

## **Principal Asset Allocation Fund**

This Supplement dated 4 October 2017 contains specific information in relation to the **Principal Asset Allocation Fund** (the "**Fund**"); a fund of GemCap Investment Funds (Ireland) plc (the "**Company**") which is an open-ended umbrella investment company with variable capital incorporated with limited liability and segregated liability between Funds.

**This Supplement forms part of the Prospectus dated 4 October 2017 and should be read in the context of and together with the Prospectus including the general description of:**

- **the Company and its management and administration;**
- **its general management and fund charges;**
- **the taxation of the Company and of its Shareholders; and**
- **its risk warnings.**

**Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.**

**The value of investments and income from them can go down as well as up (this may partly be the result of exchange rate fluctuations in investments which have an exposure to foreign currencies) and investors may not get back the full amount invested.**

**It is the intention of the Company, in respect of the Fund, to invest in financial derivative instruments ("FDIs") for investment and efficient portfolio management purposes (as detailed in the Prospectus and below under the heading "Use of Derivative Contracts") where applicable.**

**An investment in the Fund should be viewed as medium to long-term.**

**In order to assist the Investment Manager in achieving the investment objective the Fund may invest up to 100% of its Net Asset Value in other eligible collective investment schemes.**

**Certain risks attached to investments in FDIs are set out in the Prospectus under the section "Risk Factors". The Directors of the Company expect that, through careful asset allocation and portfolio construction, the Net Asset Value of the Fund will have controlled volatility through investments in the FDIs.**

**Although the Fund may invest in money market instruments and cash deposits, Shares in the Fund are not deposits and are not guaranteed. Investment in the Fund involves certain investment risks, including the possible loss of principal.**

### **Suitability of Investment**

**You should seek your own professional advice as to (a) the possible tax consequences, (b) the legal and regulatory requirements, (c) any foreign exchange restrictions or exchange control requirements and (d) any other requisite governmental or other consents or formalities which you might encounter under the laws of the country of your citizenship, residence or domicile and which might be relevant to your purchase, holding or disposal of the Shares.**

**An investment in the Shares is only suitable for you if you (either alone or with the help of an appropriate financial or other advisor) are able to assess the merits and risks of such an investment and have sufficient resources to be able to bear any losses that may result from such an investment. The contents of this document are not intended to contain and should not be regarded as containing advice relating to legal, taxation, investment or any other matters.**

The Directors of the Company, whose names appear under the section headed "**Management and Administration**" in the Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Prospectus (as complemented, modified or supplemented) is in accordance with the facts and does not omit anything likely to affect the importance of such information. The Directors accept responsibility accordingly.

## 1. Classes

Class A GBP, Class A USD, Class A EUR, Class A PLN, Class A CZK, Class B GBP, Class B USD, Class B EUR, Class B PLN Shares, Class B CZK, Class C GBP, Class C USD, Class C EUR, Class C PLN and Class C CZK Shares of the Fund are being offered.

The Investment Manager will not hedge any foreign currency exposure in any Class. Therefore, in relation to Classes that are not designated in the Base Currency, a currency conversion will take place on subscriptions, redemptions, switches and distributions at prevailing exchange rates. Accordingly, any Class that is not designated in the Base Currency will have an exposure to possible adverse currency fluctuations.

## 2. Dealing Days for Subscriptions and Redemptions

On each Business Day which banks in Ireland and United Kingdom are open for normal banking business and in any other financial centre that the Directors may determine to be relevant for the operations of the Fund, and such additional Business Day or Business Days as the Directors may determine, and notify in advance to Shareholders.

## 3. Dealing Deadline and Valuation Point

2.00 pm Irish time on the Business Day prior to the Dealing Day or such other time in exceptional circumstances as the Directors may determine and notify in advance to Shareholders provided always that the Dealing Deadline is not later than the Valuation Point. The Valuation Point will be 5.00 pm in New York (Eastern Time Zone) on the Dealing Day.

## 4. Base Currency

The base currency of the Fund is British pounds.

## 5. Dividends

The Company may, at its discretion, declare dividends on any Class in the Fund at such intervals as shall be determined by the Company, and notified to Shareholders at that time. Dividends will be paid by electronic transfer within two months thereafter. Further information regarding the payment and calculation of dividends is set out at Section 13 of the Prospectus under the heading "**Dividends, Reports, Statements and Meetings**".

## 6. Investment Objective and Policy

### *Investment Objective*

The investment objective of the Fund is to seek to achieve a positive return in all market conditions over a three-year period.

### *Investment Policy*

The Fund expects to achieve the investment objective through the allocation of investments across three main asset classes – equities, fixed-income and alternatives (the "**Asset Classes**") as further described below.

## *Equities*

Equities refer to a stock or any other security representing an ownership interest in an entity. Such investments may be directly held by the Fund through investment in transferable securities which are (i) shares in companies and other securities equivalent to shares in companies; (ii) bonds and other forms of securitised debt (securitised debt is a grouping of assets which provide a cash flow into one vehicle which investors may invest in to gain exposure to such cash flows); and (iii) convertible bonds – which give a holder the right to convert a corporate bond into shares in that company on the happening of a specified event. The Fund intends to invest in or gain exposure to a range of liquid global equities. There will be no regional, industrial or capitalisation bias in the Investment Manager's selection of equities and the Fund may gain exposure to equities directly, through the use of FDIs (as detailed in the 'Investment Policy' section below) or through investment in another collective investment scheme which meets the requirements of the Central Bank by gaining exposure through the use of FDIs or by investing in the components of eligible financial indices such as the S&P 500, the MSCI World Index, Eurostoxx and the Goldman Sachs Equity Factor Index World Net Total Return USD which at all times meet the requirements of the Central Bank.

## *Fixed Income*

Fixed income refers to investment in securities or instruments for which real return rates or periodic income is received at regular intervals at reasonably predictable levels including government bonds and corporate bonds with either fixed or floating interest rates. Such investments may be directly held by the Fund (through investing directly in fixed income instruments (being contracts in relation to securities or instruments for which real return rates or periodic income is received at regular intervals at reasonably predictable levels including government bonds and corporate bonds)) or gained exposure through one or more of the instruments described in the Investment Policy below (e.g. through a swap or a future as described below). There will be no regional, industrial or capitalisation bias in the Investment Manager's selection of government bonds or corporate bonds. In the case of government bonds they shall be issued by G20 governments (meaning the governments of Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russian Federation, Saudi Arabia, South Africa, Turkey, United Kingdom, United States—and the European Union (EU)). Such fixed income securities shall be rated by at least one of Standard and Poor's, Moody's or Fitch. In the case of corporate bonds they shall be rated BB or higher by Standard and Poor's, and the Fund shall not invest more than 25% of its Net Asset Value in corporate bonds.

## *Alternatives*

Alternatives refer to an investment that is not one of the three traditional asset types (equities, fixed income and cash) which in the case of the Fund may include:

1. gaining exposure indirectly to commodities through eligible financial indices (through the use of one or more of the FDIs described in the 'Investment Policy' section below) which meet the requirements of the Central Bank Rules. Where exposure is gained to commodities through financial indices (which, in order to be sufficiently diversified will be made up of exposure to different commodities e.g. oil, gas, gold, wheat) and which will be comprised of FDI relating to commodities (e.g. futures (as described below) relating to commodities or options (as described below) relating to commodities) such indices will be submitted for review and cleared by the Central Bank prior to any such investment and details of any such indices through which exposure is gained to commodities shall be included in this Supplement;
2. other eligible collective investment schemes including units of other UCITS and eligible non-UCITS in accordance with the Central Bank Rules which have structured their return or investments towards a particular risk/reward level which the Fund seeks exposure to such as credit funds (whose primary investment objective is the investment

in loans or debt securities of governments or corporate bodies), property funds (which invest in real estate through special purpose vehicles or real estate related equities), macro-economic funds (which invest based on considerations of the overall economic positions of economies and the global economic climate) and certain types of equity funds (which may invest on a long only basis - meaning that they buy and hold equities in anticipation of such equities increasing in value, or a long/short basis – meaning that as well as investing in equities which they believe will rise in value they also make investments based on the anticipation of a fall in value of certain equities). The collective investment schemes in which the Fund may invest may embed derivatives and/or leverage. Any indirect leverage created through such investments will be included in calculating the overall leverage of the Fund and will not exceed the leverage limit as set out under the 'Leverage' section below;

3. Real Estate Investment Trusts (REITS) which are liquid investment structures that invest in real estate or real estate linked assets;
4. certificates (meaning a security which gives the Fund exposure to an underlying asset such as an eligible index and which would in the Investment Manager's view assist the Fund in meeting its investment objective by giving the Fund indirect exposure to the various Asset Classes and which meets the requirements of the Central Bank Rules) which qualify as transferable securities (as such term is understood pursuant to the Central Bank Regulations) and may be listed on a Recognised Exchange or unlisted but which will always meet the liquidity requirements as set out in the Central Bank Rules. Where such certificates are unlisted the Fund may not invest more than 10% of its Net Asset Value in such instrument; and
5. transferable securities in the form of structured financial instruments ("**SFI**") selected by the Investment Manager. The SFI are a type of instrument which are linked to or derive their value from an underlying asset which falls within the categorisation of transferable securities as contemplated by the Central Bank Regulations and the Regulations. The Fund may invest in the following SFI:
  - (i) SFI providing exposure to real estate and other commodities. The SFI shall be issued by special purpose vehicles ("**SPVs**") (initially, one or more such vehicles shall be established in Malta under the Securitisation Act 2006 as a securitisation company) whose share capital will be held by a charitable trust. The SFI shall be independently valued by a third-party administrator (initially, Argentarius ETI Management Ltd. (the "**Third-Party Administrator**") located in Malta) and shall be listed on one or more of the Markets set out in Appendix II of the Prospectus. The value of the SFI shall provide exposure on a 1:1 basis to interests in the SPVs and shall be 1:1 linked to the value of the performance-linked bonds issued by a wholly-owned subsidiary of the SPVs, where the underlying exposure is to real estate in London in the United Kingdom. The SFI shall not embed leverage or derivatives. Securitisation Consultancy Ltd., located in Malta, shall act in its capacity as dealer for the SFI (the "**Dealer**") and shall commit to purchase the SFI from the Fund at their most recent net asset value, as calculated by the Third-Party Administrator, in the absence of Market Disruption Events which give rise to the temporary suspension or termination of the Fund (further details of which are set out under the heading Market Disruption Events below), subject to receiving two Business Days' prior notice from the Fund; and
  - (ii) SFI issued by Société Générale and SG Issuer SA or any affiliated entity, with Société Générale as guarantor. Such SFI shall be independently valued by a third-party administrator and shall be listed on the EURO MTF Luxembourg Stock Exchange or on one or more of the Markets set out in Appendix II of the Prospectus and will be issued by issuers located notably in Luxembourg, Ireland or France. The SFI shall provide exposure on a 1:1 basis to interests in a Cayman fund entity which intends to employ an investment management

strategy providing exposure to global markets and more specifically to the agricultural, energy and metal and other commodity sectors. 1:1 exposure to the Cayman fund is achieved through the issuance of a debt security by a special purpose vehicle (the "**Debt Issuer**") and the commitment by the Debt Issuer to paying the return on the debt giving 1:1 exposure to the Cayman fund. Exposure to any other entity or security other than the Debt Issuer and the securities issued by it will not be achieved through the SFI. The SFI shall not have embedded leverage or embed a derivatives component. Société Générale and SG Issuers SA or any affiliated entity, acting in its capacity as dealer for the SFI (the "**Dealer**"), shall commit to purchase the SFI from the Fund at their most recent net asset value as calculated by the third-party valuer in the absence of Market Disruption Events which give rise to the temporary suspension or termination of the Fund, subject to receiving two Business Days' prior notice from the Fund.

To achieve the investment objective the Investment Manager, following its decision to allocate investment to a particular Asset Class, selects a form of investment listed below to achieve the most efficient route to investment in an Asset Class.

The Fund measures its performance against the 3 month British pound sterling LIBOR (London Interbank Offer Rate) interest rate, which is the average interest rate at which a selection of banks in London are prepared to lend to one another in British pounds with a maturity of 3 months. Any change to the above referenced benchmark will be disclosed in the annual or half yearly report of the Company subsequent to the change. The Investment Manager targets a gross return of 5% per annum above the 3 month British pound sterling LIBOR, over the relevant rolling three-year period. The Investment Manager aims to achieve this return with less than the long term volatility of global equities through a diversified portfolio of medium-term Asset Classes.

The Investment Manager selects its investments and allocate investment to an Asset Class by conducting market research in respect of the pricing of securities and the volatility of markets and which focuses on a long term approach to investing by forecasting volatility in markets. The Investment Manager then selects the Asset Class which in its opinion provides the greatest return for the Fund relative to its risk. Individual securities within an Asset Class are selected based on the Investment Manager's opinion of their ability to provide the greatest return for the Fund while maintaining the desired volatility in the portfolio.

In focusing on the volatility of a security or Asset Class the Investment Manager aims to balance risk and reward of its investments by apportioning the Fund's assets to achieve the desired percentage of volatility for the Fund reflecting the Fund's appetite for risk and its long term investment objective. The Asset Classes have different levels of risk and return, so each will behave differently over time.

In order to assist the Investment Manager in achieving the investment objective and allocate the Fund's investments efficient to each Asset Class the Fund may invest up to 100% of its Net Asset Value in other eligible collective investment schemes (including eligible exchange traded funds which may give the Fund exposure to any of the Asset Classes). The maximum level of management fees which may be charged by a collective investment scheme in which a Fund invests is 4% per annum of the net asset value of that collective investment scheme. The jurisdictions in which the collective investment schemes will be domiciled are each of the EU Member States and the United States of America and they shall be collective investment schemes established as UCITS or other eligible collective investment schemes in accordance with the Central Bank Rules.

The allocation of assets amongst the Asset Classes is reviewed on at least a quarterly basis and it is the Investment Manager's intention that the Fund's exposure to the Asset Classes will be in line with the below target exposures. The Fund may however have an exposure outside of the below targets at times (for example due to market conditions or market movements). The target exposures are that:

- (i) the exposure of the Fund to equities will be between 0% and 60% of the Net Asset Value of the Fund;
- (ii) the exposure of the Fund to government bonds will be between 0% and 100% of the Net Asset Value of the Fund;
- (iii) the exposure of the Fund to corporate bonds will be between 0% and 25% of the Net Asset Value of the Fund;
- (iv) the exposure of the Fund to alternatives will be between 0% and 100% of the Net Asset Value of the Fund;
- (v) the exposure of the Fund to cash will be between 0% and 100% of the Net Asset Value of the Fund; and
- (vi) the exposure of the Fund to SFI will be between 0% and 20% of the Net Asset Value of the Fund, with a maximum of 10% in any one SFI.

It is intended that the Fund will be managed to operate in normal circumstances within a gross range of 50%-150% long exposure and 0%-50% short exposure.

The specific investments within each Asset Class are selected based on the Investment Manager's opinion of the effect that global economic events may have on a security. In assessing such economic events the Investment Manager will have regard to global economic indicators (such as growth or unemployment in economies) and the monetary policy (meaning the policy which a Government or authority is pursuing in respect of the amount on money in supply in an economy) which various countries are pursuing.

The Fund may also engage in transactions in financial derivative instruments (as described below) to protect against exchange risks within the conditions and limits laid down by the Central Bank from time to time. The Fund may enter into spot foreign exchange transactions which involve the purchase of one currency with another, a fixed amount of the first currency being paid to recover a fixed amount of the second currency.

Along with direct investment in securities within an Asset Class the forms of investment instrument which the Investment Manager may use (and which shall be selected by taking into account the relative cost of such instruments and market practise in gaining exposure to an Asset Class) as part of the Investment Policy are:

- (i) Swaps referencing one of the Asset Classes, being an agreement between the Fund and an approved counterparty to exchange one stream of cash flows against another stream pursuant to a master agreement in accordance with the requirements of the International Swaps and Derivatives Association. Exchange rate swaps may be used in order to protect the Fund against foreign exchange rate risks. Swaps can be used to gain direct market access that is unhedged. The following is a list of swaps which may be utilised by the Fund:

#### *Total Return Swaps*

A Total Return Swap may be used if it provides exposure to an equity or index (which is eligible pursuant to the Central Bank Rules and which may provide exposure to any one of the Asset Classes e.g. equity indices (which is an index of equities), bond indices (which is an index of bonds – government, corporate or both and which may be rated or unrated), Alternative indices (such as commodities indices (which is an index related to commodities commonly made up FDI relating to commodities))) in a more cost-efficient manner than a direct investment in that equity or other forms of gaining exposure to an index (such as directly investing the index's components). In a swap, the gross returns to be exchanged or "swapped" between the parties are calculated with respect to a

"notional amount", i.e. the return or increase in value of the index. Total Return Swap agreements may be used by the Fund to gain exposure to an index, whereby the Fund agrees to pay a stream of payments based on an agreed interest rate in exchange for payments representing the total economic performance, over the life of the swap, of the asset or assets underlying the swap, in this case, the economic performance of the index. The counterparty to the Fund in a Total Return Swap will be an internationally recognised investment bank/broker. A Fund may diversify its exposure to counterparties by trading with several internationally recognised investment banks/brokers at any given time.

#### *Forward Exchange Swaps*

The Fund may from time to time enter into forward currency exchange swap transactions to protect against fluctuations in the relative value of its portfolio positions as a result of changes in currency exchange rates.

#### *Credit Default Swaps*

The Fund may from time to time enter into credit default swaps for both efficient portfolio management purposes and investment purposes. The Fund may enter into these contracts for the purposes of hedging credit exposure inherent within the participation notes listed below, or for the purposes of taking more efficient credit exposure to issuers.

- (ii) Futures, through which the Fund will invest directly in equity futures as opposed to entering into a Swap as detailed at (i) above or index futures whereby the Fund may gain exposure to the performance of an index (which may provide exposure to any one of the Asset Classes e.g. equity indices (which is an index of equities), bond indices (which is an index of bonds – government, corporate or both and which may be rated or unrated), Alternative indices (such as commodities indices (which is an index related to commodities commonly made up FDI relating to commodities)) and currency indices (which is an index made up of currencies). The prime criterion for selecting the individual equity futures or index futures is not their perceived attractiveness or potential growth or value but rather their suitability in terms of attaining the investment objective. The following is a list of futures which may be utilised by the Fund:

#### *Exchange Traded Futures*

The Fund may enter into futures contracts for both efficient portfolio management purposes and investment purposes. Index futures may be used to change the sensitivity to market price movements, with reference to the market represented by the index underlying the contract.

#### *OTC Futures*

The Fund may enter into OTC futures contracts for both efficient portfolio management purposes and investment purposes. OTC (meaning over-the-counter) Futures are a type of Future which allow the two parties to the contract to choose the terms by which they are bound (in contrast to a Future which is available on an exchange). OTC futures may be used to change the sensitivity to market price movements, with reference to the market represented by the index underlying the contract. The underlying to the OTC Futures will include equities, equity index, bonds, interest rates and foreign exchange.

- (iii) Options – the Fund may enter into option contracts in relation to equities, equity indices, bonds (government or corporate), interest rates and foreign exchange. An option contains the right to buy or sell a specific quantity of a specific asset at a fixed price at or before a specified future date. There are two forms of options: put or call options. Put options are contracts sold for a premium that give to the buyer the right, but not the obligation, to sell to the seller a specified quantity of a particular asset (or financial

instrument) at a specified price. Call options are similar contracts sold for a premium that give the buyer the right, but not the obligation, to buy from the seller a specified quantity of a particular asset (or financial instrument) at a specified price. The Fund may use such instruments to hedge against market risk or to gain exposure to a relevant underlying equity. The following is a list of options which may be utilised by the Fund:

#### *Exchange Traded Options*

The Fund may from time to time enter into option contracts for both efficient portfolio management purposes and investment purposes. The types of option contract are limited to equity option contracts, equity index option contracts, bonds, interest rates and foreign exchange.

#### *OTC Options*

The Fund may from time to time enter into OTC option contracts for both efficient portfolio management purposes and investment purposes. OTC (meaning over-the-counter) Options are a type of Option which allow the two parties to the contract to choose the terms by which they are bound (in contrast to an Option which is available on an exchange). The types of OTC option contract are limited to equity option contracts, equity index option contracts, bonds, interest rates and foreign exchange.

- (iv) Forwards – Forward currency contracts could be used to hedge against currency risk that has resulted from assets held by the Fund that are not in the Base Currency. The Fund, may, for example, use forward currency contracts by selling forward a foreign currency against the Base Currency to protect the Fund from foreign exchange rate risk that has risen from holding assets in that currency.
- (v) Participation Notes – the Fund may from time to time purchase participation notes where access to the underlying security (which will be fixed income instruments as described above) is difficult or more risk is involved in the local settlement process. The participation note will only be used to obtain access to a specific security in, specifically Germany, the United Kingdom, the United States, Luxembourg and Ireland, where the Investment Manager is of the opinion that use of participation notes is more advantageous to the Fund or where such securities are not directly available. The local security will be purchased by a local branch of an internationally recognised investment bank/broker who will issue a participation note on the underlying security. The counterparty to the Fund is the internationally recognised investment bank/broker. A Fund will diversify its exposure to counterparties by trading with several internationally recognised investment banks/brokers at any given time. The participation note will be monitored on a daily basis by reviewing the price of the participation note to the price, or the movement in the price, of the underlying security.
- (vi) The Fund may invest in financial instruments that may be assumed to embed a FDI such as:
  - Credit linked notes (which is a type of security that allows one party to transfer a credit risk or exposure to another party); and
  - Convertible or exchangeable bonds (which are bonds that can be converted into a predetermined amount of a company's equity at certain times during its life, usually at the discretion of the bondholder).

The Fund may use Securities Financing Transactions in accordance with the requirements of SFTR and the Central Bank Rules. Any type of assets that may be held by the Fund in accordance with its investment objective and policies may be subject to such Securities Financing Transactions. The Fund may also use Total Return Swaps and apply these to certain types of assets held by the Fund as disclosed above. The expected proportion of assets that will be subject to Securities Financing Transactions and Total Return Swaps is 35%, while the maximum proportion may be 100%. In any case, the most recent semi-annual and annual report

of the Fund will express as an absolute amount and as a percentage of the Fund's assets the amount of Fund assets subject to Securities Financing Transactions and Total Return Swaps. Please refer to the section of the Prospectus entitled "Efficient Portfolio Management" for further details.

If the Fund does invest in an instrument that embeds an FDI, then the global exposure, issuer-concentration and leverage calculation rules will be applied to the embedded FDI. Any leverage that may be embedded in the above instruments is considered when the global exposure of the Fund is being calculated.

### **Market Disruption Events**

A Market Disruption Event is the occurrence or existence of one or more of the following events, which occur in relation to the SFI:

- a. it is not possible to obtain a price or value (or an element of such price or value) of the SFI according to the rules or normal accepted procedures for the determination of such price or value (whether due to the non-publication of such price or value or otherwise);
- b. the calculation of the price or value of the SFI is, at the relevant time, in the opinion of the Dealer in respect of SFI impractical or impossible to make;
- c. any suspension of or limitation is imposed on trading on any exchanges, quotation systems or over-the-counter market where the SFIs are traded; and/or there exists an event or circumstance that prevents or materially limits transactions in the SFI. For the purpose of this definition, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, provided however that where a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Dealer in respect of the SFI constitute a Market Disruption Event;
- d. the occurrence of any event that generally makes it impossible or impractical to convert any currency which was, immediately prior to the occurrence of such event, a foreign exchange currency, as determined by the Dealer in respect of the SFI;
- e. the occurrence of any event that generally makes it impossible or impractical to convert the currency of the country of issue and/or country of payment of the SFI into the Base Currency through customary legal channels, as determined by the Dealer in respect of the SFI;
- f. the occurrence of any event that generally makes it impossible or impractical to deliver or transfer (a) the currency from accounts inside the country of issue and/or country of payment of the SFI to accounts outside such country of issue and/or country of payment or (b) the currency of the country of issue and/or country of payment of the SFI between accounts inside such country of issue and/or country of payment, or to a party that is a non-resident of the country of issue and/or country of payment, as determined by the Dealer in respect of the SFI;
- g. a general moratorium is declared in respect of banking activities in London, Dublin, Malta or New York;
- h. the occurrence of any early termination event or event of default or illegality affecting the SFI or other breach of obligations by the issuer of the SFI; and/or
- i. a change in law or regulations (including, without any limitation, any tax law), or the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any

action taken by a taxing authority), which affect the holding, acquisition, trading, transfer or hedging of the SFI.

As set out above, upon the occurrence of a Market Disruption Event the Directors will temporarily suspend the calculation of the Net Asset Value and any subscription, redemption and exchange of Shares; and/or the Directors may, in certain circumstances, terminate the Fund. For the avoidance of doubt, a Market Disruption Event which relates to assets of the Fund other than the SFIs and their underlyings will not impact on the Dealer's commitment to purchase the SFIs from the Fund at their most recent net asset value as calculated by the Third-Party Administrator.

### **Leverage**

The Fund may be leveraged up to 200% of its Net Asset Value. Such leverage is calculated on a sum of the notionals basis. The Company will use the relative Value at Risk ("relative VaR") approach for the purposes of calculating global exposure for the Fund. The total exposure of the Fund will not exceed 300% of its Net Asset Value. This is comprised of the investment of cash received as subscriptions by the Fund in the Asset Classes (which makes up 100% of the total exposure) together with the leveraged exposure within the derivative contracts which may form part of the Asset Classes (which is limited to 200% of Net Asset Value).

### **Risk Management**

The Company has filed with the Central Bank its risk management policy ("**RMP**") which enables it to measure, monitor and manage the various risks associated with the use of FDIs. The Company will, on request, provide supplementary information to Shareholders relating to the risk management methods employed, including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments.

As set out above and in the RMP, the Company will use the relative VaR approach for the purposes of calculating global exposure for the Fund.

The Fund will use the relative VaR approach whereby the VaR of the Fund shall not exceed twice the VaR of the MSCI World Index, being the reference portfolio for the purposes of the relative VaR calculation.

When calculating the relative VaR daily the Investment Manager will take into account the following quantitative standards:

- The one-tailed confidence level will be 99%;
- The holding period should be 20 days;
- The historical observation period will not be less than 1 year, however a shorter observation period may be used if justified, (for example, as a result of significant recent changes in price volatility);
- Quarterly data set updates, or more frequent when market prices are subject to material changes;
- at least daily calculation.

### **Investor Profile**

A typical investor in the Fund is an investor who wishes to allocate a portion of its total assets to investment in a portfolio with asset allocation of equity, fixed income, alternatives and cash and **who is seeking an investment which has a medium to long term horizon.**

## **7. Investment Manager for the Fund**

The Investment Manager of the Fund is Mansard Capital Management Limited (the "**Investment Manager**"), authorised and regulated by the Malta Financial Services Authority

(the "MFSA"). The Investment Manager is licensed to carry on investment management in accordance with the Investment Services Act, 1994 and is constituted under the Companies Act, 1995.

The Investment Manager is a specialist investment manager providing discretionary management services, multi asset solutions and alternative investment funds to private clients and institutions. The Investment Manager was founded with the primary aim of providing innovative investment solutions to the market. The Investment Manager has corporate relationships and partnerships with some of the biggest financial firms globally. It is with these relationships that the Investment Manager is able to offer tailored investment products to both retail and institutional clients.

The Investment Manager was constituted in Malta on 13 July 2010 as a limited liability company under company number C50163 and its registered address is at 85 St. John Street, Valletta, VLT 1165, Malta.

The key personnel of the Investment Manager who are involved in the day to day investment management decisions of the Fund are:

Leon Diamond, Partner

Mr. Diamond is a co-founder of the Investment Manager. He sits on the investment committee focusing on portfolio construction, risk management and trading strategies. Previously Mr. Diamond held the position of principal trader/ co-portfolio manager of the Porcupine Global Macro Fund and was part of the investment committee of Castlestone Management. He has also held positions with Folkes Asset Management and E.L. & C. Baillieu in Australia. Mr. Diamond holds a BA (Hons) Business in Finance from Queensland University of Technology, Australia.

John Morter, Chief Operating Officer

Mr Morter has worked in asset management since 1999. His experience has been wide ranging covering all aspects of the business from operations and research through to trading and execution. Mr. Morter joined the Investment Manager from Wadhvani Asset Management where he was instrumental in the launch of its UCITS trading vehicle. He has also previously worked for Folkes Asset Management & Marubeni Corporation. Mr. Morter holds a BSc (Hons) Economics degree from the University of London.

The Investment Manager makes investment decisions for the Fund and continuously reviews, supervises and administers the Fund's investment programme. The Manager supervises the Investment Manager and establishes policies that the Investment Manager must follow in its management activities.

Pursuant to the Investment Management Agreement, the Investment Manager has been appointed to provide investment management services to the Fund.

The Investment Management Agreement provides that the appointment of the Investment Manager shall continue unless and until terminated by either part giving not less than three months' notice. In certain circumstances set out in the Investment Management Agreement, either party may terminate the Investment Management Agreement on the occurrence of certain events, such as the insolvency or liquidation of the other party. The Investment Management Agreement contains certain indemnities in favour of the Investment Manager which are restricted to exclude matters to the extent that they are attributable to the negligence, fraud, wilful default or bad faith of the Investment Manager.

## **8. Issue of Shares**

The Initial Offer Period for the Class A USD, Class A EUR, Class A PLN, Class A CZK, Class B PLN, Class B CZK, Class C PLN and Class C CZK Shares of the Fund is ongoing will close at

5.00pm (Irish time) on 3 April 2018 unless such period is shortened or extended by the Directors, who may delegate the exercise of such discretion to any one Director, in accordance with the requirements of the Central Bank. The Shares will be offered at an initial offer price per Share of USD100, EUR100, PLN100 or CZK100, as applicable.

All other Shares in the Fund are available on each Dealing Day at Net Asset Value per Share.

After the close of the Initial Offer Period, all applications for Shares must be received by the Dealing Deadline (as defined above) in the manner set out in the Prospectus. For further information, please see the section headed "**Subscription for Shares**" in this Prospectus.

All applications must be received by the Administrator no later than the Dealing Deadline on the relevant Dealing Day. The settlement monies must normally be paid in cleared funds in the designated currency of the relevant Class by telegraphic transfer to the bank account specified in the relevant application form within three days of the relevant Dealing Day however, with the agreement of the Administrator and the Company, settlement proceeds may be accepted at a later date. Subscription requests may be submitted by fax to the Administrator. Applications should be made on the Application Form available from the Administrator (and supporting documentation relating to money laundering prevention checks) and the originals must be sent promptly to the Administrator. Applications received after the Dealing Deadline will be held over to the next Dealing Day. No interest will be paid on early subscriptions.

Unless otherwise specified, the minimum initial subscription and subsequent subscription for each Share Class is GBP1,000/ USD1,000/ EUR1,000/ PLN1,000/ CZK1,000. However, minimum initial subscriptions or minimum additional subscriptions that do not meet these thresholds may be accepted by the Directors. The price at which Shares will be issued on any particular Dealing Day will be the Subscription Price per Share calculated in the manner described under the Prospectus section headed "Valuation and Prices". The Company may issue fractional shares, expressed as four decimal place fractions of a Share. Application monies representing smaller fractions of a Share will be retained by the Company.

Prior to subscription for Class B Shares in the Fund, an entry charge of up to 5.00% may be deducted from subscription money before the remainder is used to subscribe for the Class B GBP, Class B USD, Class B EUR, Class B PLN and Class B CZK Shares in the Fund. Shareholders will be notified in advance if an entry charge is to be applied to their subscription.

Shareholders of Class C GBP, Class C USD, Class C EUR, Class C PLN and Class C CZK Shares will be charged a form of subscription charge (a "**Deferred Subscription Charge**") of 5% of the amount which they invest in Class C Shares.

The Deferred Subscription Charge shall be payable in full to the relevant appointed distributor in respect of the Shares (the "**Fund Distributor**") at the time of investment.

While the Deferred Subscription Charge shall be paid out of the Fund at the time of investment, the Shareholder's subscription will not be affected and gains or losses in relation to the value of Shareholders' Shares will be accounted for as if the full amount of the Shareholder's investment remained in the Fund.

The Deferred Subscription Charge will be deducted from the relevant Shareholder's Class C subscription proceeds. The Deferred Subscription Charge will be applied over a period of five years. If a Class C Shareholder redeems their shareholding prior to the expiration of this five year period, then the balance of the 5% Deferred Subscription Charge that has not been charged, will be deducted from the relevant redemption proceeds distributed to that Shareholder.

Please note, for the purposes of calculating the value of any deductions on Class C investments, at the point of redemption, all share transactions are evaluated on a first in, first out basis.

On the fifth anniversary of any (still active) Class C Share subscription the 5% fee initially paid on or following the original investment date, would have been fully absorbed via the amortisation process per the daily Net Asset Value calculation process for the Fund. At this point in time, the current value of the relevant Class C shareholding will be ascertained and converted on behalf of the Shareholder, into Class B Shares of the equivalent value.

The number of Shares will be rounded up or down to the nearest fourth decimal place.

## 9. Redemption of Shares

Shares in the Fund may be redeemed on every Dealing Day at the Net Asset Value per Share of the relevant Class subject to the procedures, terms and conditions set out in the Prospectus under the section heading "**Subscription and Redemption of Shares**". All requests for the redemption of Shares must be received by the Dealing Deadline (as defined above) in the manner set out in the Prospectus.

Redemption proceeds will normally be paid within five Business Days of the relevant Dealing Day for redemptions and will in any case be paid within 10 Business Days of the Dealing Day.

Prior to redemption proceeds being paid an exit charge of up to 2.00% may be deducted from redemption proceeds before the remainder is paid to the Shareholder. The exit charge is an anti-dilution levy to cover dealing costs and to preserve the value of the underlying assets of the Fund. An exit charge is only likely to arise if more than 5.00% of the Net Asset Value of the Fund is redeemed on any singular Dealing Day. Shareholders will be notified if an exit charge is to be applied to their redemption on any Dealing Day and may be given the option to reduce or cancel their redemption request in order to avoid an exit charge being applied. Exit charges will be retained by the Fund.

## 10. Fees and Expenses

The following fees and expenses are payable out of the Fund. Details of how the fees and expenses are accrued and paid as well as details of other general management and fund charges are set out in the Prospectus under the heading "Charges and Expenses".

### Net Total Operating Fees and Expenses

#### Management Fee

The Manager shall be entitled to receive out of the assets of the Fund a fee of 0.10% per annum of the Net Asset Value of the Fund payable monthly in arrears subject to a minimum annual fee of €75,000. The Manager will also be entitled to be reimbursed out of the assets of the Fund for all reasonable, vouched out-of-pocket expenses incurred by it on behalf of the Fund.

#### Investment Manager's Fees

The Investment Manager will be paid a fee by the Company, in respect of the Fund, monthly in arrears accrued daily from each Share Class of the Fund as follows:

Class of Shares	Annual Investment Management Charges
Class A GBP Shares	0.65% of the Net Asset Value of the Fund
Class A USD Shares	0.65% of the Net Asset Value of the Fund
Class A EUR Shares	0.65% of the Net Asset Value of the Fund
Class A PLN Shares	0.65% of the Net Asset Value of the Fund

Class A CZK Shares	0.65% of the Net Asset Value of the Fund
Class B GBP Shares	1.15% of the Net Asset Value of the Fund
Class B USD Shares	1.15% of the Net Asset Value of the Fund
Class B EUR Shares	1.15% of the Net Asset Value of the Fund
Class B PLN Shares	1.15% of the Net Asset Value of the Fund
Class B CZK Shares	1.15% of the Net Asset Value of the Fund
Class C GBP Shares	1.65% of the Net Asset Value of the Fund
Class C USD Shares	1.65% of the Net Asset Value of the Fund
Class C EUR Shares	1.65% of the Net Asset Value of the Fund
Class C PLN Shares	1.65% of the Net Asset Value of the Fund
Class C CZK Shares	1.65% of the Net Asset Value of the Fund

Reasonable out-of-pocket expenses incurred by the Investment Manager in the performance of its duties will be reimbursed by the Company as may be approved from time to time by the Directors.

#### **Administrator's Fees (Fund Accounting, Financial Reporting and Transfer Agent Fees)**

The Administrator is entitled to receive out of the assets of the Fund (with VAT thereon, if any) an annual fee of up to 0.0225% on a tiered basis of the Net Asset Value of the Fund which will be accrued and payable monthly in arrears, subject to a total of all of the minimum annual fees for the Fund of €32,250. The maximum annual fee for fund accounting activities is €100,000 and the maximum annual fee for shareholder services activities is €100,000.

The Administrator shall be reimbursed out of the assets of the Fund for all reasonable and vouched out-of-pocket expenses incurred by it.

#### **Formation and Organisation Costs**

The costs of forming the Fund, including the fees and expenses of legal advisers, product development fees and expenses, regulatory and listing fees and expenses and any other fees and expenses arising on the formation and launch of the Fund (which are not expected to exceed GBP25,000) will be borne by the Fund and amortised over five years.

### **11. Risk Warnings**

Persons interested in purchasing Shares in the Fund should read the section headed "Risk Warnings" in the main body of this Prospectus.

#### *Counterparty Risk*

The return payable under the swaps with the Approved Counterparty is subject to the credit risk of the Approved Counterparty which may have a negative effect on the Net Asset Value.

### *Potential Conflicts of Interest*

The Fund may invest in SFI where the underlying assets are issued by a client of the Investment Manager. Please see the "**Conflicts of Interest**" section in the Prospectus for further information on such potential conflicts.

The Company will, on request, provide supplementary information to Shareholders relating to the risk management methods employed including the qualitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments.

### **12. Listing**

Shares of Class A GBP, Class B GBP and Class B EUR issued and available for issue are admitted to the official list and trading on the main securities market of the ISE. No application has been made to list the Shares on any other stock exchange.

### **13. Termination of the Fund**

The Directors may at their discretion decide to terminate the Fund if the Net Asset Value of the Fund falls below GBP25 million for a period of greater than three months.

### **14. Net Asset Value information**

The Net Asset Value per Share of the Fund is available from the Administrator and Bloomberg.