, 1915 as amended, regarding commercial companies.

The Company was incorporated in Luxembourg by notarial deed on 22nd July, 1997 and is registered with the *Registre de Commerce* in Luxembourg under number B 60 118. The Company has been incorporated for an unlimited period and normally liquidation must be decided upon by an extraordinary meeting of Shareholders.

The Articles of Incorporation of the Company and a legal notice describing the Company and the offer of Shares are deposited with the Registry of the Luxembourg District Court, where they may be consulted. The Articles of Incorporation of the Company have been published in the *Mémorial, Recueil des Sociétés et Associations* on 30th August, 1997. An amendment to the Articles of Incorporation will be published on 29th October, 1997.

The capital of the Company, expressed in US Dollars, shall at all times be equal to the total net assets of the Company. The minimum capital, as provided by law, is fixed at the equivalent in US Dollars of 50,000,000 LUF (fifty million Luxembourg francs).

The initial subscribed capital of the Company was 45.000 US Dollars divided into 4.000 shares of no par value which were substantially all subscribed by Citibank (Luxembourg) S.A..

i) Accounting year, Audit, Reports

The accounting year of the Company ends on December 31st each year and for the first time on December 31st, 1998.

The Company has appointed Coopers & Lybrand, Luxembourg as its auditor.

Annual audited reports will be available for inspection by Shareholders at the registered office of the Company and at the paying agents and distributors within four months of the close of the accounting year. Unaudited half-yearly reports will also be made available in the same manner within two months of the end of the period to which they refer. The first report shall be a half-yearly report covering the period up to June 30th, 1998.

The annual and half yearly reports will comprise the consolidated accounts of the Company expressed in US Dollars as well as information on each Portfolio expressed in the reference currency of such Portfolio.

j) Shareholders' rights and meetings

Shares are be transferable and each Share entitles its Shareholder to participate equally in the profits and dividends of the Company and in a distribution upon liquidation. Each Share entitles the holders to one vote per Share at all meetings of Shareholders.

A general meeting of shareholders of the Company shall be held every year at the registered office of the Company or at any other place as may be specified by the notice of the meeting on the third Tuesday in May at 11.00 a.m. or in case of a public holiday, on the following banking business day in Luxembourg. The first general meeting of shareholders shall be held in 1999. Extraordinary general meetings of shareholders shall be held whenever the Company's interest so requires, at such place and time specified by the notice of the meeting.

Notice of any meeting of shareholders shall be mailed by registered letter to each registered shareholder at least eight days prior to the meeting. In addition, if bearer shares are in issue, convening notices will be published, in accordance with Luxembourg law, in the Mémorial, in one or several Luxembourg newspapers and in such other newspapers as the Directors may decide or as may be required in the countries in which the Fund's Shares are offered.

Any amendment of the Articles will require a majority of two thirds of the votes cast by Shareholders present at a duly convened and quorate meeting, in person or by proxy.

Any resolution at a meeting of shareholders of the Company, affecting the rights of the holders of shares of any Portfolio vis-à-vis the rights of the holders of shares of any other Portfolio shall be subject to a resolution of the general meeting of shareholders of such Portfolio.

k) Duration, Liquidation, Amalgamation**- The Portfolios**

The Directors may decide to liquidate one Portfolio if the net assets of such Portfolio fall below the equivalent of U.S.\$ 1,000,000.- or if a change in the economical or political situation relating to the Portfolio concerned would justify such liquidation. The decision of the liquidation will be published prior to the effective date of the liquidation and the publication will indicate the reasons for, and the procedures of, the liquidation operations. Unless the Directors otherwise decides in the interests of, or to keep equal treatment between, the Shareholders, the Shareholders of the Portfolio concerned may continue to request redemption or conversion of their Shares. Assets which could not be distributed to their beneficiaries upon the close of the liquidation of the Portfolio concerned will be deposited with the custodian for a period of six months after the close of liquidation. After such time, the assets will be deposited with the Caisse de Consignation on behalf of their beneficiaries.

Under the same circumstances as provided in the preceding paragraph, the Directors may decide to close down one Portfolio by contribution into another Portfolio. In addition, such amalgamation may be decided by the Directors if required by the interests of the Shareholders of the relevant Portfolio. Such decision will be published in the same manner as described in the preceding paragraph and, in addition, the publication will contain information in relation to the new Portfolio. Such publication will be made one month before the date on which the amalgamation becomes effective in order to enable Shareholders to request redemption of their Shares, free of charge, before the operation involving contribution into another Portfolio becomes effective.

The Directors may also, under the same circumstances as provided above, decide to close down one Portfolio by contribution into another collective investment undertaking governed by Part I of the laws of 30th March, 1988 regarding collective investment undertakings. In addition, such merger may be decided by the Directors if required by the interests of the Shareholders of the relevant Portfolio. Such decision will be published in the same manner as described above and, in addition, the publication will contain information in relation to the other collective investment undertaking. Such publication will be made one month before the date on which the merger becomes effective in order to enable Shareholders to request redemption of their Share, free of charge, before the operation involving contribution into another collective investment undertaking becomes

effective. In case of contribution to another collective investment undertaking of the mutual fund type, the merger will be binding only on Shareholders of the relevant Portfolio who will expressly agree to the merger.

In the event that the Directors determine that it is required by the interests of the Shareholders of the relevant Portfolio or that a change in the economical or political situation relating to the Portfolio concerned has occurred which would justify it, the reorganisation of one Portfolio, by means of a division into two or more Portfolios, may be decided by the Directors. Such decision will be published in the same manner as described above and, in addition, the publication will contain information in relation to the two or more new Portfolios. Such publication will be made one month before the date on which the reorganisation becomes effective in order to enable the Shareholders to request redemption of their Shares, free of charge before the operation involving division into two or more Portfolios becomes effective.

Any of the aforesaid decisions of liquidation, amalgamation, merger or reorganisation may also be decided by a separate class meeting of the Shareholders of the Portfolio concerned where no quorum is required and the decision is taken at the single majority of the shares voting at the meeting.

- The Company

The Company may at any time be dissolved by a resolution of the general meeting of shareholders. Liquidation will be carried out by one or more liquidators appointed by the general meeting of shareholders and the net liquidation proceeds of the Company distributed to shareholders in proportion to their respective holdings at the close of liquidation.

Assets or proceeds which cannot be distributed following liquidation of the Company or dissolution of any of its Portfolios will be deposited with the "Caisse des Consignations".

Whenever the share capital of the Company falls below two thirds of the minimum capital required by Luxembourg law, the question of the dissolution of the Company shall be referred to the general meeting by the Directors. The general meeting, for which no quorum shall be required, shall decide by simple majority of the shares present and represented at the meeting. The question of the dissolution of the Company shall further be referred to the general meeting whenever the share capital falls below one fourth of the

minimum capital indicated above. In such an event, the general meeting shall be held without any quorum requirements and the dissolution may be decided by shareholders holding one fourth of the shares present and represented at the meeting. These meetings must be convened so that it is held within a period of forty days from ascertainment that the net assets of the Company have fallen below two thirds or one fourth of the legal minimum, as the case may be.

l) Information to Holders of Shares

The latest net asset value per Share of each Portfolio is available on any bank business day in Luxembourg at the registered office of the Company and the latest Net Asset Value per Share of each Portfolio is published daily in the *Luxemburger Wort*.

Other information on the Company is available on any bank business day in Luxembourg at the registered office of the Company and any information relating to any suspension of the determination of the net asset value of any Portfolios of the Company, which in the reasonable opinion of the Directors will exceed one week, will in addition be published in the *Financial Times*.

Notices to Shareholders, including dividends announcements in respect of Dividend Shares, will either be published in a newspaper in Luxembourg and in newspapers issued in countries where the Shares are sold (insofar as required by applicable regulations), or sent to the Shareholders at their addresses indicated in the register of Shareholders or communicated via other means as deemed appropriate by the Directors.

m) Material documents and contracts

The following documents are also available for inspection at the registered office of the Company during normal business hours:

- the Articles of Incorporation of the Company,
- the General Portfolio Management Agreement between the Company and the General Portfolio Manager
- the Custodian and Administration Agreement between the Company and Credit Agricole Indosuez Luxembourg
- the latest annual and semi-annual reports

Copies of this Explanatory Memorandum, the periodical reports and the Articles of Incorporation of the Company may be obtained without cost at the registered office of the Company.