

# Supplement

## Babson Capital Global Investment Funds plc

(an investment company with variable capital incorporated with limited liability in Ireland with registered number 486306 and authorised as an umbrella fund with segregated liability between funds by the Central Bank of Ireland pursuant to part XIII of the Companies Act and the AIFMD Regulations)

The Directors of Babson Capital Global Investment Funds plc (the “Company”) whose names appear in the “Directory” of 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 that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

### Babson Capital European Loan Fund

8 April 2014

This Supplement describes the Babson Capital European Loan Fund (the “Fund”), which is a fund of Babson Capital Global Investment Funds plc (the “Company”). **This Supplement forms part of the prospectus for the Company dated 27 January 2014, as may be amended from time to time, (the “Prospectus”) and should be read in the context of, and in conjunction with the Prospectus.**

Save as disclosed herein, there has been no significant change and no significant new matter has arisen since the date of the Prospectus.

Applicants for Shares in the Company will be deemed to be on notice of all information contained in the Prospectus.



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# 1 Definitions

Words and terms defined in the Prospectus have the same meaning in this Supplement unless otherwise stated herein.

“**Accumulation Tranche**” means the relevant Tranches in the table in Section 2 below which have been indicated as accumulation tranches;

“**AIFM**” means Babson Capital Global Advisors Limited (also herein referred to as the “**Investment Manager**”) who has been appointed as the alternative investment fund manager under the AIFMD of the Company pursuant to the AIFMD Regulations, or such other entity as may for the time being be appointed as AIFM of the Company in accordance with the requirements of the Central Bank, which may be the Company itself or a third party;

“**Business Day**” means:

- (i) a day on which banks in Dublin and London and the London Stock Exchange are open for business; or
- (ii) such other day or days as may be determined from time to time by the Directors;

“**Dealing Day**” means:

- (i) each Business Day (unless the determination of the Net Asset Value of the Fund has been suspended for the reasons specified in the Prospectus and provided that if the day is a Business Day by virtue of paragraph (ii) of the definition of Business Day above, the Company will provide advance notice of this fact to all Shareholders in the Fund), or
- (ii) any other day which the Directors have determined, subject to advance notice to all Shareholders in the Fund;

“**Distribution Tranche**” means the relevant Tranches in the table in Section 2 below which have been indicated as distribution tranches;

“**Fund**” means the Babson Capital European Loan Fund;

“**Hedged Tranche**” means the relevant Tranches in the table in Section 2 below which have been indicated as hedged tranches;

“**Investment Manager**” means Babson Capital Global Advisors Limited, the entity appointed to act as AIFM to the Company;

“**Member State of the OECD**” means a member state of the OECD, (as defined in the Prospectus);

“**Redemption Cut-Off Time**” means 5:00 pm (Irish time) on the Business Day which is thirty calendar days before the relevant Dealing Day or, if such calendar day is not a Business Day, the preceding Business Day;

“**Subscription Cut-Off Time**” means 5:00 pm (Irish time) on the Business Day which is three Business Days before the relevant Dealing Day;

“**Valuation Point**” means 5:00 pm New York time on each Valuation Day, unless otherwise determined by the Directors;

“**Valuation Day**” means each Dealing Day, unless otherwise determined by the Directors.

## 2 The Fund

The Babson Capital European Loan Fund (the “**Fund**”) is the second fund of Babson Capital Global Investment Funds plc (the “**Company**”), an investment company with variable capital incorporated with limited liability in Ireland with registered number 486306 and established as an umbrella fund with segregated liability between funds.

The Company offers the following Tranches in the Fund as set out in the table below. The Company may also create additional Tranches in the Fund in the future.

Share Tranche			
A	B	C	E
<b>Accumulating Tranches Available</b>			
Yes	Yes	Yes	Yes
<b>Distributing Tranches Available</b>			
Yes	Yes	Yes	Yes
<b>Currencies Available: Base Currency</b>			
EUR	EUR	EUR	EUR
<b>Currencies Available: Hedged Share Tranches</b>			
GBP	GBP	GBP	GBP
USD	USD	USD	USD
CHF	CHF	CHF	CHF
AUD	AUD	AUD	AUD
SGD	SGD	SGD	SGD
CAD	CAD	CAD	CAD
JPY	JPY	JPY	JPY
DKK	DKK	DKK	DKK
NOK	NOK	NOK	NOK
SEK	SEK	SEK	SEK
<b>Management Fee</b>			
0.60%	0.525%	0.60%	1.00%
<b>Administration Charge</b>			
0%	0%	0.10%	0%
<b>Minimum Subscription</b>			
EUR5,000,000	EUR40,000,000	EUR250,000	EUR100,000*
GBP4,375,000	GBP35,000,000	GBP250,000	
USD6,875,000	USD55,000,000	USD250,000	
CHF6,000,000	CHF48,000,000	CHF250,000	
AUD6,250,000	AUD50,000,000	AUD250,000	
SGD8,500,000	SGD65,000,000	SGD250,000	
CAD6,750,000	CAD55,000,000	CAD250,000	
JPY675,000,000	JPY5,500,000,000	JPY25,000,000	
DKK37,500,000	DKK300,000,000	DKK2,500,000	
NOK40,000,000	NOK325,000,000	NOK2,500,000	
SEK42,500,000	SEK350,000,000	SEK2,500,000	
<b>Minimum Holding</b>			
EUR1,000,000	EUR40,000,000	EUR250,000	EUR100,000*
GBP1,000,000	GBP35,000,000	GBP250,000	

USD1,000,000	USD55,000,000	USD250,000	
CHF1,000,000	CHF48,000,000	CHF250,000	
AUD1,000,000	AUD50,000,000	AUD250,000	
SGD1,000,000	SGD65,000,000	SGD250,000	
CAD1,000,000	CAD55,000,000	CAD250,000	
JPY100,000,000	JPY5,500,000,000	JPY25,000,000	
DKK10,000,000	DKK300,000,000	DKK2,500,000	
NOK10,000,000	NOK325,000,000	NOK2,500,000	
SEK10,000,000	SEK350,000,000	SEK2,500,000	

\* Please note that the minimum subscription amounts and minimum holding amounts for each of these Tranches will be the relevant Tranche Currency equivalent of the Euro amount set out in the above table on the relevant Dealing Day.

The Base Currency of the Fund is Euros.

Where a Tranche is denominated in a currency other than the Base Currency, the foreign currency exposure of such Tranches will usually be hedged into the Base Currency. Although hedging strategies may not necessarily be used in relation to each Tranche within the Fund (e.g., Tranches with a Tranche Currency that is the same as the Base Currency), the financial instruments used to implement such strategies shall be assets/liabilities of the Fund as a whole. However, the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant Tranche. The Investment Manager will limit hedging to the extent of the Hedged Tranche Shares' currency exposure and the Investment Manager shall monitor such hedging to seek to ensure such hedging shall not exceed 105% of the Net Asset Value of each relevant Tranche and shall adjust such hedging appropriately in the event that it does exceed this limit. The Investment Manager shall also review such hedging with a view to ensuring that positions materially in excess of 100% of the Net Asset Value of the relevant Tranche are not carried over from month to month. Tranches denominated in a currency other than the Base Currency are generally not expected to be leveraged as a result of hedging strategies and hedging transactions shall not be used for speculative purposes. The currency exposure of the Fund arising from the assets held by the Fund and also the currency hedging transactions entered into by the Fund (other than with respect to a Tranche) will not be allocated to separate Tranches and will be allocated pro rata to all Tranches of the Fund. Where currency hedging transactions are entered into in respect of a Tranche (regardless of whether such exposure is attributable to transactions entered into at the Tranche or Fund level), the currency exposure arising from such transactions will be for the benefit of that Tranche only and may not be combined with or offset against the currency exposure arising from transactions entered into in respect of other Tranches. The audited financial statements of the Fund will indicate how hedging transactions have been utilised.

Application has been made to have each of the SGD, CAD, JPY, DKK, NOK and SEK Accumulation Tranches and Distribution Tranches of the A, B, C and E Shares in the Fund admitted to the Official List and to trading on the Main Securities Market of the Irish Stock Exchange. This document together with the Prospectus, including all information required to be disclosed by the listing requirements of the Irish Stock Exchange, form listing particulars for the purposes of such application. The directors confirm there has been no significant change in the financial or trading position of the Company since the end of the period for which the audited financial statements included in the listing particulars are prepared. Such listing will take place on or about 11 April 2014. The Directors do not anticipate that an active secondary market will develop in any listed Shares in the Fund admitted to the Official List and to trading on the Main Securities Market of the Irish Stock Exchange. Neither the admission of the Shares to the Official List and to trading on the Main Securities Market nor the approval of the listing particulars pursuant to the listing requirements of the Irish Stock Exchange shall constitute a warranty or representation by the Irish Stock Exchange Limited as to the competence of the service providers to or any other party connected with the Fund, the adequacy of information contained in the listing particulars or the suitability of the Fund for investment purposes.

As of the date hereof, no Directors or connected person has any interest, direct or indirect, in the share capital of the Fund.

None of the Directors has or had since incorporation any interest, direct or indirect, in any transactions which are unusual in their nature or significant to the business of the Company.

None of the Directors has:

- (i) had any unspent convictions in relation to indictable offences; or
- (ii) been a director of any company or partnership which, while he was a director with an executive function or partner at the time of or within the 12 months preceding such events, been declared bankrupt, went into receivership, liquidation, administration or voluntary arrangements; or
- (iii) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies); or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of affairs of any company.

The Company on behalf the Fund entered into a credit facility with Babson Capital European Senior Loans Limited and State Street Bank and Trust Company on 25 October 2011 (as amended) pursuant to which it may borrow up to a maximum amount of US\$75,000,000 (the “**Credit Agreement**”). Other than the Credit Agreement, as of the date of this Supplement, the Fund has no loan capital (including term loans) outstanding or created but unissued and no outstanding mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase or finance lease commitments, guarantees or other contingent liabilities.

### 3 Subsidiary

It is intended that the Fund’s investments will be primarily held through a majority-owned subsidiary, Babson Capital European Senior Loans Limited (the “**Subsidiary**”). Babson Capital European Senior Loans Limited is a private limited liability company incorporated in Ireland under registered number 470783 on 13 May 2009 and with authorised share capital of €1,000 and issued and paid up capital of €100. 99% of the shares of the Subsidiary will be held by the Depository. The remaining 1% of the shares will be held directly or indirectly through nominees by TMF Management (Ireland) Limited as trustee on behalf of one or more trusts with charitable purposes. The purchase of assets by the Subsidiary will be financed by loans provided by the Fund.

Certain activities of the Fund may be undertaken by the Company on its behalf, or through the Subsidiary.

### 4 Investment Objective and Policies

The investment objective of the Fund is to achieve current income and, where appropriate, capital appreciation. The Fund will seek to achieve its objective by investing primarily in senior secured loans and, to a lesser extent, senior secured notes issued by European companies. The Fund will also invest to a lesser extent in senior secured loans and senior bonds issued by North American companies (subject to a limit of 20% of Net Asset Value).

The US and European primary and secondary loan markets are “over-the-counter” markets with established standardised trading and settlement procedures, including template debt trading documents, established by market associations established by market participants, such as the Loan Syndication Trading Association and the Loan Market Association. Market associations may disseminate regular secondary price information on loan assets based on prices gathered from market participants. In addition to valuation surveys, prices may be obtained from third party, independent data vendors who supply pricing and valuation services. Individual quotes on loan assets may also be obtained from market participants that have dedicated resources for secondary trading.

The debt instruments in which the Fund invests are generally expected to be rated sub-investment grade or unrated. Sub-investment grade means an instrument rated at the time of investment below BBB- by Standard & Poor’s (“**S&P**”) or below Baa3 by Moody’s Investors Services, Inc. (“**Moody’s**”). The loan market in Europe remains largely unrated by the main rating agencies (Moody’s, S&P and Fitch Ratings) though their coverage is increasing.

The Fund's debt investments will primarily be in senior secured loans and secured floating-rate notes (including assignments and participations). Subject to a limit of 20% of Net Asset Value, the Fund may also invest in instruments such as senior secured fixed rate notes, subordinated loans, senior unsecured loans, senior and subordinated corporate debt obligations (such as bonds, debentures, notes and commercial paper), convertible debt obligations, preferred stock, and repurchase agreements.

If the portfolio criteria mentioned in this Section 4 are not satisfied prior to the purchase of a new debt instrument, then the relevant thresholds shall be maintained or improved after giving effect to such purchase.

The Fund may also use certain active currency, credit and interest rate management techniques related to the currency, credit and interest rate risks associated with the investments held by it in an effort to increase total return or in connection with hedging arrangements.

#### *Borrowing*

The Fund may engage in borrowing of up to 20% of NAV in order to facilitate redemption payments, distribution payments or to meet the margin requirements associated with currency hedging transactions but will not otherwise engage in borrowing or leverage.

#### **Cash Management**

The Fund may hold cash or invest its cash balances at such times and in any instruments deemed appropriate by the Investment Manager, pending investment of such cash, in order to fund anticipated redemptions or expenses of the Fund or otherwise in the sole discretion of the Investment Manager. These investments may include money market instruments and other short term debt obligations (including government securities), shares of money market mutual funds, and repurchase agreements with banks and broker dealers. The Fund will not invest more than 10% of its net assets in aggregate in other investment funds (including money market funds). Any manager of any investment fund in which the Fund invests, which is an affiliate of the Investment Manager, will waive any preliminary/initial sales charge which it is entitled to charge in respect of investments made by the Fund in that investment fund. Where the Investment Manager receives any commission by virtue of investing in an investment fund, such commission shall be paid into the assets of the Fund. During periods of adverse market or economic conditions or at other times deemed advisable by the Investment Manager, the Fund may invest all or a significant portion of its assets in these securities or hold cash. This could prevent the Fund from achieving its investment objective.

## 5 Risk Considerations

There can be no assurance that the Fund's investments will be successful or that the investment objectives of the Fund will be achieved. Investors should be aware of the risks of the Fund including, but not limited to, the risks described in the "Risk Considerations" section of the Prospectus and Appendix 1 of this Supplement. An investment in the Fund is suitable only for persons who are in a position to take such a risk.

## 6 Dividend Policy

Investors should note that both Distribution Tranche Shares and Accumulation Tranche Shares are available in respect of the Fund.

#### *Distribution Tranche Shares*

The Company intends to declare dividends out of the net investment income and, at the discretion of the Directors, net realised and unrealised capital gains of the Fund attributable to the Distribution Tranche Shares on or about the last day of each calendar quarter. Such dividends will generally be paid to the Shareholders of Distribution Tranche Shares of record of the Fund within 10 Business Days thereof.

Each dividend declared by the Fund on the outstanding Shares of the Fund will, at the election of each Shareholder, be paid in cash or in additional Shares of the Fund. This election should initially be made on

a Shareholder's Subscription Agreement and may be changed upon written notice to the Fund at any time prior to the record date for a particular dividend or distribution. If no election is made, all dividend distributions will be paid in the form of additional Shares. Such reinvestment will be made at the Net Asset Value per Share of the Fund as of the Dealing Day in respect of which such dividends are declared.

Upon the declaration of any dividends to the holders of Shares of the Fund, the Net Asset Value per Share of the Distribution Tranche Shares of the Fund will be reduced by the amount of such dividends. Payment of the dividends shall be made as indicated on a Shareholder's Subscription Agreement, as amended from time to time, to the address or account indicated on the register of Shareholders.

Any dividend paid on a Share of the Fund that has not been claimed within six years of its declaration shall be forfeited and shall be paid for the benefit of the Fund. No interest shall be paid on any dividend.

#### *Accumulation Tranche Shares*

The Directors do not currently intend to declare any dividends in respect of the Accumulation Tranche Shares. Accordingly, net investment income on the Fund's investments attributable to the Accumulation Tranche Shares is expected to be retained by the Fund, which will result in an increase in the Net Asset Value per Share of the Accumulation Tranche Shares.

The Directors nevertheless retain the right to declare dividends in respect of such net investment income on the Fund's investments attributable to the Accumulation Tranche Shares in their sole discretion. In the event that the Directors determine to declare dividends in respect of the Accumulation Tranche Shares in the Fund, Shareholders will be notified in advance of any such change in the dividend policy (including the date by which dividends will be paid and the method by which dividends will be paid) and full details will be disclosed in an updated Supplement.

## 7 Fees and Expenses

The following fees and expenses apply in respect of the Fund.

### **7.1 Establishment Costs of the Fund**

The establishment costs of the Fund, including the Subsidiary, which did not exceed €80,640 were borne out of the assets of the Fund and were amortised over a 22 month period which ended on 30 June 2013.

### **7.2 Administration, Sales, and Dealing Charges**

An administration charge, which shall accrue daily and be payable monthly in arrears, shall be payable out of the assets of the Fund to the Distributors up to a percentage per annum of the Fund's Net Asset Value attributable to the relevant Tranche as set out in the table in Section 2 above.

Purchases may be rejected by a Distributor, the Administrator or the Directors, in their sole discretion, in whole or in part for any reason. The Company may determine to modify its distribution arrangements in compliance with the requirements of the Central Bank, in connection with the offering of Shares. Banks and servicing or other agents employed as agents of Shareholders may impose administrative or other charges to be paid by Shareholders pursuant to arrangements between Shareholders and those banks or other agents.

The Distributors shall also be entitled to reimbursement by the Fund for all reasonable and vouched out-of-pocket expenses incurred by them for the benefit of the Fund in the performance of their duties under the Distribution Agreements.

#### *Duties and Charges*

On any Dealing Day where there are subscriptions, the Directors may determine (based on such reasonable factors as they see fit including, without limitation, the prevailing market conditions and the level of subscriptions requested by Shareholders or potential Shareholders in relation to the size of the Fund) to require an applicant to pay to the Company any Duties and Charges in addition to the



subscription price on that Dealing Day in order to cover dealing costs such as bid-offer spreads and to preserve the value of the underlying assets of the Fund for existing Shareholders.

### **7.3 Management Fees**

The Investment Manager will receive a fee, which shall accrue daily and be payable monthly in arrears for its services, payable out of the assets of the Fund up to a percentage per annum of the Fund's Net Asset Value attributable to the relevant Tranche as set out in the table in Section 2 above.

The Investment Manager may, during any period, elect to waive a portion of its fees with respect to any Tranche without notice to Shareholders.

### **7.4 Hedging Fees**

In addition to the Investment Management Fee, the Investment Manager will be entitled to be reimbursed by the Fund for the expenses it incurs in connection with the appointment of any Currency Manager in relation to hedging transactions entered into in respect of the Hedged Tranches and these expenses shall be allocated to the relevant Hedged Tranches.

These expenses incurred in respect of the appointment of the Currency Manager shall accrue daily, be payable quarterly in arrears and shall not exceed 0.10% per annum of the Net Asset Value of the Hedged Tranches.

### **7.5 Administration, Depositary and Operating Expenses**

The aggregate fees and expenses of the Administrator and Depositary (which shall accrue daily and be payable monthly in arrears out of the assets of the Fund), in addition to all other fees and ongoing expenses such as a pro rata share of fees payable to the Directors of the Company, permanent representatives and other agents of the Fund, and certain other expenses, such as the fees and expenses of the Fund's auditors and legal advisers, and any fees or expenses involved in registering and maintaining the registration of the Fund with any governmental agency or stock exchange in Ireland and in any other country, the operating costs and expenses of any wholly owned subsidiaries of the Fund, reporting and publishing expenses, including the costs of printing, preparing, advertising and distributing prospectuses, explanatory memoranda, periodical reports or registration statements and the costs of reports to Shareholders of the Fund will not exceed 0.125% per annum of the Net Asset Value of the Fund. In the event that such fees and expenses exceed 0.125% per annum of the Net Asset Value of the Fund in respect of any financial year, the Investment Manager has agreed to waive a portion of its management fee as is equal to such excess. In consideration for agreeing to this waiver, in the event that the amount of such fees and expenses actually incurred during a period is less than 0.125% per annum of the Net Asset Value of the Fund, the Investment Manager is entitled to receive the difference between the amount of the fees and expenses actually incurred and 0.125% per annum of the Net Asset Value of the Fund.

The above expense cap does not include any other expenses including, but not limited to withholding tax, stamp duty or other taxes on the investments of the Fund, commissions and brokerage fees incurred with respect to the Fund's investments, sub-custodian fees and transaction charges at normal commercial rates, interest on borrowings and bank charges incurred in negotiating, effecting or varying the terms of such borrowings (including any liquidity facility entered into in respect of the Fund), any commissions charged by intermediaries in relation to an investment in the Fund, costs associated with currency transactions and currency hedging arrangements (which, in respect of the Hedged Tranches shall only be allocated to the relevant Hedged Tranches) and such extraordinary or exceptional costs and expenses (if any) as may arise from time to time, such as material litigation in relation to the Company.

The Fund may accrue expenses of a regular or recurring nature based on an estimated amount rateably for yearly or other periods.

This section should be read in conjunction with the section entitled "Fees and Expenses" in the Prospectus.

## 8 Subscription and Redemption of Shares

### 8.1 Eligible Investors

Applicants will be obliged to certify that they are Qualifying Investors (who are not natural persons) and that they are aware of the risks of investing in the Shares. Subject to the section “Transfer of Shares” in the Prospectus, applicants will generally also be obliged to certify that they are not U.S. Persons. Any applicant that is U.S. Person must represent and warrant that it (i) is an “accredited investor” within the meaning of Regulation D under the 1933 Act and (ii) meet the qualifications of a “qualified purchaser” as defined in the 1940 Act. The Company and the Administrator reserve the right to reject in whole or in part any application for Shares. Where an application for Shares is rejected, the subscription monies shall be returned to the applicant within fourteen days of the date of such application at the applicant’s cost and risk and no interest or other compensation will be payable in respect of such returned monies.

### 8.2 Minimum Subscription

The minimum initial subscription per Shareholder is set out in the table in Section 2 above unless otherwise determined by a Distributor provided that no subscription will be accepted and no transfer will be registered in the Company’s register of members if this should result in a Shareholder (other than a Knowledgeable Investor) holding Shares in the Company as a whole with a value of less than the Tranche Currency equivalent of €100,000.

No minimum subscription requirement applies in the case of subsequent subscriptions.

### 8.3 Minimum Holding

A Shareholder may not make a partial redemption of Shares which would result in that Shareholder (other than a Knowledgeable Investor) holding less than the minimum holding amount set out in the table in Section 2 above.

In the event that a Shareholder requests a partial redemption of their Shares which would result in such Shareholder holding less than the minimum holding amount applicable to such Tranche, a Distributor may, in its sole discretion, (a) treat such redemption request as a redemption of the relevant Shareholder’s entire holding of the relevant Tranche; (b) reject such partial redemption request; or (c) accept such partial redemption request and, at the discretion of the Directors, convert the remaining Shares held by that Shareholder into another Tranche in the Fund (with the same Tranche Currency and dividend policy but which has a lower minimum holding amount but is subject to higher ongoing fees). Shareholders will be notified before or after the relevant Dealing Day in the event that a Distributor determines to (i) treat such redemption request as a redemption of the relevant Shareholder’s entire holding of the relevant Tranche; or (ii) reject such partial redemption request; or (iii) accept such partial redemption request, but to convert the remaining Shares of that Shareholder into a another Tranche in the Fund.

Where the value of a Shareholder’s Shares has fallen below the minimum holding requirement due to a decline in the Net Asset Value of the Fund or an unfavourable change in currency rates, this shall not be considered to be a breach of the minimum holding requirement.

### 8.4 Initial Offer Period

The Initial Offer Period for the Shares listed below shall commence at 9:00 am (Irish time) on 9 April 2014 and end at 5:00 pm (Irish time) on 9 October 2014 or such other date and / or time as the Directors and the Depositary may agree and notify to the Central Bank at the Initial Offer Price as set out below.

Share Tranche Description	Initial Offer Price
Tranche A JPY Accumulating Shares	JPY100
Tranche A JPY Distribution Shares	JPY100
Tranche A SGD Accumulating Shares	SGD100
Tranche A SGD Distribution Shares	SGD100
Tranche A CAD Accumulating Shares	CAD100
Tranche A CAD Distribution Shares	CAD100

Tranche A NOK Accumulating Shares	NOK100
Tranche A NOK Distribution Shares	NOK100
Tranche A DKK Accumulating Shares	DKK100
Tranche A DKK Distribution Shares	DKK100
Tranche A SEK Accumulating Shares	SEK100
Tranche A SEK Distribution Shares	SEK100
Tranche B JPY Accumulating Shares	JPY100
Tranche B JPY Distribution Shares	JPY100
Tranche B SGD Accumulating Shares	SGD100
Tranche B SGD Distribution Shares	SGD100
Tranche B CAD Accumulating Shares	CAD100
Tranche B CAD Distribution Shares	CAD100
Tranche B NOK Accumulating Shares	NOK100
Tranche B NOK Distribution Shares	NOK100
Tranche B DKK Accumulating Shares	DKK100
Tranche B DKK Distribution Shares	DKK100
Tranche B SEK Accumulating Shares	SEK100
Tranche B SEK Distribution Shares	SEK100
Tranche C JPY Accumulating Shares	JPY100
Tranche C JPY Distribution Shares	JPY100
Tranche C SGD Accumulating Shares	SGD100
Tranche C SGD Distribution Shares	SGD100
Tranche C CAD Accumulating Shares	CAD100
Tranche C CAD Distribution Shares	CAD100
Tranche C NOK Accumulating Shares	NOK100
Tranche C NOK Distribution Shares	NOK100
Tranche C DKK Accumulating Shares	DKK100
Tranche C DKK Distribution Shares	DKK100
Tranche C SEK Accumulating Shares	SEK100
Tranche C SEK Distribution Shares	SEK100
Tranche E JPY Accumulating Shares	JPY100
Tranche E JPY Distribution Shares	JPY100
Tranche E SGD Accumulating Shares	SGD100
Tranche E SGD Distribution Shares	SGD100
Tranche E CAD Accumulating Shares	CAD100
Tranche E CAD Distribution Shares	CAD100
Tranche E NOK Accumulating Shares	NOK100
Tranche E NOK Distribution Shares	NOK100
Tranche E DKK Accumulating Shares	DKK100
Tranche E DKK Distribution Shares	DKK100
Tranche E SEK Accumulating Shares	SEK100
Tranche E SEK Distribution Shares	SEK100

No minimum subscription requirement applies in the case of subsequent subscriptions.

## 8.5 Applications for Shares

Applications for Shares in the Fund should be made by written application using the Subscription Agreement available from a Distributor or the Administrator. Subscription Agreements, duly completed, should be sent to the Administrator in accordance with the instructions contained in the Subscription Agreement.

If a subscription order is received by the Administrator prior to the Subscription Cut-Off Time or the Revised Subscription Cut-Off Time (as set out in the Prospectus), subject to the Duties and Charges as set out in Section 7.2 above, Shares will be issued at the Net Asset Value per Share applicable on that Dealing Day, except, in the cases of subscription for Shares in a Tranche of which there are no Shares currently issued, where Shares will be issued at the fixed price of USD100, EUR100, AUD100, GBP100, CHF100, JPY100, SGD100, CAD100, NOK100, DKK100 or SEK100 as applicable with respect to the currency of the relevant Tranche as indicated in the table in Section 2 above.

Cleared funds representing the subscription monies must be received by the Company by the Business Day preceding the relevant Dealing Day (or such other period as the Directors may determine). Subscription monies must be paid in and must be paid by wire transfer to the bank account of the

Administrator in connection with subscriptions as notified to investors by a Distributor. If cleared funds representing the subscription monies are not received by the Company by the Business Day before the relevant Dealing Day, or such other day as is determined by the Directors from time to time, the Directors reserve the right to reject the subscription and/or cancel the provisional allotment of Shares, as appropriate. In such an event the investor shall indemnify the Company and the Fund, the Investment Manager, the applicable Distributor and any of their respective affiliates for any and all claims, losses, liabilities or damages (including attorneys' fees and other related out-of-pocket expenses) suffered or incurred by any such person as a result of the investor not remitting the amount of its subscription by the due date for such subscription or otherwise failing to comply with the terms of such Subscription Agreement. In the event that the Directors decide not to cancel a provisional allotment of Shares notwithstanding that cleared funds have been received by the Company after the relevant cut-off time, the Directors reserve the right to charge interest on such subscription monies commencing on the Business Day following the relevant Dealing Day. In addition, upon the failure of a Shareholder to pay subscription monies by the date due, the Directors may, in their sole discretion, redeem any Shares held by the Shareholder in the Company and apply the redemption proceeds in satisfaction of the Shareholder's liabilities to the Company, the Fund, the Investment Manager, the applicable Distributor or any of their respective affiliates pursuant to the indemnity described above. Please see "Mandatory Redemption of Shares, Forfeiture of Dividend and Deduction of Tax" in the Prospectus.

The Company, a Distributor or the Administrator may, in their sole discretion, reject any subscription in whole or in part without reason.

Shares in the Fund will be issued on the terms and in accordance with the procedure described on the Prospectus.

## 8.6 Redemption Applications

Shareholders may request that Shares be redeemed on any Dealing Day by completing and submitting a Redemption Application to the Administrator in accordance with the procedures set out in the Prospectus. No Redemption Applications will be accepted after the Redemption Cut-Off Time or a Revised Redemption Cut-Off Time.

Shares shall be redeemed at the applicable Net Asset Value per Share, prevailing on the Dealing Day on which the redemption is effected. Distributions in respect of redemptions will generally be paid in full (on the basis of unaudited data) in the applicable Tranche Currency of the Shares being redeemed within 10 Business Days of the relevant Dealing Day, without interest.

## 9 Management and Administration of the Fund

Details in respect of the Investment Manager, the Distributors, the Administrator and the Depositary for the Fund are set out in the Prospectus.

The Investment Manager may appoint a third party to act as the currency manager (the "**Currency Manager**") on behalf of the Investment Manager. The Currency Manager will implement a currency hedging programme at the portfolio and the Hedged Tranche level. The Investment Manager may also elect to perform the hedging functions itself or appoint other parties to act as Currency Managers in the future.

# Appendix 1

## **Risk Factors and Special Considerations of the Fund**

**Investors should be aware of the risks of the Fund including, but not limited to, the risks described in the “Risk Considerations” section of the Prospectus.**

### **Use of Subsidiary**

The Fund may hold assets through its majority-owned subsidiary, Babson Capital European Senior Loans Limited. This is not consistent with normal custody arrangements where securities are held in the name of the Depository (or its agents). While arrangements have been put in place to endeavour to ensure that such assets may not be transferred, sold or assigned without the consent of the Depository, as the assets are not held in the legal name of the Depository (or its agents) the Fund is subject to a greater risk of misappropriation or misallocation of such assets.

### **Portfolio Acquisition Risk**

In accordance with the investment strategy of the Fund, it is expected that the Fund will acquire a portfolio of assets (the “**Portfolio**”), together with the Subsidiary which currently holds such Portfolio, and which are currently managed by the Investment Manager. The Portfolio and Subsidiary are expected to be transferred to the Fund by way of a subscription in specie. Accordingly, the Fund is expected to have exposure to the open positions within the Portfolio from the date of its launch and will also bear the risk of any unidentified or contingent liabilities of Babson Capital European Senior Loans Limited which are not accrued at the time of its transfer to the Fund.

### **Risks of Investing in Sub-Investment Grade Corporate Debt Instruments**

The Fund’s investments will be predominantly in sub-investment grade corporate debt instruments such as leveraged loans and senior secured bonds, which carry greater credit and liquidity risk than investment grade instruments. These instruments are often also referred to as high yield instruments. Sub-investment grade corporate debt instruments are considered predominantly speculative by traditional investment standards. In some cases, these obligations may be highly speculative and have poor prospects for reaching investment grade standing. Sub-investment grade corporate instruments are subject to the increased risk of an issuer’s inability to meet principal and interest obligations. These instruments may be subject to greater price volatility due to such factors as specific corporate developments, interest rate sensitivity, negative perceptions of the financial markets generally and less secondary market liquidity. The Investment Manager will consider both credit risk and market risk in making investment decisions for the Fund.

Sub-investment grade corporate debt instruments are often issued in connection with a corporate reorganisation or restructuring or as part of a merger, acquisition, takeover or similar event. They are also issued by less established companies seeking to expand. Such issuers are often highly leveraged and generally less able than more established or less leveraged entities to make scheduled payments of principal and interest in the event of adverse developments or business conditions.

The market value of sub-investment grade corporate debt instruments tends to reflect individual corporate developments to a greater extent than that of higher rated instruments which react primarily to fluctuations in the general level of interest rates. As a result, where the Fund invests in such high yield instruments its ability to achieve its investment objective may depend to a greater extent on the Investment Manager’s judgement concerning the creditworthiness of issuers than funds which invest in higher-rated instruments. Issuers of sub-investment grade corporate debt instruments may not be able to make use of more traditional methods of financing and their ability to service debt obligations may be more adversely affected than issuers of higher-rated instruments by economic downturns, specific corporate developments or the issuer’s inability to meet specific projected business forecasts. Negative publicity about the high yield markets and investor perceptions regarding lower rated instruments, whether or not based on fundamental analysis, may depress the prices for such instruments.

To the extent that a default occurs with respect to any sub-investment grade corporate debt instruments and the Fund sells or otherwise disposes of its exposure of such an instrument, it is likely that the proceeds will be less than

the unpaid principal and interest. Even if such instruments are held to maturity, recovery by the Fund of its initial investment and any anticipated income or appreciation is uncertain.

The secondary market for sub-investment grade corporate debt instruments may be concentrated in relatively few market makers and is dominated by institutional investors, including mutual funds, insurance companies and other financial institutions. Accordingly, the secondary market for such instruments is not as liquid as, and is more volatile than, the secondary market for higher-rated instruments. In addition, market trading volume for high yield instruments is generally lower and the secondary market for such instruments could contract under adverse market or economic conditions, independent of any specific adverse changes in the condition of a particular issuer.

Credit ratings issued by credit rating agencies are designed to evaluate the safety of principal and interest payments of rated instruments. They do not, however, evaluate the market value risk of sub-investment grade corporate debt instruments and, therefore, may not fully reflect the true risks of an investment. In addition, credit rating agencies may or may not make timely changes in a rating to reflect changes in the economy or in the conditions of the issuer that affect the market value of the instruments. Consequently, credit ratings are used only as a preliminary indicator of investment quality. Investments in sub-investment grade and comparable un-rated obligations will be more dependent on the Investment Manager's credit analysis than would be the case with investments in investment grade instruments. The Investment Manager employs its own credit research and analysis, which includes a study of existing debt, capital structure, ability to service debt and to pay dividends, the issuer's sensitivity to economic conditions, its operating history and the current trend of earnings.

### **Risks of Investing in Loans**

Leveraged loans are largely floating rate instruments therefore the interest rate risk is minimal. However, from the perspective of the borrower, an increase in interest rates may affect the borrower's financial condition. Due to the unique and customised nature of leveraged loan agreements evidencing loans and the private syndication thereof, leveraged loans are not as easily purchased or sold as publicly traded securities. Although the range of investors in leveraged loans has broadened in recent years, there can be no assurance that future levels of supply and demand in loan trading will provide the degree of liquidity which currently exists in the market. In addition, the terms of the loans may restrict their transferability without borrower consent. These factors may have an adverse effect on the market price and the Fund's ability to dispose of particular portfolio investments. A less liquid secondary market also may make it more difficult for the Fund to obtain precise valuations of the high yield loans in its portfolio.

### **Participations**

The Fund may invest directly or indirectly in loans by purchasing participations or sub-participations ("**Participations**") from certain financial institutions which will represent the right to receive a portion of the principal of, and all of the interest relating to such portion of, the applicable loan. In purchasing Participations, the Fund will usually have a contractual relationship only with the selling institution, and not the borrower. When investing in Participations, the Fund generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, no rights of set-off against the borrower, and no right to object to certain changes to the loan agreement agreed to by the selling institution. In addition, the Fund may not directly benefit from the collateral supporting the related loan, may be subject to any rights of set-off the borrower has against the selling institution and will generally be subject to the credit risk of the selling institution.

### **Substantial Redemptions**

Due to liquidity constraints in the loan market, where the Fund receives substantial redemption requests, the Investment Manager may be obliged to dispose of investments of the Fund in advance of the relevant Dealing Day. Any sale of Fund assets prior to the relevant Dealing Day could have a negative impact on the performance of the Fund, as the Fund will not be pursuing its investment objective in respect of the portion of its assets held in cash or other liquid assets pending the redemption of Shares.

Moreover, regardless of whether substantial redemptions are made on any particular Dealing Day, if significant redemptions occur over a period of time, the resulting reduction in the Fund's Net Asset Value could make it more difficult for the Fund to generate profits or recover losses. Shareholders will not receive notification of substantial redemption requests in respect of any particular Dealing Day from the Fund and, therefore, may not have the opportunity to redeem their Shares or portions thereof prior to or at the same time as the redeeming Shareholders.

The risk of substantial redemption requests in a concentrated period of time may be heightened in the event that the Fund accepts investments related directly or indirectly to the offering of structured products including, without limitation, in connection with the hedging of positions under such structured products, particularly those structured products with a fixed life. The Fund may or may not accept such investments, as determined by the Company in its sole discretion, and such investments could, at any given time, make up a significant portion of the Fund's Net Asset Value.

The risk of substantial redemptions may also be heightened in the event that Shareholders have granted security interests in Shares to a lender, which may include an affiliate of the Investment Manager. Foreclosures by such lenders could result in substantial redemptions and have a material adverse effect on the Fund's portfolio.

### **Loans – Security**

Loan obligations are subject to unique risks, including the possible invalidation of an investment as a fraudulent conveyance under relevant creditors' rights laws. Further, where exposure to loans is gained by purchase of Participations there is the additional credit and bankruptcy risk of the direct participant and its failure for whatever reason to account to the Fund for monies received in respect of loans directly held by it. In analysing each loan or Participation, the Investment Manager will compare the relative significance of the risks against the expected benefits of the investment.

### **Reliance on Loan Obligor**

The Company and the Investment Manager does not intend to have control over the activities of any company which has entered into a loan invested in by the Fund. Managers of companies in whose loans the Fund has invested may manage those companies in a manner not anticipated by the Company or the Investment Manager.

### **Lending Risks**

The Fund may directly or indirectly purchase loans as participations or sub-participations (collectively "**Participations**") from certain financial institutions which will represent the right to receive a portion of the principal of, and all of the interest relating to such portion of, the applicable loan. In purchasing Participations, the Fund will usually have a contractual relationship only with the selling institution, and not the borrower. The Fund generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, no rights of set-off against the borrower, and no right to object to certain changes to the loan agreement agreed to by the selling institution. The Fund may not directly benefit from the collateral supporting the related loan and may be subject to any rights of set-off the borrower has against the selling institution.

In addition, in the event of the insolvency of the selling institution, under the laws of the relevant jurisdictions, the Fund may be treated as a general creditor of such selling institution and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the loan. Consequently, the Fund may be subject to the credit risk of the selling institution as well as that of the borrower. The Investment Manager may not perform independent credit analyses of selling institutions.

Further, if the Fund invests in loans in which it has a direct contractual relationship with the borrower, there are additional risks involved. For example, if a loan is foreclosed, the Fund could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral. As a result, the Fund may be exposed to losses resulting from default and foreclosure. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying assets will further reduce the proceeds and thus increase the loss. There is no assurance that the Fund will correctly evaluate the value of the assets collateralizing the loan. In the event of a reorganization or liquidation proceeding relating to the borrower, the Fund may lose all or part of the amounts advanced to the borrower. There is no guarantee that the protection of the Fund's interests is adequate, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, there is no assurance that claims may not be asserted that might interfere with enforcement of the Fund's rights.

There are no restrictions on the credit quality of the Fund's loans. Loans may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans which the Fund may fund have large uncertainties or major risk exposures to adverse conditions, and may be considered to be predominantly speculative. Generally, such loans offer a higher return potential than better quality loans, but involve greater

volatility of price and greater risk of loss of income and principal. The market values of certain of these loans also tend to be more sensitive to changes in economic conditions than better quality loans.

Loans to companies operating in workout modes or under statutory bankruptcy protection are, in certain circumstances, subject to certain potential liabilities which may exceed the amount of the loan. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions.

### **Potential Involvement in Litigation**

As a result of the Fund's investment in below investment grade investments and as a consequence of credit problems with such investment and the possibility that the Fund may participate in restructuring activities, it is possible that the Fund may become involved in litigation. Litigation entails expense and the possibility of counterclaim against the Fund and ultimately judgements may be rendered against the Fund for which the Fund may not carry insurance.

### **Availability of Suitable Investment Opportunities**

The Fund will compete with other potential investors to acquire interest in below investment grade assets. Certain of the Fund's competitors may have greater financial and other resources and may have better access to suitable investment opportunities. Furthermore, the loans are capable of being prepaid by the issuers at short notice, creating an unforeseen need to reinvest. There can be no assurance that the Fund will be able to locate and complete investments which satisfy the Fund's rate of return objectives or that the Fund will be able to invest fully its committed capital. If no suitable investments can be made then cash will be held by the Fund and this will reduce returns to Shareholders. Whether or not suitable investment opportunities are available to the Fund, Shareholders will bear the cost of management fees and other Fund expenses.

In the event that the Fund is terminated or the Company is wound up, and to the extent that the assets may be realised, any such realisation may not be at full market value and will be subject to deduction for any expenses for the termination of the Fund or the liquidation of the Company.

### **Convertible Securities**

The Fund may invest in convertible securities, which may include corporate notes or preferred stock but are ordinary long-term debt obligations of the issuer convertible at a stated exchange rate into common stock of the issuer. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase and, conversely, to increase as interest rates decline. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the price of the convertible security tends to reflect the value of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis, and thus may not depreciate to the same extent as the underlying common stock. Convertible securities generally rank senior to common stocks in an issuer's capital structure and are consequently of higher quality and entail less risk than the issuer's common stock. However, the extent to which such risk is reduced depends in large measure upon the degree to which the convertible security sells above its value as a fixed income security.

### **Derivatives with Respect to High-Yield and Other Indebtedness**

The Fund may engage in trading of derivatives with respect to high yield and other debt. In addition to the credit risks associated with holding high yield debt securities, with respect to derivatives involving high yield and other debt, the fund will usually have a contractual relationship only with the counterparty of the derivative, and not with the issuer of the indebtedness. Generally, the Fund will have no right to directly enforce compliance by the issuer with the terms of the derivative nor any rights of set-off against the issuer, nor have any voting rights with respect to the indebtedness. The Fund will not directly benefit from the collateral supporting the underlying indebtedness and will not have the benefit of the remedies that would normally be available to a holder of the indebtedness. In addition, in the event of the insolvency of the counterparty to the derivative, the Fund will be treated as a general creditor of such counterparty, and will not have any claim with respect to the underlying indebtedness. Consequently, the Fund will be subject to the credit risk of the counterparty as well as that of the issuer of the indebtedness. As a result, concentrations of such derivatives in any one counterparty may subject the Fund to an



additional degree of risk with respect to defaults by such counterparty as well as by the issuer of the underlying indebtedness.

### **Small Capitalization Companies/Limited Operating History**

From time to time, a significant portion of the Fund's assets may be invested in securities of small capitalization companies and recently organized companies. Small capitalization companies generally are not as well known to the investing public and have less of an investor following than larger capitalization companies. Consequently, small capitalization companies are often overlooked by investors or are undervalued in relation to their earnings power. These relative inefficiencies in the marketplace may provide greater opportunities for long-term capital growth. Historically, however, such securities have been more volatile in price than those of larger capitalized, more established companies included in the Standard & Poor's 500 Index or FTSE 100 Index. The securities of small capitalization and recently organized companies pose greater investment risks because such companies may have limited product lines, distribution channels and financial and managerial resources. Further, there is often less publicly available information concerning such companies than for larger, more established businesses. The securities of small capitalization companies are often traded over-the-counter or on regional exchanges and may not be traded in the volumes typical on a national securities exchange. Consequently, the Fund may be required to dispose of such securities or cover a short position over a longer (and potentially less favourable) period of time than is required to dispose of or cover a short position with respect to the securities of larger, more established companies. Investments in small capitalization companies may also be more difficult to value than other types of securities because of the foregoing considerations as well as lower trading volumes. Investments in companies with limited operating histories are more speculative and entail greater risk than do investments in companies with an established operating record. Additionally, transaction costs for these types of investments are often higher than those of larger capitalization companies.

### **Limited Number of Investments**

The Fund will seek to be well diversified. However, in the event of a material demand for redemptions, the Fund could be forced to sell liquid positions resulting in an over-weighting in a small number of illiquid investment. In such circumstances, the aggregate return of the Fund may be substantially and adversely affected by the unfavourable performance of a single investment.

### **Unidentified Portfolio**

Because not all of the specific investments of the Fund have been identified, the Shareholders must rely on the ability of the Investment Manager to make appropriate investments for the Fund and to manage and dispose of such investments. While the Fund intends to make only carefully selected investments that meet the investment criteria of the Fund, the Investment Manager has complete discretion with respect to the selection of such investments.

### **Political and/or Regulatory Risk**

The value of the Fund's assets may be affected by uncertainties such as international political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries to which the Fund is exposed through its investments.

### **Valuations of Net Asset Value**

The valuation of the Fund's assets obtained for the purpose of calculating Net Asset Value may not be reflected in the prices at which loans are sold. For details of the valuation of assets please see the section in the Prospectus headed "Administration of the Company".

**This Appendix should be read in conjunction with the "Risk Considerations" section of the Prospectus.**