

**FundLogic Alternatives p.l.c.**  
**(an umbrella fund with segregated liability between sub-funds)**

**A company incorporated with limited liability**  
**as an open-ended investment company with variable capital**  
**under the laws of Ireland with**  
**registered number 483770**

## **PROSPECTUS**

**This Prospectus is dated 18 February 2014**

The Directors of FundLogic Alternatives plc whose names appear in this 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 such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. This Prospectus should be read in conjunction with the Supplements dealing with the relevant Sub-Fund(s).

**Investment Manager**

**Fundlogic SAS**

## **FundLogic Alternatives plc**

**The authorisation of FundLogic Alternatives plc (the Fund) by the Central Bank shall not constitute a warranty as to the performance of the Fund and the Central Bank shall not be liable for the performance or default of the Fund.**

**Where an initial and/or repurchase charge is provided for the difference at any one time between the issue and repurchase price of Shares in the relevant Sub-Fund means that the investment should be viewed as medium to long term.**

**The value of and income from Shares in the Fund may go up or down and you may not get back the amount you have invested in the Fund.**

**Information applicable to the Fund generally is contained in this Prospectus. Shares constituting each sub-fund offered by the Fund (a Sub-Fund) are described in the Supplements to this Prospectus.**

**Before investing in the Fund, you should consider the risks involved in such investment. Please see Risk Factors below and where applicable to each Sub-Fund in the Supplements.**

**If you are in any doubt about the contents of this Prospectus you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.**

**Distribution of this Prospectus is not authorised in any jurisdiction unless accompanied by a copy of the then latest annual report and audited accounts of the Fund and, if published after such report, a copy of the then latest semi-annual report and unaudited accounts. Such reports and this Prospectus together form the prospectus for the issue of Shares in the Fund.**

**The Fund is an umbrella investment company with variable capital and segregated liability between Sub-Funds incorporated on 28 April 2010 and is authorised in Ireland as an undertaking for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011) as amended. Such authorisation is not an endorsement or guarantee of the Fund or any Sub-Fund by the Central Bank, nor is the Central Bank responsible for the contents of this Prospectus.**

**This Prospectus may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or not authorised. In particular: the Shares have not been registered under the United States Securities Act of 1933 (as amended) (the 1933 Act) and may not be directly or indirectly offered or sold in the United States or to any United States Person, except in a transaction which does not violate United States securities laws. The Fund will not be registered under the United States Investment Company Act of 1940 (as amended) (the 1940 Act).**

**The Articles of the Fund give powers to the Directors to impose restrictions on the holding of Shares by (and consequently to redeem Shares held by), or the transfer of Shares to, any person (including any United States Person) who appears to be in breach of the laws or requirements of any country or government authority or by any person or persons in circumstances (whether directly or indirectly affecting such person or persons, and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Directors to be relevant) which, in the opinion of the Directors, might result in the Fund incurring any liability to taxation or suffering any other pecuniary, regulatory, legal or material administrative disadvantage which the Fund might not otherwise have incurred or suffered. The Articles also permit the Directors where necessary to redeem and cancel Shares (including fractions thereof) held by a person who is, or is deemed to be, or is acting on behalf of, an Irish Taxable Person on the occurrence of a chargeable event for Irish taxation purposes.**

**Potential subscribers and purchasers of Shares should inform themselves as to (a) the possible tax consequences, (b) the legal requirements, (c) any foreign exchange restrictions or exchange control requirements and (d) any other requisite governmental or other consents or formalities**

**which they might encounter under the laws of the countries of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, purchase, holding or disposal of Shares.**

This Prospectus may be translated into other languages. Any such translation shall only contain the same information and have the same meanings as this English language document. Where there is any inconsistency between this English language document and the document in another language, this English language document shall prevail except to the extent (but only to the extent) required by the laws of any jurisdiction where the Shares are sold so that in an action based upon disclosure in a document of a language other than English, the language of the document on which such action is based shall prevail.

Any information given, or representations made, by any dealer, salesman or other person not contained in this Prospectus or in any reports and accounts of the Fund forming part hereof must be regarded as unauthorised and accordingly must not be relied upon. Neither the delivery of this Prospectus nor the offer, issue or sale of Shares shall under any circumstances constitute a representation that the information contained in this Prospectus is correct as of any time subsequent to the date of this Prospectus. To reflect material changes, this Prospectus may from time to time be updated and intending subscribers should enquire of the Administrator or the Distributor as to the issue of any later Prospectus or as to the issue of any reports and accounts of the Fund.

All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Articles, copies of which are available upon request.

Defined terms used in this Prospectus shall have the meaning attributed to them in Appendix I.

This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. Investors should be aware that it is the responsibility of any person wishing to make an application for Shares to inform themselves of, and comply with, all applicable laws and regulatory requirements.

An initial charge on the subscription of Shares and/or a repurchase charge on the redemption of Shares and/or an exchange charge on the exchange of Shares may be payable. Details of any such charges payable in respect of Shares of any Sub-Fund of the Fund, will be set out in the Supplement which relates to that Sub-Fund, but in any case will not exceed 5% in the case of a subscription charge and 3% in the case of a repurchase charge.

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**1. DIRECTORY**

FundLogic Alternatives p.l.c.  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

**INVESTMENT MANAGER**

FundLogic SAS  
61 Rue de Monceau  
75008 Paris  
France

**PROMOTER AND DISTRIBUTOR**

Morgan Stanley & Co International plc  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

**CUSTODIAN**

Northern Trust Fiduciary Services (Ireland) Limited  
George's Court  
54-62 Townsend Street  
Dublin 2  
Ireland

**ADMINISTRATOR**

Northern Trust International Fund Administration Services (Ireland) Limited  
George's Court  
54-62 Townsend Street  
Dublin 2  
Ireland

**SECRETARY**

Matsack Trust Limited  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

**AUDITORS**

Ernst & Young  
Harcourt Centre  
Harcourt Street  
Dublin 2  
Ireland

**IRISH LEGAL ADVISERS TO THE FUND**

Matheson  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

## 2. INTRODUCTION

The Fund is structured as an umbrella investment company, in that different Sub-Funds may be established from time to time by the Directors with the prior approval of the Central Bank.

The particulars of each Sub-Fund will be set out in a separate supplement to the Prospectus (each a **Supplement**). Any such Supplement shall list all of the existing Sub-Funds. The Supplements should be read in conjunction with this Prospectus. Shares of more than one class may be issued in relation to a Sub-Fund. The creation of any new classes of Shares shall be notified to, and cleared, in advance by the Central Bank. On the introduction of any new class of Shares, the Fund will prepare and the Directors will issue documentation setting out the relevant details of each such class of Shares. A separate portfolio of assets shall be maintained for each Sub-Fund and shall be invested in accordance with the investment objective applicable to such Sub-Fund.

The Fund may decline any application for Shares in whole or in part without assigning any reason therefor and will not accept an initial subscription for Shares of any amount (exclusive of the initial charge, if any) which is less than the Minimum Initial Subscription as set forth in the Supplement for the relevant Sub-Fund, unless the Minimum Initial Subscription is waived by the Directors.

After the initial issue, Shares will be issued and redeemed at the Net Asset Value per Share plus or minus duties and charges (as the case may be) including any initial or repurchase charge specified in the relevant Supplements. The Net Asset Value of the Shares of each class and the issue and repurchase prices will be calculated in accordance with the provisions summarised under the heading **Issue and Repurchase Prices/Calculation of Net Asset Value/Valuation of Assets** in this Prospectus.

Details of Dealing Days in respect of each Sub-Fund are set out in the relevant Supplement.

All holders of Shares will be entitled to the benefit of, will be bound by and deemed to have notice of the provisions of the Articles summarised under the heading **General Information** in this Prospectus, copies of which are available as detailed in this Prospectus.

The Fund has segregated liability between its Sub-Funds and accordingly any liability incurred on behalf of or attributable to any Sub-Fund shall be discharged solely out of the assets of that Sub-Fund.

## 3. Directors of the Fund

The Directors of the Fund are described below:

**Kevin Molony** has broad and extensive experience in investment management, institutional stockbroking and management services having worked with leading international firms over his career. He currently provides independent directorship services to several international investment managers. Kevin was Managing Director of Walkers Corporate Services (Dublin) Limited until that business was acquired in June 2012. From 1999 to 2009, he was a Director of Citigroup Global Markets where he was instrumental in establishing and building their Irish institutional broking business. His specific area of expertise at Citigroup was US and Latin American equities. Before joining Citigroup, he was an institutional stockbroker with Deutsche Bank. Kevin began his career as a UK equity fund manager with Phillips & Drew Fund Managers, who were the leading institutional investment manager in London at the time. He later joined AIB Investment Managers as a Senior Portfolio Manager specialising in US equity funds. Kevin received a BA in Economics from University College Dublin and a Professional Diploma in Corporate Governance from Smurfit Business School, Dublin.

**Wyndham Williams** is an experienced senior banking executive with widespread international and domestic expertise in corporate banking and general management. A fellow

of the Institute of Bankers in Ireland, he has been involved in the Banking and Financial Services Industry since 1959. He was North American representative for AIB Bank in New York in 1973 before moving in 1977, to take up a position as senior lending executive in AIB's International Corporate Banking Division where he was in charge of developing AIB's Corporate Strategy to multi-national companies establishing in Ireland. In 1991, he was appointed regional manager of AIB Dublin Metropolitan Region and in 1995 as Managing Director of AIB Home Mortgages. Mr. Williams holds a B.A. (Hons) and M. Msc. Mgt. from Trinity College, Dublin.

**Benjamin Walker** is the European Co-head of Equity Financing Products business at Morgan Stanley. Mr. Walker, currently a managing director within Morgan Stanley's Institutional Equity Division has been with the firm for last 13 years. In addition to his assignment at Morgan Stanley, Mr. Walker is currently a director on the board of Source Holdings Limited.

Prior to joining Morgan Stanley, Mr. Walker has worked as an accountant with Deloitte & Touche. Mr. Walker is a qualified Associate Chartered Accountant (ACA) and holds a BA (Hons) in Business Studies from the University of Sheffield.

The Fund has delegated the day to day management and running of the Fund in accordance with policies approved by the Directors to the Administrator, the Investment Manager and the Distributor and has appointed the Custodian as custodian of its assets. Consequently, all Directors of the Fund are non-executive.

#### **4. Investment Manager**

The Investment Manager is Fundlogic SAS which is incorporated in France. The Investment Manager has been appointed to provide investment management services to the Fund.

The Investment Manager's registered office is at 61 Rue de Monceau, 75008 Paris, France.

Subject to controls imposed by the Directors under the investment management agreement, all relevant laws and regulations, this Prospectus and the Articles, the Investment Manager has discretion to take day-to-day investment decisions and to deal in investments and to conduct the investment management of the Fund.

The Investment Manager is regulated by the Autorite des Marches Financiers in France.

As at 31 December 2013, Fundlogic SAS had approximately US\$2.1 billion of assets under management.

Under the investment management agreement, the Investment Manager may, subject to the prior approval of the Fund and the Central Bank, appoint one or more Sub-Investment Managers from time to time to perform and/or exercise all or any of its functions, powers, discretions, duties and obligations under the investment management agreement. Such Sub-Investment Managers will not be paid out of the assets of the Fund. Details of such Sub-Investment Managers will be provided to Shareholders on request and details of any Sub-Investment Manager will be disclosed in the periodic reports of the Fund.

The Fund may appoint other investment managers in respect of a specific Sub-Fund. Alternatively, the Investment Manager may appoint one or more sub-investment managers in respect of a specific Sub-Fund. Details of other investment managers or sub-investment managers, if any, appointed to specific Sub-Funds will set forth in the Supplement for the relevant Sub-Fund. Any such Supplement will be submitted to the Central Bank in advance of the appointment of any such other investment managers or sub-investment managers.

For the avoidance of doubt, all references in the remainder of this document to the Investment Manager shall include such other investment manager or sub-investment manager, as appropriate.

## **5. Custodian**

The Fund has appointed Northern Trust Fiduciary Services (Ireland) Limited to act as custodian of the assets of each Sub-Fund and to provide trustee services to each Sub-Fund in accordance with the Regulations. The Custodian is a limited liability company incorporated in Ireland on 5 July 1990 and is a subsidiary of Northern Trust Corporation. Northern Trust Corporation and its subsidiaries comprise the Northern Trust Group, one of the world's leading providers of global custody and administration services to institutional and personal investors.

The Custodian is regulated by the Central Bank. The principal activity of the Custodian is the provision of trustee and custodial services to collective investment schemes.

The Custodian may from time to time, at the request of the Fund, appoint entities outside of the Northern Trust group as the global sub-custodian of the assets of a particular Sub-Fund. In such a situation, the sub-custodian would have responsibility for the safekeeping of the assets of the Sub-Fund and the Custodian will be responsible for exercising care and diligence in choosing and appointing the sub-custodian so as to ensure that it has and maintains the expertise, competence and standing appropriate to discharge the responsibilities concerned. Any such appointment will comply with the provisions of the UCITS Notices. The Custodian will also maintain an appropriate level of supervision over such global sub-custodian and make appropriate enquiries from time to time to confirm that its obligations continue to be competently discharged. Details of each such appointment will be set forth in the Supplement for the relevant Sub-Fund.

## **6. Administrator and Registrar**

The Fund has appointed Northern Trust International Fund Administration Services (Ireland) Limited to act as administrator of each Sub-Fund.

The Administrator is responsible for performing the day to day administration of each Sub-Fund including the registrar and transfer agency function and for providing fund accounting for the Sub-Fund, including the calculation of the Net Asset Value of each Sub-Fund and the Net Asset Value per Share.

The Administrator was incorporated as a limited liability company on 15 June 1990. The Administrator is a wholly owned subsidiary of Northern Trust Corporation. Northern Trust Corporation and its subsidiaries comprise the Northern Trust Group, one of the world's leading providers of global custody and administration services to institutional and personal investors. The Administrator's principal business is the provision of administration services to collective investment schemes.

## **7. Investment Objective and Policies**

The Articles provide that the investment objective and policies for each Sub-Fund will be formulated by the Directors at the time of the creation of the Sub-Fund. Details of the investment objective and policies of each Sub-Fund appear in the Supplement for the relevant Sub-Fund. Any changes in the investment objective or any material change to the investment policy of a Sub-Fund may only be made with the approval of an ordinary resolution of the Shareholders of the relevant Sub-Fund. Subject and without prejudice to the preceding sentence in the event of a change of investment objective and/or policy of a Sub-Fund, a reasonable notification period must be given to each Shareholder of the relevant Sub-Fund to enable them to redeem their Shares.

## **8. Restrictions**

The particular investment restrictions for each Sub-Fund will be formulated by the Directors at the time of the creation of the Sub-Fund and will appear in the Supplement for the relevant Sub-Fund.

Details of the investment restrictions laid down in accordance with the UCITS Notices in respect of each Sub-Fund are set out below.

## **9. Borrowing and Lending Powers**

The Fund may borrow up to 10% of a Sub-Fund's net assets at any time for the account of the Sub-Fund and the Custodian may charge the assets of such Sub-Fund as security for any such borrowing, provided that such borrowing is only for temporary purposes. Any particular borrowing restrictions for a Sub-Fund will appear in the Supplement for the relevant Sub-Fund. Without prejudice to the powers of the Fund to invest in transferable securities, the Fund may not lend to, or act as guarantor on behalf of, third parties. A Sub-Fund may acquire debt securities and securities which are not fully paid.

## **10. Permitted Investments**

Investments of each Sub-Fund are confined to:

- 10.1. Transferable securities and money market instruments, as prescribed in the UCITS Notices, which are either admitted to official listing on a stock exchange in a Member State or non-Member State or which are dealt on a market which is regulated, operates regularly, recognised and open to the public in a Member State or non-Member State (and which in each case is listed in Appendix II).
- 10.2. Recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described above) within a year.
- 10.3. Money market instruments, as defined in the UCITS Notices, other than those dealt on a regulated market.
- 10.4. Units of UCITS.
- 10.5. Units of non-UCITS as set out in the Central Bank's guidance note 2/03.
- 10.6. Deposits with credit institutions as prescribed in the UCITS Notices.
- 10.7. Financial derivative instruments (FDI) as prescribed in the UCITS Notices.

## **11. Investment Restrictions**

- 11.1. Each Sub-Fund may invest no more than 10% of net assets in transferable securities and money market instruments other than those referred to in paragraph 10.1.
- 11.2. Each Sub-Fund may invest no more than 10% of net assets in recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described in paragraph 10.1) within a year. This restriction will not apply in relation to investment by each Sub-Fund in certain US securities known as Rule 144A securities provided that:
  - 11.2.1. the securities are issued with an undertaking to register with the US Securities and Exchanges Commission within one year of issue; and
  - 11.2.2. the securities are not illiquid securities i.e. they may be realised by each Sub-Fund within seven days at the price, or approximately at the price, at which they are valued by the Sub-Fund.
- 11.3. Each Sub-Fund may invest no more than 10% of net assets in transferable securities or money market instruments issued by the same body provided that the total value of transferable securities and money market instruments held in the issuing bodies in each of which it invests

more than 5% is less than 40%.

- 11.4. Subject to the prior approval of the Central Bank, the limit of 10% in 11.3 is raised to 25% in the case of bonds that are issued by a credit institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bond-holders. If a Sub-Fund invests more than 5% of its net assets in these bonds issued by one issuer, the total value of these investments may not exceed 80% of the net asset value of the Sub-Fund.
- 11.5. The limit of 10% in 11.3 is raised to 35% if the transferable securities or money market instruments are issued or guaranteed by a Member State or its local authorities or by a non-Member State or public international body of which one or more Member States are members.
- 11.6. The transferable securities and money market instruments referred to in 11.4 and 11.5 shall not be taken into account for the purpose of applying the limit of 40% referred to in 11.3.
- 11.7. Each Sub-Fund may not invest more than 20% of net assets in deposits made with the same credit institution.
- Deposits with any one credit institution, other than credit institutions authorised in the EEA or credit institutions authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988, or a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand held as ancillary liquidity, must not exceed 10% of net assets.

This limit may be raised to 20% in the case of deposits made with the Custodian.

- 11.8. The risk exposure of each Sub-Fund to a counterparty in an over the counter (**OTC**) derivative transaction may not exceed 5% of net assets.

This limit is raised to 10% in the case of credit institutions authorised in the EEA or credit institutions authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988; or a credit institution authorised in Jersey, Guernsey, the Isle of Man or New Zealand.

- 11.9. Notwithstanding paragraphs 11.3, 11.7 and 11.8 above, a combination of two or more of the following issued by, or made or undertaken with, the same body may not exceed 20% of net assets:

11.9.1. investments in transferable securities or money market instruments;

11.9.2. deposits, and/or

11.9.3. counter party risk exposures arising from OTC derivative transactions.

- 11.10. The limits referred to in 11.3, 11.4, 11.5, 11.7, 11.8 and 11.9 above may not be combined, so that exposure to a single body shall not exceed 35% of net assets.

- 11.11. Group Companies are regarded as a single issuer for the purposes of 11.3, 11.4, 11.5, 11.7, 11.8 and 11.9. However, a limit of 20% of net assets may be applied to investment in transferable securities and money market instruments within the same group.

- 11.12. Each Sub-Fund may invest up to 100% of net assets in transferable securities and money market instruments issued or guaranteed by any Member State, local authorities of a Member State, non-Member States or public international body of which one or more Member States are members or by Japan, Canada, New Zealand, Australia, Norway, United States of America, Switzerland or any other OECD member country (provided they are investment grade), European Union, European Investment Bank, European Central Bank, Euratom, Eurofima, Council of Europe, The Asian Development Bank, Inter-American Development Bank, European Bank for Reconstruction and Development, International Bank for Reconstruction and

Development, (the **World Bank**), International Finance Corporation, International Monetary Fund, Federal National Mortgage Association (**Fannie Mae**), Federal Home Loan Mortgage Corporation (**Freddie Mac**), the Government National Mortgage Association (**Ginnie Mae**), Federal Home Loan bank (**FHLB**), Federal Farm Credit Bank (**FFCB**), Tennessee Valley Authority (**TVA**) and the Student Loan Marketing Association (**Sallie Mae**).

Each Sub-Fund must hold securities from at least 6 different issues, with securities from any one issue not exceeding 30% of net assets.

## **12. Investment in Collective Investment Schemes**

- 12.1. A Sub-Fund may not invest more than 10% of net assets in other open-ended collective investment schemes (**CIS**).
- 12.2. When a Sub-Fund invests in the units of other CIS that are managed, directly or by delegation, by the Sub-Fund's investment manager or by any other company with which the investment manager is linked by common management or control, or by a substantial direct or indirect holding, neither the investment manager nor that other company may charge initial, conversion or repurchase fees on account of that Sub-Fund's investment in the units of such other CIS.
- 12.3. Where a commission (including a rebated commission) is received by a Sub-Fund's investment manager by virtue of an investment in the units of another CIS, this commission must be paid into the property of the Sub-Fund.

### **Index Tracking Sub-Funds**

- 12.4. A Sub-Fund may invest up to 20% of net assets in shares and/or debt securities issued by the same body where the investment policy of the Sub-Fund is to replicate an index which satisfies the criteria set out in the UCITS Notices and is recognised by the Central Bank.
- 12.5. The limit in 12.4 may be raised to 35%, and applied to a single issuer, where this is justified by exceptional market conditions.
- 12.6. The rebalancing frequency of the Index will and its impact on the costs of the Sub-Fund will be disclosed in relevant Supplement.

## **13. General Provisions**

- 13.1. The Investment Manager, acting in connection with all of the CIS it manages, may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.
- 13.2. Each Sub-Fund may acquire no more than:
  - 13.2.1. 10% of the non-voting shares of any single issuing body;
  - 13.2.2. 10% of the debt securities of any single issuing body;
  - 13.2.3. 25% of the units of any single CIS;
  - 13.2.4. 10% of the money market instruments of any single issuing body.

NOTE: The limits laid down in 13.2.2, 13. 2.3 and 13. 2.4 above may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the money market instruments, or the net amount of the securities in issue cannot be calculated.

- 13.3. 13.1 and 13.2 shall not be applicable to:
- 13.3.1. transferable securities and money market instruments issued or guaranteed by a Member State or its local authorities;
  - 13.3.2. transferable securities and money market instruments issued or guaranteed by a non-Member State;
  - 13.3.3. transferable securities and money market instruments issued by public international bodies of which one or more Member States are members;
  - 13.3.4. shares held by each Sub-Fund in the capital of a company incorporated in a non-member State which invests its assets mainly in the securities of issuing bodies having their registered offices in that State, where under the legislation of that State such a holding represents the only way in which each Sub-Fund can invest in the securities of issuing bodies of that State. This waiver is applicable only if in its investment policies the company from the non-Member State complies with the limits laid down in 11.3 to 11.11, 13.1, 13.2, 13.4, 13.5 and 13.6 and provided that where these limits are exceeded, 13.5 and 13.6 are observed;
  - 13.3.5. shares held by the Sub-Fund in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the repurchase of shares at Shareholders' request exclusively on their behalf.
- 13.4. A Sub-Fund need not comply with the investment restrictions herein when exercising subscription rights attaching to transferable securities or money market instruments which form part of their assets.
- 13.5. the Central Bank may allow recently authorised Sub-Funds to derogate from the provisions of 11.3 to 11.12, 12.4 and 12.5 for six months following the date of their authorisation, provided they observe the principle of risk spreading.
- 13.6. If the limits laid down herein are exceeded for reasons beyond the control of a Sub-Fund, or as a result of the exercise of subscription rights, the Sub-Fund must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its shareholders.
- 13.7. A Sub-Fund may not carry out uncovered sales of:
- 13.7.1. transferable securities;
  - 13.7.2. money market instruments;
  - 13.7.3. units of CIS; or
  - 13.7.4. financial derivative instruments (**FDIs**).
- 13.8. A Sub-Fund may hold ancillary liquid assets.
- 13.9. It is intended that each Sub-Fund should have the power to avail of any change in the law, regulations or guidelines which would permit investment in assets and securities on a wider basis in accordance with the requirements of the Central Bank.

## **14. Financial Derivative Instruments**

- 14.1. A Sub-Fund may invest in FDIs dealt in over the counter (**OTC**) provided that the counterparties

to over-the-counter transactions are institutions subject to prudential supervision and belonging to categories approved by the Central Bank.

- 14.2. Position exposure to the underlying assets of FDI, including embedded FDI in transferable securities or money market instruments, when combined where relevant with positions resulting from direct investments, may not exceed the investment limits set out in the UCITS Notices. (This provision does not apply in the case of index based FDI provided the underlying index is one which meets with the criteria set out in the UCITS Notices.)

Investments in FDIs are subject to the conditions and limits laid down by the Central Bank. The Fund employs a risk management process in respect of each Sub-Fund which enables it to accurately measure, monitor and manage the various risks associated with FDI. A statement of this risk management process has been submitted to the Central Bank. The Fund will, on request, provide supplementary information to Shareholders relating to any risk management methods to be employed by the Fund in respect of any Sub-Fund, including the quantitative limits that are applied, and any recent developments in the risk and yield characteristics of the main categories of investments. Any FDI contemplated by this Prospectus but which are not included in the risk management process will not be utilised until such time as a revised risk management process has been provided to the Central Bank. The techniques and instruments to be used for each Sub-Fund, if any, will be set forth in the relevant Supplement.

## **15. Efficient Portfolio Management**

Use of techniques and instruments which relate to transferable securities and money market instruments and which are used for the purposes of efficient portfolio management shall be understood as a reference to techniques and instruments which fulfil the following criteria:

- 15.1. They are economically appropriate in that they are realised in a cost effective way;
- 15.2. They are entered into for one or more of the following specific aims:
- 15.2.1. the reduction of risk;
  - 15.2.2. the reduction of cost; or
  - 15.2.3. the generation of additional capital or income for the Sub-Fund for a level of risk which is consistent with the risk profile of the Sub-Fund and the risk diversification rules set out in the UCITS Notices.
- 15.3. Their risks are adequately captured in the risk management process; and
- 15.4. They cannot result in a change to the Sub-Fund's declared investment objective or add substantial supplementary risks in comparison to the general risk policy as described in its sales documents.

FDI used for efficient portfolio management must also comply with the UCITS Notices. Such FDI may comprise futures, forwards, options and swaps and their use may include hedging against market movements, currency exchange or interest rate risks in accordance with the investment policies of a Sub-Fund and under the conditions and within the limits stipulated by the Central Bank under the Regulations.

In respect of Hedged Share Classes it is expected that the extent to which the relevant currency exposure will be hedged will, subject to the requirements and conditions of the Central Bank, range from 95% to 105% of the Net Asset Value of the relevant Hedged Share Class. Over-hedged or under-hedged positions may arise due to factors outside the control of the relevant Sub-Fund. Hedged positions will be kept under review to ensure that over-hedged positions do not exceed 105% of the Net Asset Value of the relevant Hedged Share Class. This review will incorporate a procedure to ensure that positions materially in excess of 100% will not be carried forward from month to month.

15.5 A Sub-Fund may also enter into repurchase/reverse repurchase (“**repo contracts**”) and/or stock lending agreements in accordance with the requirements of the Central Bank. Repo contracts and securities lending transactions do not constitute borrowing for the purposes of the Regulations. The following applies to repo contracts and securities lending arrangements entered into in respect of Fund and reflects the requirements of the Central Bank and is subject to changes thereto:

- (a) Repo contracts and securities lending may only be effected in accordance with normal market practice.
- (b) The Fund must have the right to terminate any securities lending arrangement which it has entered into at any time or demand the return of any or all of the securities loaned.
- (c) Where the Fund enters into repurchase agreements in respect of a Sub-Fund, the Fund must be able at any time to recall any securities subject to the repurchase agreement or to terminate the repurchase agreement into which it has entered. Fixed-term repurchase agreements that do not exceed seven days should be considered as arrangements on terms that allow the assets to be recalled at any time by the Fund.
- (d) Where the Fund enters into reverse repurchase agreements in respect of a Sub-Fund, the Fund must be able at any time to recall the full amount of cash or to terminate the reverse repurchase agreement on either an accrued basis or a mark-to-market basis. When the cash is callable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement should be used for the calculation of the Net Asset Value. Fixed-term reverse repurchase agreements that do not exceed seven days should be considered as arrangements on terms that allow the assets to be recalled at any time by the Fund.

The counterparty to a repo contract or securities lending arrangement must have a minimum credit rating of A-2 or equivalent, or must be deemed by the Fund to have an implied rating of A-2. Alternatively, an unrated counterparty will be acceptable where the Fund/Sub-Fund is indemnified or guaranteed against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A-2 or equivalent.

Any revenues from efficient portfolio management techniques not received directly by the Fund in respect of a Sub-Fund, net of direct and indirect operational costs and fees (which do not include hidden revenue), will be returned to the Sub-Fund. The entities to which any direct and indirect costs and fees are paid will be disclosed in the periodic reports of the Fund and will indicate if these are parties related to the Fund or the Custodian. To the extent that the Fund engages in securities lending in respect of the Sub-Fund it may appoint a securities lending agent which may receive a fee in relation to its securities lending activities. Any such securities lending agent is not expected to be an affiliate of the Custodian or Investment Manager. Any operational costs arising from such securities lending activities shall be borne by the securities lending agent out of its fee.

#### 15.6 Management of collateral for OTC FDI transactions and efficient portfolio management

For the purposes of this section, “Relevant Institutions” refers to those institutions which are credit institutions authorised in the EEA or credit institutions authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 or credit institutions authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand.

- (a) Collateral obtained in respect of OTC FDI transactions and efficient portfolio management techniques (“Collateral”), such as a repo contract or securities lending arrangement, must comply with the following criteria:

- (i) liquidity: Collateral (other than cash) should be highly liquid and traded on a regulated market or multi-lateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to its pre-sale valuation. Collateral received should also comply with the provisions of Regulation 74 of the Regulations;
- (ii) valuation: Collateral should be capable of being valued on a daily basis and assets that exhibit high price volatility should not be accepted as Collateral unless suitably conservative haircuts are in place;
- (iii) issuer credit quality: Collateral should be of high quality;
- (iv) correlation: Collateral should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;
- (v) diversification: Collateral should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure to a given issuer of 20% of the Sub-Fund's Net Asset Value. When the Sub-Fund is exposed to different counterparties the different baskets of collateral should be aggregated to calculate the 20% limit of exposure to a single issuer; and
- (vi) immediately available: Collateral must be capable of being fully enforced by the Fund at any time without reference to or approval from the counterparty.

All assets received in respect of a Sub-Fund in the context of efficient portfolio management techniques will be considered as Collateral for the purposes of the Regulations and will comply with the criteria above. Risks linked to the management of collateral, including operational and legal risks, are identified and mitigated by risk management procedures employed by the Fund.

- (b) Collateral must be held by the Custodian, or its agent (where there is title transfer). This is not applicable in the event that there is no title transfer in which case the Collateral can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the Collateral.
- (c) Non-cash Collateral cannot be sold, re-invested or pledged.
- (d) Cash Collateral:

Cash received as Collateral may only be:

- (i) placed on deposit, or invested in certificates of deposit with, Relevant Institutions;
- (ii) invested in high quality government bonds;
- (iii) used for the purpose of reverse repurchase agreements provided the transactions are with credit institutions subject to prudential supervision and the Fund can recall at any time the full amount of the cash on an accrued basis; and
- (iv) invested in short term money market funds.

Re-invested cash collateral should be diversified in accordance with the diversification requirements applicable to non-cash Collateral set out above. The Fund must be satisfied, at all times, that any investment of cash Collateral will enable it to meet with its

repayment obligations. Invested cash Collateral may not be placed on deposit with, or investment in securities issued by, the counterparty of related entity.

- (e) The Fund has implemented a documented haircut policy in respect of each class of assets received as Collateral in respect of a Sub-Fund. A haircut is a discount applied to the value of a Collateral asset to account for the fact that its valuation, or liquidity profile, may deteriorate over time. The haircut policy takes account of the characteristics of the relevant asset class, including the credit standing of the issuer of the Collateral, the price volatility of the Collateral and the results of any stress tests which may be performed in accordance with the stress testing policy. The value of any Collateral received by the Fund, adjusted in light of the haircut policy, shall equal or exceed, in value, at all times, the relevant counterparty exposure.
- (h) The risk exposures to a counterparty arising from OTC FDI transactions and efficient portfolio management techniques should be combined when calculating the counterparty risk limits set out in the section of the Prospectus entitled Investment Restrictions.
- (i) In the event that a Sub-Fund received Collateral for at least 30% of its net assets, it will implement a stress testing policy to ensure that regular stress tests carried out under normal and exceptional liquidity conditions in order to allow it to assess the liquidity risk attached to Collateral.

## **16. Risk Factors**

**The following risk factors may apply in respect of any investment in the Fund:**

### **16.1. General**

The investments of the Fund in securities are subject to normal market fluctuations and other risks inherent in investing in securities. The value of investments and the income from them, and therefore the value of, and income from, Shares relating to each Sub-Fund can go down as well as up and an investor may not get back the amount he invests. Changes in exchange rates between currencies or the conversion from one currency to another may also cause the value of investments to diminish or increase.

While the provisions of the Companies Acts 1963 to 2012 provide for segregated liability between Sub-Funds, these provisions have yet to be tested in foreign courts, in particular, in satisfying local creditors' claims. Accordingly, it is not free from doubt that the assets of any Sub-Fund of the Fund may not be exposed to the liabilities of other Sub-Funds of the Fund. As at the date of this Prospectus, the Directors are not aware of any existing or contingent liability of any Sub-Fund of the Fund.

The Fund and the Investment Manager will not have control over the activities of any company or collective investment scheme invested in by a Sub-Fund. Managers of collective investment schemes and companies in which a Sub-Fund may invest may take undesirable tax positions, employ excessive leverage, or otherwise manage the collective investment schemes or be managed in a manner not anticipated by the Investment Manager.

There is no assurance that each Sub-Fund will achieve its investment objective.

### **16.2. Withholding tax**

The income and gains of the Fund from its assets may suffer withholding tax which may not be reclaimable in the countries where such income and gains arise. If this position changes in the future and the application of a lower rate results in a repayment to the Fund, the relevant Net Asset Value will not be re-stated and the benefit will be allocated to the existing Shareholders

rateably at the time of repayment.

16.3. 16.3 Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance provisions of the US Internal Revenue Code (FATCA) may impose diligence, disclosure and certification obligations on the Fund. As a result, the Fund may require additional information, consents or certifications from Shareholders in order to comply with certain obligations imposed either by FATCA or the FATCA intergovernmental agreement entered into between the United States and Ireland. Your attention is drawn to the section "U.S. Foreign Account Tax Compliance Act" under "Taxation" below.

16.4. Repurchase, Reverse Repurchase and stock lending transactions

A Sub-Fund may enter into repurchase, reverse repurchase and stock agreements subject to the conditions and limits set out in the UCITS Notices. If the other party to a agreement should default, the Sub-Fund might suffer a loss to the extent that the proceeds from the sale of the underlying securities or collateral as the case may be held by the Sub-Fund in connection with the refuted repurchase agreement are less than the repurchase price. In addition, in the event of bankruptcy or similar proceedings of the other party to the repurchase agreement or its failure to repurchase or return the securities as agreed, the Sub-Fund could suffer losses, including loss of interest on or principal of the security and costs associated with delay and enforcement of the repurchase agreement.

16.5. Currency risks

In circumstances where a Sub-Fund employs hedging techniques in respect of non Base Currency denominated investments in order to seek to hedge the currency exchange risk back to Base Currency, a risk remains that such hedging techniques may not always achieve the objective of seeking to limit losses and exchange rate risks. Performance may be strongly influenced by movements in currency exchange rates because currency positions held by the Sub-Fund may not correspond with the securities positions held. In the case of Unhedged Share Classes the value of the Share expressed in the Class currency will be subject to exchange rate rise in relation to Base Currency.

16.6. Hedged Share Classes

Hedged Share Classes utilise hedging strategies to seek to limit exposure to currency movements between a Sub-Fund's Base Currency, and the currency in which the Hedged Share Class is denominated.

Such hedging strategies may not completely eliminate exposure to such currency movements. There can be no guarantee that hedging strategies will be successful. Mismatches may result between a Sub-Fund's currency position and the Hedged Share Classes issued for that Sub-Fund.

The use of hedging strategies may substantially limit Hedged Share Class Shareholders from benefiting if the currency of the Hedged Share Class falls against the Sub-Fund's Base Currency. The costs of hedging and all gains/losses from hedging transactions (and the transactions themselves) are allocated solely to the relevant Hedged Share Class.

Investors should also note that the hedging of Hedged Share Classes is distinct from any hedging strategies that the Investment Manager may implement at Sub-Fund level (the risks associated with which are described under Currency risks above).

16.7. Market risks

The investment policy for each Sub-Fund describes the FDIs which may be entered into on behalf of the Sub-Fund. Pursuant to such policy, each Sub-Fund may also hold transferable securities and money market instruments as described in the relevant policy. In accordance

with the terms of the FDI, the Sub-Fund should not ordinarily be exposed to the economic risk associated with such securities. However, in the event that the counterparty to a particular FDI defaults, the Sub-Fund may become exposed to the relevant securities' economic performance. To this extent and to the extent that a Sub-Fund holds transferable securities and money market instruments directly in accordance with its investment policy, investors should be aware of the risks (described below) associated with the types of securities which may be held by the Sub-Fund.

#### 16.8. The Index or Reference Assets

Where a Sub-Fund seeks to track the performance of an Index or Reference Asset to which it relates it may not always do so with perfect accuracy. Tracking error may arise as a result of a number of factors including the structure of the FDI, costs associated with entering into, renewing, adjusting and closing out such FDI, any other fees or costs, or any cash or other assets held by the Sub-Fund.

Some Sub-Funds may seek to generate a return in line with the performance of an Index or other Reference Asset with performance history that may be less than a year. In deciding whether to subscribe for Shares in such Sub-Fund, prospective Shareholders have little or no performance record to evaluate the Index and Reference Asset returns prior to commencement of operations of the Sub-Fund. In any event there is no guarantee that the historic performance of any Index or Reference Asset will be tracked in the future.

The methodology to collect prices and to calculate the index value of some of the Indices or Reference Assets may be proprietary to the relevant index sponsor or other third parties.

The ability of a Sub-Fund which seeks to track the performance of the Index or Reference Asset to pursue its investment objective and policy is dependent upon the ongoing operation and availability of the Index or Reference Asset. Neither the Investment Manager nor the Fund is able to ensure the ongoing operation and availability of the relevant Index or Reference Asset. In the event that the Index or Reference Asset is disrupted or unavailable, the ability of the Sub-Fund to achieve the investment objective will become severely impaired or impossible. In the event that the Index or Reference Asset Index is permanently unavailable or discontinued, dealings in the Sub-Fund may be suspended (pending closure of the Sub-Fund).

#### 16.9. Interest Rates

The values of fixed income securities held by a Sub-Fund, or to which a Sub-Fund's performance is exposed, will generally vary inversely with changes in interest rates and such variation may affect Share prices accordingly.

#### 16.10. Issuer Risk

In relation to any securities held by a Sub-Fund, or to which a Sub-Fund's performance is exposed, the value of those securities may fall as well as rise, and there is no guarantee that historic performance will be repeated. A number of diverse and unrelated factors may cause the price of any securities to fall, including general economic and market conditions or political or social unrest. The value of any securities may not rise or fall in accordance with the general market, for example where the issuer of the securities in question is suffering or expected to suffer poor performance, or the industry or geographic location of the issuer is suffering or expected to suffer poor performance.

#### 16.11. Real Estate Industry

A Sub-Fund may hold or be exposed to the performance of securities of companies principally engaged in the real estate industry. Such securities have specific risks associated with them. These risks include: the cyclical nature of real estate values, risks related to general and local economic conditions, overbuilding and increased competition, increases in property taxes and

operating expenses, demographic trends and variations in rental income, changes in zoning laws, casualty or condemnation losses, environmental risks, regulatory limitations on rents, changes in neighbourhood values, related party risks, changes in the appeal of properties to tenants, increases in interest rates and other real estate capital market influences. Generally, increases in interest rates will increase the costs of obtaining financing, which could directly and indirectly decrease the value of a Sub-Fund.

#### 16.12. Emerging Markets

A Sub-Fund may hold or be exposed to the performance of securities of issuers domiciled in emerging markets. In certain emerging countries, there is the possibility of expropriation of assets, confiscatory taxation, political or social instability or diplomatic developments which could affect investment in those countries. There may be less publicly available information about certain financial instruments than some investors would find customary and entities in some countries may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those to which certain investors may be accustomed. Certain financial markets, while generally growing in volume, have, for the most part, substantially less volume than more developed markets, and securities of many companies may be less liquid and their prices more volatile than securities of comparable companies in more sizeable markets. There are also varying levels of government supervision and regulation of exchanges, financial institutions and issuers in various countries. In addition, the manner in which foreign investors may invest in securities in certain countries, as well as limitations on such investments, may affect the investment operations of certain of the Sub-Funds.

Emerging country debt will be subject to high risk and will not be required to meet a minimum rating standard and may not be rated for creditworthiness by any internationally recognised credit rating organisation. The issuer or governmental authority that controls the repayment of an emerging country's debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. As a result of the foregoing, a government obligor may default on its obligations. If such an event occurs, the Sub-Fund may have limited legal recourse against the issuer and/or guarantor. Remedies must, in some cases, be pursued in the courts of the defaulting party itself, and the ability of the holder of foreign government debt securities to obtain recourse may be subject to the political climate in the relevant country. In addition, no assurance can be given that the holders of commercial debt will not contest payments to the holders of other foreign government debt obligations in the event of default under their commercial bank loan agreements.

Settlement systems in emerging markets may be less well organised than in developed markets. Thus there may be a risk that settlement may be delayed and that cash or securities of the Sub-Funds may be in jeopardy because of failures of or defects in the systems. In particular, market practice may require that payment shall be made prior to receipt of the security which is being purchased, or that delivery of a security must be made before payment is received. In such cases, default by a broker or bank (the **Counterparty**) through whom the relevant transaction is effected might result in a loss being suffered by Sub-Funds investing in or exposed to the performance of emerging market securities. Where the Sub-Funds invest in markets where custodial and/or settlement systems are not fully developed, the assets of the Sub-Funds which are traded in such markets and which have been entrusted to sub-custodians, in the circumstances where the use of such sub-custodians is necessary, may be exposed to risk in circumstances whereby the Custodian will have no liability.

Morgan Stanley & Co International plc may be appointed as sub-custodian.

The Fund will seek, where possible, to use Counterparties whose financial status is such that this risk is reduced. However, there can be no certainty that the Sub-Fund will be successful in eliminating this risk for the Sub-Funds, particularly as Counterparties operating in emerging markets frequently lack the substance or financial resources of those in developed countries.

There may also be a danger that, because of uncertainties in the operation of settlement systems in individual markets, competing claims may arise in respect of securities held by or to

be transferred to the Sub-Funds. Furthermore, compensation schemes may be non-existent or limited or inadequate to meet the Fund's claims in any of these events.

Investments in the Russian Federation are subject to certain heightened risks with regard to the ownership and custody of securities. In this country this is evidenced by entries in the books of a company or its registrar (which is neither an agent nor responsible to the Custodian). No certificates representing ownership of such companies will be held by the Custodian or any of its local correspondents or in an effective central depository system. The ownership is not transferred to the buyer on trade date. Only upon the completion of the registration process is ownership passed on. Ownership is noted in the registrar's records and the records of the correspondent and can be confirmed and evidenced by the possession of an 'extract'. An extract demonstrates that a certain number of securities are recorded in the registrar's or correspondent's records as belonging to the owner at that point in time. As a result of this system and the lack of effective state regulation and enforcement, the Sub-Fund could lose its registration and ownership of such securities through fraud, negligence or even mere oversight. However, in recognition of such risks, the relevant correspondent to the Custodian has entered into agreements with company registrars and will only permit investment in those companies that have adequate registrar procedures in place. There is no single central securities depository in the Russian Federation established to manage the clearing, settlement and safekeeping of all securities. Furthermore, securities such as MinFin's bonds are settled by a given and the de-facto central depository. Neither the custodian nor the correspondent is responsible for the potential default of the depository.

Other risks could include, by way of example, controls on foreign investment and limitations on the repatriation of capital and the exchange of local currencies, the impact on the economy as a result of religious or ethnic unrest.

**If a Sub-Fund invests more than 20% in emerging markets then an investment in the Sub-Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

#### 16.13. Depositary Receipts

A Sub-Fund may hold or be exposed to depositary receipts (ADRs, GDRs and EDRs). These are instruments that represent shares in companies trading outside the markets in which the depositary receipts are traded. Accordingly whilst the depositary receipts are traded on recognised exchanges, there may be other risks associated with such instruments to consider- for example the shares underlying the instruments may be subject to political, inflationary, exchange rate or custody risks.

#### 16.14. Non-Investment Grade Securities

Certain Sub-Funds may hold or be exposed to the performance of fixed income securities rated below investment grade. Such securities may have greater price volatility, greater risk of loss of principal and interest, and greater default and liquidity risks, than more highly rated securities. **If a Sub-Fund invests more than 30% in these securities then an investment in the Sub-Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

#### 16.15. Use of FDIs

The Investment Manager will enter into FDI transactions on behalf of each Sub-Fund as a key component of the investment objective and policy. While the prudent use of FDIs may be beneficial, FDIs also involve risks different from, and, in certain cases, greater than, the risks presented by more traditional investments.

The following is a general discussion of important risk factors and issues concerning the use of FDIs that investors should understand before investing in a Sub-Fund.

#### 16.15.1. Market Risk

This is a general risk that applies to all investments, including FDIs, meaning that the value of a particular FDI may go down as well as up in response to changes in market factors. A Sub-Fund may also use FDIs to short exposure to some investments. Should the value of such investments increase rather than fall, the use of FDIs for shorting purposes will have a negative effect on the Sub-Fund's value and in extreme market conditions may, theoretically, give rise to unlimited losses for the Sub-Fund. Should such extreme market conditions occur, investors could, in certain circumstances, therefore face minimal or no returns, or may even suffer a loss on their investment in that particular Sub-Fund.

#### 16.15.2. Liquidity Risk

Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a FDI transaction is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous price (however, the Fund will only enter into OTC FDIs if it is allowed to liquidate such transactions at any time at fair value).

#### 16.15.3. Counterparty Risk

The Sub-Funds may enter into transactions in OTC markets, which will expose the Sub-Funds to the credit of their counterparties and their ability to satisfy the terms of such contracts. In the event of a bankruptcy or insolvency of a counterparty, the Sub-Funds could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Fund seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that these arrangements may be terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated.

#### 16.15.4. Legal risk

There is a possibility that the agreements governing the derivative transactions may be terminated due, for instance, to supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. There is also a risk if such arrangements are not legally enforceable or if the derivative transactions are not documented correctly.

#### 16.15.5. Other Risks

Other risks in using FDIs include the inability of FDIs to correlate perfectly with underlying securities, rates and indices. Many FDIs, in particular OTC FDIs, are complex and the valuation can only be provided by a limited number of market professionals who often are acting as counterparties to the transaction to be valued.

FDIs do not always perfectly or even highly correlate to or track the value of the securities, rates or indices they are designed to track. Consequently, a Sub-Fund's use of FDI techniques may not always be an effective means of following a Sub-Fund's investment objective.

### 16.16. Regulatory Oversight

The financial services industry generally, and investment managers in particular, has been subject to intense and increasing regulatory scrutiny. This scrutiny is expected to result in changes to the regulatory environment in which the Fund and any investment manager appointed to it operate and to impose administrative burdens on investment managers, including, without limitation, the requirement to interact with various governmental and regulatory authorities and to consider and implement new policies and procedures in response to regulatory changes. Such changes and burdens will divert such investment managers' time, attention and resources from portfolio management activities.

#### 16.17. Systems Risks

The Fund depends on the investment managers to develop and implement appropriate systems for the Fund's activities. The Fund relies extensively on computer programs and systems to trade, clear and settle securities transactions, to evaluate certain securities based on real-time trading information, to monitor its portfolios and net capital and to generate risk management and other reports that are critical to the oversight of the Fund's activities. In addition, certain of the Fund's and its investment managers' operations interface with or depend on systems operated by third parties, including Morgan Stanley & Co International plc, market counterparties and their sub-custodians and other service providers and the investment managers may not be in a position to verify the risks or reliability of such third-party systems. Those programs or systems may be subject to certain defects, failures or interruptions, including, without limitation, those caused by computer "worms", viruses and power failures. Any such defect or failure could have a material adverse effect on the Fund and its Sub-Funds. For example, such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the investment managers' ability to monitor their investment portfolios and their risks.

#### 16.18. Operational Risk

The Fund depends on its investment managers to develop the appropriate systems and procedures to control operational risk. Operational risks arising from mistakes made in the confirmation and settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in the Fund's operations may cause the Fund and its Sub-Funds to suffer financial loss, the disruption of their business, liability to clients or third parties, regulatory intervention or reputational damage. The investment managers' businesses are highly dependent on their ability to process, on a daily basis, transactions across numerous and diverse markets. Consequently, the Fund and its Sub-Funds depends heavily on the investment managers' financial, accounting and other data processing systems. The ability of those systems to accommodate an increasing volume of transactions could also constrain a Sub-Fund's ability to manage its portfolio.

#### 16.19. Misconduct of Employees and of Third Party Service Providers

Misconduct by employees or by third party service providers could cause significant losses to the Fund. Employee misconduct may include binding the Fund and/or its Sub-Funds to transactions that exceed authorized limits or present unacceptable risks and unauthorized trading activities or concealing unsuccessful trading activities (which, in either case, may result in unknown and unmanaged risks or losses). Losses could also result from actions by third party service providers, including without limitation, failing to recognize trades and misappropriating assets. In addition, employees and third party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the Fund's and/or its Sub-Funds' business prospects or future marketing activities. Although any investment managers appointed to the Fund or any of its Sub-Funds will adopt measures to prevent and detect employee misconduct and to select reliable third party service providers, such measures may not be effective in all cases.

#### 16.20. Competition; Availability of Investments

Certain markets in which the Fund and its Sub-Funds may invest are extremely competitive for attractive investment opportunities and as a result there may be reduced expected investment returns. The Fund and its Sub-Funds will compete with a number of other participants who may have capital in excess of the funds available to the Fund and its Sub-Funds. There can be no assurance that an investment manager will be able to identify or successfully pursue attractive investment opportunities in such environments.

#### 16.21. Litigation

With regard to certain of the Fund's or its Sub-Funds' investments, it is a possibility that an

investment manager and/or a Sub-Fund may be plaintiffs or defendants in civil proceedings. The expense of prosecuting claims, for which there is no guarantee of success, and/or the expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Sub-Fund and would reduce net assets or may, pursuant to applicable law, require investors to return to the Sub-Fund distributed capital and profits.

#### 16.22. Directorships on Boards of Portfolio Companies

The Fund's investment managers and/or their affiliates or designees may serve as directors of, or in a similar capacity with, portfolio companies, the securities of which are purchased or sold on or behalf of the Fund or its Sub-Funds. In the event that material non-public information is obtained with respect to such portfolio companies or a Sub-Fund becomes subject to trading restrictions pursuant to the internal trading policies of such portfolio companies or as a result of applicable law or regulations, a Sub-Fund may be prohibited for a period of time from purchasing or selling the securities of such portfolio companies, which prohibition may have an adverse effect on the Sub-Fund.

#### 16.23. Proxy Contests and Unfriendly Transactions

A Sub-Fund may purchase securities of a company which is the subject of a proxy contest (or may initiate such a proxy contest) in the expectation that existing management can be convinced to or new management will be able to improve the company's performance or effect a sale or liquidation of its assets so that the price of the company's securities will increase. If such efforts fail, the market price of a company's securities will typically fall, which may cause the Sub-Fund to suffer a loss.

In addition, where any such action is opposed by the subject company's management, litigation can be expected to ensue. Such litigation involves substantial uncertainties as to outcome and may impose substantial cost and expense on the company and on the other participants in the litigation, including if applicable the Sub-Fund.

#### 16.24. Debt Securities Generally

A Sub-Fund may have exposure to debt securities that are unrated, and whether or not rated, the debt investments may have speculative characteristics. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such investments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these securities and may have an adverse impact on the value of such investments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

#### 16.25. Convertible Securities

Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock or other securities of the same or a different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities; (ii) are less subject to fluctuation in value than the underlying common stock or other security due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock or other security increases.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth at market value if converted into the underlying common stock or other security). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying security. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying security approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying security while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by a Sub-Fund is called for redemption, the Sub-Fund will be required to permit the issuer to redeem the security, convert it into the underlying security or sell it to a third party. Any of these actions could have an adverse effect on the Sub-Fund’s ability to achieve its investment objective.

#### 16.26. High Yield Securities

A Sub-Fund may invest in high yield securities. Such securities are generally not exchange traded and as a result these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace (although it is a market authorized under UCITS). In addition, a Sub-Fund may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer’s inability to meet timely interest and principal payment obligations. The market value of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

#### 16.27. Regulatory Limits

“Position limits” imposed by various regulators may limit a Sub-Fund’s ability to effect desired trades. Position limits are the maximum amount of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument. All positions owned or controlled by the same person or entity, even if in different funds or accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if a Sub-Fund does not intend to exceed applicable position limits, it is possible that other funds or accounts managed by an investment manager or their affiliates may be aggregated, with a corresponding restriction on the investment activities of the Sub-Fund (which may be significant). If at any time the positions managed by an investment manager were to exceed applicable position limits, the investment manager would be required to liquidate positions, which might include positions of the Sub-Fund, to the extent necessary to come within those limits. Further, to avoid exceeding the position limits, the Sub-Fund might have to forego or modify certain of its contemplated trades.

#### 16.28. Limits Due to Regulatory Requirements

A Sub-Fund may seek to acquire a significant stake in certain financial instruments. In the event such stake exceeds certain percentage or value limits, the Sub-Fund may be required to file a notification with one or more governmental agencies or comply with other regulatory requirements. In addition, all positions owned or controlled by the same person or entity, even if in different funds or accounts, may be aggregated for purposes of determining whether the applicable limits have been reached. Certain notice filings are subject to review that require a delay in the acquisition of the financial instrument. Compliance with such filing and other requirements may result in additional costs to the Sub-Fund, and may delay the Sub-Fund's ability to respond in a timely manner to changes in the markets with respect to such financial instruments. As a result of these requirements, it is possible that the Sub-Fund will not pursue investment opportunities to the extent such pursuit would require the Sub-Fund to be subject to these requirements.

#### 16.29. Capital Protection

The value of or return on Shares may be fully or partially protected. In certain circumstances, such protection may not apply. Shareholders may be required to hold their Shares until a specified maturity in order fully to realise the maximum protection available. Shareholders should read the terms of any protection with great care. Specifically, it should be noted that, unless otherwise expressly provided, it is unlikely that protection levels will be based on the price at which Shareholders may purchase the Shares in the secondary market (if any).

Further details of any additional risk factors which are applicable to a particular Sub-Fund may be set out in the relevant Supplement. The risk factors set out in this Prospectus do not purport to be an exhaustive or complete explanation of all the risks. Investors should seek professional advice before investing.

#### 16.30. Valuation Risk

The Articles provide that the method of calculating the value of any investments listed or dealt in on a market shall be the last traded price, or if unavailable, the closing mid-market price on the relevant market at the relevant Valuation Point. Where an investment is valued at last traded price and there are subscriptions or repurchases on such Dealing Day, the difference between the last traded price and mid market price of an investment may adversely affect the value of underlying assets of the relevant Sub-Fund.

### 17. Dividend Policy

The dividend arrangements relating to each Sub-Fund will be decided by the Directors at the time of the creation of the relevant Sub-Fund and details of such arrangements will be set out in the relevant Supplement.

Under the Articles, the Directors are entitled to pay such dividends on any class of Shares at such times as they think appropriate and as appear to be justified out of the profits of the relevant Sub-Fund, being (i) the accumulated revenue (consisting of all revenue accrued including interest and dividends earned by the relevant Sub-Fund) less expenses and/or (ii) realised and unrealised gains on the disposal/valuation of investments and other funds less realised and unrealised accumulated losses of the relevant Sub-Fund, provided in each case that dividends may only be paid out of funds available for the purpose which may be lawfully distributed.

The Fund will be obliged and entitled to deduct an amount in respect of Irish tax from any dividend payable to any investor who is, or is deemed to be, or is acting on behalf of, an Irish Taxable Person and to pay such amount to the Revenue Commissioners in Ireland.

Dividends not claimed within six years from their due date will lapse and revert to the relevant

Sub-Fund. Dividends payable in cash to Shareholders will be paid by electronic transfer at the expense of the payee. Dividends payable to any investor who has failed to provide satisfactory evidence of their identity in accordance with the Administrator's anti-money laundering procedures will be automatically re-invested notwithstanding any election to the contrary by such investor.

## **18. Applications for Shares**

### **18.1. Issue of Shares**

After the initial issue, Shares of all classes will be issued at a price corresponding to the Net Asset Value per Share of the relevant class. The Net Asset Value per Share of each class in each Sub-Fund will be published in its respective currency. Details of the Minimum Initial Subscriptions for each Sub-Fund and any subscription charges are set out in the Supplements.

Initial applications for Shares must be made in writing to the Administrator using a signed Application Form. Applications will be subject to an investor satisfying all applicable anti-money laundering and client identification checks. This will require the applicant to provide original identification documents, or certified copies thereof, to the Administrator. Subsequent applications may be made in writing by fax or by any other form of electronic communication provided that all ongoing anti-money laundering and client identification checks are complete. The Administrator, the Fund and any distributor of the Fund (on its own behalf and as agent of the Fund) shall be held harmless and indemnified against any loss arising as a result of a failure to process the application if such information has been required by the any of them has not been provided.

The Directors reserve the right to reject in whole or part any transaction in shares and monies received by the Fund for a rejected subscription will be returned without interest and at the risk of the investor. The Fund, the Directors, any distributor of the Fund (on its own behalf and as agent of the Fund) and the Administrator shall be held harmless and indemnified against any loss arising from the rejection of an application.

Joint applicants must each sign the Application Form unless an acceptable power of attorney or other written authority is provided.

A sub-distributor may impose different procedures and time limits (which may be earlier than those set out in the relevant Supplement to facilitate such sub-distributors forwarding such application to the Fund) if applications for Shares are made through them. Applicants should note that they may be unable to purchase Shares through a sub-distributor on days that such sub-distributor is not open for business.

It is intended that Shares will be issued on the Dealing Day for which an application is received in good standing by the relevant Dealing Deadline.

Any applications received by the Administrator after the Dealing Deadline for the relevant Dealing Day will ordinarily be processed on the next Dealing Day based on the Net Asset Value per Share calculated for the next Dealing Day. However, the Directors may, in their discretion, in exceptional circumstances only, permit applications received after the Dealing Deadline but before the Valuation Point for any particular Dealing Day, to be processed on that Dealing Day. The Directors may not be able to exercise the discretion in all circumstances, for example where applications for Shares are made via dealing platforms or other electronic means. In such cases, applications received after the Dealing Deadline may be rejected. Investors making applications via dealing platforms or other electronic means are reminded that they must refer to the provider of the dealing platform or electronic means for the procedures that apply to such trading arrangements.

The Directors may restrict or prevent the ownership of Shares by any person, firm or corporate body, if in the opinion of the Directors such holding may be detrimental to the Fund, if it may result in a breach of any law or regulation, whether Irish or foreign, or if as a result thereof the

Fund may become exposed to tax disadvantages or other financial disadvantages that it would not have otherwise incurred (such persons, firms or corporate bodies to be determined by the Directors being herein referred to as **Prohibited Persons**). In particular, the Directors have resolved to prevent the ownership of Shares by any US Person other than pursuant to a transaction which does not violate US securities laws.

The Directors retain the right to offer only one class of Shares for purchase by investors in any particular jurisdiction in order to conform to local law, custom or business practice.

The Directors may at their discretion issue Shares as consideration for a contribution in kind of securities and/or other assets, provided it is in compliance with the investment objective, policies and restrictions and the relevant Sub-Fund and in compliance with any conditions set forth by the Regulations and Irish law. The transaction costs incurred in connection with the acceptance by the Directors of an in kind subscription will be borne directly by the incoming Shareholder. The investments forming the in kind subscription will be valued in accordance with the valuation rules described below and the requirements of the Regulations. The value so determined, together with the Net Asset Value calculated for the Shares concerned in the relevant Sub-Fund, will determine the number of Shares to be issued to the incoming Shareholder. The purpose of the foregoing policy is to ensure that the existing Shareholders in a Sub-Fund do not bear the transaction costs of acquiring additional assets for a large incoming Shareholder.

If the Directors determine that it would be detrimental to the existing Shareholders to accept a cash application for Shares of any Sub-Fund which represents more than 10% of the Net Asset Value of such Sub-Fund, the Directors may decide that all or part of the application for Shares in excess of 10% be deferred until the next Dealing Day. If the Directors decide to defer all or part of the application in excess of 10% the applicant shall be informed prior to the deferral taking place.

## 18.2. **Payment Procedure**

Applicants for any Shares must make payment in the currency in which the Share Class into which the investor is subscribing is denominated. Unless prior arrangements have been made, applicants must make payment in cleared funds to be received by the Settlement Date for the relevant Dealing Day in order to receive the Net Asset Value per Share applicable to that day.

If timely settlement is not made (or a completed Application Form is not received for an initial subscription), at the discretion of the Directors (a) the relevant allotment of Shares may be cancelled and an applicant may be required to compensate the relevant Sub-Fund or (b) the Fund may charge the applicant interest at a reasonable rate or (c) the applicant may be required to compensate the relevant Sub-Fund for any loss suffered by it and such compensation may be, for example, deducted from dividends payable to the applicant in relation to the Shares allotted to him. If payment is received in respect of any application after the Settlement Date, the Directors may at their discretion consider the application as being an application for Shares on the relevant Dealing Day.

## 18.3. **Form of Shares**

Shares will be issued in registered form and the share register is conclusive evidence of ownership. Contract notes providing details of the trade will normally be issued within three Business Days of the relevant Dealing Day. No share certificates will be issued. Statements will be issued to each Shareholder on a monthly basis confirming ownership, that the Shareholder is entered in the Fund's share register and the number of Shares which he/she is credited with in the share register in respect of each Sub-Fund. Contract notes and statements will be sent to applicants by ordinary post or by fax, electronic or other means. It is recommended that applicants check contract notes on receipt as processed transactions will only be changed at the discretion of the Directors and if the Directors deem it is appropriate, at the cost of the applicant.

Applicants are allocated a Shareholder number on acceptance of their application and this together with the Shareholder's details are proof of identity. Details of their Shareholder number will be contained in the contract note issued by the Administrator after the transaction has been processed. This Shareholder number should be used for all future dealings by the Shareholder with the Fund or the Administrator.

Any changes for example to the Shareholder's details or loss of Shareholder number must be notified immediately to the Administrator in writing. Failure to do so may result in delay upon repurchase. The Fund reserves the right to require an indemnity or verification countersigned by a bank, stockbroker or other party acceptable to it before accepting such instructions.

If any application is not accepted in whole or in part the application monies or the balance outstanding will be returned to the applicant by post or bank transfer at the applicant's risk.

#### 18.4. **General Provisions**

The Directors reserve the right to reject any application or to accept the application in part only. Furthermore, the Directors reserve the right at any time, without notice, to discontinue the issue and sale of Shares of any Sub-Fund of the Fund.

No Shares will be issued during any period when the calculation of the Net Asset Value per Share of the relevant Sub-Fund is suspended pursuant to the Articles and as discussed herein under **Suspension of Calculation of Net Asset Value**.

Notice of any such suspension will be given to applicants for Shares and applications made or pending during such suspension may be withdrawn by notice in writing received by the Fund prior to the end of such suspension. Applications which are not withdrawn will be considered on the first Dealing Day following the end of the suspension period.

Measures provided for in the Criminal Justice Act, 2013 (as may be amended and supplemented from time to time) which are aimed towards the prevention of money laundering may require detailed verification of each applicant's identity; for example an individual may be required to produce an original or duly certified copy of his passport or identification card together with evidence of his address such as a utility bill or bank statement and his date of birth. In the case of corporate applicants this may require production of an original or duly certified copy of the certificate of incorporation (and any change of name), memorandum and articles of association (or equivalent) and the names, occupations, dates of birth and residential and business address of the directors of the company. Original documents, or duly certified copies, will be required in all circumstances.

Depending on the circumstances of each application, a detailed verification may not be required where; (a) the application is made through a recognised intermediary, (b) investment is made by a recognised intermediary or financial institution, or (c) in any other circumstances where an exception can be applied in accordance with applicable anti-money laundering and criminal justice law and regulation. These exceptions will only apply in certain circumstances if the financial institution or intermediary referred to above is located in a country which has equivalent anti money laundering legislation to that in place in Ireland. Applicants may contact the Distributor in order to determine whether they meet the above exceptions.

The Administrator and the Distributor reserve the right to request such information as is necessary to verify the identity of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Administrator may refuse to accept the application and subscription monies, may refuse to settle redemption payments and will automatically re-invest any dividends.

Activities which may adversely affect the interests of a Sub-Fund's Shareholders, for example the use of market timing investment strategies by Shareholders, are not permitted. Such strategies can disrupt the management of a Sub-Fund, negatively affect its performance and

increase expenses. The Directors may, in their discretion, if they deem such activities adversely affect the interests of the Fund's Shareholders, take action as appropriate to deter such activities.

The Directors may, if they deem it to be appropriate and in the interests of Shareholders reserve the right to refuse any application for exchange and/or subscription for Shares from Shareholders whom they consider to be associated with market timing activity at any time for any reason without prior notice. In this connection the Directors may instruct the Administrator to combine Shares which are under common ownership or control for the purposes of ascertaining whether Shareholders can be deemed to be involved in such activities. In addition the Directors reserve the right to require any Shareholder to redeem all Shares in the any Sub-Fund where they are of the opinion that the Shareholder's trading in that Sub-Fund is designed to take advantage of short term market movements.

## **19. Repurchase of Shares**

Shareholders wishing to have all or some of their Shares repurchased by the Fund may make an application for repurchase by submitting the duly completed repurchase form to the Administrator in writing by fax or by any other form of electronic communication provided that payment shall be made to the account on record (any changes to the account on record may only be made upon receipt of original written instructions). Applications must include details of the name of the Sub-Fund, class of Share, the number of Shares or the amount the Shareholder wishes to have repurchased, the Shareholder's details, the Shareholder's account number and any other information required by the repurchase form. Failure to provide any of this information may result in delay of the application for repurchase whilst verification (which may be requested in writing) is sought from the Shareholder. Applications for repurchase should be posted or sent by facsimile to the Administrator, or by any other form of electronic communication. Such applications may not be accepted and proceeds of repurchase will not be paid unless the signed Application has been received and the initial anti-money laundering or client identification checks have been completed in full.

Such applications for repurchase will be considered as binding and irrevocable by the Fund. Written confirmations may be required by the Fund and must be duly signed by all registered holders, unless in the case of joint registered holders, each such holder has sole signing authority.

Applications received after the relevant Dealing Deadline for the relevant Dealing Day will ordinarily be processed on the next Dealing Day based on the Net Asset Value per Share calculated on the next Dealing Day. However, the Directors may permit, in their discretion, in exceptional circumstances only, applications received after the Dealing Deadline but before the Valuation Point for any particular Dealing Day, to be processed as at that Dealing Day based on the Net Asset Value per Share calculated on that Dealing Day. The Directors may not be able to exercise this discretion in all circumstances, for example where applications for repurchase of Shares are made via dealing platforms or other electronic means. In such cases, applications received after the Dealing Deadline may be rejected. Shareholders making applications for repurchase via dealing platforms or other electronic means are reminded that they must refer to the provider of the dealing platform or electronic means for the procedures that apply to such trading arrangements.

A sub-distributor may impose different procedures and time limits (which may be earlier than those set out in the relevant Supplement to facilitate such sub-distributors forwarding such applications to the Fund) if applications for Share repurchases are made through them. Applicants should note that they may be unable to repurchase Shares through a sub-distributor on days that such sub-distributor is not open for business.

The applicant will be notified of the repurchase proceeds as soon as reasonably practicable after determination of the Net Asset Value. Shareholders are reminded that the repurchase proceeds can be higher or lower than the initial subscription amount.

If total requests for repurchase on any Dealing Day for a Sub-Fund exceed 10% of the total number of Shares in the Sub-Fund or 10% of the Net Asset Value of the Sub-Fund, the Directors may in their discretion refuse to redeem any Shares in excess of 10%. Any request for repurchase on such Dealing Day shall be reduced rateably and the repurchase requests shall be treated as if they were received on each subsequent Dealing Day until all the Shares to which the original request related have been repurchased. With respect to any application received in respect of the initial Dealing Day, to the extent that subsequent applications shall be received in respect of following Dealing Days, such later applications shall be postponed in priority to the satisfaction of applications relating to the initial Dealing Day, but subject thereto shall be dealt with as set out in the preceding sentence.

Alternatively, where repurchase requests would result in 5% or more of the Net Asset Value of Shares of any Sub-Fund being repurchased on any Dealing Day, or less than 5% with the consent of the Shareholder, the Directors may satisfy the repurchase request in whole or in part by an in-kind distribution of securities of the relevant Sub-Fund in lieu of cash. Asset allocation is subject to the approval of the Custodian. The Shareholder may require that the Fund, instead of transferring those assets, arrange for their sale and the payment of the net proceeds of sale, less any duties and charges, to that Shareholder. Shareholders who receive securities in lieu of cash upon repurchase should note that they may incur brokerage and/or local tax charges on the sale of the securities. In addition, the net proceeds from the sale by the repurchasing Shareholder of the securities may be more or less than the repurchase price due to market conditions and/or the difference between the prices used to calculate the Net Asset Value and bid prices received on the sale of the securities.

#### 19.1. **Other Limits on Repurchase**

Shareholders may ask for the repurchase of all or part of their Shares of any class. However, the Fund is not bound to comply with a request for repurchase of Shares (i) if such request relates to a part of a holding which consists of Shares having a value of less than the Minimum Repurchase Amount or (ii) if after repurchase the holder would be left with a balance of Shares having a value of less than the Minimum Holding for that class in which case the Fund may treat the request as a request for the repurchase of all, if applicable, of the Shareholder's Shares of that class.

#### 19.2. **Temporary Suspension of Repurchase**

The right of any Shareholder to require the repurchase of the Shares of the Fund will be suspended during any period when the calculation of the Net Asset Value per Share of the relevant class is suspended by the Directors pursuant to the powers set out under the heading **Suspension of Calculation of Net Asset Value**. Notice of such suspension period will be given to any Shareholder tendering Shares for repurchase. The Shares in question will be repurchased on the first Dealing Day following the end of the suspension period.

If a period of suspension lasts for more than one calendar month after the date of an application for repurchase, the application may be cancelled by the Shareholder by notice in writing to the Administrator provided that the notice is received by the Administrator prior to the relevant Dealing Deadline on the last Business Day of the suspension period.

#### 19.3. **Compulsory Repurchase**

If the Net Asset Value of any Sub-Fund on a given Dealing Day shall become at any time less than US\$25,000,000 or the equivalent in the currency of the relevant Sub-Fund (or such other amount as may be specified in the Supplement relating to a specific Sub-Fund) the Directors may, at their discretion, repurchase all but not less than all of the Shares of the applicable Sub-Fund then outstanding at the repurchase price calculated on the Expiration Date (as hereinafter defined). However, the Fund must (i) provide four weeks' written notice of repurchase to all Shareholders of the classes of Shares to be repurchased, such notice expiring on the date stated in the notice (the **Expiration Date**) and (ii) repurchase such Shares within four weeks following such Expiration Date. Shareholders shall be notified in writing of any such repurchase.

If it shall come to the attention of the Directors at any time that Shares are beneficially owned by or on behalf of a Prohibited Person, either alone or in conjunction with any other person, and the Prohibited Person fails to comply with the direction of the Fund to sell his Shares and to provide the Directors with evidence of such sale within twenty one days of being so directed by the Directors, the Directors may in their discretion compulsorily repurchase such Shares in accordance with the Articles. Immediately after the close of business specified in the notice given by the Fund to the Prohibited Person of such compulsory repurchase, the Shares will be repurchased and such investor will cease to be the owner of such Shares. The Fund may require any Shareholder or prospective Shareholder to furnish it with any information which it may consider necessary for the purpose of determining whether or not the beneficial owner of such Shares is or will be a Prohibited Person. In particular, the Fund may require the Shareholder or prospective Shareholder to provide the Fund with information as to whether such person is a U.S. Person.

## 20. Exchange of Shares

Shareholders will be able to apply to exchange on any Dealing Day all or part of their holding of Shares of any class of one Sub-Fund (the **Original Class**) for Shares where appropriate of the same class in a separate Sub-Fund which is being offered at that time (the **New Class**) provided that all the criteria for applying for Shares in the New Class have been met, by giving notice to the Administrator on behalf of the Fund on or prior to the Dealing Deadline for the relevant Valuation Point. The Directors, however, may at their sole discretion, in exceptional circumstances only, agree to accept requests for exchange received after that time provided they are received prior to the relevant Valuation Point. The Directors may not be able to exercise this discretion in all circumstances, for example where requests for exchanges of Shares are made via dealing platforms or other electronic means. In such cases, requests for exchange received after the Dealing Deadline may be rejected. Shareholders making requests for exchanges via dealing platforms or other electronic means are reminded that they must refer to the provider of the dealing platform or electronic means for the procedures that apply to such trading arrangements.

The general provisions and procedures relating to repurchases will apply equally to exchanges. All exchanges will be treated as a repurchase of the Shares of the Original Class and application of the net proceeds to the purchase of Shares of the New Class, based upon the then current issue and repurchase prices of Shares in each Sub-Fund. The Articles allow for an exchange fee of up to 3% of the total repurchase price of the Shares of the Original Class repurchased to be charged, and the Directors, in their sole discretion, reserve the right to impose such fee within this limit as shall be set out in the Supplement in respect of each Sub-Fund.

The number of Shares of the New Class to be issued will be calculated in accordance with the following formula:

$$S = \frac{[R \times (RP \times ER)]}{SP} - F$$

where:

- R** = the number of Shares of the Original Class to be exchanged;
- S** = the number of Shares of the New Class to be issued;
- RP** = the repurchase price per Share of the Original Class as at the Valuation Point for the relevant Dealing Day;
- ER** = in the case of an exchange of Shares designated in the same Base Currency is 1. In any other case, it is the currency conversion factor determined by the Directors on or about the Valuation Point for the relevant Dealing Day as

representing the prevailing rate of exchange applicable to the transfer of assets relating to the Original and New Classes of Shares after adjusting such rate as may be necessary to reflect the effective costs of making such transfer;

**SP** = the issue price per Share of the New Class as at the Valuation Point for the relevant Dealing Day; and

**F** = the exchange charge, if any payable to the Fund, or as it may direct, on the exchange of Shares.

Where there is an exchange of Shares, Shares of the New Class will be allotted and issued in respect of and in proportion to the Shares of the Original Class in the proportion S to R.

Shares may not be exchanged for Shares in a different Sub-Fund during any period when the calculation of the Net Asset Value of either of the relevant Sub-Funds is suspended in the manner described under **Suspension of Calculation of Net Asset Value** below. Applicants for exchange of Shares will be notified of such postponement and, unless withdrawn, their applications will be considered as at the next Dealing Day following the ending of such suspension.

When requesting the exchange of Shares as an initial investment in a Sub-Fund, Shareholders should ensure that the value of the Shares exchanged is equal to or exceeds the Minimum Initial Subscription for the relevant New Class specified in the relevant Supplement. In the case of an exchange of a partial holding only, the value of the remaining holding must also be at least equal to the Minimum Holding for the Original Class.

The Administrator will arrange for any necessary currency transaction required if there is an exchange of Shares of any class of a Sub-Fund for Shares of the same class in another Sub-Fund which are denominated in a different currency. Any such currency transaction may be effected with the Custodian or the Distributor and will be at the applicant's cost. Currency exchange transactions may delay any dealing in Shares as the Administrator may choose at its option to delay executing any foreign exchange transaction until cleared funds have been received.

## **21. Issue and Repurchase Prices / Calculation of Net Asset Value / Valuation of Assets**

The initial issue price for Shares of each Sub-Fund shall be the amount(s) set out in the Supplements.

The price at which Shares of any Sub-Fund will be issued on a Dealing Day, after the initial issue, is calculated by ascertaining the Net Asset Value of the relevant Sub-Fund (i.e. the value of the assets of the Sub-Fund having deducted the liabilities of the Sub-Fund therefrom) as at the Valuation Point for that Sub-Fund for the relevant Dealing Day. The Net Asset Value per Share of the relevant Sub-Fund is calculated by dividing the Net Asset Value of the relevant Sub-Fund, by the total number of Shares in issue in the Sub-Fund at the relevant Valuation Point and rounding the result to two decimal places. Where applicable, the Net Asset Value per Share of each class in a Sub-Fund is calculated by determining that portion of the Net Asset Value of the Sub-Fund which is attributable to the relevant class and by dividing this sum by the total number of Shares of the relevant class in issue at the relevant Valuation Point and rounding the resulting amount to two decimal places. If a Sub-Fund has more than one class of Share, additional fees may be charged against certain classes, and details of such fees will be set forth in the Supplement for the relevant Sub-Fund. This may result in the Net Asset Value per Share of each class being different. The Valuation Point for each Sub-Fund is set out in the Supplements.

The price at which Shares will be issued on a Dealing Day is, subject as hereinafter provided, the Net Asset Value per Share of the relevant class which is calculated in the manner described above. The Fund may, in calculating the issue price, include in the issue price in respect of each Sub-Fund, for its own account, a charge sufficient to cover stamp duties and taxation (if any) in

respect of the issue of Shares which may also add a charge in respect of Duties and Charges. Applicants may also be charged an initial charge as specified in the Supplements.

The price at which Shares will be repurchased on a Dealing Day, is subject as hereinafter provided, the Net Asset Value per Share of the relevant class which is calculated in the manner described above. The Fund may, in calculating the repurchase price, deduct a charge in respect of Duties and Charges. Applicants may also be charged a repurchase charge as specified in the Supplements hereof.

In calculating the issue/repurchase price for a Sub-Fund the Directors may on any Dealing Day when there are net subscriptions/repurchases make adjustments so that the issue/repurchase price reflects the addition/deduction of a dilution levy to cover dealing costs and to preserve the value of the underlying assets of the Sub-Fund.

The Articles provide for the method of valuation of the assets and liabilities of each Sub-Fund.

In particular, the Articles provide that the method of calculating the value of any investments listed or dealt in on a market shall be the last traded price, or if unavailable, the closing mid-market price on the relevant market at the relevant Valuation Point. Where any investment is listed or dealt in on more than one market the Directors shall select the market which constitutes the main market for such investment or which they determine provides the fairest criteria in a value for the security.

In the event of substantial or recurring net subscriptions, the Directors may adjust the Net Asset Value per Share to reflect the value of the Fund's assets using the lowest market dealing offer price in order to preserve the value of the shareholding of continuing Shareholders. In the event of substantial or recurring net redemptions, the Directors may adjust the Net Asset Value per Share to reflect the value of the Fund's assets using the highest market dealing bid price in order to preserve the value of the shareholding of continuing Shareholders. Where it is contemplated by the Directors that these powers may be utilised in respect of any Sub-Fund, there will be disclosure to that effect in the relevant Supplement.

Valuation policies will be applied on a consistent basis throughout the life of the Fund and there will be consistency in the policies adopted throughout the various categories of assets.

The value of any investment which is not listed or dealt in on a market or of any investment which is normally listed or dealt in on a market but in respect of which the last traded price, or if unavailable, the closing mid-market price, is currently unavailable or the current price of which does not in the opinion of the Directors represent fair market value, shall be the probable realisation value thereof estimated with care and in good faith by the Directors or by a competent person appointed by the Directors and approved for such purpose by the Custodian or any other means provided the value is approved by the Custodian.

Cash and other liquid assets will be valued at their face value plus interest accrued, where applicable.

The value of any prepaid expenses, cash dividends and interest declared or accrued and not yet received as at a Valuation Point shall be deemed to be the face value thereof unless in any case the Directors are of the opinion that the same is unlikely to be paid or received in full in which case the value thereof shall be arrived at after making such discount as the Directors may consider appropriate in such case to reflect the true value thereof as at any Valuation Point.

The value of any demand notes, promissory notes and accounts receivable shall be deemed to be the face value or full amount thereof after making such discount as the Directors may consider appropriate to reflect the true current value thereof as at any Valuation Point.

Certificates of deposit, treasury bills, bank acceptances, trade bills and other negotiable instruments shall be valued at the last traded price, or if unavailable, the closing mid-market

price for such certificates of deposit, treasury bills, bank acceptances, trade bills and other negotiable instruments.

Money market instruments in a non-money market fund may be valued on an amortised basis in accordance with the Central Bank's requirements.

Forward foreign exchange contracts and interest rate swap contracts shall either be valued in the same manner as off-exchange derivative contracts below or by reference to freely available market quotations.

The value of any exchange traded futures contracts, share price index futures contracts, options and other quoted derivatives shall be based on the settlement price as determined by the market in question as at the Valuation Point. Where the settlement price is not available the value of such contract shall be its probable realisation value which must be estimated with care and in good faith by a competent person appointed by the Directors and approved for the purpose by the Custodian.

The value of any off-exchange derivative contracts shall be the quotation from the counterparty to such contracts at the Valuation Point and shall be valued daily. The valuation will be approved or verified at least weekly by a party independent of the counterparty who has been approved for such purpose by the Custodian. Alternatively the value of any over the counter derivative contract may be the quotation from an independent pricing vendor or that calculated by the Fund itself and shall also be valued daily. Where this alternative valuation is used the Fund must follow international best practice and adhere to specific principles on such valuations established by bodies such as IOSCO and AIMA. Any such alternative valuation must be provided by a competent person appointed by the Fund and approved for the purpose by the Custodian, or a valuation by any other means provided that the value is approved by the Custodian. Any such alternative valuation must be reconciled to the counterparty valuation on a monthly basis. Where significant differences arise these must be promptly investigated and explained.

The valuation of units or shares or other similar participations in any collective investment scheme which provides for the units or shares or other similar participations therein to be redeemed at the option of the holder out of the assets of that undertaking shall be the last available net asset value per unit or share or other relevant participation as published by the collective investment schemes as at the relevant Valuation Point or, if bid and offer prices are published, at the last bid price.

If in any case a particular value is not ascertainable as provided above, the method of valuation of the relevant investment shall be such as the Directors, with the approval of the Custodian, shall decide.

Any value expressed otherwise than in the Base Currency of the relevant Sub-Fund (whether of any investment or cash) and any non-Base Currency borrowing shall be converted into the base currency at the rate which the Administrator shall determine to be appropriate in the circumstances.

Notwithstanding the generality of the foregoing, the Directors may with the approval of the Custodian adjust the value of any investment if taking into account currency, marketability and/or such other considerations as they may deem relevant, such as applicable rate of interest, anticipated rate of dividend, maturity or liquidity, they consider that such adjustment is required to reflect the fair value thereof.

## **22. Suspension of Calculation of Net Asset Value**

The Fund may at any time temporarily suspend the calculation of the Net Asset Value of any Sub-Fund and the right of Shareholders to require the repurchase or exchange of Shares of any class and the payment of repurchase proceeds during (i) any period when any of the principal markets or stock exchanges on which a substantial part of the investments of the relevant Sub-

Fund are quoted is closed, otherwise than for ordinary holidays, or during which dealings therein are restricted or suspended; (ii) any period when, as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility and power of the Directors, disposal or valuation of investments of the relevant Sub-Fund is not reasonably practicable without this being seriously detrimental to the interests of Shareholders of the relevant Sub-Fund or if, in the opinion of the Directors, the Net Asset Value of the Sub-Fund cannot fairly be calculated; (iii) any breakdown in the means of communication normally employed in determining the price of any of the relevant Sub-Fund's investments and other assets or when for any other reason the current prices on any market or stock exchange of any assets of the relevant Sub-Fund cannot be promptly and accurately ascertained; (iv) any period during which the Fund is unable to repatriate funds required for the purpose of making payments due on repurchase of Shares of any class in the relevant Sub-Fund or during which the transfer of funds involved in the acquisition or realisation of investments or payments due on repurchase of Shares cannot, in the opinion of the Directors, be effected at normal prices or normal rates of exchange; or (v) any period where in the opinion of the Directors such suspension is justified having regard to the interests of the Fund; (vi) following the circulation to the relevant shareholders of a notice of a general meeting at which a resolution proposing to wind-up the Fund or terminate the relevant Sub-Fund is to be considered. Except in the case of (vi) the Fund will, whenever possible, take all reasonable steps to bring any period of suspension to an end as soon as possible.

Shareholders who have requested issue or repurchases of Shares of any class or exchanges of Shares of one Sub-Fund to another will be notified of any such suspension in such manner as may be directed by the Directors and their requests will be dealt with on the first Dealing Day after the suspension is lifted. Any such suspension shall be notified immediately, and in any event within the same business day, to the Central Bank. The competent authorities in any jurisdiction where the Fund is registered for sale will also be notified.

## **23. Management Charges and Expenses**

Details of the management charges and expenses payable by the Fund in respect of a Sub-Fund are set out in the relevant Supplement.

In the case of any individual Sub-Fund or class of Shares the Investment Manager may choose to waive all or any portion of its fees and/or to absorb other expenses at its absolute discretion for any period.

## **24. General Charges and Expenses**

### **24.1. Share dealing charges**

Details of the initial charge payable on subscription for Shares (if any) and/or the repurchase charge payable on repurchase of Shares (if any) and/or the exchange charge payable on the exchange of Shares (if any) are set out in respect of the Shares of each Sub-Fund in the Supplements.

Details of the charges and expenses payable in relation to further Sub-Funds or share classes will be determined at the time of the creation of such further Sub-Fund or share classes and will be set out in the relevant Supplement.

### **24.2. Directors' remuneration**

The Directors who are not directors, officers or employees of the Investment Manager or any affiliate thereof will be entitled to remuneration from the Fund for their services as Directors. It is expected that in the accounting year ending 31 July 2013 the remuneration of each independent Director will not exceed Euro 50,000, plus VAT if applicable. In addition, the Directors will also be entitled to be reimbursed for their reasonable and vouched out of pocket expenses incurred in discharging their duties as Directors.

### 24.3. Ongoing Charges and Expenses

Each Sub-Fund will, unless otherwise specified in the relevant Supplement, pay any fees in respect of circulating details of the Net Asset Value, stamp duties, taxes, company secretarial fees, insurance (including directors' and officers' liability insurance), brokerage or other expenses of acquiring and disposing of investments, costs and expenses of entering into, closing out of, or re-setting derivative transactions, and the fees and expenses of the auditors, tax and legal advisers. The costs of printing and distributing reports, accounts and any explanatory memoranda, any necessary translation fees, the costs of registering the Fund for sale in any jurisdiction, regulatory fees, listing fees (if any) the fees and expenses of any paying or information agents, or correspondent banks, the fees and expenses of any representative, distributor or agent appointed in respect of the Fund in any jurisdiction (which fees will be at normal commercial rates), the cost of publishing prices and any costs incurred as a result of periodic updates of the Prospectus, or of a change in law or the introduction of any new law (including any costs incurred as a result of compliance with any applicable code, whether or not having the force of law) will also be paid by the Fund.

Such fees, duties and charges will, unless otherwise specified in the relevant Supplement, be charged to the Sub-Fund in respect of which they were incurred or, where an expense is not considered by the Directors to be attributable to any one Sub-Fund, the expense will be allocated by the Directors with the approval of the Custodian, in such manner and on such basis as the Directors in their discretion deem fair and equitable. In the case of any fees or expenses of a regular or recurring nature, such as audit fees, the Directors may calculate such fees and expenses on an estimated basis for yearly or other periods in advance and accrue the same in equal proportions over any period.

### 24.4. Establishment Charges and Expenses

The cost of establishing the Fund and the expenses of the initial offer of Shares in the initial Sub-Fund, the preparation and printing of this Prospectus, marketing costs and the fees of all professionals relating to it will be borne by Morgan Stanley & Co International plc.

### 25. Soft Commissions

It is not currently intended that any soft commission arrangements will be made in respect of the Fund. In the event that the Investment Manager does enter into soft commission arrangement(s) they shall ensure that (i) the broker or counterparty to the arrangement will agree to provide best execution to the Fund; (ii) the benefits under the arrangement(s) shall be those which assist in the provision of investment services to the relevant Sub-Fund and (iii) brokerage rates will not be in excess of customary institutional full service brokerage rates. Details of any such arrangements will be contained in the next following report of the Fund. In the event that this is the unaudited semi-annual report, details shall also be included in the following annual report.

### 26. Sub-Fund Transactions and Conflicts of Interest

Subject to the provisions of this section, the Directors, the Investment Manager, the Distributor, the Administrator, the Custodian, any Shareholder, and any of their respective subsidiaries, affiliates, associates, agents or delegates (each a **Connected Person**), may contract or enter into any financial, banking or other transaction with one another or with the Fund, including without limitation, investment by the Fund in securities of a Shareholder or any Connected Person, or investment by any Connected Persons in any company or body any of whose investments form part of the assets comprised in any Sub-Fund or be interested in any such contract or transactions. In particular, without limitation, any Connected Person may invest in and deal with Shares relating to any Sub-Fund or any property of the kind included in the property of the Fund for their respective individual accounts or for the account of someone else. Where any conflict of interests arise between any Connected Person and the Fund, these conflicts shall be resolved fairly.

In addition, any cash of the Fund may be deposited, subject to the provisions of the Central Bank Acts, 1942 to 1998 (as amended by the Central Bank and Financial Services Authority of Ireland Act 2003 to 2004), and the Regulations, with any Connected Person or invested in certificates of deposit or banking instruments issued by any Connected Person. Banking and similar transactions may also be undertaken with or through a Connected Person.

A Connected Person, may each from time to time deal, as principal or agent, with the Fund, provided that such dealings are carried out as if effected on normal commercial terms negotiated at arm's length and in the best interests of the Shareholders, and:

- (1) a certified valuation of such transaction by a person approved by the Custodian (or in the case of any such transaction entered into by the Custodian, a person approved by the Directors) as independent and competent has been obtained; or
  - (2) such transaction has been executed on best terms reasonably obtainable on an organised investment exchange under its rules; or
- where neither of the above are practicable,
- (3) such transaction has been executed on terms which the Custodian is (or in the case of any such transaction entered into by the Custodian, the Directors are) satisfied conform with the principle that such transactions be carried out as if effected on normal commercial terms negotiated at arm's length and in the best interests of Shareholders.

Notwithstanding the above, where the Investment Manager or any of its delegates successfully negotiates the recapture of a portion of commissions charged by a broker in relation to the purchase and/or sale of securities for a Sub-Fund, such rebate must be paid into that Sub-Fund. The Investment Manager maybe paid out of the assets of the Sub-Fund for fees charged by them and reasonable properly vouched costs and expenses directly incurred by them in this regard.

The Morgan Stanley group (**Morgan Stanley**) conducts extensive broker-dealer, banking and other activities around the world. These businesses will give Morgan Stanley broad access to the current status of certain markets, investments and funds and detailed knowledge about fund operators. As a result of the activities described above and the access and knowledge arising from those activities, parts of Morgan Stanley may be in possession of information in respect of markets, investments and funds, which, if known to the Investment Manager, might cause the Investment Manager to seek to dispose of, retain or increase interests in investments held by the Fund or acquire certain positions on behalf of the Fund. Morgan Stanley will be under no duty to make any such information available to the Fund or personnel of the Investment Manager making investment decisions on behalf of the Fund. In general, personnel of the Investment Manager making investment decisions will make decisions based solely upon information known by such decision makers without regard to information known by other Morgan Stanley personnel.

Morgan Stanley & Co International plc ("**MSI**") has been appointed to the Fund to act as Sponsor and Distributor of the Sub-Funds. MSI or any of its employees, agents, affiliates, subsidiaries (the "**MSI Affiliates**") may perform further or alternative roles relating to the Fund and any Sub-Fund, including for example (i) being the counterparty in respect of any investments of the Fund, (ii) being involved in arrangements relating to the relevant investments (for example as a derivative counterparty, or a calculation agent), (iii) being appointed as sub-custodian by the Custodian and the Fund (iv) acting as a market maker in respect of Shares, and/or (v) being responsible for providing valuations which may form the basis of calculating the Net Asset Value per Share in respect of any Sub-Fund and (vi) sponsor or otherwise be involved with a variety of structured products such as participating notes, options or swaps linked in whole or in part to the performance of one or more Sub-Funds. MSI and MSI Affiliates may

receive compensation for providing such services to the Fund at normal commercial rates.

To the extent permitted by applicable law, Morgan Stanley may act as broker, dealer, agent, lender or advisor or in other commercial capacities for the Fund. It is anticipated that the commissions, mark-ups, mark-downs, financial advisory fees, underwriting and placement fees, sales fees, financing and commitment fees, brokerage fees, other fees, compensation or profits, rates, terms and conditions charged by Morgan Stanley will be in its view commercially reasonable, although Morgan Stanley, including its sales personnel, will have an interest in obtaining fees and other amounts that are favourable to Morgan Stanley and such sales personnel. Morgan Stanley (and its personnel and other distributors) will be entitled to retain commissions, fees and other amounts that it receives in connection with its service to the Fund as broker, dealer, agent, lender, advisor or in other commercial capacities and no accounting to the Fund or its shareholders will be required, and no fees or other compensation payable by the Fund or its shareholder will be reduced by reason of receipt by Morgan Stanley of any such fees or other amounts.

When Morgan Stanley acts as broker, dealer, agent, lender or advisor or in other commercial capacities in relation to the Fund, Morgan Stanley may take commercial steps in its own interests, which may have an adverse effect on the Funds. In addition, products and services received by the Investment Manager or their affiliates from brokers in connection with brokerage services provided to the Fund and other funds or accounts managed by Morgan Stanley may disproportionately benefit other of such funds and accounts based on the relative amounts of brokerage services provided to the Fund and such other funds and accounts.

The Directors may act as directors of other collective investment vehicles. Where any potential conflicts of interest arise between their duties to the Fund and to third parties, the Directors will endeavour to ensure that any such conflicts will not unfairly prejudice the Fund.

MSI, which acts as distributor of the Fund, is an affiliate of the Investment Manager and may also act as a counterparty to FDI transactions entered into by the Fund and as index sponsor in respect of certain financial indices the performance of which Sub-Funds may seek to track or replicate. Where MSI is index sponsor in respect of a particular Index, this will be disclosed in the relevant Supplement.

To the extent permitted by applicable law, the Fund may enter into transactions and invest in futures, securities, currencies, swaps, options, forward contracts or other instruments in which Morgan Stanley acting as principal or on a proprietary basis for its customers, serves as the counterparty. The Fund will only consider engaging in such a transaction with Morgan Stanley or its affiliates on to the extent permitted by law. Morgan Stanley will not be entitled to retain any fee sharing, commission rebates, retrocessions and hard commissions received by the Investment Manager or such other fees or amounts as may be specified in any notices or guidance notes issued by the Central Bank from time to time.

Where the counterparty is a member of the same group of companies as the Investment Manager there will be no arrangement fee payable by the Fund for entering into OTC FDI.

Counterparties, including those which are members of same group of companies as the Investment Manager, shall not be deemed to be affected by notice of, or to be under any duty to disclose to the Fund, information which has come into its or its associates' possession as a result of the FDI. Neither the Investment Manager, any of the counterparties nor any of their associates shall be liable to account to the Fund for any profits or benefits made or derived by, or in connection with, any such transaction.

The party verifying the counterparties' prices will also be a member of the same group of companies as the Investment Manager, which is independent of the counterparties and has been appointed by the Fund and approved for that purpose by the Custodian.

Furthermore, MSI may, subject to the Regulations and the requirements of the Central Bank, be the sole counterparty to FDI transactions used in respect of any Sub-Fund. In some

circumstances, particularly where MSI is also the index sponsor, it may not be possible for the Investment Manager to transact with any other counterparty on the basis that the Index methodology is proprietary and therefore the return associated with that Index may only be delivered by MSI. Measures are in place to ensure that there is adequate segregation of responsibilities and duties between the various divisions within MSI responsible for the various functions.

Where acting as index sponsor, MSI may seek to offer the return of a particular Index to its clients in other forms, different or similar to the Fund.

## **27. Taxation**

*The following is a summary of certain Irish tax consequences of the purchase, ownership and disposal of Shares. The summary does not purport to be a comprehensive description of all of the Irish tax considerations that may be relevant. The summary relates only to the position of persons who are the absolute beneficial owners of Shares and may not apply to certain other classes of persons.*

*The summary is based on Irish tax laws and the practice of the Irish Revenue Commissioners in effect on the date of this Prospectus (and is subject to any prospective or retroactive change). Potential investors in Shares should consult their own advisors as to the Irish or other tax consequences of the purchase, ownership and disposal of Shares.*

### **27.1 Taxation of the Fund**

The Fund intends to conduct its affairs so that it is Irish tax resident. On the basis that the Fund is Irish tax resident, the Fund qualifies as an 'investment undertaking' for Irish tax purposes and, consequently, is exempt from Irish corporation tax on its income and gains.

The Fund will be obliged to account for Irish tax to the Irish Revenue Commissioners if Shares are held by non-exempt Irish resident Shareholders (and in certain other circumstances), as described below. Explanations of the terms 'resident' and 'ordinarily resident' are set out at the end of this summary.

### **27.2 Taxation of non-Irish shareholders**

Where a Shareholder is not resident (or ordinarily resident) in Ireland for Irish tax purposes, the Fund will not deduct any Irish tax in respect of the Shareholder's Shares once a declaration has been received by the Fund confirming the Shareholder's non-resident status.

If this declaration is not received by the Fund, the Fund will deduct Irish tax in respect of the Shareholder's Shares as if the Shareholder was a non-exempt Irish resident Shareholder (see below). The Fund will also deduct Irish tax if the Fund has information which reasonably suggests that a Shareholder's declaration is incorrect. A Shareholder will generally have no entitlement to recover such Irish tax, unless the Shareholder is a Fund and holds the Shares through an Irish branch and in certain other limited circumstances. The Fund must be informed if a Shareholder becomes Irish tax resident.

Generally, Shareholders who are not Irish tax resident will have no other Irish tax liability with respect to their Shares. However, if a Shareholder is a company which holds its Shares through an Irish branch or agency, the Shareholder may be liable to Irish corporation tax in respect of profits and gains arising in respect of the Shares (on a self-assessment basis).

### **27.3 Taxation of exempt Irish shareholders**

Where a Shareholder is resident (or ordinarily resident) in Ireland for Irish tax purposes and falls within any of the categories listed in section 739D(6) TCA, the Fund will not deduct Irish tax in

respect of the Shareholder's Shares once the Declaration set out in the Application Form has been received by the Fund confirming the Shareholder's exempt status.

The categories listed in section 739D (6) TCA can be summarised as follows:

1. Pension schemes (within the meaning of section 774, section 784 or section 785 TCA).
2. Companies carrying on life assurance business (within the meaning of section 706 TCA).
3. Investment undertakings (within the meaning of section 739B TCA).
4. Special investment schemes (within the meaning of section 737 TCA).
5. Unauthorised unit trust schemes (to which section 731(5)(a) TCA applies).
6. Charities (within the meaning of section 739D(6)(f)(i) TCA).
7. Qualifying managing companies (within the meaning of section 734(1) TCA).
8. Specified companies (within the meaning of section 734(1) TCA).
9. Qualifying fund and savings managers (within the meaning of section 739D(6)(h) TCA).
10. Personal Retirement Savings Account (PRSA) administrators (within the meaning of section 739D(6)(i) TCA).
11. Irish credit unions (within the meaning of section 2 of the Credit Union Act 1997).
12. The National Asset Management Agency.
13. The National Pensions Reserve Fund Commission or a Commission investment vehicle.
14. Qualifying companies (within the meaning of section 110 TCA).
15. Any other person resident in Ireland who is permitted (whether by legislation or by the express concession of the Irish Revenue Commissioners) to hold Shares in the Fund without requiring the Fund to deduct or account for Irish tax.

Irish resident Shareholders who claim exempt status will be obliged to account for any Irish tax due in respect of Shares on a self-assessment basis.

If this declaration is not received by the Fund in respect of a Shareholder, the Fund will deduct Irish tax in respect of the Shareholder's Shares as if the Shareholder was a non-exempt Irish resident Shareholder (see below). A Shareholder will generally have no entitlement to recover such Irish tax, unless the Shareholder is a company within the charge to Irish corporation tax and in certain other limited circumstances.

#### **27.4 Taxation of other Irish shareholders**

Where a Shareholder is resident (or ordinarily resident) in Ireland for Irish tax purposes and is not an 'exempt' Shareholder (see above), the Fund will deduct Irish tax on distributions, redemptions and transfers and, additionally, on 'eighth anniversary' events, as described below.

### *Distributions by the Fund*

If the Fund pays a distribution to a non-exempt Irish resident Shareholder, the Fund will deduct Irish tax from the distribution. The amount of Irish tax deducted will be:

1. 25% of the distribution, where the distributions are paid to a Shareholder who is a company;
2. 33% of the distribution, where the distributions are paid annually or more frequently to a Shareholder who is not a company; and
3. 36% of the distribution, where the distributions are paid less frequently than annually to a Shareholder who is not a company.

The Fund will pay this deducted tax to the Irish Revenue Commissioners.

Generally, a Shareholder will have no further Irish tax liability in respect of the distribution. However, if the Shareholder is a company for which the distribution is a trading receipt, the gross distribution (including the Irish tax deducted) will form part of its taxable income for self-assessment purposes and the Shareholder may set off the deducted tax against its corporation tax liability.

### *Redemptions of shares*

If the Fund redeems Shares held by a non-exempt Irish resident Shareholder, the Fund will deduct Irish tax from the redemption payment made to the Shareholder. The amount of Irish tax deducted will be calculated by reference to the gain (if any) which has accrued to the Shareholder on the Shares being redeemed and will be equal to:

1. 25% of such gain, where the Shareholder is a company; and
2. 36% of the gain, where the Shareholder is not a company.

The Fund will pay this deducted tax to the Irish Revenue Commissioners.

Generally, a Shareholder will have no further Irish tax liability in respect of the redemption payment. However, if the Shareholder is a company for which the redemption payment is a trading receipt, the gross payment (including the Irish tax deducted) less the cost of acquiring the Shares will form part of its taxable income for self-assessment purposes and the Shareholder may set off the deducted tax against its corporation tax liability.

If Shares are not denominated in euro, a Shareholder may be liable (on a self-assessment basis) to Irish capital gains taxation on any currency gain arising on the redemption of the Shares.

### *Transfers of shares*

If a non-exempt Irish resident Shareholder transfers (by sale or otherwise) an entitlement to Shares, the Fund will account for Irish tax in respect of that transfer. The amount of Irish tax deducted will be calculated by reference to the gain (if any) which has accrued to the Shareholder on the Shares being transferred and will be equal to:

1. 25% of such gain, where the Shareholder is a company; and
2. 36% of the gain, where the Shareholder is not a company.

The Fund will pay this deducted tax to the Irish Revenue Commissioners. To fund this Irish tax liability, the Fund may appropriate or cancel other Shares held by the Shareholder. This may result in further Irish tax becoming due.

Generally, a Shareholder will have no further liability to Irish tax in respect of any payment received in respect of the transfer of Shares. However, if the Shareholder is a company for which the payment is a trading receipt, the payment (less the cost of acquiring the Shares) will form part of its taxable income for self-assessment purposes and the Shareholder may set off the deducted tax against its corporation tax liability.

Additionally, if Shares are not denominated in euro, a Shareholder may be liable (on a self-assessment basis) to Irish capital gains tax on any currency gain arising on the transfer of the Shares.

#### *Eighth Anniversary' Events*

If a non-exempt Irish resident Shareholder does not dispose of Shares within eight years of acquiring them, the Shareholder will be deemed for Irish tax purposes to have disposed of the Shares on the eighth anniversary of their acquisition (and any subsequent eighth anniversary). On such deemed disposal, the Fund will account for Irish tax in respect of the increase in value (if any) of those Shares over that eight year period. The amount of Irish tax accounted for will be equal to:

1. 25% of such increase in value, where the Shareholder is a company; and
2. 36% of the increase in value, where the Shareholder is not a company.

The Fund will pay this tax to the Irish Revenue Commissioners. To fund the Irish tax liability, the Fund may appropriate or cancel Shares held by the Shareholder.

However, if less than 10% of the Shares (by value) in the Fund are held by non-exempt Irish resident Shareholders, the Fund may elect not to account for Irish tax on this deemed disposal. To claim this election, the Fund must:

1. confirm to the Irish Revenue Commissioners, on an annual basis, that this 10% requirement is satisfied and provide the Irish Revenue Commissioners with details of any non-exempt Irish resident Shareholders (including the value of their Shares and their Irish tax reference numbers); and
2. notify any non-exempt Irish resident Shareholders that the Fund is electing to claim this exemption.

If the exemption is claimed by the Fund, any non-exempt Irish resident Shareholders must pay to the Irish Revenue Commissioners on a self-assessment basis the Irish tax which would otherwise have been payable by the Fund on the eighth anniversary (and any subsequent eighth anniversary).

Any Irish tax paid in respect of the increase in value of Shares over the eight year period may be set off on a proportionate basis against any future Irish tax which would otherwise be payable in respect of those Shares and any excess may be recovered on an ultimate disposal of the Shares.

#### *Share exchanges*

Where a Shareholder exchanges Shares on arm's length terms for other Shares in the Fund or for Shares in another Portfolio of the Fund and no payment is received by the Shareholder, the Fund will not deduct Irish tax in respect of the exchange.

## **Stamp duty**

No Irish stamp duty (or other Irish transfer tax) will apply to the issue, transfer or redemption of Shares. If a Shareholder receives a distribution *in specie* of assets from the Fund, a charge to Irish stamp duty could potentially arise.

## **Gift and Inheritance tax**

Irish capital acquisitions tax (at a rate of 33%) can apply to gifts or inheritances of Irish situate assets or where either the person from whom the gift or inheritance is taken is Irish domiciled, resident or ordinarily resident or the person taking the gift or inheritance is Irish resident or ordinarily resident.

The Shares could be treated as Irish situate assets because they have been issued by an Irish company. However, any gift or inheritance of Shares will be exempt from Irish gift or inheritance tax once:

1. the Shares are comprised in the gift or inheritance both at the date of the gift or inheritance and at the 'valuation date' (as defined for Irish capital acquisitions tax purposes);
2. the person from whom the gift or inheritance is taken is neither domiciled nor ordinarily resident in Ireland at the date of the disposition; and
3. the person taking the gift or inheritance is neither domiciled nor ordinarily resident in Ireland at the date of the gift or inheritance.

## ***EU Savings Tax Directive***

Ireland has transposed the EU Directive on the taxation of savings income in the form of interest payments (Directive 2003/48/EC) into Irish law. In certain circumstances, the Fund (or an Irish paying agent) may be obliged to report information to the Irish Revenue Commissioners relating to Shareholders who are individuals resident in the EU (other than in Ireland) or in certain other territories. A reporting obligation may also arise with respect to Shareholders established in these jurisdictions who are not legal persons, persons subject to corporate taxation or UCITS. Any information reported to the Irish Revenue Commissioners would be communicated to the authorities in the jurisdiction of residence (or establishment) of the relevant Shareholders. However, no reporting obligation should arise in Ireland once (broadly) the Fund, or the relevant sub-fund of the Fund, invests less than 15% of its total assets (directly or indirectly) in debt claims or other specified assets.

## **27.5 Meaning of terms**

### ***Meaning of 'residence' for companies***

A company which has its central management and control in Ireland is tax resident in Ireland irrespective of where it is incorporated. A company which does not have its central management and control in Ireland but which is incorporated in Ireland is tax resident in Ireland except where:

1. the company (or a related company) carries on a trade in Ireland and either the company is ultimately controlled by persons resident in EU member states or countries with which Ireland has a double tax treaty, or the company (or a related company) are quoted companies on a recognised stock exchange in the EU or in a tax treaty country; or
2. the company is regarded as not resident in Ireland under a double tax treaty between Ireland and another country.

### *Meaning of 'residence' for individuals*

An individual will be regarded as being tax resident in Ireland for a calendar year if the individual:

1. spends 183 days or more in Ireland in that calendar year; or
2. has a combined presence of 280 days in Ireland, taking into account the number of days spent in Ireland in that calendar year together with the number of days spent in Ireland in the preceding year. Presence in Ireland by an individual of not more than 30 days in a calendar year will not be reckoned for the purposes of applying this 'two year' test.

An individual is treated as present in Ireland for a day if that individual is personally present in Ireland at any time during that day.

### *Meaning of 'ordinary residence' for individuals*

The term 'ordinary residence' (as distinct from 'residence') relates to a person's normal pattern of life and denotes residence in a place with some degree of continuity. An individual who has been resident in Ireland for three consecutive tax years becomes ordinarily resident with effect from the commencement of the fourth tax year. An individual who has been ordinarily resident in Ireland ceases to be ordinarily resident at the end of the third consecutive tax year in which the individual is not resident. For example, an individual who is resident and ordinarily resident in Ireland in 20013 and departs Ireland in that year will remain ordinarily resident in Ireland up to the end of the tax year in 2016.

### *Meaning of 'intermediary'*

An 'intermediary' means a person who:

1. carries on a business which consists of, or includes, the receipt of payments from a regulated investment undertaking resident in Ireland on behalf of other persons; or
2. holds units in such an investment undertaking on behalf of other persons.

## **27.6 U.S. Foreign Account Tax Compliance Act (FACTA)**

### **IRS Circular 230 Disclosure**

To ensure compliance with requirements imposed by the Internal Revenue Service (**IRS**), we inform you that any tax advice contained in this Prospectus was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax-related penalties under the US Internal Revenue Code. Tax advice contained in this Prospectus was written to support the promotion or marketing of the transaction(s) or matter(s) addressed by this Prospectus. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

### **United States Tax Withholding and Reporting under FATCA**

Under the terms of the Intergovernmental Agreement (the **IGA**) entered between Ireland and the United States, the Fund will be obliged to comply with the provisions FATCA as enacted by the Irish legislation implementing the IGA (the **Irish IGA Legislation**), rather than directly complying with the US Treasury Regulations implementing FATCA. Under the terms of the IGA, Irish-resident financial institutions that comply with the requirements of the Irish IGA Legislation will be treated as compliant with FATCA and, as a result, will not be subject to withholding tax under FATCA (**FATCA Withholding**). The Fund expects that it will be considered to be an Irish-

resident financial institution that will need to comply with the requirements of the Irish IGA Legislation and, as a result of such compliance, the Fund should not be subject to FATCA Withholding.

Under the Irish IGA Legislation, the Fund will be required to report to the Irish Revenue Commissioners certain holdings by and payments made to certain US investors in the Fund, as well as to non-US financial institutions that do not comply with the terms of the Irish IGA Legislation, on or after 1 January 2013 and under the terms of the IGA, such information will be onward reported by the Irish Revenue Commissioners to the US Internal Revenue Service under the general information exchange provisions of the US-Ireland Tax Treaty. The first report to the Irish Revenue Commissioners is in 2015 in respect of 2013 and 2014.

Additional intergovernmental agreements similar to the IGA have been entered into or are under discussion by other jurisdictions with the United States. Investors holding investments via distributors or custodians that are not in Ireland or another IGA country should check with such distributor or custodian as to the distributor's or custodian's intention to comply with FATCA. Additional information may be required by the Fund, custodians or distributors from certain investors in order to comply with their obligations under FATCA or under an applicable IGA.

The scope and application of FATCA Withholding and information reporting pursuant to the terms of FATCA and the IGAs is subject to review by the US, Ireland and other IGA governments, and the rules may change. Investors should contact their own tax advisors regarding the application of FATCA to their particular circumstances.

## **28. Reports and Accounts**

The Fund's year end is 31 July in each year. The annual report and audited accounts of the Fund will be sent to Shareholders and the Central Bank within four months after the conclusion of each accounting year and at least 21 days before the general meeting of the Fund at which they are to be submitted for approval. The Fund will also send a semi-annual report and unaudited accounts to Shareholders and the Central Bank within two months after the end of each semi-annual period which will be 31 January in each year.

Such reports and accounts will contain a statement of the Net Asset Value of each Sub-Fund and of the investments comprised therein as at the year end or the end of such semi-annual period.

## **29. Transfer of Shares**

Shares in each Sub-Fund will be transferable by instrument in writing signed by (or, in the case of a transfer by a body corporate, signed on behalf of or sealed by) the transferor provided always that the transferee completes an Application Form to the satisfaction of the Administrator and furnishes the Administrator with any documents required by it. In the case of the death of one of joint Shareholders, the survivor or survivors will be the only person or persons recognised by the Fund as having any title to or interest in the Shares registered in the names of such joint Shareholders.

Shares may not be transferred to a United States Person (except pursuant to an exemption available under the laws of the United States and with the approval of the Directors).

Registration of any transfer may be refused by the Directors if following the transfer either the transferor or the transferee would hold Shares having a value less than the Minimum Holding for the relevant Sub-Fund (if any) specified in the Supplement hereto.

If the transferor is, or is deemed to be, or is acting on behalf of, an Irish Taxable Person the Fund may redeem and cancel a sufficient portion of the transferor's Shares as will enable the Fund to pay the tax payable in respect of the transfer to the Revenue Commissioners in Ireland.

## **30. Notification of Prices**

The latest Net Asset Value per Share will be available on Bloomberg and will be kept up to date. The ticker for each Index is described in the relevant Supplement.

Communications with Shareholders may be effected by electronic mail or by any other means of communication provided that the Shareholder has consented to such method of communication. Copies of any documents sent to Shareholders and details of the Net Asset Value per Share will be available for inspection at the office of the Administrator.

## **31. GENERAL INFORMATION**

### **31.1. Incorporation and Share Capital**

The Fund was incorporated and registered in Ireland as an investment company with variable capital on 28 April 2010 with registered number 483770.

At the date hereof the authorised share capital of the Fund is 2 subscriber shares (**subscriber shares**) of €1 each and 1,000,000,000,000 shares of no par value initially designated as unclassified shares and available for issue as Shares. There are no rights of pre-emption attaching to the Shares.

### **31.2. Articles**

Clause 2 of the Articles provides that the sole object of the Fund is the collective investment in transferable securities and/or other liquid financial assets of capital raised from the public operating on the principle of risk-spreading in accordance with the Regulations.

The Articles contain provisions to the following effect:

31.2.1. **Voting Rights.** On a show of hands at a general meeting or class meeting of the Fund, every Shareholder holding shares who is present in person or by proxy shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote for every share of which he is the holder.

31.2.2. **Winding up.** The Articles contain provisions to the following effect:

- (1) If the Fund shall be wound up the liquidator shall, subject to the provisions of the Companies Acts, apply the assets of each Sub-Fund in such manner and order as he thinks fit in satisfaction of creditors' claims relating to that Sub-Fund.
- (2) The assets available for distribution amongst the holders shall be applied as follows: first the proportion of the assets in a Sub-Fund attributable to each class of share shall be distributed to the holders of shares in the relevant class in the proportion that the number of shares held by each holder bears to the total number of shares relating to each such class of shares in issue as at the date of commencement to wind up and secondly, any balance then remaining and not attributable to any of the classes of shares shall be apportioned pro-rata as between the classes of shares based on the Net Asset Value of each class of shares as at the date of commencement to wind up and the amount so apportioned to a class shall be distributed to holders pro-rata to the number of shares in that class of shares held by them.
- (3) A Sub-Fund may be wound up pursuant to section 256E of the Companies Act, 1990 and in such event the winding up provisions of the Articles shall apply mutatis mutandis in respect of that Sub-Fund.
- (4) If the Fund shall be wound up (whether the liquidation is voluntary, under

supervision or by the court) the liquidator may, with the authority of a special resolution of the relevant Shareholders and any other sanction required by the Companies Acts, divide among the holders of shares of any class or classes within a Sub-Fund in specie the whole or any part of the assets of the Fund relating to that Sub-Fund, and whether or not the assets shall consist of property of a single kind, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between all the Shareholders of the Fund or the holders of different classes of shares in a Sub-Fund. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator, with the like authority, shall think fit, and the liquidation of the Fund may be closed and the Fund dissolved, but so that no Shareholder shall be compelled to accept any assets in respect of which there is a liability. A Shareholder may request the liquidator, instead of transferring the assets in specie to it, to dispose of them and to pay the net sales proceeds instead.

### **31.3. Litigation and Arbitration**

The Fund is not involved in any litigation or arbitration nor are the Directors aware of any pending or threatened litigation or arbitration.

### **31.4. Directors' Interests**

- 31.4.1. There are no service contracts in existence between the Fund and any of its Directors, nor are any such contracts proposed.
- 31.4.2. At the date of this Prospectus, no Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or issued to, the Fund and save as disclosed below no Director is materially interested in any contract or arrangement subsisting at the date hereof which is unusual in its nature and conditions or significant in relation to the business of the Fund.
- 31.4.3. At the date of this Prospectus none of the Directors nor any Associated Person have any beneficial interest in the share capital of the Fund or any options in respect of such capital.
- 31.4.4. Benjamin Walker is a managing director of the Promoter.

### **31.5. Material Contracts**

The following contracts have been entered into otherwise than in the ordinary course of the business intended to be carried on by the Fund and are or may be material:

- 31.5.1. the Investment Management Agreement dated 27 July 2010 between the Fund and the Investment Manager regarding each Sub-Fund. This Agreement provides that the appointment of the Investment Manager may be terminated by either party by not less than three months' prior written notice. Either party may terminate this Agreement by notice in writing (in accordance with the procedure set out in the Agreement) upon the occurrence of certain events as specified in the agreement such as the liquidation of the other party. The Agreement contains certain indemnities in favour of the Investment Manager (and each of its directors, officers, servants, employees, agents and appointees) which are restricted to exclude matters to the extent that they are attributable to the fraud, negligence or willful default in the performance or non-performance by the Investment Manager (or persons designated by it) of its duties or obligations under the Agreement.

- 31.5.2. the Custodian Agreement dated 27 July 2010 between the Fund and the Custodian; this Agreement provides that the appointment of the Custodian shall continue until terminated by either party on not less than 90 days' prior written notice or earlier upon certain breaches or the insolvency of either party. The Custodian Agreement contains provisions governing the responsibility and limitations on the responsibility of the Custodian and provides for its indemnification in certain circumstances, subject to exclusion in the case of unjustifiable failure to perform its obligations or its improper performance of them.
- 31.5.3. the Administration Agreement dated 27 July 2010 between the Fund and the Administrator; this Agreement provides that the appointment of the Administrator shall continue until terminated by either party on not less than 90 days' notice or earlier upon certain breaches or certain insolvency events of either party or in the event that the performance of the Agreement ceases to be lawful. In the absence of fraud, negligence or wilful default, the Administrator will not be liable for any loss arising as a result of the performance or non-performance by the Administrator of its obligations and duties under the Administration Agreement. The Fund has agreed to indemnify the Administrator against losses suffered by the Administrator in the performance or non-performance of its duties and obligations under the Administration Agreement, except for losses arising out of the fraud, negligence or wilful default of the Administrator.
- 31.5.4. the Distribution Agreement dated 27 July 2010 between the Fund and the Distributor, this Agreement provides that the appointment of the Distributor as a distributor will continue unless and until terminated by either party giving to the other party not less than three month's prior written notice although in certain circumstances the Agreement may be terminated forthwith by notice in writing by either party to the other; this Agreement contains certain indemnities in favour of the Distributor as distributor which are restricted to exclude matters arising by reason of the fraud, negligence or wilful default on the part of the Distributor, its servants or agents in the performance of its obligations and duties. The Distributor shall not be liable for the acts or omissions of any intermediary appointed under the terms of the Distribution Agreement, provided that the Distributor has acted with due skill, care and attention in the selection and ongoing appointment of the intermediary.

#### 31.6. **Miscellaneous**

Save as disclosed under the heading **Directors' Interests** above, no Director has any interest in the promotion of or in any property acquired or proposed to be acquired by the Fund.

Save as may result from the entry by the Fund into the agreements listed under the heading **Material Contracts** above or any other fees, commissions or expenses discharged, no amount or benefit has been paid or given or is intended to be paid or given to any promoter of the Fund.

The Distributor may pay an amount of its fees to distributors or other intermediaries. Additionally, the Investment Manager may pay a portion of its fee to distributors, dealers or other entities that assist in the performance of its duties or provide services, directly or indirectly, to the Sub-Funds or their Shareholders and the Investment Manager and/or the Distributor and/or their respective affiliates may enter into private arrangements on a negotiated basis with a holder or prospective holder of Shares. The selection of holders or prospective holders of Shares with whom such private arrangements may be made and the terms on which the Distributor, Investment Manager or their affiliates, designees or placement agents may enter into such private arrangements are a matter for the relevant entity.

#### 31.7. **Documents for Inspection**

Copies of the following documents may be inspected at the offices of the Administrator at its address as set out in this Prospectus, during usual business hours on weekdays, except Saturdays and public holidays:

- (1) the Articles;
- (2) the Supplements;
- (3) the material contracts referred to above;
- (4) the Regulations; and
- (5) the UCITS Notices;

Copies of the Articles (and, after publication thereof, the periodic reports and accounts) may be obtained from the Administrator free of charge.

## 34. APPENDIX I – DEFINITIONS

|                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Administrator</b>     | means Northern Trust International Fund Administration Services (Ireland) Limited or any other person for the time being duly appointed administrator of the Fund in succession to the said Northern Trust International Fund Administration Services (Ireland) Limited.                                                                                                                                                                                                                                                                            |
| <b>Application Form</b>  | means the [original] form which must be submitted with the subscription form upon an initial application or exchange of Shares. It only needs to be submitted with subsequent applications if the investors' details or circumstances have changed from when this form was originally submitted.                                                                                                                                                                                                                                                    |
| <b>Articles</b>          | means the Memorandum and Articles of Association of the Fund.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Associated Person</b> | <p>a person is associated with a Director if, and only if, he or she is:</p> <ul style="list-style-type: none"><li>(a) that Director's spouse, parent, brother, sister or child;</li><li>(b) a person acting in his capacity as the trustee of any trust, the principal beneficiaries of which are the Director, his spouse or any of his children or any body corporate which he controls;</li><li>(c) a partner of that Director.</li></ul> <p>A company will be deemed to be connected with a Director if it is controlled by that Director.</p> |
| <b>Base Currency</b>     | means in relation to any Sub-Fund such currency as is specified in the Supplements hereto (or in the relevant Supplement in the case of any subsequent Sub-Funds that may be established periodically by the Fund with the prior approval of the Central Bank).                                                                                                                                                                                                                                                                                     |
| <b>Business Day</b>      | means those days as are specified in the Supplement hereto (or in the relevant Supplement in the case of any subsequent Sub-Funds that may be established periodically by the Fund with the prior approval of the Central Bank), for the relevant Sub-Fund or such other day(s) as the Directors may, with the approval of the Custodian, determine.                                                                                                                                                                                                |
| <b>Central Bank</b>      | means the Central Bank of Ireland or any successor authority                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Companies Acts</b>    | the Companies Acts 1963 to 2012 including any regulations issued pursuant thereto, insofar as they apply to open-ended investment companies with variable capital.                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Connected Person</b>  | means the persons defined as such in the section headed <b>Sub-Fund Transactions and Conflicts of Interest</b> .                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Custodian</b>         | means Northern Trust Fiduciary Services (Ireland) Limited or any other person for the time being duly appointed Custodian of the Fund in succession to Northern Trust Fiduciary Services (Ireland) Limited.                                                                                                                                                                                                                                                                                                                                         |
| <b>Dealing Day</b>       | means in relation to each class of Shares such day or days as is specified in the relevant Supplement or such other day(s) as the Directors may with the approval of the Custodian determine and notify in advance to Shareholders provided always that there shall be at least one Dealing Day per fortnight.                                                                                                                                                                                                                                      |

|                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Dealing Deadline</b>    | means in relation to applications for subscription, exchange or repurchase of Shares in a Sub-Fund, the dates and times specified in the Supplement for the relevant Sub-Fund.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Directors</b>           | means the directors of the Fund.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Distributor</b>         | means Morgan Stanley & Co International plc or any other person or persons for the time being duly appointed distributor of the Fund or any of the Sub-Funds in succession, or in addition, to Morgan Stanley & Co International plc in accordance with the requirements of the Central Bank.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Duties and Charges</b>  | all stamp and other duties, taxes, governmental charges, brokerage, bank charges, transfer fees, registration fees, any transaction and safekeeping fees payable to the Custodian or its delegates or agents (which will be at normal commercial rates) and other duties and charges whether in connection with the original acquisition or increase of the assets of the relevant Sub-Fund or the creation, issue or sale of Shares or the sale or purchase of investments by the relevant Sub-Fund or otherwise which may have become or may be payable in respect of or prior to or upon the occasion of the transaction or dealing in respect of which such duties and charges are payable but shall not include any commission, taxes, charges or costs which may have been taken into account in ascertaining the Net Asset Value of the relevant Sub-Fund; |
| <b>EEA</b>                 | means the European Economic Area ( Member States, Iceland, Norway, and Liechtenstein).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>EEA Member State</b>    | means a member state of the EEA.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>EU</b>                  | means the European Union.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Foreign Person</b>      | means a person who is neither resident nor ordinarily resident in Ireland for tax purposes who has provided the Fund with the appropriate declaration under Schedule 2B TCA and in respect of whom the Fund is not in possession of any information that would reasonably suggest that the declaration is incorrect or has at any time been incorrect.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Fund</b>                | means FundLogic Alternatives plc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Group Companies</b>     | companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with Directive 83/349/EEC or in accordance with international accounting rules.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Hedged Share Class</b>  | means a Share class whose dealing currency is hedged against the Base Currency and/or other currencies in which the assets of the relevant Sub-Fund may be denominated.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Index</b>               | means such index as specified in the Supplement for the relevant Sub-Fund.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Initial Issue Price</b> | means the price per Share at which Shares are initially offered in a Sub-Fund for such period as is specified in the Supplement for the relevant Sub-Fund.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

|                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Investment Manager</b>                            | means Fundlogic SAS or any other person or persons for the time being duly appointed investment manager of the Fund in succession to Fundlogic SAS in accordance with the requirements of the Central Bank and where the Investment Manager has delegated responsibility for the management of all or part of the assets of a Sub-Fund, the term Investment Manager shall also refer to the sub-investment manager of that particular Sub-Fund. |
| <b>Irish Taxable Person</b>                          | means any person other than a Foreign Person or an exempt Irish Shareholders, as described under "Taxation" above).                                                                                                                                                                                                                                                                                                                             |
| <b>Market</b>                                        | means any stock exchange or market which satisfies the Central Bank's regulatory criteria and which is listed in Appendix II hereto in accordance with the requirements of the Central Bank.                                                                                                                                                                                                                                                    |
| <b>Member State</b>                                  | means a member state of the EU.                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Minimum Holding</b>                               | means such number of Shares or Shares having such value (if any) as is specified in the Supplement for the relevant Sub-Fund.                                                                                                                                                                                                                                                                                                                   |
| <b>Minimum Initial Subscription</b>                  | means such amount (excluding any initial charge) in the relevant currency which must be initially subscribed by each Shareholder for Shares of any class in a Sub-Fund as is specified for the relevant Sub-Fund in the Supplement hereto.                                                                                                                                                                                                      |
| <b>Minimum Repurchase Amount</b>                     | means such amount (excluding any repurchase charge) in the relevant currency which must be redeemed for Shares of any class in a Sub-Fund as is specified for the relevant Sub-Fund in the Supplement hereto.                                                                                                                                                                                                                                   |
| <b>money market instruments</b>                      | shall have the meaning prescribed in the UCITS Notices.                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Month</b>                                         | means calendar month.                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Net Asset Value or Net Asset Value per Share,</b> | means in respect of the assets of a Sub-Fund or in respect of a Share of any class, the amount determined in accordance with the principles set out in this Prospectus under the heading <b>Issue and Repurchase Price/Calculation of Net Asset Value/Valuation of Assets</b> as the Net Asset Value of a Sub-Fund or the Net Asset Value per Share.                                                                                            |
| <b>OECD</b>                                          | means the Organisation for Economic Co-operation and Development.                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Prospectus</b>                                    | means the prospectus issued from time to time by the Fund as amended, supplemented, consolidated or otherwise modified from time to time in accordance with the requirements of the Central Bank.                                                                                                                                                                                                                                               |
| <b>Reference Asset</b>                               | means with respect to a Sub-Fund whose performance is linked to reference assets, the assets to which such Sub-Fund is linked as further described in the relevant Supplement.                                                                                                                                                                                                                                                                  |
| <b>Regulations</b>                                   | means the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011) as amended and supplemented from time to time and includes any conditions that may from time to time be imposed                                                                                                                                                                                      |

thereunder by the Central Bank whether by notice or otherwise affecting the Fund.

|                                |                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Related Companies</b>       | has the meaning assigned thereto in Section 140(5) of the Companies Act, 1990 as amended from time to time. In general, this provision states that companies are related where 50% of the paid up share capital of, or 50% of the voting rights in, one company are owned directly or indirectly by another company.                                                                 |
| <b>Settlement Date</b>         | means in respect of receipt of monies for payment of subscription monies or dispatch of monies for the repurchase of Shares the dates specified in the Supplements for each Sub-Fund.                                                                                                                                                                                                |
| <b>Shares</b>                  | means participating shares in the Fund and includes, where the context so permits or requires, the Shares in a Sub-Fund which may be divided into different classes;                                                                                                                                                                                                                 |
| <b>Shareholders</b>            | means holders of Shares, and each a <b>Shareholder</b> .                                                                                                                                                                                                                                                                                                                             |
| <b>Sub-Funds</b>               | means the Sub-Funds, details of which are set out in the Supplements hereto (and in the relevant Supplement in the case of any other Sub-Funds that may be established periodically by the Fund with the prior approval of the Central Bank).                                                                                                                                        |
| <b>Sub-Investment Manager</b>  | means a Sub-Investment Manager or Sub-Investment Managers appointed by the Investment Manager in accordance with the requirements of the Central Bank in respect of a Sub-Fund;                                                                                                                                                                                                      |
| <b>Supplement</b>              | means the Supplements to this Prospectus (each a <b>Supplement</b> ) and any Supplement issued by the Fund in relation to the creation of new Sub-Funds and/or share classes.                                                                                                                                                                                                        |
| <b>TCA</b>                     | means the Irish Taxes Consolidation Act, 1997 as amended from time to time.                                                                                                                                                                                                                                                                                                          |
| <b>transferable securities</b> | shall have the meaning prescribed in the UCITS Notices.                                                                                                                                                                                                                                                                                                                              |
| <b>UCITS</b>                   | means an undertaking for collective investment in transferable securities pursuant to the UCITS Directive.                                                                                                                                                                                                                                                                           |
| <b>UCITS Directive</b>         | means the EC Council Directive 2009/65/EC of 13 July 2009 on the Co-ordination of Laws, Regulations and Administrative Provisions relating to UCITS, as amended, supplemented or replaced from time to time.                                                                                                                                                                         |
| <b>UCITS Notices</b>           | mean the notices and guidance notes issued by the Central Bank from time to time pursuant to the Regulations.                                                                                                                                                                                                                                                                        |
| <b>Unhedged Share Class</b>    | means a class of Shares where, typically, Shares may be applied for and exchanged and dividends calculated and paid and repurchase proceeds paid in a currency other than the Base Currency of the relevant Sub-Fund on the basis of a currency conversion at the prevailing spot currency exchange rate of the relevant Base Currency for the currency of the relevant Share class. |
| <b>United Kingdom or UK</b>    | means the United Kingdom of Great Britain and Northern Ireland.                                                                                                                                                                                                                                                                                                                      |

**United States or  
U.S. or US**

means the United States of America, its territories, possessions and all areas subject to its jurisdiction (including the Commonwealth of Puerto Rico).

**United States Person  
or U.S. Person**

has the meaning ascribed to it in Regulation S promulgated under the United States Securities Act of 1933, as amended from time to time.

**Valuation Point**

means the point in time by reference to which the Net Asset Value of a Sub-Fund is calculated as is specified in the Supplement for the relevant Sub-Fund.

In this Prospectus references to **Euro** and **€** are references to the lawful currency of the European Economic and Monetary Union Member States from time to time, the current members being Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, The Netherlands, Portugal, Slovenia, Spain and Latvia, references to **Sterling** or **£** are to the lawful currency of the United Kingdom and references to **US\$** or **US Dollars** are to the currency of the United States. All references to the foregoing currencies shall include any successor currency.

## 32. APPENDIX II - MARKETS

The exchanges/markets are set out below in accordance with the requirements of the Central Bank which does not issue a list of approved markets.

With the exception of permitted investment in unlisted securities, investment will be limited to the following stock exchanges and regulated markets:-

1 (a) any stock exchange which is:

- located in any Member State;
- located in Iceland, Norway or Liechtenstein
- located in Australia, Canada, Hong Kong, Japan, New Zealand, Switzerland, United States of America; or

(b) any stock exchange or regulated market included in the following list:-

|                                                     |   |                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Argentina                                           | - | Buenos Aires Stock Exchange (including Buenos Aires Floor SINAC), Cordoba, Mendoza, Rosario and La Plata Stock Exchange;                                                                                                                                                                                                                                                             |
| Bahrain                                             | - | Bahrain Stock Exchange;                                                                                                                                                                                                                                                                                                                                                              |
| Bangladesh                                          | - | Chittangong Stock Exchange and Dhaka Stock Exchange;                                                                                                                                                                                                                                                                                                                                 |
| Botswana                                            | - | Botswana Stock Exchange;                                                                                                                                                                                                                                                                                                                                                             |
| Brazil                                              | - | BOVESPA – Bolsa de Valores de Sao Paulo<br>Brasilia Stock Exchange, Bahia-Sergipe-Alagoas Stock Exchange, Extremo Sul Porto Alegre Stock Exchange, Minas Esperito Santo Stock Exchange, Parana Curitiba Stock Exchange, Pernambuco e Bahia Recife Stock Exchange, Regional Fortaleza Stock Exchange, Rio de Janeiro Stock Exchange, Santos Stock Exchange, Sao Paulo Stock Exchange; |
| Bulgaria                                            |   | Sofia Stock Exchange                                                                                                                                                                                                                                                                                                                                                                 |
| Channel Islands<br>(Guernsey, Jersey & Isle of MAN) |   | Channel Islands Stock Exchange                                                                                                                                                                                                                                                                                                                                                       |
| Chile                                               | - | Santiago Stock Exchange and Valparaiso Stock Exchange;                                                                                                                                                                                                                                                                                                                               |
| China                                               | - | Shanghai Securities Exchange, Fujian Stock Exchange, Hainan Stock Exchange and Shenzhen Stock Exchange;                                                                                                                                                                                                                                                                              |
| Colombia                                            | - | Bolsa de Bogota and Bolsa de Valores de Columbia SA;                                                                                                                                                                                                                                                                                                                                 |
| Egypt                                               | - | Egyptian Exchange;                                                                                                                                                                                                                                                                                                                                                                   |
| Ghana                                               | - | Ghana Stock Exchange;                                                                                                                                                                                                                                                                                                                                                                |
| India                                               | - | Ahmedabad Stock Exchange, Bangalore Stock Exchange, Bombay Stock Exchange, Calcutta Stock Exchange, Cochin Stock Exchange, Delhi Stock Exchange, Gauhati Stock Exchange, Hyderabad Stock Exchange, Ludhiana Stock Exchange, Madras Stock Exchange, Magadh Stock Exchange, National Stock Exchange of India, Pune Stock Exchange., Uttar Pradesh Stock Exchange;                      |
| Indonesia                                           | - | Indonesia Stock Exchange, Jakarta Stock Exchange and Surabaya Stock Exchange;                                                                                                                                                                                                                                                                                                        |
| Israel                                              | - | Tel Aviv Stock Exchange;                                                                                                                                                                                                                                                                                                                                                             |
| Jordan                                              | - | Amman Stock Exchange;                                                                                                                                                                                                                                                                                                                                                                |

|                   |   |                                                                         |
|-------------------|---|-------------------------------------------------------------------------|
| Kazakstan         | - | Kazakhstan Stock Exchange;                                              |
| Kenya             | - | Nairobi Stock Exchange;                                                 |
| Korea             | - | Korean Stock Exchange;                                                  |
| Kuwait            | - | Kuwait Stock Exchange;                                                  |
| Lebanon           | - | Beirut Stock Exchange;                                                  |
| Malaysia          | - | Bursa Malaysia Berhad (previously known as Kuala Lumpur Stock Exchange; |
| Mexico            | - | Bolsa Mexicana de Valores;                                              |
| Morocco           | - | Casablanca Stock Exchange;                                              |
| Namibia           | - | Namibian Stock Exchange;                                                |
| Nigeria           | - | Nigerian Stock Exchange;                                                |
| Oman              | - | Muscat Securities Market and Oman Stock Exchange;                       |
| Pakistan          | - | Karachi Stock Exchange;                                                 |
| Peru              | - | Lima Stock Exchange and Bolsa de Valores de Lima ;                      |
| Philippines       | - | Philippines Stock Exchange;                                             |
| Qatar             | - | Qatar Stock Exchange and Doha Securities Exchange;                      |
| Russia            | - | Level 1 and Level 2 RTS Stock Exchange, MICEX;                          |
| Saudi Arabia      | - | The Tadawal Stock Exchange;                                             |
| Singapore         | - | Singapore Exchange (including Singapore Main Bond Exchange and SGX-ST); |
| South Africa      | - | Bond Exchange of South Africa, Johannesburg Stock Exchange;             |
| Sri Lanka         | - | Colombo Stock Exchange;                                                 |
| Taiwan            | - | Taiwan Stock Exchange;                                                  |
| Thailand          | - | Thailand Stock Exchange;                                                |
| Trinidad & Tobago | - | The Trinidad & Tobago Stock Exchange;                                   |
| Tunisia           | - | Tunisia Stock Exchange;                                                 |
| Turkey            | - | Istanbul Stock Exchange;                                                |
| Ukraine           | - | Ukrainian Stock Exchange;                                               |
| Uruguay           | - | Montevideo Stock Exchange;                                              |
| Venezuela         | - | Caracas Stock Exchange and Maracaibo Stock Exchange;                    |
| Zambia            | - | Lusaka Stock Exchange;                                                  |

(c) any of the following over the counter markets:

The market organised by the International Securities Markets Commission;

The (i) market conducted by banks and other institutions regulated by the Financial Services Authority (**FSA**) and subject to the Inter-Professional Conduct provisions of the FSA's Market Conduct Sourcebook and (ii) market in non-investment products which is subject to the guidance contained in the Non Investment Products Code drawn up by the participants in the London market, including the FSA and the Bank of England;

The market in US government securities conducted by primary dealers regulated by the Federal Reserve Bank of New York and the US Securities and Exchange Commission;

The over-the-counter market in the United States conducted by primary and second dealers regulated by the Securities and Exchanges Commission and by the National Association of Securities Dealers (and by banking institutions regulated by the US Comptroller of the Currency, the Federal Reserve System or Federal Deposit Insurance Corporation);

The over-the-counter market in Japan regulated by the Securities Dealers Association of Japan;

The Over-the-Counter market in Canadian Government Bonds as regulated by the Investment Dealers Association of Canada;

The French market for **Titres de Creance Negotiable** (over-the-counter market in negotiable debt instruments)

(d) any of the following electronic exchanges:

NASDAQ;

KOSDAQ; [Korea]

SESDAQ [Singapore]

TAISDAQ/Gretai Market; [Taiwan]

RASDAQ; [Romania]

2 In relation to any exchange traded financial derivative contract, any stock exchange on which such contract may be acquired or sold and which is regulated, operates regularly, is recognised and open to the public and which is:

(1) located in an EEA Member State,

(2) located in Australia, Canada, Hong Kong, Japan, New Zealand, Switzerland, United States

(3) the Channel Islands Stock Exchange

(4) listed at (d) above or

(5) any of the following:

- The Chicago Board of Trade;

- The Chicago Mercantile Exchange;

- The Chicago Board Options Exchange;

- EDX London;

- New York Mercantile Exchange;

- New York Board of Trade;

- New Zealand Futures and Options Exchange;

- Hong Kong Futures Exchange;

- Singapore Commodity Exchange;

- Tokyo International Financial Futures Exchange;

**FundLogic Alternatives plc**  
**Promoter and Distributor**  
**Morgan Stanley & Co International plc**

**Supplement dated 1 June 2017**

**for**

**CZ Absolute Alpha UCITS Fund**

This Supplement contains specific information in relation to the **CZ Absolute Alpha UCITS Fund** (the “**Sub-Fund**”), a sub-fund of **FundLogic Alternatives plc** (the “**Fund**”), an umbrella fund with segregated liability between sub-funds and authorised by the Central Bank of Ireland (the “**Central Bank**”) pursuant to the Regulations. The Sub-Fund will be managed by CZ Capital LLP (the “**Investment Manager**”). **This Supplement forms part of and should be read in conjunction with the Prospectus for the Fund dated 18 February 2014 (the “Prospectus”).**

**A significant amount of the Sub-Fund’s economic exposure will be effected through financial derivative instruments, although as described herein the Sub-Fund will make other investments.**

**An investment in the Sub-Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

The Directors of the Fund whose names appear in the section entitled “**Directors of the Fund**” in the Prospectus accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement. In the event of any conflict between the Prospectus and this Supplement, this Supplement shall prevail.

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# 1. INVESTMENT OBJECTIVE AND POLICIES

## 1.1. *Investment Objective*

The Sub-Fund's investment objective is to achieve a positive risk-adjusted return by investing in a broadly market neutral portfolio of long and short positions with primary focus on equities listed in the United Kingdom, and to a lesser extent equities listed in Ireland.

## 1.2. *Investment Policy*

The Sub-Fund will seek to achieve its investment objective by investing primarily (on a long and short basis) in one or more of the following asset classes: (i) equities; (ii) equity related securities, including, without limitation, (a) common and preferred stock (b) rights and (c) Global Depositary Receipts ("GDRs") listed or traded on the Markets globally as referred to in Appendix II of the Prospectus with a primary focus on equities and equity related securities of companies listed in the United Kingdom. The Sub-Fund does not have any specific industry or sector focus.

The Sub-Fund will also invest in financial derivative instruments ("**FDI**") including exchange-traded derivatives (as described in more detail under "Information on Financial Derivative Instruments" below), OTC swaps (as detailed in the "Swaps" section below), options on equities and / or equity related securities, forwards, futures on equities and / or equity related securities, and contracts for differences on equities and / or equity related securities listed or traded on the Markets globally referred to in Appendix II of the Prospectus. Moreover, the Sub-Fund may invest in exchange traded funds ("**ETFs**"), for investment and/or hedging purposes, subject to the overall limit on investment in collective investment schemes set out below. ETFs may be used for hedging purposes by taking synthetic short positions in index or sector ETFs to hedge the market / industry risk in individual stock positions.

The Sub-Fund will not invest in securities listed in emerging markets.

The Sub-Fund may employ long (both direct and synthetic) and synthetic short positions. The Sub-Fund will not take physical short positions. Synthetic positions are established through the use of FDI (as detailed below). The Sub-Fund may, following an analysis set out under "Investment Process" below, take short positions in respect of stocks which it believes are overvalued by the marketplace. The Sub-Fund may, subject to the requirements laid forth by the Central Bank, enter into exchange traded and over-the-counter FDI transactions for investment, hedging and efficient portfolio management purposes. The Sub-Fund may utilize equity and equity index options for both investment and hedging purposes.

FDIs will include swaps, options, futures and options on futures, contracts for differences (CFD) and forward currency exchange contracts. For example: (i) equity swaps and CFDs may be utilised for access to certain issuers and jurisdictions or for investment purposes; (ii) single name and index options (in respect of indices which are UCITS eligible) may be utilised to hedge out the risk associated with an industry or gain exposure to an issuer or for investment purposes; (iii) index futures on broad based indices (which are UCITS eligible), such as the FTSE 100 Index, which may be utilised in order to hedge the equity portion of the portfolio from movements in the general equity market or for investment purposes; and (iv) options on futures may be utilised to quantify the potential loss from a contract expiring in a loss position or for investment purposes.

In addition, for example, FDI may be used to seek to hedge against the risk of adverse currency movements between the Hedged Share Classes as described under Classes of Shares below. For further information on the types of FDIs that the Sub-Fund may enter into please see the section entitled Information on the Financial Derivative Instruments below. If it is proposed to utilise any FDIs which are not contained in the risk management process in respect of the Sub-Fund, the Fund will submit an updated risk management process to the Central Bank in accordance with the Central Bank's guidance entitled UCITS Financial Derivative Instruments and Efficient Portfolio Management for clearance prior to the Sub-Fund engaging in using such FDIs. See the section

**“Information on Financial Derivative Instruments”** below for a description of the FDI which may be employed.

The ratio of long and synthetic short investments in equities and equity related securities may vary through time. The net market exposure of the Sub-Fund will generally be between -30% and +30% of the Net Asset Value of the Sub-Fund. However, the movements in underlying investments may result in deviation from these thresholds and it might not always be feasible to adjust the portfolio to stay within these thresholds. The long exposure to equities and equity related securities will generally be between 50% and 150% of the Net Asset Value of the Sub-Fund and short exposure to equities and equity related securities will generally be between 50% and 150% of the Net Asset Value of the Sub-Fund.

The Sub-Fund may invest up to 10% of its Net Asset Value in collective investment schemes. Such collective investment schemes will be domiciled in the EEA, Jersey, Guernsey, the Isle of Man or the United States and will be UCITS funds or alternative investment funds which are equivalent to UCITS.

Further, the Sub-Fund may also hold, for the purpose of efficient portfolio management, ancillary liquid assets, which may include bank deposits, certificates of deposit, fixed or floating rate instruments, government securities, commercial paper, floating rate notes and freely transferable promissory notes. The fixed income securities in which the Sub-Fund may invest will be rated at or above investment grade and may be unrated and be either fixed or floating and government or corporate. Fixed income securities will be deemed to be investment grade, if they have a rating BBB- and/or above by Standard & Poor's, or an equivalent rating by any of the other principal rating agencies or, if unrated, are determined to be above investment grade by the Investment Managers. The Sub-Fund will not invest in below investment grade fixed income securities.

The investments of the Sub-Fund (other than permitted unlisted investments) will be listed or traded on the markets referred to in Appendix II of the Prospectus.

The counterparties to all derivative transactions, which may or may not be related to the Company, Investment Manager or Depositary, will be entities with legal personality typically located in OECD jurisdictions subject to prudential supervision and belonging to categories permitted by the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 (as may be amended or supplemented from time to time) and will not have discretion over the assets of the Sub-Fund. A credit assessment will be undertaken with respect to each counterparty and where the counterparty is subject to a credit rating by any agency registered and supervised by ESMA, that rating shall be taken into account in the credit assessment. Where a counterparty is downgraded to A2 or below (or comparable rating) by such a credit rating agency, a new credit assessment in respect of the counterparty will be undertaken.

### **Investment Process**

The investment strategy is to construct a portfolio of long and short positions in companies listed on the London and Irish stock exchanges, selected by fundamental research and valuation-based analysis, on a broadly market neutral basis (i.e. net market exposure between -30% and +30% of the Net Asset Value of the Sub-Fund).

Investment ideas are generated through a variety of sources including proprietary research, quantitative screening, meetings with management and corporate activity. The proprietary research process marries strong fundamental analysis, focused on cash returns, with a deep understanding of 'soft' factors such as corporate culture (ESG – environmental, social and governance factors), company management and the quality of accounts. The investment team within the Investment Manager believes that its emphasis on soft factors is a key differentiator in its approach and is expected to help in alpha generation particularly for the short positions. Investments are made with a long-term investment horizon and position sizes are adjusted in response to price movements and overall portfolio risk. Based on the above, the Investment Manager will then select long positions which are expected to increase in value and short positions which are expected to decrease in value.

The portfolio is constructed to be broadly neutral to the UK and Irish equity markets and so net exposure to the UK and Irish markets is generally low, with the risks of the portfolio coming from the individual long and short positions which are selected.

#### **Profile of a Typical Investor**

An investment in the Sub-Fund is suitable for investors seeking long to medium term appreciation of capital. Shares in the Sub-Fund are available to both individual and institutional investors.

## **2. INVESTMENT RESTRICTIONS**

The general investment restrictions as set out in the Prospectus shall apply.

The Fund may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body and section 13.1 of the Prospectus shall not apply in respect of this Sub-Fund.

The Directors may from time to time impose such further investment restrictions as shall be compatible with or in the interests of Shareholders, in order to comply with the laws and regulations of the countries where Shareholders are located.

## **3. INFORMATION ON THE FINANCIAL DERIVATIVE INSTRUMENTS**

**Swaps.** These include total return swaps and CFD. A total return swap is a bilateral financial contract, which allows one party to enjoy all of the cash flow benefits of an asset without actually owning this asset. The underlying reference assets of the total return swaps can be single name equity or equity securities, indices or custom baskets of equity securities or currencies. A CFD is a bilateral contract that allows involved parties to exchange the difference between current market value of an underlying asset and its market value at the inception of the contract. The counterparties to swap transactions will be institutions subject to prudential supervision and belonging to categories approved by the Central Bank and will not have discretion over the assets of the Sub-Fund.

**Options.** The Sub-Fund may also enter into exchange-traded options and options traded over-the-counter (or OTC options) on equity and equity indices. Unlike exchange traded options, which are standardised with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of OTC options are generally established through negotiation with the other party to the option contract. A call option on an investment is a contract under which the purchaser, in return for a premium paid, has the right to buy the securities underlying the option at the specified exercise price at any time during the term of the option. A put option is a contract that gives the purchaser, in return for a premium paid, the right to sell the underlying securities at the specified exercise price during the term of the option. Index put options may be purchased provided that all of the assets of the Sub-Fund, or a proportion of such assets which may not be less in value than the exercise value of the put option purchased, can reasonably be expected to behave in terms of price movement in the same manner as the options contract.

**Futures and Options on Futures.** The Sub-Fund may also enter into futures and options on futures on equity and equity indices. The sale of a futures contract creates an obligation by the seller to deliver the type of financial instrument called for in the contract in a specified delivery month for a stated price. The purchase of a futures contract creates an obligation by the purchaser to pay for and take delivery of the type of financial instrument called for in the contract in a specified delivery month, at a stated price.

**Forward Currency Exchange Contracts.** Forward currency exchange contracts may be used for Share class hedging purposes. The Sub-Fund may buy and sell currencies on a spot and forward

basis. A forward currency exchange contract involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract.

Further, the Sub-Fund's exposure to securities financing transactions is as set out below (in each case as a percentage of Net Asset Value):

|                                                       | Expected | Maximum |
|-------------------------------------------------------|----------|---------|
| Total Return Swaps / Margin Finance                   | 180%     | 375%    |
| Repurchase Agreements & Reverse Repurchase Agreements | 0%       | 0%      |
| Stock Lending                                         | 0%       | 0%      |

#### 4. INVESTMENT MANAGER

The Fund has appointed CZ Capital LLP, a limited liability partnership incorporated in England and Wales on 7 November 2005 (the **"Investment Manager"**) as the investment manager of the Sub-Fund. The Investment Manager is authorised and regulated by the Financial Conduct Authority (the **"FCA"**) and is registered as an investment adviser with the United States Securities and Exchange Commission (SEC). The Investment Manager has its principal offices at 53-54 Grosvenor Street, London, W1K 3HU, United Kingdom and manages approximately \$330 million of assets as at January 2017.

Subject to controls imposed by the Directors under the investment management agreement between the Fund and the Investment Manager dated 18 May 2017 in relation to the Sub-Fund, as may be amended from time to time (the **"Agreement"**), all relevant laws and regulations, this Supplement, the Prospectus and the Articles, the Investment Manager has discretion to take day-to-day investment decisions and to deal in investments and to conduct the investment management of the Sub-Fund.

The Agreement provides that the Investment Manager shall be responsible for loss to the Sub-Fund and/or the Fund to the extent such loss arises out of negligence, wilful default or fraud by itself, its directors, officers, servants, employees and appointees. The Fund shall indemnify and keep indemnified and hold harmless the Investment Manager, any direct or indirect parent of the Investment Manager or any of its employees (collectively, **"Indemnified Parties"**) from and against any and all actions, suits, proceedings, claims, assessments, demands, losses, damages, liabilities, costs and expenses directly or indirectly suffered or incurred by the Investment Manager as a consequence of (i) any action or inaction of an Indemnified Party under the Agreement, including, without limitation, any judgment, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the defence of any actual or threatened action or proceeding, save those arising from the Investment Manager's negligence (whether through an act or omission), wilful default or fraud.

Except as set forth in the Agreement, either party may terminate the Agreement on giving not less than 90 days' prior written notice (or such other period as may be agreed between the parties). In addition, the Agreement may be terminated at any time in the circumstances set out in the Agreement.

#### 5. RISK MANAGER

Pursuant to a risk management agreement dated 26 August 2010, as amended (the **"Risk**

**Management Agreement**”), Morgan Stanley & Co. International plc (the “**Promoter**”) has agreed to provide certain Sub-Funds of the Fund, including the Sub-Fund, with risk management and compliance reporting services in accordance with the Risk Management Agreement and the risk management processes in respect of the Sub-Funds.

The Risk Management Agreement provides that the Promoter shall not be liable for any loss, damage or expense (including, without limitation, reasonable legal counsel and professional fees and other costs and expenses incurred in connection with the defence of any claim, action or proceedings) directly suffered or incurred by the Fund or the Sub-Fund arising directly out of any act or omission done or suffered by the Promoter (its directors, officers, servants, employees, delegates or sub-contractors) in the performance or non-performance of its duties thereunder, save for such loss, damage or expense as shall directly result from the negligence, bad faith, wilful default or fraud of the Promoter (its directors, officers, servants, employees, delegates or sub-contractors) in the performance or non-performance of its duties under this Risk Management Agreement. In no circumstance shall the Promoter be liable for any indirect, special or consequential losses of the Fund or the Sub-Fund or any other party arising from the performance or non-performance of its duties thereunder.

The Risk Management Agreement shall continue in force until terminated pursuant to the Risk Management Agreement. Either party may terminate the Risk Management Agreement on giving not less than 90 days’ written notice at any time. The Risk Management Agreement may also be terminated at any time in the circumstances set out in the Risk Management Agreement.

## 6. BORROWING AND LEVERAGE

The Fund may directly borrow money in an amount up to 10% of its Net Asset Value at any time for the account of the Sub-Fund and the Depositary may charge the assets of the Sub-Fund as security for any such borrowing, provided that such borrowing is only for temporary purposes.

The Sub-Fund will be leveraged through the use of FDI. In accordance with the requirements of the Central Bank, the absolute VaR of the Sub-Fund may not exceed 20% of the Net Asset Value of the Sub-Fund using a one-tailed confidence interval of 99% and a holding period of one month and a historical observation period of 4 years.

As outlined above, the long exposure to equities and equity related securities will generally be between 50% and 150% of the Net Asset Value of the Sub-Fund and short exposure to equities and equity related securities will generally be between 50% and 150% of the Net Asset Value of the Sub-Fund. Therefore the Sub-Fund’s gross leverage calculated using the sum of the notional exposure of its derivatives positions is expected to be between 100% and 300% of the Net Asset Value of the Sub-Fund and is not expected to exceed 375% of the Net Asset Value of the Sub-Fund.

## 7. SUB-CUSTODIAN

Pursuant to an agreement dated 18 May 2017, as may be amended from time to time (the “**Sub-Custody Agreement**”), the Depositary has appointed Morgan Stanley & Co. International plc (“**MSI plc**”) as sub-custodian in relation to the Sub-Fund, subject to the overall supervision of the Depositary, and MSI plc may in such capacity hold certain assets of the Sub-Fund from time to time. MSI plc is a company incorporated with limited liability under the laws of England and Wales whose principal place of business is at 25 Cabot Square, Canary Wharf, London E14 4QA and is regulated by the FCA in the UK.

The Sub-Custody Agreement may be terminated by either party on 30 days’ written notice, or, where the Services Agreement (as defined below) is not terminated, with MSI plc’s written permission or forthwith by notice in writing in certain circumstances such as the insolvency of MSI plc. The Sub-Custody Agreement provides that MSI plc shall indemnify the Depositary for certain losses unless MSI plc’s liability arises (i) in connection with the potential liability of the Depositary that is released pursuant to applicable law following the occurrence of an external event beyond the reasonable control of MSI plc, the consequences of which would have been unavoidable

despite all reasonable efforts to the contrary; (ii) out of the negligence, wilful default or fraud of the Depository or any of its affiliates; or (iii) as a result of the delegation by MSI plc of the safekeeping of assets to Depository or any of its affiliates.

## 8. SERVICE PROVIDER

The Fund has appointed MSI plc (the “**Service Provider**”) to provide certain services (being the services set out in the paragraph immediately below) to the Fund as Service Provider pursuant to a services agreement dated 18 May 2017 in respect of the Sub-Fund, as may be amended from time to time (the “**Services Agreement**”).

Under the Services Agreement, the Service Provider or certain other members of the Morgan Stanley Group of companies (the “**Morgan Stanley Companies**”) agree to provide certain services to the Fund including the provision to the Fund of settlement, clearing and foreign exchange facilities. The Service Provider does not have discretion over the Sub-Fund’s assets. The Fund may also utilise Morgan Stanley Companies and other brokers and dealers for the purposes of executing transactions for the Sub-Fund, such as settlements, fx transactions, cash equity transactions and financial derivative transactions.

Further detail in respect of the Services Agreement is set out in the section entitled **Other Information** below.

## 9. RISK FACTORS

**The risk factors set out in the section entitled Risk Factors in the Prospectus apply.**

**The following additional risk factors also apply:**

### **No Operating History**

The Sub-Fund is new and thus has no operating history. Past performance of the Investment Manager or its employees and affiliates is not indicative of the future performance of the Sub-Fund.

### **Equity Investment Risk**

The Sub-Fund will purchase equity securities and hence is subject to the risk that stock prices will fall over short or extended periods of time. The Sub-Fund will also sell equity securities short using CFDs and hence is subject to the risk that stock prices will rise over short or extended periods of time. Investors can potentially lose all, or a substantial portion, of their investment in the Sub-Fund.

### **Dependence on Key Individuals**

The success of the Sub-Fund depends heavily on the services of certain individuals within the Investment Manager. Should such individuals be unable to participate in the management of the Sub-Fund, the consequence to the Sub-Fund could be material and adverse and could lead to the premature termination of the Sub-Fund.

### **Currency Risk**

The Base Currency of the Sub-Fund is Great British Pound. Shareholders may subscribe in Swiss Franc, Great British Pound, US Dollars, Swedish Krona or Euros into the CHF, GBP, USD, SEK and EUR denominated Share classes respectively.

The CHF, SEK, USD and EUR denominated Shares are Hedged Share Classes. Shareholders in the Hedged Share Classes are urged to read the risk factor in the Prospectus entitled **Hedged Share Classes** for information on the currency risks associated with investment in those Share

classes.

### **Investment in Cyclical and High Growth Sectors**

Certain of the companies in which the Sub-Fund may invest may belong to high growth sectors (e.g., technology, communications and healthcare) and cyclical sectors. The long positions in securities of such companies may experience above-average losses in periods of economic downturns and may have high company specific risk. Such securities can be highly susceptible to market downturn and may be more volatile than the market.

### **Market Capitalization Risk**

The Sub-Fund may invest in the stocks of companies having smaller market capitalizations, including mid-cap and small-cap stocks. The stocks of these companies often have less liquidity than the stocks of larger companies and these companies frequently have less management depth, narrower market penetrations, less diverse product lines, and fewer resources than larger companies. Due to these and other factors, stocks of smaller companies may be more susceptible to market downturns and other events, and their prices may be more volatile than the stocks of larger companies.

### **Initial Public Offerings**

The Sub-Fund may invest in initial public offerings ("IPOs"). As there is no prior public market for such securities, there can be no assurance that an active public market will develop or continue after an investment has been made. Securities purchased in IPOs carry additional risks beyond those in general securities trading. While these securities may offer significant opportunities for gain because of wide fluctuations in price, such fluctuation could work to the material disadvantage of the Sub-Fund.

### **Nature of Investments**

The Investment Manager has broad discretion in making investments for the Sub-Fund. Investments will generally consist of equity securities and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Investment Manager will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Sub-Fund's activities and the value of its investments. No guarantee or representation is made that Sub-Fund's investment objectives will be achieved.

### **Speculative Nature of Certain Investments**

Certain investments of the Sub-Fund may be regarded as speculative in nature and involving increased levels of investment risk. Since an inherent part of the Investment Manager's strategy will be to identify securities and other investments that are undervalued (or, in the case of short positions, overvalued) by the marketplace, success of such strategy necessarily depends upon the market eventually recognizing such value in the price of the security or other investment, which may not necessarily occur. Accordingly, investors in the Sub-Fund must be prepared to assume the risks inherent in such speculative investments.

### **Performance Fee – No Equalisation**

The methodology used in calculating the Performance Fees in respect of the Class B, Class S, Class A, Class P and Class I Shares may result in inequalities as between Shareholders in relation to the payment of Performance Fees (with some investors paying disproportionately higher

performance fees in certain circumstances) and may also result in certain Shareholders having more of their capital at risk at any time than others (as no equalisation methodology is employed in respect of the Performance Fee calculation).

### **Counterparty Risk**

The Sub-Fund will be exposed to the credit risk of the parties with which it transacts. Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Sub-Fund. This would include the counterparties to any FDI, repo or securities lending agreement that it enters into. Trading in FDI which have not been collateralised gives rise to direct counterparty exposure. The Sub-Fund aims to mitigate its credit risk to its counterparties by receiving collateral but, to the extent that any FDI is not collateralised, a default by the counterparty may result in a reduction in the value of the Sub-Fund. The Fund will maintain an active oversight of counterparty exposure and the collateral management process in respect of the Sub-Fund.

### **Brokerage and Other Arrangements**

In selecting brokers or dealers to effect portfolio transactions, the Investment Manager need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. The Investment Manager may cause commissions to be paid to a broker or dealer that furnishes or pays for research, services or equipment at a higher price than that which might be charged by another broker or dealer for effecting the same transaction. In the event that the Investment Manager does enter into soft commission arrangement(s) it shall seek to ensure that (i) the broker or counterparty to the arrangement will provide best execution to the Sub-Fund; (ii) the benefits under the arrangement(s) shall be those which assist in the provision of investment services to the Sub-Fund and/or other clients of the Investment Manager and (iii) brokerage rates will not be in excess of customary institutional full service brokerage rates. Details of any such arrangements will be contained in the following report of the Fund. In the event that such report is the unaudited semi-annual report, details shall also be included in the following annual report.

### **Broker Credit Risks**

Assets deposited as margin with executing brokers need not be segregated from the assets of such executing brokers. Such assets may therefore be available to the creditors of such executing brokers in the event of their insolvency. The failure or bankruptcy of a broker may result in adverse consequences for the assets of the Sub-Fund and may in turn, have an adverse effect on the Net Asset Value of the Sub-Fund.

### **Settlement Risks**

The Sub-Fund will be exposed to a credit risk on parties with whom it trades and will also bear the risk of settlement default.

### **Possible Adverse Tax Consequences**

The Investment Manager cannot assure any investor that the relevant, applicable tax authorities (each a "**Tax Authority**") will accept the tax positions taken by the Investment Manager and/or the Sub-Fund. If any Tax Authority successfully contests a tax position taken by the Investment Manager and/or the Sub-Fund, the Investment Manager and/or the Sub-Fund may be liable for tax, interest or penalties and the investors may need to file or amend one or more tax returns.

### **Futures**

Futures prices may be volatile. This volatility may lead to substantial risks and returns, possibly much larger than in the case of equity or fixed income investments. The Sub-Fund may trade futures on a leveraged basis. As a result, a relatively small price movement in a futures contract may result in immediate and substantial gains or losses for the Sub-Fund.

Futures trading may be illiquid. Certain exchanges do not permit trading particular futures at prices that represent a fluctuation in price during a single day's trading beyond certain set limits, which could prevent the Sub-Fund from promptly liquidating unfavourable positions, subjecting the Sub-Fund to substantial losses. Exchanges and regulatory authorities in some jurisdictions impose speculative position limits on the number of futures positions a person or group may hold or control in particular futures. For the purposes of complying with speculative position limits, the Sub-Fund's outright futures positions may be required to be aggregated with any futures positions owned or controlled by the Investment Manager or any agent of the Investment Manager. As a result, the Sub-Fund may be unable to take positions in particular futures or may be forced to liquidate positions in particular futures.

Some non-U.S. exchanges are "principals' markets" in which no common clearing facility exists and a trader may have limited recourse with respect to a contract. In addition, unless the Sub-Fund hedges against fluctuations in the exchange rate between the USD (being the Base Currency of the Sub-Fund) and other currencies in which trading is done on non-US exchanges, any profits that the Sub-Fund realises in trading could be reduced or eliminated by adverse changes in the exchange rate, or the Sub-Fund could incur losses as a result of those changes.

### **Options**

Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Because option premiums paid or received by an investor are small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading in options could cause the value of Shares to be subject to more frequent and wider fluctuations than would be the case if the Sub-Fund did not invest in options.

### **Compulsory Repurchase of Shareholder's Shares**

The Directors have the right to repurchase, in accordance with the Articles, all of the Shares of any Share class held by a Shareholder if a Shareholder fails to produce all required information for anti-money laundering purposes, or, given the potential pecuniary, regulatory, legal or material administrative disadvantages for the Fund.

### **Re-invested Cash Collateral**

Collateral may be obtained in respect of OTC FDI and efficient portfolio management techniques. Where cash collateral is re-invested, it will be subject to the same risks as direct investments as set out under the section entitled "Risk Factors" in the Prospectus. Re-invested cash collateral should also be diversified in accordance with the diversification requirements applicable to non-cash collateral.

### **Conflicts of Interest**

The Investment Manager (and its principals, directors, shareholders, affiliates or employees) serve or may serve as investment manager or investment advisor to other client accounts and conduct investment activities for their own accounts (such entities and accounts are referred to collectively as the "**Other Clients**"). Such Other Clients may have investment objectives or may implement investment strategies similar to those of the Sub-Fund.

The Investment Manager (or its principals, directors, shareholders, affiliates or employees) may give advice or take action with respect to such Other Clients that differs from the advice given with respect to the Sub-Fund. It may not always be possible or consistent with the investment objectives of the Other Clients and of the Sub-Fund for the same investment positions to be taken or liquidated at the same time or at the same price. Participation in specific investment opportunities may be appropriate, at times, for the Sub-Fund and one or more of the Other Clients.

In such cases, participation in such opportunities will be allocated on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments, relative exposure to short-term market trends and the investment programs and portfolio positions of the Sub-Fund and the Other Clients for which participation is appropriate.

The existence of the Performance Fee may create an incentive for the Investment Manager to make more speculative investments on behalf of the Sub-Fund than it would otherwise make in the absence of such performance-based fee. The Performance Fee may result in performance fees to the Investment Manager that may be greater than performance fees paid to other managers for similar services. In addition, the Management Fee is paid without regard to the overall success of the Sub-Fund.

The Investment Manager and its affiliates manage the Other Clients pursuant to various fee arrangements. Differences in such fee arrangements may give them an incentive to prefer such Other Clients above the Sub-Fund. For example, certain of such Other Clients may participate in an incentive fee arrangement, which may be more economically favourable to the Investment Manager. Nonetheless, the Investment Manager intends to act in a manner that is fair to all its clients, including the Sub-Fund.

In addition, purchase and sale transactions (including swaps) may be effected between the Sub-Fund and Other Clients subject to the following guidelines: (i) such transactions shall be effected for cash consideration at the current market price of the particular securities, and (ii) no extraordinary brokerage commission or fee (except for customary transfer fees or fees paid to a third party broker) or other remuneration shall be paid in connection with any such transaction.

The Investment Manager (and its principals, directors, shareholders, affiliates or employees) may conduct any other business including any business within the securities industry.

## 10. DIVIDEND POLICY

It is not the intention of the Directors to declare a dividend in respect of any Share class. Any distributable profits will remain in the Sub-Fund's assets and be reflected in the Net Asset Value of the relevant class of Shares.

## 11. KEY INFORMATION FOR PURCHASING AND SELLING

### Base Currency

Great British Pound

### Classes of Shares

Shares in the Sub-Fund will be available in different classes as follows:

| Class              | Currency Denomination | Currency Hedged Shares | Initial Issue Price per Share | Minimum Initial Subscription | Management Fee | Performance Fee | Minimum Subsequent Subscription /Minimum Repurchase Amount | Minimum Holding |
|--------------------|-----------------------|------------------------|-------------------------------|------------------------------|----------------|-----------------|------------------------------------------------------------|-----------------|
| Class A EUR Shares | Euro                  | Yes                    | €1,000                        | €10,000                      | 2%             | 20%             | €1,000                                                     | N/A             |
| Class A USD Shares | US Dollar             | Yes                    | \$1,000                       | \$10,000                     | 2%             | 20%             | \$1,000                                                    | N/A             |
| Class A GBP Shares | Pound Sterling        | No                     | £1,000                        | £10,000                      | 2%             | 20%             | £1,000                                                     | N/A             |
| Class A CHF Shares | Swiss Franc           | Yes                    | CHF1,000                      | CHF10,000                    | 2%             | 20%             | CHF1,000                                                   | N/A             |
| Class A SEK Shares | Swedish Krona         | Yes                    | SEK 1,000                     | SEK 100,000                  | 2%             | 20%             | SEK 10,000                                                 | N/A             |
| Class I EUR Shares | Euro                  | Yes                    | €1,000                        | €1,000,000                   | 1.5%           | 20%             | €10,000                                                    | 1,000 Shares    |
| Class I USD Shares | US Dollar             | Yes                    | \$1,000                       | US\$1,000,000                | 1.5%           | 20%             | \$10,000                                                   | 1,000 Shares    |
| Class I GBP Shares | Pound Sterling        | No                     | £1,000                        | £1,000,000                   | 1.5%           | 20%             | £10,000                                                    | 1,000 Shares    |
| Class I CHF Shares | Swiss Franc           | Yes                    | CHF1,000                      | CHF1,000,000                 | 1.5%           | 20%             | CHF10,000                                                  | 1,000 Shares    |
| Class I SEK Shares | Swedish Krona         | Yes                    | SEK 1,000                     | SEK 10,000,000               | 1.5%           | 20%             | SEK 100,000                                                | 10,000 Shares   |
| Class P EUR Shares | Euro                  | Yes                    | €1,000                        | €100,000                     | 1.5%           | 20%             | €10,000                                                    | 100 Shares      |
| Class P USD Shares | US Dollar             | Yes                    | \$1,000                       | US\$100,000                  | 1.5%           | 20%             | \$10,000                                                   | 100 Shares      |
| Class P GBP Shares | Pound Sterling        | No                     | £1,000                        | £100,000                     | 1.5%           | 20%             | £10,000                                                    | 100 Shares      |
| Class P CHF        | Swiss Franc           | Yes                    | CHF1,000                      | CHF100,000                   | 1.5%           | 20%             | CHF10,000                                                  | 100 Shares      |

|                    |                |     |           |                |       |     |             |                |
|--------------------|----------------|-----|-----------|----------------|-------|-----|-------------|----------------|
| Shares             |                |     |           |                |       |     |             |                |
| Class P SEK Shares | Swedish Krona  | Yes | SEK 1,000 | SEK 1,000,000  | 1.5%  | 20% | SEK 10,000  | 1,000 Shares   |
| Class B EUR Shares | Euro           | Yes | €1,000    | €1,000,000     | 1.00% | 15% | €10,000     | 10,000 Shares  |
| Class B USD Shares | US Dollar      | Yes | \$1,000   | \$1,000,000    | 1.00% | 15% | \$10,000    | 10,000 Shares  |
| Class B GBP Shares | Pound Sterling | No  | £1,000    | £1,000,000     | 1.00% | 15% | £10,000     | 10,000 Shares  |
| Class B CHF Shares | Swiss Franc    | Yes | CHF1,000  | CHF1,000,000   | 1.00% | 15% | CHF10,000   | 10,000 Shares  |
| Class B SEK Shares | Swedish Krona  | Yes | SEK 1,000 | SEK 10,000,000 | 1.00% | 15% | SEK 100,000 | 100,000 Shares |
| Class S EUR Shares | Euro           | Yes | €1,000    | €10,000,000    | 1.00% | 15% | €10,000     | 100,000 Shares |
| Class S USD Shares | US Dollar      | Yes | \$1,000   | \$10,000,000   | 1.00% | 15% | \$10,000    | 100,000 Shares |
| Class S GBP Shares | Pound Sterling | No  | £1,000    | £10,000,000    | 1.00% | 15% | £10,000     | 100,000 Shares |
| Class M Shares     | Pound Sterling | No  | £1,000    | £20,000        | 0%    | 0%  | £1,000      | 20 shares      |

The limits set out above may be raised, lowered or waived at the discretion of the Directors. Shareholders will be notified in advance of any permanent change to the Minimum Initial Subscription, the Minimum Subsequent Subscription, the Minimum Holding and/or the Minimum Repurchase Amount. The Fund has the power to redeem the remaining holding of any Shareholder who redeems his holding of Shares in any Share class to below the Minimum Holding.

The Class B EUR Shares, Class B CHF Shares, Class B USD Shares, Class B SEK Shares and Class B GBP Shares will be the seed Share classes and therefore it is expected that such Shares will only be available for subscription until such time as the Net Asset Value in these Share Classes reaches 100 million GBP in aggregate, or such other amount as may be determined by the Directors from time to time in their absolute discretion.

The Class S EUR Shares, Class S USD Shares and Class S GBP Shares will be the early bird Share classes and therefore it is expected that such Shares will only be available for subscription until such time as the Net Asset Value in these Share Classes reaches 50 million GBP in aggregate, or such other amount as may be determined by the Directors from time to time in their absolute discretion.

Confirmation can be obtained from the Distributor as to whether any of these Share classes are currently being offered for subscription at any time after the initial offer period set out below.

The Class M Shares are a management Share class and no management or performance fees are payable in respect of this Share class. The Class M Shares are for investment by the Investment Manager and its employees and such other persons as the Investment Manager may determine from time to time.

The USD, SEK, CHF and EUR denominated Share classes are Hedged Share Classes. In respect of the Hedged Share Classes, the Investment Manager will seek to hedge against the risk of currency movements between the Base Currency of the Sub-Fund and the currency in which the

relevant Hedged Share Class is denominated. Such transactions will be allocated solely to the relevant Hedged Share Class. Therefore, currency exposures of different currency classes may not be combined or offset and currency exposures of assets of the Sub-Fund may not be allocated to separate Share classes. Investors in USD, SEK, CHF and EUR denominated Share classes are referred to the description and risks related to Hedged Share Classes in section 16.6 of the Prospectus.

Investors must subscribe into a Share class in the currency in which that Share class is denominated. Repurchase payments are also made in the currency in which the relevant Share class is denominated.

The Directors may, in their discretion, waive the minimum amounts above either generally or in relation to any specific subscription or repurchase.

### **Initial Offer Period for each Share Class**

The initial offer period for all Share classes shall be from 9.00 a.m. (Irish time) on 19 May 2017 until 5:00 p.m. (Irish time) on 3 July 2017 as may be shortened or extended by the Directors in accordance with the requirements of the Central Bank.

### **Business Day**

Every day (except legal public holidays in the United Kingdom, or Ireland or days on which the stock markets in London are closed) during which banks in Ireland and the United Kingdom are open for normal business and/or such other day or days as the Directors may from time to time determine and notify in advance to Shareholders.

### **Dealing Day**

Every Business Day (except legal public holidays in the United Kingdom or Ireland or days on which the stock markets in London are closed) during which banks in Ireland and the United Kingdom are open for normal business and/or such other day or days as the Directors may from time to time determine and notify in advance to Shareholders, provided that in any event there shall be at least one Dealing Day per fortnight.

### **Dealing Deadline**

In the case of subscriptions, 12 midday Irish time 1 Business Day prior to the relevant Dealing Day.

In the case of repurchases, 12 midday Irish time 1 Business Day prior to the relevant Dealing Day.

The Directors may, in their discretion and in exceptional circumstances, waive the Dealing Deadline either generally or in relation to any specific subscription provided that applications are received prior to the Valuation Point for that particular Dealing Day.

### **Settlement Date**

In the case of subscriptions, by 12 midday Irish time 3 Business Days after the relevant Dealing Day.

In the case of redemptions, within 3 Business Days after the relevant Dealing Day.

In respect of subscriptions investors will be liable for any interest, losses or other costs incurred as a result of failing to settle an order within these time frames.

### **Valuation Point**

In the case of transferable securities and listed FDI, the valuation point will be such time on a

Dealing Day which reflects the close of business on the markets relevant to such assets and liabilities or such other time as the Directors may determine from time to time and notify to Shareholders. In the case of OTC FDI, the valuation point will be the close of business on the Dealing Day of the markets relevant to the underlying assets to which the FDIs relate or such other time as the Directors may determine from time to time and notify to Shareholders. For the avoidance of doubt, the time at which the Net Asset Value is determined will always be after the Dealing Deadline.

## 12. CHARGES AND EXPENSES

### Initial, Exchange and Repurchase Charges

With respect to Class A GBP Shares, Class A USD Shares, Class A CHF Shares, Class A SEK Shares and Class A EUR Shares, the Sub-Fund may on any Dealing Day that a Shareholder subscribes for Shares require such Shareholder to pay an initial charge of up to 3% of the issue price of such Shares on that Dealing Day. Any initial charge received by the Sub-Fund may be paid to the Distributor, or any sub-distributor (which may be an affiliate of the Investment Manager) or intermediary, who has the discretion to waive or rebate such charge.

With respect to Class P GBP Shares, Class P USD Shares, Class P CHF Shares, Class P SEK Shares and Class P EUR Shares, the Sub-Fund may on any Dealing Day require a Shareholder to pay an initial charge of up to 3% of the issue price of such Shares on that Dealing Day. Any initial charge received by the Sub-Fund may be paid to the Distributor, or any sub-distributor (which may be an affiliate of the Investment Manager) or intermediary, who has the discretion to waive or rebate such charge.

No exchange charge or repurchase charge shall be payable in respect of the Shares.

The Sub-Fund may impose an anti-dilution levy or adjustment on the issue or repurchase of Shares as further described in the section of the Prospectus entitled **Issue and Repurchase Prices/Calculation of Net Asset Value/Valuation of Assets**. Investors should note that this anti-dilution levy includes any cost associated with the purchase or sale of investments including, without limitation, all stamp and other duties, taxes, governmental charges, brokerage, bank charges, transfer fees, registration fees and other transaction costs.

### Management Fee

The Fund will pay in aggregate to the Investment Manager from the assets attributable to each class of Shares of the Sub-Fund the following fees ("**Management Fees**") which are based on a percentage of Net Asset Value attributable to such class of Shares, which is accrued daily and paid monthly in arrears at an annual rate set out below:

2% per Class A GBP Share, Class A USD Share, Class A SEK Share, Class A CHF Share and Class A EUR Share (collectively, the "**Class A Shares**");

1.5% per Class I GBP Share, Class I USD Share, Class I CHF Share, Class I SEK Share and Class I EUR Share (collectively, the "**Class I Shares**");

1.5% per Class P GBP Share, Class P USD Share, Class P CHF Share, Class P SEK Share and Class P EUR Share (collectively, the "**Class P Shares**");

1.00% per Class B GBP Share, Class B USD Share, Class B CHF Share, Class B SEK Share and Class B EUR Share (collectively, the "**Class B Shares**");

1.00% per Class S GBP Share, Class S USD Share, Class S EUR Share (collectively, the "**Class S Shares**")

## Performance Fee

In addition to the other fees payable in respect of each Share class in the Sub-Fund, a performance fee (the "**Performance Fee**") is payable in total to the Investment Manager equal to (i) 15% for Class S Shares and Class B Shares and 20% in respect of the Class A Shares, Class P Shares and Class I Shares; of the net appreciation in the net asset value of each Class (before deduction of any unrealised accrued Performance Fee but after accrual for all other fees and expenses payable) calculated every twelve months to the end of December of each calendar year, each such period being a "**Calculation Period**".

For the first Calculation Period which shall be from the close of the relevant initial offer period to 31 December 2017, the "**High Water Mark Net Asset Value**" means the Initial Issue Price for the relevant Share class (which will be taken as the starting price for the calculation of the initial Performance Fee for a Share class) multiplied by the number of Shares of such Share class in issue at the launch of the relevant Share class.

For each subsequent Calculation Period for a Share class, the "**High Water Mark Net Asset Value**" means either (i) where a Performance Fee was payable in respect of the prior Calculation Period, the Net Asset Value per Share of the relevant Share class at the beginning of the Calculation Period multiplied by the number of Shares of such Share class in issue at the beginning of such Calculation Period, increased or decreased on each Dealing Day with respect to any subscriptions or redemptions of Shares which have taken place since the beginning of such Calculation Period; or (ii) where no Performance Fee was payable in respect of the prior Calculation Period, the High Water Mark Net Asset Value of the relevant Share class at the end of the prior Calculation Period, increased or decreased on each Dealing Day with respect to any subscriptions or redemptions of Shares which have taken place since the beginning of such Calculation Period.

The Performance Fee payable for a Calculation Period shall be equal to 15% for Class S Shares and Class B Shares and 20% for Class A, Class P and Class I Shares of the amount by which the net asset value exceeds the High Water Mark Net Asset Value as at the end of the relevant Calculation Period, plus any Performance Fee accrued in respect of any Shares which were redeemed during the Calculation Period and remained unpaid at the end of Calculation Period.

During each Calculation Period the High Water Mark Net Asset Value for a Share class will be increased or decreased on each Dealing Day with respect to any subscriptions or redemptions of Shares which have taken place during such Calculation Period. With regard to redemptions, the High Water Mark Net Asset Value for a Share class is decreased by an amount equal to the percentage which such redemptions represent of the Net Asset Value of the Class on the relevant Dealing Day (i.e., if a redemption equal to 5% of the Net Asset Value is accepted, the High Water Mark Net Asset Value will be reduced by 5%). With regard to subscriptions, the High Water Mark Net Asset Value for a Share class is increased by an amount equal to the value of the subscription.

For the purposes of the Performance Fee calculation, the Net Asset Value of the relevant Share class shall be calculated before the deduction of any accrual for Performance Fee for that Calculation Period, other than Performance Fees accrued for the Share class in respect of any Shares which were redeemed during the Calculation Period but not yet paid.

No Performance Fee may be accrued until the Net Asset Value of a Share class exceeds the relevant High Water Mark Net Asset Value for the relevant Calculation Period. Where Performance Fees are payable by the Sub-Fund, these will be based on net realised and net unrealised gains and losses as at the end of each Calculation Period. As a result, Performance Fees may be paid on unrealised gains which may subsequently never be realised.

The Performance Fee will be accrued on each Dealing Day on the basis of the performance of the Net Asset Value of the Share class in question during the relevant Calculation Period. If applicable, Performance Fees are deducted from the Sub-Fund attributable to the Class in question, and paid within 14 calendar days of the end of the relevant Calculation Period to the Investment Manager.

If a Shareholder redeems all or part of their Shares before the end of the Calculation Period, any accrued Performance Fee with respect to such Shares will crystallise on that Dealing Day and will then become payable to the Investment Manager within 14 calendar days of the end of relevant month when the Performance Fees has been crystallised. When a Performance Fee is crystallised on a redemption of Shares prior to the end of a Calculation Period, it will not be reimbursed to the Sub-Fund despite any poor performance that the Sub-Fund may suffer from the date of such redemption to the end of the relevant Calculation Period.

If the Investment Management Agreement is terminated before the end of any Calculation Period, the Performance Fee in respect of the then current Calculation Period will be calculated and paid as though the date of termination were the end of the relevant Calculation Period.

The Performance Fee will be calculated by the Administrator and verified by the Depositary.

It should be noted that as the Net Asset Value may differ between Share classes, separate Performance Fee calculations will be carried out for separate Share classes within the Sub-Fund which may therefore become subject to different amounts of Performance Fee.

### **Risk Management, Administrator's and Depositary's Fees**

The Fund will pay the Promoter, out of the assets of the Sub-Fund, a fee which will not exceed 0.40% per annum of the Net Asset Value of the Sub-Fund and will be accrued daily and paid monthly in arrears.

The Promoter will, inter alia, pay the fees and expenses of the Administrator and Depositary in full out of this fee and will be entitled to retain any excess after payment of such fees for risk management services provided by the Promoter.

Notwithstanding the above, any transaction charges, reasonable fees and customary agents' charges due to any sub-custodian (which shall be charged at normal commercial rates) together with value added tax, if any, thereon, shall be paid out of the assets of the Sub-Fund or, if paid by the Depositary, shall be reimbursed to the Depositary out of the assets of the Sub-Fund.

### **On-going Charges and Expenses**

The additional charges and expenses specified in the section entitled **On-going Charges and Expenses** in the Prospectus will, save in respect of the fees of the Distributor, be paid out of the assets of the Sub-Fund. The Investment Manager will be responsible for discharging the fees of the Distributor out of their own fees.

## **13. HOW TO SUBSCRIBE FOR SHARES**

Requests for the purchase of Shares should be made in accordance with the provisions set out in the section entitled **Applications for Shares** in the Prospectus.

## **14. HOW TO REPURCHASE SHARES**

Requests for the sale of Shares should be made in accordance with the provisions set out in the section entitled **Repurchase of Shares** in the Prospectus.

## **15. HOW TO EXCHANGE SHARES**

Requests for the exchange of Shares should be made in accordance with the provisions set out in the section entitled **Exchange of Shares** in the Prospectus.

## 16. ESTABLISHMENT CHARGES AND EXPENSES

The cost and expenses of establishing the Sub-Fund will be paid by MSI plc.

## 17. OTHER CHARGES AND EXPENSES

Further details of the charges and expenses payable out of the assets of the Sub-Fund are set out in the Prospectus under the headings **Management Charges and Expenses** and **General Charges and Expenses**. In addition, the Sub-Fund will bear any currency hedging costs, ongoing regulatory expenses, including, without limitation, the fees and expenses associated with any preparation and filings related to regulatory filings which seek information about the Sub-Fund, investment and/or trading related expenses, including, without limitation, subscriptions, investment and trading related software, including data processing and storage, software development and trade order management software (e.g., software used to route trade orders).

## 18. SERVICES AGREEMENT

Pursuant to the Services Agreement, neither the Service Provider nor any Morgan Stanley Company nor their employees or officers will be liable for any loss, cost, charge, fee, expense, damage or liability resulting from any act or omission made in connection with the Services Agreement or the services provided thereunder. In particular, but without limitation, the Service Provider will not be liable for any loss of, or any failure to insure, investments, or for the quality, quantity, condition or delivery of investments or the correctness, validity, sufficiency or genuineness of any of the documents relating to investments. This exclusion does not apply where such loss results directly from the negligence, wilful default or fraud of the Service Provider or any Morgan Stanley Company or their employees or officers.

The Service Provider or any Morgan Stanley Company or their employees or officers will not in any circumstances be liable for any consequential loss, damage or liability regardless of whether it is aware of the likelihood of such loss, damage or liability. The Fund will fully indemnify the Service Provider or any Morgan Stanley Company or their employees or officers on demand against any and all claims which the Service Provider or any Morgan Stanley Company or their employees or officers may suffer or incur directly or indirectly (including those incurred to a sub-custodian, broker, executing broker, exchange, clearing house or other regulatory authority) as a result, or in connection with, or arising out of the Services Agreement, related documents, related transactions and any other matters set out in the Services Agreement. This indemnity will not extend to the Service Provider or any Morgan Stanley Company or their employees or officers in so far as the claims suffered by the same are a direct result of its fraud, wilful default, negligence, breach of applicable law or regulation (other than where the breach of law or regulation arises as a result of the indemnified person taking any action or inaction on the instructions of the Fund or its agents or as a result of the failure by the Fund to take any action required to be taken by it under applicable law or regulation).

As security for the payment and discharge of all liabilities of the Fund to the Service Provider and the Morgan Stanley Companies, all investments and cash held by the Service Provider (in its capacity as sub-custodian) and each such Morgan Stanley Company will be charged by the Fund in their favor and will therefore constitute collateral for the purposes of the rules of the FCA. Investments and cash may also be deposited by the Fund with the Service Provider and other Morgan Stanley Companies as margin and will also constitute collateral for the purposes of the FCA rules. Investments which constitute collateral for the purposes of the FCA rules may not be segregated from the Service Provider's own investments and may be available to creditors of the Service Provider or the Morgan Stanley Companies. Cash which the Fund transfers to the Service Provider will, subject to the terms of the Services Agreement, be client money for the purposes of the FCA rules and will therefore be subject to the client money protections conferred by the FCA rules.

Either party may terminate the Services Agreement by giving at least five Business Days' prior written notice. The Service Provider may terminate the Services Agreement with immediate effect if it determines in its discretion that it has become unlawful under any applicable law for the Service Provider or the Morgan Stanley Companies, or the Fund to perform any or all of its

respective obligations thereunder.

## 19. OTHER INFORMATION

As at the date of this Supplement, there are forty-eight other sub-funds of the Fund currently in existence, Emerging Markets Equity Fund, Salar Convertible Absolute Return Fund, MS PSAM Global Event UCITS Fund, Indus Select Asia Pacific Fund, MS Algebris Global Financials UCITS Fund, Indus PacificChoice Asia Fund, MS Ascend UCITS Fund, MS Alkeon UCITS Fund, RiverCrest European Equity Alpha Fund, MS SLJ Macro UCITS Fund, MS QTI UCITS Fund, MS Turner Spectrum UCITS Fund, MS Long Term Trends UCITS Fund, MS Discretionary Plus UCITS Fund, MS Lynx UCITS Fund, MS Dalton Asia Pacific UCITS Fund, MS Broadmark Tactical Plus UCITS Fund, MS Swiss Life Multi Asset Protected Fund, MS TCW Unconstrained Plus Bond Fund, MS Fideuram Equity Smart Beta Dynamic Protection 80 Fund, MS Nezu Cyclical Japan UCITS Fund, MS Scientific Beta Global Equity Factors UCITS ETF, MS Kairos Enhanced Selection UCITS Fund, MS Scientific Beta US Equity Factors UCITS ETF, MSCI Emerging Markets ESG Equity Fund, MS Tremblant Long/Short Equity UCITS Fund, Global Equity Risk Premia Long/Short UCITS Fund, MS Fideuram Equity Smart Beta Dynamic Protection 80 Fund II, DAX<sup>®</sup> 80 Garant, IPM Systematic Macro UCITS Fund, Quantica Managed Futures UCITS Fund, Smartfund 80% Protected Growth Fund, Smartfund 80% Protected Balanced Fund, MSCI China A International Fund, Mariner Lenus Healthcare UCITS Fund, Smartfund Cautious Fund, Smartfund Balanced Fund, Smartfund Growth Fund, 80% Protected Index Portfolio, Mariner Investment Diversifying Alternative UCITS Fund, Market Neutral Credit UCITS Fund, Academy Quantitative Global UCITS Fund, Arno Fund, QW Equity Market & Sector Neutral UCITS Fund, Abante 80% Proteccion Creciente Fund, Cautious 85% Protected Fund, Moderate 80% Protected Fund and Cube Global Cross Assets Fund.