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# **FS FUNDS ICAV**

(An Irish collective asset-management vehicle with variable capital constituted as an umbrella fund with segregated liability between sub-funds pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended))

## **PROSPECTUS**

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**DATED 1 NOVEMBER 2021**

## IMPORTANT INFORMATION

The Directors of FS Funds ICAV (the "**ICAV**") whose names appear under the heading "Directory" jointly accept responsibility for the information contained in this document. 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 document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

This Prospectus describes the ICAV, an Irish collective asset-management vehicle constituted as an umbrella fund with segregated liability between sub-funds was registered as an Irish collective asset-management vehicle pursuant to the Act on 18 October 2016. The ICAV is constituted as an umbrella fund insofar as the share capital of the ICAV will be divided into different Shares with one or more Classes of Shares representing a separate Fund comprising a separate pool of assets and which pursues its investment objective through separate investment policies.

Each Fund may be further divided into Shares of different Classes to accommodate different subscription and/or redemption charges and/or minimum investment initial subscription amounts and/or dividend and/or charges and/or fee arrangements and/or denomination currencies and/or currency hedging strategies. A separate pool of assets will not be maintained for each Class. At the date of this Prospectus, the ICAV comprises the following Fund; FS Chiron Global Opportunities Fund. Details of the Fund and its Classes will be specified in the relevant Supplement to the Prospectus.

This Prospectus may be translated into other languages and such translations shall contain only the same information as this Prospectus may be attributable to individual Share Classes. In the event of any inconsistency or ambiguity in relation to the meaning of any word or phrase in any translation, the English text shall prevail and all disputes as to the terms thereof shall be governed by, and construed in accordance with, the law of Ireland.

## INVESTOR RESPONSIBILITY

**Prospective investors should review this Prospectus carefully and in its entirety and consult a stockbroker, bank manager, solicitor, accountant or other financial advisers in relation to (i) the legal requirements within their own countries for the purchase, holding, exchange, redemption or disposal of Shares; (ii) any foreign exchange restrictions to which they are subject in their own countries in relation to the purchase, holding, exchange, redemption or disposal of Shares; and (iii) the legal, tax, financial or other consequences of subscribing for, purchasing, holding, exchanging, redeeming or disposing of Shares. Prospective investors should seek the advice of their legal, tax and financial advisers if they have any doubts regarding the contents of this Prospectus.**

Certain terms used in this Prospectus are defined under "Definitions" below.

## AUTHORISATION BY THE CENTRAL BANK

**The ICAV is authorised by the Central Bank as a UCITS within the meaning of the Regulations. The authorisation of the ICAV as a UCITS by the Central Bank is not an endorsement or guarantee of the ICAV by the Central Bank nor is the Central Bank responsible for the contents of this Prospectus. The authorisation of the ICAV by the Central Bank shall not constitute a warranty by the Central Bank as to the performance of the ICAV and the Central Bank shall not be liable for the performance or default of the ICAV.**

## Investment Risks

There can be no assurance that a Fund will achieve its investment objective. An investment in a Fund involves investment risks, including possible loss of the amount invested. **In view of the fact that a sales fee or a redemption fee may be payable on a subscription or redemption by an investor in a Fund the difference at any one time between the sale and repurchase price of shares in the Fund means that the investment should be regarded as a medium to long term investment.**

Details of certain investment risks and other information for an investor are set out more fully in this Prospectus.

### **Use of Indices/Benchmarks**

Shareholders should be aware that a Fund may use an index or benchmark to measure the performance of the Fund with the purpose of tracking the return of such index, of defining the asset allocation of the portfolio of the Fund and/or of computing the performance fees of the Fund, and in this regard that Fund may be a user of a benchmark as defined by the Benchmarks Regulation. A Fund may only use a benchmark in this manner if such benchmark is provided by an administrator that is or will be included in the register referred to in Article 36 of the Benchmarks Regulation. Shareholders are directed to the relevant Supplement which will refer to any such use of an index or benchmark by a Fund and include details of the relevant index or benchmark. In addition, where a particular benchmark index is used only as a comparator to show the performance of a Fund against, but which is not used to constrain portfolio composition or as a target for the performance of a Fund, the relevant 'comparator benchmark' of the Fund will be identified in the relevant Supplement. The ICAV may at any time change such reference indices where, for reasons outside of its control, that reference index has been replaced, or another reference index or benchmark may reasonably be considered by the ICAV or the Investment Manager to have become a more appropriate standard. The relevant Supplement will be updated at the next opportunity in the case of a change of reference index or benchmark of a Fund in accordance with the requirements of the Central Bank. Details and past performance of any indices (or benchmarks) which are used for the purposes outlined above will be included in the key investor information documents of the relevant Fund.

Shareholders should also note that the ICAV, the Investment Manager and/or its Distribution Agents may from time to time refer to other indices (or benchmarks) in marketing literature or other communications for performance or risk comparison purposes.

Unless otherwise disclosed in the relevant Supplement, each Fund is actively managed and any indices (or benchmarks) referred to in literature related to the ICAV and/or Funds are solely for performance measurement, performance or risk comparison and/or performance fee calculation purposes.

### **Initial Sales Charge**

Where an initial sales charge is payable in respect of a subscription for certain Classes of Shares, the resulting difference at any one time between the subscription price and redemption price means that investment in such Shares should be viewed as medium to long term. Where an initial sales charge is charged, it will not exceed 5% of the Net Asset Value of the relevant Class. Details of the applicable initial sales charge will be set out in the Supplement for the relevant Fund.

### **DISTRIBUTION AND SELLING RESTRICTIONS**

The distribution of this Prospectus and the offering or purchase of the Shares may be restricted in certain jurisdictions. No persons receiving a copy of this Prospectus or the accompanying application form in any such jurisdiction may treat this Prospectus or such application form as constituting an invitation to them to subscribe for Shares, nor should they in any event use such application form, unless in the relevant jurisdiction such an invitation could lawfully be made to them and such application form could lawfully be used without compliance with any registration or other legal requirements. Accordingly, this Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this Prospectus and any persons wishing to apply for Shares, pursuant to this Prospectus or the Application Form, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Shares should inform themselves as to the legal requirements of so applying and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile.

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

The Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "1933 Act"), or the securities laws of any of the states of the United States. The Shares may not be offered, sold or delivered directly or indirectly in the United States or to or for the account or benefit of any "U.S. Person" except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and any applicable state laws. The Shares are being offered outside the United States pursuant to the exemption from registration under Regulation S under the 1933 Act and inside the United States in reliance on Regulation D promulgated under the 1933 Act and Section 4(a)(2) thereof.

The ICAV has not been and will not be registered under the United States 1940 Act of 1940, as amended (the "1940 Act"), since Shares will only be sold to U.S. Persons who are "qualified purchasers", as defined in the 1940 Act.

Each applicant for Shares that is a U.S. Person will be required to certify that it is an "accredited investor" and a "qualified purchaser", in each case as defined under applicable U.S. federal securities laws.

The Shares have not been filed with or approved or disapproved by any regulatory authority of the United States or any state thereof, nor has any such regulatory authority passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is unlawful.

There will be no public offering of the Shares in the United States.

**WARNING: The contents of this Prospectus dated 1 November 2021, the related Key Investor Information Documents and the Supplement(s) dated 1 November 2021, as may be amended from time to time (the "Offering Documents"), have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to any offer for Shares. If you are in any doubt about any of the contents of the Offering Documents, you should obtain independent professional advice.**

This Prospectus has been prepared solely for the information of the person to whom it has been delivered by or on behalf of the ICAV, and should not be reproduced or used for any other purpose. Notwithstanding anything to the contrary herein, each investor in the ICAV (and each employee, representative, or other agent of each investor in the ICAV) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of an investment in the ICAV and all materials of any kind (including opinions or other tax analyses) that are provided to the investor relating to such tax treatment and tax structure. Acceptance of this Prospectus by a recipient constitutes an agreement to be bound by the foregoing terms.

The Instrument of the ICAV gives powers to the Directors to impose restrictions (but not the obligation) on the holding of Shares by (and consequently to effect the redemption of Shares held by) or the transfer of Shares to any US Person (unless permitted under certain exceptions under the laws of the United States) or by any person or persons in circumstances (whether directly or indirectly affecting such person or person, 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 ICAV incurring any liability to taxation or suffering pecuniary disadvantage which the ICAV might not otherwise have incurred or suffered.

## **Hong Kong**

**WARNING: The contents of the Prospectus, the relevant key investor information document and the applicable Supplement (collectively, the "Offering Document") have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to**

**the offer. If you are in any doubt about any of the contents of the Offering Document, you should obtain independent professional advice.**

This Offering Document is distributed in Hong Kong only on a confidential private placement basis in connection with an offer of the Shares of the ICAV, in respect of the relevant Fund(s) stated herein. This Offering Document (a) is intended solely for the use of the person to whom it has been addressed for the purpose of evaluating a possible investment by the recipient in the Shares ("**Addressee**"); (b) is not to be reproduced in any form for any other purpose or distributed to or used by any person other than the Addressee; and (c) must not be issued, circulated or distributed in Hong Kong other than in circumstances which do not constitute an offer or sale of Shares to the public of Hong Kong.

No person in Hong Kong, other than the Addressee, may treat the same as an invitation to him to invest. None of the Shares will be issued to any person other than the Addressee. In particular, (i) no offer or invitation to subscribe for Shares in the ICAV in respect of any Fund may be made to the public in Hong Kong; and (ii) this Offering Document has not been reviewed and/or approved by the Hong Kong Securities and Futures Commission, or by any other regulatory authority, in Hong Kong and accordingly Shares in the ICAV in respect of the applicable Fund may not be offered or sold in Hong Kong by any means whatsoever, other than in circumstances which do not constitute an offer to the public for the purposes of the Hong Kong Securities and Futures Ordinance, as amended from time to time.

You must read this Offering Document carefully for detailed information of the relevant Fund, including its investment objectives and policies, its management, relevant fees and expenses, dividend policy, risk factors and the Shares being offered and carefully consider whether the investment is suitable for you.

Save as described above, no action has been taken to permit an offer of Shares or the distribution of this Offering Document in any jurisdiction where action would be required for such purpose. Accordingly, this Offering Document may not be used for the purpose of, and does not constitute, an offer or solicitation in any jurisdiction or in any circumstances 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. It is the responsibility of each prospective investor to satisfy itself as to full compliance with the applicable laws and regulations of any relevant territory, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such territory. All prospective investors should inform themselves as to the legal and/or foreign exchange implications, requirements, and tax consequences, applicable to them in respect of the acquisition, holding and disposition of Shares.

This Offering Document may be updated from time to time and you should check that you have the latest version. Any information or representations made by any dealer, salesperson or other person must be regarded as unauthorised and accordingly must not be relied upon.

Neither the delivery of any document(s) (including but not limited to this Offering Document) relating to the Shares, the ICAV and/or any Fund, nor any offer, issue or sale of the same shall, under any circumstances, constitute a representation that the information given in this Offering Document, or any such document, is correct as of any time subsequent to the date thereof. You should exercise care accordingly.

The Directors of the ICAV, whose names appear under the heading "Directory" in the Prospectus are the persons responsible for the information contained in this Prospectus and the relevant Supplement and accept responsibility accordingly. 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 document is in accordance with the facts and does not omit anything likely to affect the import of the information.

## Singapore

The offer or invitation of the shares (the “**Shares**”) of FS Chiron Global Opportunities Fund (the “**Fund**”) which is the subject of this Prospectus and the relevant Supplement, does not relate to a collective investment scheme which is authorised under Section 286 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”) or recognised under Section 287 of the SFA. The Fund is not authorised or recognised by the Monetary Authority of Singapore (the “**MAS**”) and the Shares are not allowed to be offered to the retail public. This Prospectus and the relevant Supplement and any other document or material issued in connection with the offer or sale is not a prospectus as defined in the SFA and, accordingly, statutory liability under the SFA in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you.

This Prospectus and the relevant Supplement have not been registered as a prospectus with the MAS. Accordingly, this Prospectus and the relevant Supplement and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Shares may not be circulated or distributed, nor may Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor under Section 304 of the SFA; (ii) to a relevant person pursuant to Section 305(1) of the SFA, or any person pursuant to Section 305(2) of the SFA, and in accordance with the conditions, specified in Section 305 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Shares are subscribed or purchased under Section 305 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trust is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Shares pursuant to an offer made under Section 305 of the SFA other than:

- (1) to an institutional investor or to a relevant person defined in Section 305(5) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 305A(3)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 305A(5) of the SFA; or
- (5) as specified in Regulation 36 of the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005 of Singapore.

**INVESTORS SHOULD NOTE THAT FUNDS REFERRED TO IN THE PROSPECTUS OTHER THAN THE FUND LISTED ABOVE ARE NOT AVAILABLE TO SINGAPORE INVESTORS AND ANY**

**REFERENCE TO SUCH OTHER FUNDS IS NOT AND SHOULD NOT BE CONSTRUED AS AN OFFER OF SHARES OF SUCH OTHER FUNDS IN SINGAPORE.**

## **BUSINESS ADDRESS**

The business address of the ICAV is 2<sup>nd</sup> Floor, Block E Iveagh Court, Harcourt Road, Dublin 2, Ireland.

## **THE ICAV**

The ICAV is regulated by the Central Bank of Ireland (the “**Central Bank**”). The contact details of the Central Bank are as follows:

Address:       The Manager  
                  Post Authorisation  
                  Securities and Markets Supervision Directorate  
                  New Wapping Street  
                  North Wall Quay  
                  Dublin 1  
                  D01 F7X3

Phone:           +353 (0)1 224 5800

## **THE MANAGER**

Came Global Fund Managers (Ireland) Limited (the “**Manager**”) has been appointed as the ICAV’s manager. The Manager is approved by the Central Bank whose contact details are set out under the heading “Directory” in the Prospectus.

## **THE DEPOSITARY**

RBC Investor Services Bank S.A. (the “**Depositary**”) has been appointed as the ICAV’s depositary. The Depositary is approved and regulated by the Central Bank whose contact details are set out under the heading “Directory” in the Prospectus.

## **SIDE LETTERS**

The ICAV will generally not enter into any side letters with investors and currently no side letters with any investors exist.

## **Switzerland**

### **Representative and Paying Agent**

The representative in Switzerland is 1741 Fund Services Ltd, Burggraben 16, 9000 St. Gallen, Switzerland.

The paying agent in Switzerland is Telco AG, Bahnhofstrasse 4, 6430 Schwyz, Switzerland.

The representative and paying agent have been appointed at normal commercial rates.

### **Place where the relevant documents may be obtained**

The Prospectus, the relevant Supplement, the Instrument, the key investor information documents and the annual and half-yearly reports of the ICAV may be obtained free of charge from the representative in Switzerland.

### **Publications**

Publications in respect of the ICAV are made in Switzerland on *www.fundinfo.com*. Each time units are issued or redeemed, the issue and the redemption prices or the Net Asset Value per Share together with a reference stating “excluding commissions” of all share classes must be published on *www.fundinfo.com*. The prices will be published daily.

### **Payment of retrocessions and rebates**

The ICAV and its agents may pay retrocessions as remuneration for distribution activity in respect of Shares in or from Switzerland. This remuneration may be deemed payment for the following services in particular, any offering of and advertising for the Fund, including any type of activity whose object is the purchase of the Fund, such being for example the organisation of road shows, the participation at fairs and presentations, the preparation of marketing materials, the training of distributors, etc.

Retrocessions are not deemed to be rebates even if they are ultimately passed on, in full or in part, to the investors.

The recipients of the retrocessions must ensure transparent disclosure and inform investors, unsolicited and free of charge, about the amount of remuneration they may receive for distribution.

On request, the recipients of retrocessions must disclose the amounts they actually receive for distributing the collective investment schemes of the investors concerned.

In the case of distribution activity in or from Switzerland, the ICAV and its agents may, upon request, pay rebates directly to investors. The purpose of rebates is to reduce the fees or costs incurred by the investor in question. Rebates are permitted provided that

- they are paid from fees received by the ICAV and therefore do not represent an additional charge on the Fund assets;
- they are granted on the basis of objective criteria;
- all investors who meet these objective criteria and demand rebates are also granted these within the same timeframe and to the same extent.

The objective criteria for the granting of rebates by the ICAV are as follows:

- the volume subscribed by the investor or the total volume they hold in the collective investment scheme or, where applicable, in the product range of the promoter;
- the amount of the fees generated by the investor;
- the investment behaviour shown by the investor (e.g. expected investment period);
- the investor's willingness to provide support in the launch phase of a collective investment scheme.

At the request of the investor, the ICAV must disclose the amounts of such rebates free of charge.



## **Place of performance and jurisdiction**

In respect of the Shares distributed in and from Switzerland, the place of performance and jurisdiction is at the registered office of the representative in Switzerland.

## **Directors**

The Directors of the ICAV, whose names appear under the heading "Directory" in this Prospectus are the persons responsible for the information contained in the Prospectus and the relevant Supplement and accept responsibility accordingly. 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 document is in accordance with the facts and does not omit anything likely to affect the import of the information.

## **RELIANCE ON THIS PROSPECTUS AND ON THE KEY INVESTOR INFORMATION DOCUMENT**

Shares in the ICAV are offered only on the basis of the information contained in this Prospectus and Key Investor Information Document and, as appropriate, after publication of the first half-yearly report of the ICAV or, after publication of the first audited annual accounts of the ICAV, the latest audited annual accounts and any subsequent half-yearly report of the ICAV. These reports form part of the Prospectus. Any further information or representations given or made by any dealer, broker or other person should be disregarded and, accordingly, should not be relied upon. No person has been authorised to give any information or to make any representations in connection with the offering of Shares in the ICAV other than those contained in this Prospectus and in any subsequent half-yearly or annual report for the ICAV and, if given or made, such information or representations must not be relied on as having been authorised by the ICAV, the Directors, the Manager, the Investment Manager, any sub-investment manager, any investment advisor, the Administrator or the Depositary.

Statements in this Prospectus are based on the law and practice currently in force in Ireland at the date hereof and are subject to change. Neither the delivery of this Prospectus nor the issue of Shares shall, under any circumstances, create any implication or constitute any representation that the affairs of the ICAV have not changed since the date hereof.

This Prospectus should be read in its entirety before making any application for Shares.

All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Instrument of the ICAV, copies of which are available as mentioned herein.

Distribution of this Prospectus in certain jurisdictions will require that the Prospectus be translated into other languages. Where such translation is required, the translated version of the Prospectus will accord in all respects with the English version.

**Shareholders should note that the Instrument permits the ICAV to impose a sales charge of up to a maximum of 5% of the Net Asset Value per Share to purchases. A redemption fee of up to 3% may also be chargeable. Details of any such charges intended to be imposed shall be set out in the relevant Supplement. In the event that such charges are imposed the difference at any time between the sale and repurchase price of Shares means that any investment in the ICAV should be viewed as being in the medium to long term. Prices of Shares in the ICAV may fall as well as rise. These charges may only be applied if provided for in the relevant Fund's Supplement.**

The ICAV, the Manager and the Administrator have a responsibility to regulators for compliance with money laundering regulations around the world and for that reason, existing Shareholders, potential subscribers for and transferees of Shares may be asked for proof of identity. Until satisfactory proof of identity is provided by potential investors or transferees, either of the above reserve the right to withhold issuance of Shares or any transfer of Shares. In case of delay or failure to provide satisfactory proof of identity, any of the above may take such action as they see fit.

## DIRECTORY

### FS FUNDS ICAV

**Directors:**

Mark Fitzgerald  
Yvonne Connolly  
Scott Wen  
Ryan Caldwell  
JP Armenio

**Registered Office:**

2<sup>nd</sup> Floor  
Block E Iveagh Court  
Harcourt Road  
Dublin 2  
Ireland

**ICAV Secretary:**

Carne Global Financial Services Limited  
2<sup>nd</sup> Floor  
Block E Iveagh Court  
Harcourt Road  
Dublin 2  
Ireland

**Manager:**

Carne Global Fund Managers (Ireland) Limited  
2<sup>nd</sup> Floor Block E  
Iveagh Court  
Harcourt Road  
Dublin 2  
Ireland

**Investment Manager and Distributor:**

Chiron Investment Management, LLC  
1350 Avenue of the Americas, Suite 700  
New York 10019  
USA

**Administrator, Registrar  
and Transfer Agent:**

RBC Investor Services Ireland Limited  
4th Floor  
One George's Quay Plaza  
George's Quay  
Dublin 2  
Ireland

**Depository:**

RBC Investor Services Bank S.A., Dublin Branch  
4th Floor  
One George's Quay Plaza  
George's Quay  
Dublin 2  
Ireland

**Legal Advisers as to matters of Irish law:**

Dechert  
Second Floor  
5 Earlsfort Terrace  
Dublin 2  
Ireland

**Auditors:**

PricewaterhouseCoopers  
1 Spencer Dock  
North Wall Quay  
Dublin 1  
Ireland

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## DEFINITIONS

In this Prospectus the following words and phrases have the meanings set forth below:

<b>"1933 Act"</b>	means the U.S. Securities Act of 1933, as amended;
<b>"1940 Act"</b>	means the U.S. Investment Company Act of 1940, as amended;
<b>"Act"</b>	means the Irish Collective Asset-management Vehicles Act 2015 as may be amended, and all applicable notices issued by the Central Bank or conditions imposed or derogations granted thereunder;
<b>"Administrator"</b>	means RBC Investor Services Ireland Limited or such other company as may from time to time be appointed in accordance with the requirements of the Central Bank to provide administration and related services to the ICAV in Ireland;
<b>"Administration Agreement"</b>	means the administration agreement dated 1 February 2017, between the Manager and the Administrator, as may be amended;
<b>"AIF"</b>	means alternative investment fund;
<b>"Anti-Dilution Levy"</b>	means a provision for costs relating to the acquisition or disposal of Fund assets in the event of receipt for processing of large subscription or repurchase requests (as determined at the discretion of the Manager) including subscriptions and/or repurchases which would be effected as a result of requests for exchange from one Fund into another Fund;
<b>"Application Form"</b>	means the form approved by the Directors, which must be completed by investors wishing to subscribe for Shares;
<b>"Auditors"</b>	means PricewaterhouseCoopers or such other firm of registered auditors as may from time to time be appointed as auditors to the ICAV;
<b>"Base Currency"</b>	shall have the meaning specified in the relevant Supplement;
<b>"Benchmarks Regulation"</b>	means Regulation (EU) 2016/1011, as may be amended from time to time;
<b>"Bond Connect"</b>	the program launched in July 2017 for mutual bond market access between Hong Kong and Mainland China established by China Foreign Exchange Trade System & National Interbank Fund Centre ("CFETS"), China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit;
<b>"Business Day"</b>	means a day (except Saturdays, Sundays and public holidays) on which banks in Dublin are open for normal banking business or such other day or days as may be specified in the relevant Supplement;
<b>"CIBM"</b>	the China interbank bond market, which is the over-the-counter market for bonds issued and traded in the PRC;
<b>"Central Bank"</b>	means the Central Bank of Ireland or the successor thereof;
<b>"Central Bank UCITS Regulations"</b>	means the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable

	Securities) Regulations 2019, as amended;
<b>"Class"</b>	means each class of Shares in the ICAV;
<b>"Data Protection Legislation"</b>	means the Irish Data Protection Acts 1988 and 2003 (as may be amended or re-enacted) and the EU General Data Protection Regulation, Regulation (EU) 2016/679, the effective date of which is 25th May 2018;
<b>"Dealing Day"</b>	shall have the meaning specified in the relevant Supplement;
<b>"Declaration"</b>	means a valid declaration in a form prescribed by the Irish Revenue Commissioners for the purposes of Section 739D TCA (as may be amended from time to time);
<b>"Depository"</b>	means RBC Investor Services Bank S.A., a company incorporated with limited liability in Luxembourg, operating in Ireland through its Dublin Branch, or such other company in Ireland as may from time to time be appointed as depository of all the assets of the ICAV with the prior approval of the Central Bank;
<b>"Depository Agreement"</b>	means the depository agreement dated 1 February 2017, between the ICAV, the Manager and RBC Investor Services Bank S.A., Dublin Branch as may be amended;
<b>"Distribution Agent"</b>	any sub-distributor, intermediary, dealer and/or professional investor that the distributor enters into contractual arrangements with for the distribution of Shares;
<b>"Dodd Frank Act"</b>	means the U.S. Dodd Frank Wall Street Reform and Consumer Protection Act, as amended;
<b>"Duties and Charges"</b>	in relation to any Fund, means all stamp and other duties, taxes, governmental charges, brokerage, bank charges, foreign exchange spreads, interest, depository or sub-custodian charges (relating to sales and purchases), transfer fees, registration fees and other duties and charges whether in connection with the original acquisition or increase of the assets of the relevant Fund or the creation, issue, sale, conversion or repurchase of Shares or the sale or purchase of Investments or in respect of certificates or otherwise which may have become or may be payable in respect of or prior to or in connection with or arising out of or upon the occasion of the transaction or dealing in respect of which such duties and charges are payable, which, for the avoidance of doubt, includes, when calculating subscription and redemption prices, any provision for spreads (to take into account the difference between the price at which assets were valued for the purpose of calculating the Net Asset Value and the estimated price at which such assets shall be bought as a result of a subscription and sold as a result of a redemption), but shall not include any commission payable to agents on sales and purchases of Shares or any commission, taxes, charges or costs which may have been taken into account in ascertaining the Net Asset Value of Shares in the relevant Fund;
<b>"Directors"</b>	means the Directors of the ICAV for the time being and any duly constituted committee thereof;
<b>"EMIR"</b>	means the Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on over the counter (OTC) derivatives, central counterparties (CCPs) and trade repositories

(TRs);

<b>"ERISA"</b>	means the US Employee Retirement Income Security Act of 1974;
<b>"ESMA"</b>	means the European Securities and Markets Authority and any successor body from time to time carrying out all or any part of the relevant functions thereof;
<b>"ESMA Guidelines"</b>	means ESMA's Guidelines on sound remuneration policies under the UCITS Directive 2009/65 EC as amended from time to time, and the Alternative Investment Fund Manager Directive published on 31 March 2016 as may be amended from time to time;
<b>"EU Member State"</b>	means a Member State of the European Union;
<b>"Euro", "euro" and "€"</b>	each means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
<b>"Exempt Investor"</b>	means any of the following Irish Residents: (i) the Administrator, for so long as the Administrator is a qualified management company as referred to in Section 739B TCA; (ii) a company carrying on life business within the meaning of Section 706 TCA; (iii) a pension scheme which is an exempt approved scheme within the meaning of Section 774 TCA, or a retirement annuity contract or Trust scheme to which Section 784 or Section 785 TCA applies; (iv) any other investment undertaking as referred to in Section 739B TCA or an investment limited partnership within the meaning of Section 739J TCA; (v) a special investment scheme as referred to in Section 737 TCA; (vi) a unit trust of a type referred to in Section 731(5)(a) TCA; (vii) a person who is entitled to exemption from income tax by virtue of Section 207(1)(b) TCA; (viii) a person who is entitled to exemption from income tax and capital gains tax by virtue of Section 784A(2) TCA in circumstances where the Shares held are assets of an approved retirement fund or an approved minimum retirement fund; (ix) a specified company as referred to in Section 739B TCA; (x) a person entitled to exemption from income tax and capital gains tax by virtue of Section 787I TCA in circumstances where the shares are assets of a PRSA; (xi) a credit union with the meaning of Section 739B TCA; (xii) the Courts Service within the meaning of Section 739B TCA; (xiii) the National Treasury Management Agency or a Fund investment vehicle or the Irish State acting through the National Treasury Management Agency as referred to in Section 739D(kb) TCA; (xiv) the National Asset Management Agency; (xv) a company within the charge to corporation tax in accordance with Section 110(2) TCA; or (xvi) any other person resident in Ireland who is permitted to own Shares under Irish taxation legislation or by practice or concession of the Irish Revenue Commissioners without requiring the ICAV to deduct appropriate tax in respect of any payment to a Shareholder or the transfer by a Shareholder of any Shares, and in each case in respect of whom the ICAV is in possession of a Declaration, as applicable;
<b>"FDI"</b>	means financial derivative instruments as described herein and used by the ICAV from time to time;

<b>"Fund" or "Funds"</b>	means a distinct portfolio of assets established by the Directors (with the prior approval of the Central Bank) constituting in each case a separate fund represented by a separate series of Shares with segregated liability from the other Funds and invested in accordance with the investment objective and policies applicable to such fund as specified in the relevant Supplement;
<b>"GBP" or "British Pounds"</b>	each means the lawful currency of the UK;
<b>"ICAV"</b>	means FS Funds ICAV;
<b>"Instrument"</b>	means the instrument of incorporation of the ICAV for the time being in force and as may be modified from time to time;
<b>"Investments"</b>	means any securities, instruments or obligations of whatsoever nature in which the ICAV may invest in respect of a Fund;
<b>"Investment Manager"</b>	means Chiron Investment Management, LLC or such other person, firm or company as may from time to time be appointed in accordance with the requirements of the Central Bank to provide investment management or advisory services to the Funds as specified in the relevant Supplement;
<b>"Investment Management Agreement"</b>	means the investment management agreement dated 1 February 2017 between the Manager and the Investment Manager, as may be amended;
<b>"Ireland"</b>	means the Republic of Ireland;
<b>"Irish Resident"</b>	means any company resident, or other person resident or ordinarily resident, in Ireland for the purposes of Irish tax. Please see the "Taxation" section below for the summary of the concepts of residence and ordinary residence issued by the Irish Revenue Commissioners;
<b>"Irish Revenue Commissioners"</b>	means the Irish authority responsible for taxation;
<b>"Manager"</b>	means Carne Global Fund Managers (Ireland) Limited or such other company as may from time to time be appointed in accordance with the requirements of the Central Bank;
<b>"Management Agreement"</b>	means the management agreement dated 1 February 2017 between the ICAV and the Manager, as may be amended;
<b>"Minimum Fund Size"</b>	means such amount as the Directors may consider for a Fund and as set out in the relevant Supplement for the relevant Fund;
<b>"Net Asset Value"</b>	means the net asset value of the ICAV or a Fund calculated as described or referred to herein;
<b>"Net Asset Value per Share"</b>	means, in relation to any Class, the Net Asset Value divided by the number of Shares of the relevant Class in issue or deemed to be in issue in respect of a Fund at the relevant Valuation Point subject to such adjustments, if any, as may be required in relation to any Class in a Fund;
<b>"Ordinary Resolution"</b>	means a resolution passed by a simple majority of the votes cast in its favour by Shareholders entitled to attend and vote at general meetings of the ICAV or on matters affecting the relevant Class, as the case

	may be, or a resolution in writing signed by all the Shareholders entitled to vote on such resolution;
<b>"Permitted U.S. Person"</b>	means a U.S. Person who also falls within the meaning of the U.S. Internal Revenue Code of 1986, as amended, that is subject to the U.S. Employee Retirement Income Security Act of 1974, as amended, or is otherwise exempt from payment of U.S. Federal Income Tax or an entity substantially all of the ownership interests in which are held by tax-exempt U.S. Persons;
<b>"Prospectus"</b>	means this document, any supplement designed to be read and construed together with and to form part of this document and the ICAV's most recent annual report and accounts (if issued) or, if more recent, its interim report and accounts;
<b>"Recognised Market"</b>	means any recognised exchange or market listed in accordance with the requirements of the Central Bank, which does not issue a list of approved markets. The recognised markets are listed in Appendix II hereto;
<b>"Redemption Form"</b>	means a form approved by the ICAV or its delegate which must be completed by a Shareholder in order to redeem all or a portion of their Shares;
<b>"Regulations" or "UCITS Regulations"</b>	means the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 and any amendment thereto for the time being in force;
<b>"RMP" or "Risk Management Process"</b>	means a risk management process cleared by the Central Bank in connection with the ICAV's investment in FDI;
<b>"SEC"</b>	means the United States Securities and Exchange Commission;
<b>"Share" or "Shares"</b>	means, unless the context otherwise requires, a share or shares of whatsoever Class in the capital of the ICAV (other than Subscriber Shares) entitling the holders to participate in the profits of the ICAV as described in this Prospectus;
<b>"Shareholder"</b>	means a person registered as a holder of Shares;
<b>"Special Resolution"</b>	means a resolution passed with the support of 75% or more of the votes cast in its favour by Shareholders entitled to attend and vote at general meetings of the ICAV or on matters affecting the relevant Class as the case may be, or a resolution in writing signed by all the Shareholders entitled to vote on such resolution;
<b>"Subscriber Shares"</b>	means the initial issued share capital of 2 Shares of €1 each and initially designated as Subscriber Shares;
<b>"Subscriber Shareholder" or "Subscriber Shareholders"</b>	means a holder or holders of Subscriber Shares;
<b>"Subscriptions/Redemptions Account"</b>	means the single, omnibus account for all Funds in the name of the ICAV through which subscription and redemption proceeds and dividend income (if any) for each Fund are channelled, operated in accordance with the Central Bank's requirements and the details of which are specified in the Application Form;



<b>"Supplement"</b>	means a document which contains specific information supplemental to this document in relation to a particular Fund and any addenda thereto;
<b>"Taxation"</b>	means any tax, levy, import, duty or other charge or withholding of a similar nature (including penalty of interest payable in connection with any failure to pay or any delay in paying any of the same);
<b>"TCA"</b>	means the Taxes Consolidation Act 1997 of Ireland;
<b>"USD" or "US\$" or "U.S. Dollars" or "\$"</b>	means the lawful currency of the United States of America;
<b>"U.S."</b>	means the United States of America, its territories and possessions including the States and the District of Columbia and other areas subject to its jurisdiction;
<b>"U.S. Person"</b>	means an individual or entity that is a "U.S. Person" as defined in Regulation S promulgated under the 1933 Act; and
<b>"Valuation Point"</b>	shall have such meaning as shall be specified in the relevant Supplement.

## THE ICAV

### General

The ICAV is an Irish collective asset-management vehicle constituted as an umbrella fund with segregated liability between sub-funds. The ICAV is authorised by the Central Bank as a UCITS. A separate portfolio of assets will be maintained in relation to each Fund.

All holders of Shares are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Instrument, copies of which are available as described under the heading "Documents for Inspection" in this Prospectus.

### Umbrella Fund

The ICAV is an umbrella fund with segregated liability, which is comprised of different Funds, each with one or more classes of Shares. Different classes of Shares may be issued from time to time with the prior notification and clearance of the Central Bank. Each Class represents interests in a Fund. Prior to the issue of any Shares, the ICAV will designate the Fund in relation to which such Shares shall be issued. A separate Fund with separate records and accounts will be maintained and assets in such Fund will be invested in accordance with the investment objectives applicable to such Fund.

The board of Directors is responsible for managing the business affairs of the ICAV. Under the Instrument, the Directors have delegated the day to day management of the ICAV to the Manager. The Manager has appointed the Administrator to provide the day-to-day administration of the ICAV's affairs (including the calculation of the Net Asset Value and the Net Asset Value per Share, Shareholder registration and transfer agency services and related services). The Manager may also appoint investment managers to manage the assets and investments of each Fund.

The Directors are listed below with their principal occupations. None of the Directors has entered into an individual service contract with the ICAV nor is any such contract proposed. The ICAV has granted indemnities to the Directors in respect of any loss or damages which they may suffer save where this results from the Directors' fraud, negligence or wilful default. The Instrument does not stipulate a retirement age for Directors and do not provide for retirement of Directors by rotation. The address of the Directors is the registered office of the ICAV.

The secretary of the ICAV is Carne Global Financial Services Limited, Block E, Iveagh Court, Harcourt Road, Dublin 2.

The Directors of the ICAV are:

#### **Mark Fitzgerald (Irish)**

Mark Fitzgerald has over 25 years' experience in management and senior leadership roles up to and including managing director and executive board level in banking, financial services and international fund services. Mark was the founding chief operating officer of Citibank Europe plc and served in that role from 2001 to 2014. Mark served as an executive board member both of Citibank Europe plc and its immediate parent company Citibank Holdings Ireland Limited from 2004 until 2014. Mark served as director and head of trustee services for Citibank Trustees Ireland Limited from 1997 to 2001. Mark was head of trustee services for Ulster Bank Custodial Services from 1994 to 1997. Mark started his career in Allied Irish Investment Bank in 1987. He is a former president of the Irish Exporters Association. Mark is a past council member of the Irish Funds Industry Association and a past chairman of its trustee committee. He holds a barrister-at-law degree from Kings Inns and a bachelor of commerce degree from University College Cork. Mark is a certified investment fund director. He is a member of the certified investment fund director institute.

### **Yvonne Connolly (Irish)**

Yvonne began her career in the funds industry in 1990 and acts as a Director for Irish management companies and funds, as well as Cayman domiciled hedge funds. She is also a conducting officer to UCITS IV management companies and self-managed variable capital companies.

Yvonne is a specialist in governance, product development, compliance, financial reporting and operations. She also has experience in assisting fund managers and service providers with various aspects of operational developments, control and risk management. She is a recognised expert in back office operations and change management and regularly speaks at fund industry conferences.

Prior to joining Carne Global Financial Services Limited, Yvonne was Head of Operational Development at State Street (International) Ireland (formerly Deutsche Bank), where she looked after new business take on, product development, system implementation and change management. As a member of the senior management team at State Street, Yvonne reported directly to the CEO and was a key contributor to the overall strategy and direction of the business. Yvonne trained as a chartered accountant with KPMG, specialising in corporate taxation. She is a Fellow of the Institute of Chartered Accountants

### **Scott Wen (USA)**

Scott Wen is an executive director at FS Investments focusing on the firm's international business and was previously the Chief Risk Officer for Chiron Investment Management. Prior to joining Chiron, Mr. Wen was a Director of Quantitative Products and Research at Guggenheim Partners as well as a Vice President at Swiss Reinsurance Co. in the Capital Management and Advisory division focusing on equity structured products. Mr. Wen began his career at Goldman Sachs in the Equities division as a trader/financial engineer and later moved to the Asset Management division as a portfolio manager in the Quantitative Equity group. He has a degree in Computer Engineering from Carnegie Mellon University.

### **Ryan Caldwell (USA)**

Ryan Caldwell is a co-founder and Chief Investment Officer of Chiron Investment Management, LLC. From 2000 through the end of his tenure as co-portfolio manager in 2014, he helped lead portfolio management decision-making at Waddell & Reed for a suite of funds totaling \$40 billion, including Ivy Asset Strategy, W&R Asset Strategy, and Ivy Funds/VIP. Mr. Caldwell was named to the Institutional Investors list of 'Rising Stars of Mutual Funds' in 2009, and in 2007 was a finalist for Morningstar Manager of the Year. He serves as board adviser to Haymon Boxing/Premier Boxing Champions and has previously served as a Director to Delta Topco Group, as well as a board adviser to Legendary Entertainment.

### **John Paul Armenio (USA)**

John Paul Armenio is Chief Operating Officer and Head of International Business for Chiron Investment Management, LLC. Prior to joining Chiron, Mr. Armenio led Tantalus Capital's activities as a venture investor and advisor to early stage technology companies – specifically in fintech, with a focus on capital markets technologies, blockchain, and data analytics. Until 2012, he served as Chairman and CEO of Mizuho Securities Asia Limited, the Japanese mega-bank's Asian operations hub based in Hong Kong. During his tenure, he led the restructuring of the entire company starting with an infrastructure and technology overhaul, followed by the establishment of several secondary markets businesses, and culminating in a major expansion of primary and investment banking capabilities. From 1995 until 2008, Mr. Armenio was with Morgan Stanley in Tokyo, New York, and San Francisco, and served as managing director and global head of structured products for the global wealth management division. He also served as Americas head of structured products distribution for the institutional securities division, having responsibility for solutions across equities, rates, commodities, and foreign exchange asset classes. He holds an MBA from The Wharton School in Finance, and a BA in Economics and international relations from Claremont McKenna College (Phi Beta Kappa, Omicron Delta Epsilon, Cum Laude).

## **INVESTMENT OBJECTIVE AND POLICIES**

### **INVESTMENT OBJECTIVE AND POLICIES**

The ICAV is an umbrella investment vehicle and the investment objectives and policies for each Fund are formulated by the ICAV at the time of creation of each Fund and will be specified in the relevant Supplement to the Prospectus.

### **CHANGE IN INVESTMENT OBJECTIVE OR POLICIES**

Changes to the investment objective or material changes to the investment policies of a Fund each as disclosed in the relevant Supplement will only be effected with the approval of an Ordinary Resolution of the Shareholders of that Fund or with the prior written approval of all of the Shareholders of that Fund in accordance with the Instrument or such other majority as is specified in the Instrument. In the event that any such change is effected, reasonable notice to the Shareholders of that Fund will be provided to enable Shareholders to redeem prior to implementation.

## INVESTMENT RESTRICTIONS

The assets of each Fund must be invested in accordance with the restrictions on investments set out in the Regulations and such additional investment restrictions, if any, as may be adopted from time to time by the Directors in respect of any Fund. The ICAV will comply with the Central Bank UCITS Regulations and relevant guidance issued by the Central Bank. The principal investment restrictions applying to each Fund under the Regulations are described as follows: -

### 1. Permitted Investments

Investments of a Fund are confined to:

- 1.1 Transferable securities and money market instruments as prescribed in the Central Bank UCITS Regulations 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, is recognised and open to the public in a Member State or non-Member State.
- 1.2 Recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described above) within a year.
- 1.3 Money market instruments, as defined in the UCITS Regulations, other than those dealt on a regulated market.
- 1.4 Units of UCITS.
- 1.5 Units of alternative investment funds (AIFs).
- 1.6 Deposits with credit institutions.
- 1.7 Financial derivative instruments.

### 2. Investment Restrictions

- 2.1 The Manager may invest no more than 10% of net assets of a Fund in transferable securities and money market instruments other than those referred to in paragraph 1.
- 2.2 Subject to paragraph 2.2, the Manager shall not invest any more than 10% of assets of a UCITS in securities of the type to which Regulation 68(1)(d) of the Regulations apply. The restriction in paragraph 1.1 does not apply to an investment by the Manager in US securities known as "Rule 144A securities" provided that:
  1. the relevant securities have been issued with an undertaking to register with the US Securities and Exchanges Commission within one year of issue; and
  2. the securities are not illiquid securities i.e. they may be realised by the Fund within seven days at the price, or approximately at the price, at which they are valued by the UCITS.
- 2.3 The Manager may invest no more than 10% of net assets of a Fund 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%.
- 2.4 The limit of 10% (in 2.3) 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 supervision designed to protect bond-holders. If a UCITS 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 UCITS. This restriction need not be included unless it is intended to avail of this provision and reference must be made to the fact that this requires the prior approval of the Central Bank.
- 2.5 The limit of 10% (in paragraph 2.3) 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.

- 2.6 The transferable securities and money market instruments referred to in paragraph 2.4 shall not be taken into account for the purpose of applying the limit of 40% referred to in paragraph 2.3.
- 2.7 Cash booked in accounts and held as ancillary liquidity shall not exceed 20% of the net assets of the UCITS.
- 2.8 The risk exposure of a Fund to counterparty to an OTC derivative may not exceed 5% of net assets.

This limit is raised to 10% in the case of a credit institution authorised in the EEA, a credit institution authorised in a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, United States) or a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand ("**Relevant Institutions**").

- 2.9 Notwithstanding paragraphs 2.3, 2.7 and 2.8 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:
  - 1. investments in transferable securities or money market instruments;
  - 2. deposits; and/or
  - 3. counterparty risk exposures arising from OTC derivatives transactions.
- 2.10 The limits referred to in paragraphs 2.3, 2.4, 2.5, 2.7, 2.8 and 2.9 above may not be combined, so that exposure to a single body shall not exceed 35% of net assets.
- 2.11 Group companies are regarded as a single issuer for the purposes of paragraphs 2.3, 2.4, 2.5, 2.7 and 2.8. However, a limit of 20% of net assets may be applied to investment in transferable securities and money market instruments within the same group.
- 2.12 A Fund may invest up to 100% of net assets in different transferable securities and money market instruments issued or guaranteed by any Member State, its local authorities, non-Member States or public international body of which one or more Member States are members.

The individual issuers must be listed in the prospectus and may be drawn from the following list: OECD Governments (provided the relevant issues are investment grade), Government of the People's Republic of China, Government of Brazil (provided the relevant issues are investment grade), Government of India (provided the issues are of investment grade), Government of Singapore, the European Investment Bank, the European Bank for Reconstruction and Development, the International Finance Corporation, the International Monetary Fund, Euratom, the Asian Development Bank, the European Central Bank, the Council of Europe, Eurofima, the African Development Bank, the International Bank for Reconstruction and Development (The World Bank), the Inter American Development Bank, the European Union, the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Government National Mortgage Association (Ginnie Mae), the Student Loan Marketing Association (Sallie Mae), the Federal Home Loan Bank, the Federal Farm Credit Bank, the Tennessee Valley Authority and Straight A-Funding LLC.

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

### **3. Investment in Collective Investment Schemes ("CIS")**

- 3.1 A UCITS may not invest more than 20% of net assets in any one CIS.
- 3.2 Investment in AIFs may not, in aggregate, exceed 30% of net assets.

- 3.3 The CIS are prohibited from investing more than 10% of net assets in other open-ended CIS.
- 3.4 When a Fund invests in the units of other CIS that are managed, directly or by delegation, by the Fund's management company or by any other company with which the Fund management company is linked by common management or control, or by a substantial direct or indirect holding, that management company or other company may not charge subscription, conversion or redemption fees on account of the Fund investment in the units of such other CIS.
- 3.5 Where by virtue of investment in the units of another investment fund, the ICAV, the Investment Manager or an investment advisor receives a commission on behalf of the ICAV (including a rebated commission), the ICAV shall ensure that the relevant commission is paid into the property of the ICAV.

#### **4. Index Tracking Fund**

- 4.1 A 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 Fund is to replicate an index which satisfies the criteria set out in the Central Bank UCITS Regulations and is recognised by the Central Bank.
- 4.2 The limit in paragraph 4.1 may be raised to 35%, and applied to a single issuer, where this is justified by exceptional market conditions.

#### **5. General Provisions**

- 5.1 An investment company, ICAV or management company 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.
- 5.2 A Fund may acquire no more than:
- (i) 10% of the non-voting shares of any single issuing body;
  - (ii) 10% of the debt securities of any single issuing body;
  - (iii) 25% of the units of any single CIS; or
  - (iv) 10% of the money market instruments of any single issuing body.

NOTE: The limits laid down in (ii), (iii) and (iv) 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.

- 5.3 Paragraphs 5.1 and 5.2 shall not be applicable to:
- (i) transferable securities and money market instruments issued or guaranteed by a Member State or its local authorities;
  - (ii) transferable securities and money market instruments issued or guaranteed by a non-Member State;
  - (iii) transferable securities and money market instruments issued by public international bodies of which one or more Member States are members;
  - (iv) shares held by a 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 the 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 paragraphs 2.3 to 2.10, 3.1, 3.2, 5.1, 5.2, 5.4, 5.5 and 5.6, and provided that where these limits are exceeded, paragraphs 5.5 and 5.6 below are observed;
  - (v) Shares held by an investment company or investment companies or ICAV or ICAVs 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 units at unit-holders' request exclusively on their behalf.

- 5.4 A 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.
- 5.5 The Central Bank may allow recently authorised Funds to derogate from the provisions of paragraphs 2.3 to 2.12, 3.1, 3.2, 4.1 and 4.2 for six months following the date of their authorisation, provided they observe the principle of risk spreading.
- 5.6 If the limits laid down herein are exceeded for reasons beyond the control of a Fund, or as a result of the exercise of subscription rights, the Fund must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its unitholders.
- 5.7 Neither an investment company, ICAV nor a management company or a trustee acting on behalf of a unit trust or a management company of a common contractual fund, may carry out uncovered sales of:
  - 1. transferable securities;
  - 2. money market instruments;
  - 3. units of investment funds; or
  - 4. financial derivative instruments,

noting that any short selling of money market instruments by UCITS is prohibited.

- 5.8 A Fund may hold ancillary liquid assets.

## **6. Financial Derivative Instruments ('FDIs')**

- 6.1 The Fund's global exposure relating to FDI must not exceed its total Net Asset Value.
- 6.2 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 Central Bank UCITS Regulations/ guidance. (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 Central Bank UCITS Regulations.)
- 6.3 Funds may invest in FDIs dealt in over-the-counter (OTC) provided that the counterparties to over-the-counter transactions (OTCs) are institutions subject to prudential supervision and belonging to categories approved by the Central Bank.
- 6.4 Investment in FDIs are subject to the conditions and limits laid down by the Central Bank.

Without limitation, the Directors may adopt additional investment restrictions with respect to any Fund to facilitate the distribution of Shares in the relevant Fund to the public in a particular jurisdiction. Any such additional investment restrictions will be disclosed in the Prospectus. In addition, the investment restrictions set out above may be changed from time to time by the Directors in accordance with a change in the applicable law and regulations in any jurisdiction in which Shares in the Funds are currently offered, provided that the assets of the Fund will at all times be invested in accordance with the restrictions on investments set out in the Regulations and the Central Bank UCITS Regulations. In the event of any such addition to, or change in, the investment restrictions applicable to any Fund, a reasonable notification period will be provided by the ICAV to enable Shareholders in the relevant Fund to redeem their Shares prior to implementation of these changes.

If the limits set forth above are exceeded for reasons beyond the control of the Investment Manager, the Investment Manager must adopt as its primary objective in its sale transactions the remedying of such situation, taking due account of the interests of the relevant Fund's Shareholders.



The Manager employs a risk management process in respect of the ICAV which enables it to accurately measure, monitor and manage the various risks associated with the FDI. A statement of this RMP has been submitted to the Central Bank. **A Fund will only utilise those FDIs as set out in the relevant Fund Supplement and as listed in the RMP and that have been cleared by the Central Bank.** The ICAV will, on request, provide supplementary information to Shareholders relating to the RMP employed, including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investment.

## THE MANAGER

### Manager

The ICAV delegates UCITS management company functions to the Manager. The Central Bank UCITS Regulations refer to the "responsible person", being the party responsible for compliance with the relevant requirements of the Central Bank UCITS Regulations on behalf of an Irish authorised UCITS. The Manager assumes the role of the responsible person for the ICAV.

### Management of the ICAV - General

The Directors control the affairs of the ICAV and have delegated certain of their duties to the Manager, which, in turn, has delegated certain of its duties to the Administrator and the relevant Investment Manager. The Depositary has also been appointed to hold the assets of each Fund.

### The Manager

The ICAV has appointed the Manager to act as manager to the ICAV and each Fund with power to delegate one or more of its functions subject to the overall supervision and control of the ICAV. The Manager is a private limited company and was incorporated in Ireland on 10 November 2003 under the registration number 377914 and has been authorised by the Central Bank to act as a UCITS management company and to carry on the business of providing management and related administration services to UCITS collective investment schemes. The Manager's parent company is Carne Global Financial Services Limited, a company incorporated in Ireland with limited liability.

The Manager is responsible for the general management and administration of the ICAV's affairs and for ensuring compliance with the Central Bank UCITS Regulations, including investment and reinvestment of each Fund's assets, having regard to the investment objective and policies of each Fund. However, pursuant to the Administration Agreement, the Manager has delegated certain of its administration and transfer agency functions in respect of each Fund to the Administrator.

Pursuant to the Investment Management Agreement, the Manager has delegated certain investment management functions in respect of each Fund to the Investment Manager.

The directors of the Manager are:

### **Neil Clifford (nationality: Irish – Irish resident)**

Mr. Clifford is a Director with the Carne Group. He is an experienced Irish-based investment professional and fund director with wide experience of the governance and operations of alternative investments at the institutional level, including infrastructure and private equity funds. He has also had experience as an equity fund manager and is a qualified risk management professional. Neil joined the Manager in October 2014 from Irish Life Investment Managers ("ILIM") (April 2006 – September 2014), where he was head of alternative investments. He also supervised ILIM's illiquid investments in private equity and infrastructure, including acting as an independent director on a number of investment companies. He began his career with Irish Life as a sector-focused equity fund manager. Prior to this, Neil was a senior equity analyst for Goodbody Stockbrokers (September 2000 - April 2006) in Dublin. He has also worked as an engineer with a number of leading engineering and telecoms firms in Ireland. Neil has a bachelor of electrical engineering from University College Cork and a master of business administration from the Smurfit School of Business, University College, Dublin. He is a chartered alternative investment analyst and a financial risk manager (FRM – Global Association of Risk Professionals).

### **Teddy Otto (nationality: German – Irish resident)**

Mr. Otto is a Principal with the Carne Group. He specialises mainly in product development, fund establishment and risk management. Before joining the Manager, Mr. Otto was employed by the Allianz / Dresdner Bank group in Ireland for six years. During this time, he acted as head of fund

operations, head of product management and was appointed as a director of the Irish management company for Allianz Global Investors and a range of Irish and Cayman domiciled investment companies. He had previously held senior positions in the areas of market data and custody at Deutsche International (Ireland) Limited and worked in the investment banking division of Deutsche Bank, Frankfurt. He spent over six years at DeutscheBank group. Prior to that, he was employed with Bankgesellschaft Berlin for two years. Mr. Otto holds a degree in business administration from Technische Universität Berlin.

**Elizabeth Beazley (nationality: Irish – Irish resident)**

Ms. Beazley is a Director with the Carne Group specialising in corporate governance, product development, financial reporting and fund oversight for both mutual and hedge funds. She has a 20-year track record in financial services. As Group Chief of Staff for Carne Group, Elizabeth works on various strategic projects within the Executive Committee and oversees the Global Onboarding team at Carne which is responsible for overseeing a team project managing the establishment of UCITS and AIFs and several third party management companies covering service provider selection, governance documentation drafting and operational set-up. Elizabeth currently acts as Director on a number of funds/management companies. Prior to Carne Ms. Beazley spent four years with AIB/BNY Fund Management in Ireland, and before that worked for HSBC. Elizabeth has been a member of various industry working groups including the Technical committee and the ETF committee. She graduated with a Bachelor of Commerce from University College Cork, and has a Masters' degree in Business Studies from the Smurfit Graduate School of Business. Ms. Beazley is a member of the Association of Chartered Certified Accountants.

**Michael Bishop (nationality: British – U.K. resident)**

Mr. Bishop was with UBS Global Asset Management (U.K.) Ltd. (1990 – 2011) holding executive director and then managing director positions and was responsible for the development and management of the U.K. business's range of investment funds. His areas of expertise include U.K. open-ended investment companies, unit trusts, unit linked funds and Irish, Cayman Islands, Channel Islands and other investment structures. He was a director of and responsible for the launch of UBS Global Asset Management Life Ltd. and UBS (Ireland) plc. Mr. Bishop has designed and launched products catering for all capabilities including equities, fixed income and alternative strategies. He has also been responsible for service provider appointment and management, as well as holding senior accounting and managerial roles with other financial services companies including Flemings and Tyndall. He has served on a number of the Investment Management Association's committees, industry forums and consultation groups specialising in U.K. and international regulation, product development and taxation. Mr. Bishop is a fellow of the Association of Chartered Certified Accountants. Since retiring in 2011, he has been involved with various charities.

**Sarah Murphy (nationality: Irish – Irish resident)**

Sarah is a Director of Oversight at Carne, with a particular focus on the governance and operations of management companies and fund platforms. She currently acts as a Director and Chief Operations Officer of Carne's management companies in addition to serving on the boards of Carne's UCITS and QIAIF platforms. Sarah is primarily responsible for leading the execution of the firm's management companies' operations, which collectively oversee more than \$100bn in assets. She began her career at Carne as a business manager where she was tasked with leading the launch and development of a number of the firm's corporate services businesses.

Prior to joining Carne, Sarah held a number of senior management roles in BDO Ireland's corporate services business. During this period, Sarah was responsible for providing advisory services to a broad range of domestic and international clients in relation to corporate governance and company law issues associated with acquisitions, disposals and company re-organisations.

Sarah is a Fellow of the Institute of Chartered Secretaries and Administrators and is currently completing the Chartered Alternative Investment Analyst certification.

**David McGowan (nationality: Irish – Irish resident)**

David joined Carne as the Global Chief Operating Officer in October 2019. David has over 15 years' experience in building and managing complex operations teams across a variety of industries. David has responsibility for a multitude of operational functions across a number of business lines across the Carne Group. As part of David's remit within Carne Group, he is responsible for ensuring that the most appropriate operating model is in place for the Manager's regulatory environment as the Manager grows in terms of assets under management, number of funds under management and number of delegate arrangements.

In David's role prior to joining Carne, he served as a Director of Global Business Services with LinkedIn leading a number of global business lines, including heading up functions of over 400 full time employees with global accountability for relationship management and management operating systems implementation. Prior to his role with LinkedIn, David was a Director of Global Business Services with Accenture Plc providing domain and analytical support for outsourced relationships in EMEA and project implementation across a number of areas including Customer Success and Sales.

David holds a BSc in Supply Chain Management and Logistics from the Aston University Manchester.

The Secretary of the Manager is Carne Global Financial Services Limited.

The Manager has been appointed pursuant to the Management Agreement dated 1 February 2017 and is responsible for providing or procuring the provision to the ICAV of the services of investment manager, administrator, registrar, transfer agent and distributor and to undertake certain corporate, regulatory and risk management duties for the ICAV and each of the Funds.

The Manager shall exercise the due care of a professional UCITS manager in the performance of its duties under the Management Agreement, including with regard to the selection, appointment and monitoring of any delegates and shall use its best endeavours, skill and judgment and all due care in performing its duties and obligations and exercising its rights and authorities under the Management Agreement provided that for the avoidance of any doubt the Manager shall not be liable for any decline in the value of the Investments of the ICAV or any Fund or any part thereof to the extent that such decline results from any investment decision made by the Manager or any delegate in good faith unless such decision was made negligently, fraudulently, in bad faith, recklessly or with wilful default.

Neither the Manager nor any of its directors, officers, employees or agents shall be liable for any loss or damage arising directly or indirectly out of or in connection with the performance by the Manager of its obligations and duties under the Management Agreement unless such loss or damage arose out of or in connection with the negligence, wilful default, fraud, recklessness or bad faith of or by the Manager or any delegate in the performance of its duties under the Management Agreement.

The ICAV shall be liable and shall indemnify and keep indemnified and hold harmless the Manager (and each of its directors, officers, employees, delegates and agents) from and against any and all actions, proceedings, claims, demands, losses, damages, costs and expenses (including reasonable legal and professional fees and expenses arising) which may be made or brought against or suffered or incurred by the Manager (or any of its directors, officers, employees, delegates or agents) arising out of or in connection with the performance of its obligations and duties under the Management Agreement in the absence of any negligence, wilful default, fraud, recklessness or bad faith of or by the Manager or any delegate in the performance of its duties under the Management Agreement or as otherwise may be required by law.

The Manager may perform any of its duties, obligations and responsibilities under the Management Agreement by or through its directors, officers, servants or agents and shall be entitled to delegate or sub-contract all or any of its functions, powers, discretions, duties and obligations as the Manager under the Management Agreement to any person approved by the Directors and the Central Bank on such terms and conditions as agreed between the ICAV and the Manager, provided that any such delegation or sub-contract shall terminate automatically on the termination of the Management Agreement and provided further that the Manager shall remain responsible and liable for any acts or omissions of any such delegate or sub-contractor as if such acts or omissions were those of the Manager.

The Management Agreement shall continue in full force and effect unless terminated by any party at any time upon ninety (90) days prior written notice to the other party or at any time if any party: (i)

commits any material breach of the Agreement or commit persistent breaches of the Agreement which is or are either incapable of remedy or have not been remedied within thirty (30) days of the non-defaulting party serving notice requiring the remedying of the default; (ii) becomes incapable of performing its duties or obligations under the Agreement; (iii) is unable to pay its debts as they fall due or otherwise becomes insolvent or enters into any composition or arrangement with or for the benefit of its creditors or any class thereof; (iv) is the subject of a petition for the appointment of an examiner, administrator, trustee, official assignee or similar officer to it or in respect of its affairs or assets; (v) has a receiver appointed over all or any substantial part of its undertaking, assets or revenues; (vi) is the subject of an effective resolution for the winding up (except in relation to a voluntary winding up for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the other party); (vii) is the subject of a court order for its winding up or liquidation; or (viii) ceases to be appropriately regulated in the jurisdiction of its registered office for the proper performance of the Management Agreement. Either party may also terminate the Management Agreement by notice in writing to the other party in the event that a force majeure event, as defined in the Management Agreement, continues for longer than fourteen (14) days.

## THE INVESTMENT MANAGER

Chiron Investment Management, LLC has been appointed as the investment manager and distributor of the ICAV and is responsible for providing discretionary investment management and advisory services in connection with the assets of each Fund and distribution services in respect of the Shares of each Fund. The Investment Manager is the promoter of the ICAV and each Fund.

The Investment Manager is a registered investment advisor with the U.S. Securities and Exchange Commission and is authorised to provide discretionary portfolio management in the USA with its principal place of business at 1350 Avenue of the Americas, Suite 700, New York, NY 10019, USA.

The Investment Management Agreement states that the Investment Manager shall exercise the due care of a professional investment manager of collective investment schemes in the performance of its duties as set out in the Investment Management Agreement, including with regard to the selection, appointment and monitoring of any delegates and shall use its best endeavours, skill and judgment and all due care in performing its duties and obligations and exercising its rights and authorities provided that the Investment Manager shall not be liable for any decline in the value of the Investments of the Fund to the extent that such decline results from any investment decision made by the Investment Manager or any delegate in good faith unless such decision was made negligently, fraudulently, in bad faith, recklessly or with wilful default.

Under the Investment Management Agreement, subject to the indemnity provided below, neither the Investment Manager nor any of its directors, officers, employees or agents shall be liable for any loss or damage arising directly or indirectly out of or in connection with the performance by the Investment Manager of its obligations and duties unless such loss or damage arose out of or in connection with the negligence, wilful default, fraud, recklessness or bad faith of or by the Investment Manager in the performance of its duties as set out in the Investment Management Agreement.

The Investment Manager shall indemnify and keep indemnified and hold harmless the Manager, the ICAV (and each of their respective directors, officers, employees and agents) from and against any and all actions, proceedings, claims, demands, losses, damages, costs and expenses (including reasonable legal and professional fees and expenses arising therefrom or incidental thereto) which may be made or brought against or suffered or incurred by the Manager and or the ICAV (or any of their respective directors, officers, employees or agents) arising out of or in connection with the performance of the Investment Manager's obligations and duties as set out in the Investment Management Agreement in the absence of any negligence, wilful default, fraud, recklessness or bad faith of or by the Manager and/or the ICAV in the performance or non-performance of their respective duties as set out in the Investment Management Agreement or as otherwise may be required by law.

The Investment Management Agreement will continue in force until terminated by either party on 90 days' notice in writing to the other party, provided that it may be terminated forthwith by notice in writing by either party to the other party if the other party commits any material breach of its obligations under the Investment Management Agreement and fails to make good such breach within 30 days of receipt of written notice requiring it to do so, or if the other party is dissolved or otherwise enters into insolvency proceedings. The Manager may also terminate the Investment Management Agreement at any time by giving notice in writing if the Investment Manager ceases to be registered as an investment advisor by the SEC or if the Investment Manager shall fail to fulfil its duties as set out in the Investment Management Agreement for a period of 90 consecutive days.

## **THE ADMINISTRATOR**

The Manager has appointed RBC Investor Services Ireland Limited to act as Administrator of the ICAV pursuant to the Administration Agreement.

The Administrator is a company incorporated with limited liability in Ireland on 31 January 1997 with its registered office at 4<sup>th</sup> Floor, One George's Quay Plaza, George's Quay, Dublin 2. The Administrator is a wholly-owned subsidiary of the Royal Bank of Canada Group. The Administrator is authorised by the Central Bank under the Investment Intermediaries Act 1995. The Administrator's principal business is the provision of administration services to collective investment schemes and will be responsible for the day-to-day administration of the ICAV.

The administration duties and functions of the Administrator will include, inter alia, the calculation of the Net Asset Value, the provision of facilities for the confirmation and registration of Shares, the keeping of all relevant records and accounts of the ICAV and assisting with compliance by the ICAV with the reporting requirements of the Central Bank.

The Administration Agreement provides that the appointment of the Administrator shall continue thereafter until terminated by the ICAV or the Administrator giving to the other of them not less than 90 days' written notice although in certain circumstances the agreement may be terminated immediately by either party. The Administrator shall exercise the level of due care and diligence in the discharge of its duties expected of a professional administrator of collective investment schemes available for hire.

The Administrator will be liable to the ICAV and the Manager for losses suffered by either of them as a result of the Administrator's fraud, negligence, wilful default or unjustifiable failure to perform its obligations or its improper performance of them in accordance with the Administration Agreement or for its failure to comply with any regulatory requirement of the Central Bank applicable to it.

The ICAV shall indemnify and hold the Administrator harmless from and against all claims on a full indemnity basis and other costs, charges and expenses incurred whatsoever and howsoever arising (including without limitation, legal fees reasonably incurred) which the Administrator may suffer or incur in acting as Administrator other than by reason of its fraud, negligence or wilful default in accordance with the Administration Agreement on the part of the Administrator, its servants or delegates.

## THE DEPOSITARY

The ICAV has appointed RBC Investor Services Bank S.A., Dublin Branch as the Depositary with responsibility for the safekeeping of the assets, oversight duties and cash flow monitoring pursuant to the Depositary Agreement.

The Depositary is RBC Investor Services Bank S.A., Dublin Branch which is a company incorporated with limited liability in Luxembourg, operating in Ireland through its Dublin Branch. The Depositary is a wholly-owned subsidiary of the Royal Bank of Canada Group and its head office is 14, Porte de France L 4360 Esch sur Alzette Luxembourg, Luxembourg. The Depositary has been approved and regulated by the Central Bank to act as Depositary for the ICAV and in performing its tasks as Depositary to the ICAV, it will act honestly, fairly, professionally, independently and in the interest of the ICAV and the Shareholders.

Under its oversight duties, the Depositary is required to:

- (i) ensure that the sale, issue, repurchase, redemption and cancellation of Shares effected on behalf of the ICAV are carried out in accordance with the Regulations and/or with the Instrument;
- (ii) ensure that the value of Shares is calculated in accordance with the Regulations and the Instrument;
- (iii) carry out the instructions of the ICAV, unless they conflict with the Regulations or the Instrument;
- (iv) ensure that in transactions involving the ICAV's assets, the consideration is remitted to the ICAV within the usual time limits;
- (v) ensure that the ICAV's revenues are allocated in accordance with the Instrument.

The Depositary Agreement provides that the Depositary shall be liable to the ICAV and the Shareholders in respect of an ascertained loss of a financial instrument held in its custody (or that of its duly appointed sub-custodian) unless it can prove that the loss has arisen as a result of an external event beyond the Depositary's reasonable control, the consequences of which would have been unavoidable despite all reasonable measures to the contrary. The Depositary will be liable to the ICAV, the Manager in relation to the Depositary's duties to the Manager and the Shareholders for other losses as a result of the Depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the Regulations.

The Depositary is authorized to delegate its safekeeping duties to delegates and sub-custodians and to open accounts with such sub-custodians provided that (i) the services are not delegated with the intention of avoiding the requirements of the Regulations, (ii) the Depositary can demonstrate that there is an objective reason for the delegation and (iii) the Depositary has exercised all due, skill, care and diligence in the selection and appointment of any third party to whom it wants to delegate parts of the services, and keeps exercising all due skill, care and diligence in the periodic review and ongoing monitoring of any third party to whom it has delegated parts of its safekeeping services and of the arrangements of the third party in respect of the matters delegated to it. The liability of the Depositary will not be affected by virtue of any such delegation. A list of these sub-custodians is set out at Appendix III attached.

In order to address any situations of conflicts of interest, the Depositary has implemented and maintains a management of conflicts of interest policy, aiming namely at:

- identifying and analysing potential situations of conflicts of interest;
- recording, managing and monitoring the conflict of interest situations either in:
  - relying on the permanent measures in place to address conflicts of interest such as maintaining separate legal entities, segregation of duties, separation of reporting lines, insider lists for staff members; or
  - implementing a case-by-case management to



- (i) take the appropriate preventive measures such as drawing up a new watch list, implementing a new Chinese wall, making sure that operations are carried out at arm's length and/or informing the concerned Shareholders of the ICAV, or
- (ii) refuse to carry out the activity giving rise to the conflict of interest.

Details in the Prospectus of the Depositary and its duties under the Depositary Agreement will be kept up-to-date. Up-to-date information on the identity of the Depositary, its duties, a description of conflicts of interest that may arise, a description of any safe-keeping functions delegated by the Depositary, the list of delegates and sub-delegates, and any conflicts of interest that may arise from such delegation will be made available to investors on request.

## **LOCAL PAYING AGENTS AND DISTRIBUTORS**

The Investment Manager may appoint paying agents and distributors. Local regulations in certain EEA countries may require the appointment of paying agents and the maintenance of accounts by such agents through which subscription and redemption monies may be paid. Investors who choose, or are obliged under local regulations to pay subscription monies or receive redemption monies via an intermediary entity rather than the directly to the Depositary bear a credit risk against that intermediate entity with respect to (a) subscription monies, prior to the transmission of such monies to the Depositary for the relevant Fund and (b) redemption monies payable by such intermediate entity to the relevant investor. Fees payable to any such paying agent or distributor shall be payable out of the assets of the ICAV at normal commercial rates.

## FEES AND EXPENSES

### GENERAL FEES

Details of the investment management, administration and custody fees applicable to the Funds are specified in the relevant Supplement.

Where the Manager or any of its delegates, successfully negotiates the recapture of a portion of the commissions charged by brokers or dealers in connection with the purchase and/or sale of securities for a Fund, the rebated commission shall be paid to that Fund. Details of the arrangements including fees payable to the Manager (or its delegates) relating to such arrangements will be set out in the relevant Supplement.

### ESTABLISHMENT AND OPERATING EXPENSES

The establishment expenses of the ICAV and the initial Fund will be borne by the initial Fund and are not expected to exceed €250,000. The establishment expenses of each subsequent Fund will be set out in the relevant Supplement. Unless a shorter period is indicated in the relevant Supplement, such fees and expenses will be paid as they are incurred but will be amortised over an initial five year period, or such other period as the Directors may determine; provided that the Directors shall assure that any amortisation period selected shall be adjusted as may be necessary to assure that each Fund receives an unqualified opinion of its auditors. To the extent that any further Fund or any additional Class is established within the amortisation period, the Directors may charge back the proportion of establishment expenses, as incurred, attributable to such Class or Fund in such manner as the Directors deem fair and equitable.

The ICAV may also bear the following expenses:

1. all remuneration, fees, costs and expenses due to the Depositary, the Manager, the Investment Manager, the Administrator, the Auditors, the secretary, any sub-distribution agents appointed by the Investment Manager to distribute Shares and the legal advisers to the ICAV and any other person, firm or corporation providing services to the ICAV;
2. all fees and expenses incurred in connection with publication and supply of information to Shareholders and in particular, but without limitation, the cost of printing and distributing confirmation notes, the half yearly financial statements and the annual audited financial statements as well as any other reports to the Central Bank or to any other regulatory authority or the Shareholders and the cost of preparing, publishing and distributing the Prospectus and any other offering documents for Shares (including the cost of developing and enhancing computer software and electronic transmission techniques to distribute such documents or information), and the cost of all stationery, printing and postage costs in connection with the preparation and distribution of information to Shareholders, the expenses of publishing daily price and yield information in relevant media and all marketing and promotional expenses;
3. all expenses incurred in registering the ICAV with any governmental agencies or regulatory authorities and maintaining the registration of the ICAV with such governmental agencies or regulatory authorities (including local Securities Dealers Associations) and the cost of listing and maintain a listing of Shares on any stock exchange;
4. any and all expenses in relation the liquidation/winding-up of the ICAV and/or any Fund;
5. Duties and Charges;
6. expenses incurred in distributing income to Shareholders;
7. fees in respect of the publication and circulation of details of the Net Asset Value of each Fund and each Class of Shares of each Fund;

8. the fees and expenses of the auditors, compliance facilitator, legal, money laundering reporting officer, tax and other professional advisers of the ICAV and of the Directors;
9. the costs of convening and holding meetings of Shareholders (including meetings of Shareholders in any particular Fund or in any particular Class within a Fund);
10. the costs of printing and distributing reports, accounts and any Prospectus;
11. the costs of publishing prices and other information which the ICAV is required by law to publish and any other administrative expenses;
12. taxes and duties payable by the ICAV;
13. fees, costs, expenses and interest on and charges incurred in relation to any borrowings, loans or debt facilities of the ICAV or any Fund;
14. fees and expenses in connection with the listing of Shares on any stock exchange;
15. the cost of obtaining and maintaining the listing of the Shares on the Irish Stock Exchange and any other exchange, including the fees of any sponsoring broker;
16. any costs incurred in modifying the Instrument of the ICAV or the Prospectus;
17. insurance which the ICAV may purchase and/or maintain for the benefit of and against any liability incurred by any Director of the ICAV in the performance his or her duties;
18. liabilities on amalgamation or reconstruction arising where the property of a body corporate or another collective investment scheme is transferred to the Depositary in consideration for the issue of Shares to the shareholders in that body or to participants in that other scheme, provided that any liability arising after the transfer could have been paid out of that other property had it arisen before the transfer and, in the absence of any express provision in the Instrument forbidding such payment, the Directors are of the opinion that proper provision was made for meeting such liabilities as were known or could reasonably have been anticipated at the time of transfer;
19. any costs incurred in forming a Fund or Class (details of which will be set out in the relevant Supplement);
20. any other costs or expenses payable by the ICAV or a Fund in accordance with the Instrument;
21. any fees payable to the Central Bank;
22. any regulatory or other administrative fees, including the costs involved in complying with any regulatory, taxation or other requirements;
23. any necessary translation fees;
24. any costs incurred as a result of periodic updates of the Prospectus, any Supplements, 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);
25. in respect of each financial year of the ICAV in which expenses are being determined, such proportion (if any) of the establishment expenses as are being amortised in that year;
26. any and all expenses arising in respect of legal or administrative proceedings concerning the ICAV;
27. any other fees deemed properly payable from the assets of the ICAV or a Fund by the Directors;

28. any costs incurred in relation to the verification of securities prices; and
29. any and all administrative costs associated with compliance with local legislation and tax residency where required by the ICAV or any Fund.

All recurring expenses will be charged against current income or against realised capital gains, and, if need be, against assets of the ICAV as the Directors may from time to time decide.

In each case of the expenses listed above, plus any applicable value added tax.

Under the Instrument, the Directors are entitled to a fee in remuneration for their services to the ICAV at a rate to be determined from time to time by the Directors, but so that the aggregate amount of each Directors' remuneration in any one year shall not exceed €50,000 or such other higher limit as the Directors may from time to time determine and notify to Shareholders, with Shareholders being provided with a reasonable notification period in advance of the change taking effect. The Directors and any alternate Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any other meetings in connection with the business of the ICAV.

#### **OTHER FEES**

Other fees and expenses payable in respect of each Fund and/or Class are contained in the relevant Supplement.

## **SUBSCRIPTIONS**

The Directors are given authority to effect the issue of Shares of any Class and to create new Classes on such terms as they may from time to time determine and in accordance with the requirements of the Central Bank.

The following is a description of the current Classes of Shares being offered. A more detailed description of the Classes of Shares offered for each Fund is described in the relevant Fund Supplement.

Shares can be either described as Distributing or Non-distributing Shares. The Directors intend to distribute some or all of the distributable income attributable to Distributing Shares. No distribution of dividends shall be made for Non-distributing Shares, and the income attributable to those Shares will be reflected in the increased value of the Shares.

The purchase proceeds of the various Share Classes of a Fund are invested in one common underlying pool of investments but the Net Asset Value of each Share Class will be different as a result of the differences in the issue price, fee structure, any currency hedging that is implemented and dividend policy.

Please refer to the section entitled "Share Currency Designation Risk" for an outline of the risks associated with Classes designated in a currency other than the Base Currency of a Fund.

### **Class A Shares**

Class A Shares are offered to selected Distribution Agents appointed by the Investment Manager purchasing Class A Shares on behalf of their clients.

Class A Shares will be subject to an initial sales charge of up to 5% of the amount subscribed. Out of this charge, the Distribution Agents will retain a portion of the initial sales charge as it deems appropriate. The sales charge may be waived in whole or in part by the Investment Manager (or any Distribution Agent) either for individual Shareholders or a group of Shareholders. The balance of the amount subscribed after the deduction of any applicable sales charge will then be applied to the purchase of Shares in the relevant Fund. A portion of the fee charged for Class A Shares may be paid to Distribution Agents and/or platforms for certain administrative or other shareholder services.

If, in any country in which Shares are offered, local law or practice requires a lower sales charge than the charge stated above for any individual purchase order, the distributor may sell Class A Shares, and may otherwise allow Distribution Agents to sell Class A Shares, within such country at a lower sales charge, if any, provided this is in accordance with the amounts permitted by the law or practice of such country.

### **Class A1 Shares**

Class A1 Shares are offered to selected Distribution Agents appointed by the Investment Manager purchasing Class A1 Shares on behalf of their clients.

Class A1 Shares are available for distribution in the EU except to: (i) entities providing independent advice (e.g., independent financial advisors) or portfolio management services or (ii) any client on whose behalf a foregoing entity is acting.

A portion of the fee charged for Class A1 Shares may be paid to Distribution Agents and/or platforms for certain administrative or other shareholder services. Class A1 Shares are not subject to an initial sales charge.

### **Class I Shares**

Class I Shares are only offered to institutional investors in certain limited circumstances at the discretion of the Investment Manager. Purchases of Class I Shares are not subject to an initial sales charge.

No portion of the fee charged for Class I Shares will be paid to dealers or distribution agents, unless for certain administrative services and/or maintenance fees (where legally permissible).

### **Class IP Shares**

Class IP Shares are only offered to certain large institutional investors in certain limited circumstances at the discretion of the Investment Manager at the minimum investment amount stated in each Fund's Supplement. Purchases of Class IP Shares are not subject to an initial sales charge. Class IP Shares are currently closed to new investment, except for additional investment from existing investors in such Class and/or their affiliates.

No portion of the fee charged for Class IP Shares will be paid to dealers or distribution agents, unless for certain administrative services and/or maintenance fees (where legally permissible). The Fund shall pay to the Investment Manager a performance fee in respect of the Class IP Shares of the Fund.

### **Class X Shares**

Class X Shares were available to certain select Distribution Agents and early investors in a Fund. Class X Shares are currently closed to new investment.

### **Class Y Shares**

Class Y Shares were available to certain early institutional investors in a Fund. Class Y Shares are currently closed to new investment.

In calculating the subscription price per Share for a Fund the Manager may, on any Dealing Day where there are overall net subscriptions, adjust the subscription price by adding an Anti-Dilution Levy for retention as part of the assets of the relevant Fund, to cover dealing costs and to preserve the value of the relevant Fund's underlying assets.

Details in respect of the minimum subscription amount for each Fund and/or Class are set out in the relevant Supplement for each Fund.

Details in respect of applications and subscriptions for shares in the Funds are also set out in the relevant Supplement for each Fund.

Any amendment to the details set out in the Application Form shall not be effected unless notified in writing, by an authorised signatory of the Shareholder, to the Administrator and such amendment will not be effected unless and until the Administrator is in receipt of the original document.

**The Application Form contains a declaration of residence in a form required by the Irish Revenue Commissioners. Failure to forward the original Application Form by post will result in the ICAV being treated by the Irish Revenue Commissioners as not having received a valid Declaration. The consequences of this for the Shareholder are that the ICAV will be obliged to withhold tax (in relation to any gain made on the Shareholder's account) on any payments made to that Shareholder as if the Shareholder were an Irish resident non-Exempt Investor. Full details of the rates at which tax would be withheld are contained under the heading "Irish Resident Non-Exempt Investors". Investors are therefore advised to forward original Application Forms by post as soon as possible following submission of a faxed Application Form.**

The ICAV may issue fractional shares (rounded to three decimal places). If Shares are issued in return for Investments, the Manager is entitled to add a charge in respect of any fiscal duties and charges incurred in connection with any permitted exchange of Investments for Shares. All Shares will be issued in registered but uncertificated form. No share certificate will be issued. Unless otherwise set out in a Fund Supplement, written confirmation of ownership by way of contract note will be issued within 48 hours of the relevant Dealing Day. The contract note will provide full details of the transaction and a Shareholder number. The Shareholder number should be used for all future dealings with the ICAV and the Administrator. The uncertificated form enables the ICAV to deal with requests for redemption without undue delay and thus investors are recommended to hold their Shares in

uncertificated form. The number of Shares issued will be rounded to the nearest three decimal places and any surplus money will be credited to the ICAV.

All dealing requests (be they subscriptions or redemptions) may initially be sent in by fax to the fax number specified in the Application Form with the original signed documentation to follow in a timely manner by mail. Applicants who fail to follow this procedure and simply submit requests by mail only may miss their preferred dealing date and must receive an official acknowledgement of receipt in the form of a contract note ("**Contract Note**") from the Administrator. The Administrator can take no responsibility for requests which are not appropriately transmitted, sent or acknowledged.

Please note that when the dealing request is submitted to the Administrator through whichever communication channel, the Administrator will send a Contract Note by post, as the case may be, back to the applicant/Shareholder, which confirms that the request has been received and processed on the Administrator's system. If the applicant/Shareholder does not receive a Contract Note within 48 hours, or receives a Contract Note which contains information that differs from the instruction submitted by the applicant/Shareholder, it must contact the Administrator immediately to inform the Administrator that it has either not received the Contract Note or of any errors to ensure that these are rectified by the Administrator before the relevant Dealing Day.

Please note that a fax transmission report indicating that a fax has been sent shall be considered as an acknowledgement from the Administrator that he/she has received a dealing request and shall not constitute proof of such receipt as only a Contract Note suffices in this regard.

Due to automated work-flow requirements, each dealing request submitted to the Administrator must be done by separate fax and/or mail. Neither bulk instructions nor separate dealing instructions should be submitted as one continuous fax and/or mailing. Whilst the Administrator will do its best to ensure that all instructions received are correctly processed, the Administrator or the ICAV does not accept any responsibility for instructions missed as a result of batch or continuous fax messages received. It remains the responsibility of the sender to ensure a Contract Note is received within 48 hours of their instructions being submitted and it remains the responsibility of the sender to follow up with the Administrator if this is not the case.

It is the responsibility of the sending party to ensure that they have the most up to date contact details for the Administrator as set out in the Application Form, as fax numbers may change from time to time.

Subscriptions for Shares must be made in the currency of the relevant Class or such other currency as the Director may determine.

The Administrator reserves the right to process in whole or in part any application for Shares or to request further details or evidence of identity from an applicant for Shares. Where an application for Shares is rejected, the subscription monies shall be returned to the applicant within ten (10) Business Days of the date of such rejection. Shareholders must provide such declarations as are reasonably required by the ICAV, including, without limitation, declarations as to matters of Irish and U.S. taxation. In this regard, Shareholders should take into account the considerations set out in the section entitled "Taxation".

For initial subscriptions, the original Application Form must be completed and sent promptly with all relevant documentation, including anti-money laundering documentation, to the Administrator. Completed Application Forms must be sent in accordance with the procedure set out in the relevant Supplement. The address and other contact information for the Administrator are set out in the Application Form.

The ICAV operates a single omnibus Subscriptions/Redemptions Account for all of the Funds, so that the amounts within the Subscriptions/Redemption Account are at all times capable of being attributed to the individual Funds in accordance with the articles. Accordingly, monies in the Subscription/Redemptions Account will become the property of the relevant Fund upon receipt and accordingly in the event of the insolvency of the ICAV or the relevant Fund investors will be treated as an unsecured creditor of the ICAV during the period between receipt of subscription monies and the Dealing Day on which such Shares are issued. Investors' attention is drawn to the risk factor under the heading "Subscriptions/Redemptions Account Risk". Furthermore, the operation of the Subscriptions/Redemptions account will not compromise the ability of the Depositary to carry out its



safe-keeping and oversight duties in accordance with the Regulations. In addition, in circumstances where subscription monies are received with insufficient documentation to identify the owner, the Manager and the Depositary will ensure that in the event that such monies cannot be applied to the individual Funds they will be returned to the payer within 5 working days.

The ICAV may, at its discretion, from time to time make arrangements for the issue of Shares to any person by way of an in specie transfer upon such terms as the Manager may think fit but subject to and in accordance with the following provisions:-

1. Shares shall not be issued until the investments have been vested in the Depositary on behalf of the relevant Fund or its nominee or sub-custodian or arrangements have been made to the Depositary's satisfaction;
2. subject to the foregoing any such exchange shall be effected on terms that the number of Shares to be issued shall be the number which would have been issued for cash at the current price against payment of a sum equal to the value of the investments transferred less such sum as the Manager may consider represents an appropriate provision for any fiscal brokerage, registration or other expenses as aforesaid to be paid out of the assets of the relevant Fund in connection with the vesting of the investments;
3. the investments to be transferred to the ICAV for the account of the relevant Fund shall be valued on such basis as the Manager may decide so long as such value does not exceed the highest amount that would be obtained on the day of the exchange by applying the method of calculating the value of investments as set out under the heading "Determination and Publication and Temporary Suspension of Net Asset Value";
4. the nature of the investments to be transferred for the account of the relevant Fund would qualify as investments of such Fund in accordance with its investment objectives, policies and restrictions; and
5. the Depositary shall be satisfied that the terms of such exchange should not be such as are likely to result in any prejudice to the existing Shareholders.

### **Anti-Money Laundering**

The ICAV and Administrator may carry out electronic searches of publically available or paid information with regard to anti-money laundering and investor identification requirements and may retain records on file from such electronic searches.

Measures aimed towards the prevention of money laundering may require a detailed verification of the applicant's identity. Depending on the circumstances of each application, a detailed verification might not be required where (i) the applicant makes the payment from an account held in the applicant's name at a recognised financial institution or (ii) the application is made through a recognised intermediary. These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognised by Ireland as having equivalent anti-money laundering regulations.

The ICAV (and the Administrator acting on behalf of the ICAV) reserves the right to request such additional information as is necessary to verify the identity of an applicant. By way of example an individual may be required to produce a copy of a passport or identification card duly certified by a notary public, together with evidence of his/her address such as a utility bill or bank statement and date of birth. In the case of corporate applicants this may require production of a certified copy of the certificate of incorporation (and any change of name), memorandum and articles of association (or equivalent), the names, occupations, dates of birth and residential and business addresses, a certified copy of a passport and utility bill of all directors and beneficial owners.

In the event of delay or failure by the applicant to produce any information required for verification purposes, the ICAV (and the Administrator acting on behalf of the ICAV) may refuse to accept the application and the subscription monies relating thereto, in which case the subscription monies will be

returned without interest to the account from which the monies were originally debited, or may refuse to process a redemption request until proper information has been provided.

Each applicant for Shares acknowledges that the Administrator, the Manager and the ICAV shall be held harmless against any loss arising as a result of a failure to process its application for Shares if such information and documentation as has been requested by the Administrator, the Manager or the ICAV has not been provided by the applicant.

Each applicant for Shares will be required to make such representations as may be required by the Directors in connection with anti-money laundering programmes, including, without limitation, representations that such applicant is not a prohibited country, territory, individual or entity listed on the United States Department of Treasury's Office of Foreign Assets Control ("OFAC") website and the consolidated list of persons, groups and entities subject to EU financial sanctions, and that it is not directly or indirectly affiliated with any country, territory, individual or entity named on an OFAC list or prohibited by any OFAC or EU sanctions programmes. Each applicant will also be required to represent that subscription monies are not directly or indirectly derived from activities that may contravene international and/or European Union laws and regulations, including anti-money laundering laws and regulations.

Shares will generally not be issued or transferred to any U.S. Person, except that the board of Directors may authorise the purchase by, or transfer of shares to, a Permitted U.S. Person provided that: (i) such purchase or transfer does not result in a violation of the 1933 Act or the securities laws of any of the States of the US; (ii) such purchase or transfer will not require the ICAV to register under the 1940 Act; (iii) such purchase or transfer will not result in any adverse tax or regulatory consequences to the ICAV or the Shareholders, and (iv) such issue or transfer will not cause any assets of the ICAV to be "plan assets" for the purposes of ERISA. Each applicant for Shares who is a U.S. Person will be required to provide such representations, warranties or documentation as may be required to ensure that these requirements are met prior to the issue of Shares.

Applications for Shares received during any period when the issue or valuation of Shares has been temporarily suspended in the circumstances described under the section entitled "Determination and Publication and Temporary Suspension of Net Asset Value", will not be dealt with until dealings have recommenced. Such applications will be dealt with on the next Dealing Day after dealings have recommenced, unless such application has been withdrawn during the period of suspension of dealings.

The Directors reserve the right to reject an application in whole or in part for Shares for any reason. Where an application for Shares is rejected, the subscription monies shall be returned to the applicant within ten (10) Business Days of the date of such rejection.

## **Data Protection**

Prospective investors should note that by completing the Application Form they are providing to the ICAV personal information, which may constitute personal data within the meaning of the Data Protection Legislation. This data will be used for the purposes of client identification and the subscription process, administration, transfer agency, statistical analysis, research, compliance with any applicable legal, tax or regulatory requirements and disclosure to, and in relation to, the ICAV, its delegates and agents. All or part of this data will be retained as per regulatory requirements once the relationship ends.

Investors' data may be disclosed and / or transferred to third parties including financial advisors, regulatory bodies, tax authorities, auditors, technology providers or to the ICAV and its delegates and its or their duly appointed agents and any of their respective related, associated or affiliated companies wherever located (including to countries outside of the EEA including without limitation the United States of America, which may not have the same data protection laws as Ireland) for the purposes specified.

Personal data will be obtained, held, used, disclosed and processed for any one or more of the purposes set out in the Application Form.

Pursuant to Data Protection Legislation, investors have a right of access to their personal data kept by

or on behalf of the ICAV and the right to amend and rectify any inaccuracies in their personal data held by or on behalf of the ICAV by making a request to the ICAV in writing.

The ICAV is a Data Controller within the meaning of Data Protection Legislation and undertakes to hold any personal information provided by investors in confidence and in accordance with Data Protection Legislation. Investors also have a right to be forgotten and a right to restrict or object to processing in a number of circumstances. In certain limited circumstances, a right to data portability may apply. Where investors give consent to the processing of personal data, this consent may be withdrawn at any time.

By signing the Application Form, prospective investors consent to the recording of telephone calls made to and received from investors by the ICAV, the Manager, their delegates, its duly appointed agents and any of their respective related, associated or affiliated companies for record keeping, security and/or training purposes.

## REDEMPTION AND TRANSFERS OF SHARES

### Redemption of Shares

Shareholders may request a Fund to redeem their Shares on and with effect from any Dealing Day at the Net Asset Value per Share calculated at the relevant Valuation Point (subject to such adjustments, if any, for Duties and Charges and/or as may be specified in the relevant Supplement including, without limitation, any adjustment required for redemption charges as described under the section entitled "**Fees and Expenses**") in accordance with the redemption procedures specified below and in the relevant Supplement. In calculating the redemption price per Share for a Fund the Manager may, on any Dealing Day where there are overall net redemptions, adjust the redemption price by deducting an Anti-Dilution Levy to cover dealing costs and to preserve the value of the relevant Fund's underlying assets.

The Shares in a Fund may be redeemed on each Dealing Day (except where dealings have been suspended in the circumstances described under "Determination and Publication and Temporary Suspension of Net Asset Value") at the Net Asset Value per Share calculated at the Valuation Point.

Details in respect of redemptions of shares in the Funds are set out in the relevant Supplement for each Fund.

The Administrator shall forward the redemption proceeds (if any) to the relevant Shareholders within the period of time from the deadline for receipt of redemption requests set out in the relevant Fund Supplement.

If outstanding redemption requests from all holders of Shares in any Fund on any Dealing Day total in aggregate more than 10% of all the Shares of that Fund in issue on such Dealing Day, the Manager shall be entitled at their discretion to refuse to redeem such excess number of Shares in issue on that Dealing Day in respect of which redemption requests have been received as the Manager shall determine. If the Manager refuse to redeem Shares for this reason, the requests for redemption on such date shall be reduced on pro rata basis and the Shares to which each request relates which are not redeemed shall be carried forward for redemption on each subsequent Dealing Day, on a pro rata basis, until all of the Shares relating to the original redemption request have been redeemed, provided that the Fund shall not be obliged to redeem more than 10% of the number of Shares outstanding on any Dealing Day.

A Fund may redeem all of the Shares of any Class in issue if the Shareholders in that Class pass a Special Resolution providing for such redemption at a general meeting of the holders of the Shares of that Class, or if the redemption of the Shares in that Class is approved by a resolution in writing signed by all of the holders of the Shares in that Class or if the Net Asset Value of the Class falls below such amount as specified below. Shares will be redeemed at the Net Asset Value per Share on the relevant Dealing Day less such sums as the Manager in their absolute discretion may from time to time determine as an appropriate provision for duties and charges in relation to the realisation or cancellation of the Shares to be redeemed.

Redemption requests should be made on the Redemption Form (which is available from the Administrator) which should be sent to the Administrator in accordance with the procedure set out in the relevant Supplement. The address and other contact information for the Administrator are set out in the Redemption Form.

The Administrator will not remit redemption proceeds if an investor has not submitted a signed redemption request containing valid bank details or is not considered to be compliant with all the necessary anti-money laundering legislation and regulations. Nor will the Administrator remit any payment to a third party bank account. In addition, redemption orders can be processed on receipt of electronic instructions only where payment is made to the account of record.

Unless otherwise set out in a Fund Supplement, written confirmation of the receipt of the Redemption Form will be sent to the relevant Shareholder by post or facsimile within two Business Days of the

relevant Valuation Day. The redeeming investor should contact the Administrator in the event that this confirmation is not received within two Business Days of the relevant Valuation Day.

Redemption requests may not be withdrawn without the consent of the ICAV except when the redemption of Shares has been temporarily suspended in the circumstances described under the section entitled "Determination and Publication and Temporary Suspension of Net Asset Value".

Redemption proceeds will be paid only after receipt of the original signed Application Form and upon receipt of all relevant documentation required by the Administrator including any documents in connection with anti-money laundering procedures and that the anti-money laundering procedures have been completed. If a Redemption Form is received by the Administrator after the time specified for receipt of same for a particular Dealing Day, it shall be treated as a request for redemption on the next Dealing Day. In exceptional circumstances, the Manager may, at their sole discretion, accept Redemption requests after the relevant cut-off point, provided in all cases it is before the relevant Valuation Point. Subject to the foregoing, and to the receipt of the original Application Form and all anti-money laundering documentation and the anti-money laundering procedures have been completed, redemption proceeds will be paid by electronic transfer to the Shareholder's account specified in the Application Form within the period of time from the deadline for receipt of redemption requests, as set out in the relevant Fund Supplement. In the event that a Shareholder requires payment of redemption proceeds to an account other than that specified in the Application Form, the Shareholder must provide an original request in writing, executed by an authorised signatory of the Shareholder to the Administrator on or prior to receipt of the Redemption Form. Redemption proceeds will only be paid to an account in the name of the relevant Shareholder. Redemption proceeds will not be paid in any other currency other than the currency of denomination of the relevant Share Class.

The ICAV operates a single omnibus Subscriptions/Redemptions Account for all of the Funds, so that the amounts within the Subscriptions/Redemption Account are at all times capable of being attributed to the individual Funds in accordance with the articles. Shareholders should note that any redemption proceeds being paid by a Fund and which are held for any time in the Subscriptions/Redemptions Account shall remain an asset of the relevant Fund. On redemption, an investor is no longer a Shareholder and in the event of the insolvency of the ICAV or the relevant Fund will rank as an unsecured creditor of the ICAV during the period between receipt of the redemption request and the Dealing Day on which such Shares are redeemed. Redemption proceeds and dividend payments shall be held in the Subscriptions/Redemptions Account where the Shareholder has failed to provide the Administrator or the ICAV with any documentation requested by them for anti-money laundering purposes, as described above. Investors' attention is drawn to the risk factor under the heading "Subscriptions/Redemptions Account Risk". Furthermore, the operation of the Subscriptions/Redemptions account will not compromise the ability of the Depositary to carry out its safe-keeping and oversight duties in accordance with the Regulations.

Redemption proceeds may be paid by in specie transfer with the consent of the Shareholder in question. Redemption proceeds may also be paid in specie solely at the Directors discretion where the redemption request for Shares represents 5% or more of the Net Asset Value of the relevant Fund on any Dealing Day. The assets to be transferred shall be selected at the discretion of the Directors and subject to the approval of the Depositary and taken at their value used in determining the redemption price of the Shares being so repurchased. This means that such distributions will only be made if the Directors consider that they will not materially prejudice the interests of the Shareholders as a whole. Where the redemption in specie is effect at the Directors' discretion the Investment Manager shall, if a Shareholder so requests, sell the assets to be distributed to that Shareholder and distribute the cash proceeds to the Shareholder.

The ICAV may redeem the Shares of any Shareholder whose holding in the ICAV falls below the minimum subscription amount for the relevant Class as set out in the relevant Supplement.

Holders of Shares in the ICAV are required to notify the ICAV immediately when, at any time following their initial subscription for Shares in the ICAV, they become U.S. Persons or Irish Residents or cease to be Exempt Investors and in respect of which the Declaration made on their behalf is no longer valid. Shareholders are also required to notify the ICAV immediately in the event that they hold Shares for the account or benefit of U.S. Persons or Irish Residents or Irish Residents who cease to be Exempt Investors and in respect of which the Declaration made on their behalf is no longer valid or where they

hold Shares in the ICAV in breach of any law or regulation or otherwise in circumstances having or which may have adverse regulatory, tax or fiscal consequences for the ICAV or its Shareholders.

Where the Directors become aware that a Shareholder in the ICAV (a) is a U.S. Person or is holding Shares for the account of a U.S. Person, so that the number of U.S. Persons known to the Directors to be beneficial owners of Shares for the purposes of the 1940 Act exceeds 100 or such other number as the Directors may determine from time to time; or (b) is holding Shares in breach of any law or regulation or otherwise in circumstances having or which may have adverse regulatory, tax or fiscal consequences for the ICAV or its Shareholders, or where the holding of Shares by a Shareholder causes the assets of the ICAV to be "plan assets" for the purposes of ERISA, the Directors may: (i) direct such Shareholder to dispose of the relevant Shares to a person who is qualified or entitled to own or hold such Shares; or (ii) redeem the relevant Shares at the Net Asset Value of the Shares as at the Dealing Day immediately following the date of notification of such mandatory redemption to the relevant Shareholder.

Under the Instrument, any person who becomes aware that he is holding Shares in contravention of any of the above provisions and who fails to transfer, or deliver for redemption, his Shares if so directed by the Directors pursuant to the above provisions or who fails to make the appropriate notification to the ICAV is obliged to indemnify and hold harmless each of the Directors, the ICAV, the Administrator, the Depositary, the Investment Manager and the Shareholders of the ICAV (each an "Indemnified Party") from any claims, demands, proceedings, liabilities, damages, losses, costs and expenses directly or indirectly suffered or incurred by such Indemnified Party arising out of or in connection with the failure of such person to comply with his obligations pursuant to any of the above provisions.

The Instrument permits the ICAV to redeem the Shares of an untraced Shareholder where during a period of six years no acknowledgement has been received in respect of any contract note or other confirmation of ownership of the Shares sent to the Shareholder, and at the expiration of the said period of six years by notice sent by pre-paid letter addressed to the Shareholder or to the last known address given by the Shareholder or by advertisement in a national daily newspaper published in Ireland or in a newspaper circulating in the area in which such address is located, the ICAV has given notice of its intention to repurchase such Shares and during the period of three months after the date of the advertisement and prior to the exercise of the power of repurchase the ICAV has not received any communication from the Shareholder. The proceeds of such repurchase shall form part of the ICAV's assets in respect of which such Shares were issued.

### **Compulsory Redemption**

The ICAV may also compulsorily redeem all (but not some) of the Shares in a Fund or Class (as applicable) in the following circumstances:

- (i) the Shareholders of that Fund or Class shall have passed a Special Resolution to approve the redemption of all the Shares of that Fund or Class (as applicable);
- (ii) if the Depositary shall have exercised its right to retire and no new depositary has been appointed by the ICAV in accordance with the provisions of the Instrument;
- (iii) if the Net Asset Value of any Fund falls below the Minimum Fund Size specified in the relevant Supplement; and
- (iv) where the Directors believe it is in the best interests of the ICAV, Fund or Shareholders.

The Directors may also compulsorily redeem Shares held by a Shareholder in the following circumstances:

- (i) in the event of a failure by the Shareholder to settle the subscription monies on a timely basis;
- (ii) in the opinion of the Directors, the holding of such shares may result in regulatory, preliminary legal, pecuniary, taxation or material administrative disadvantage to the ICAV or the Shareholder;

- (iii) if a redemption request would result in the Net Asset Value of the Shares held by a Shareholder to fall below the minimum subscription amount for the relevant Class for the relevant Fund, the ICAV may treat the redemption order as an order to redeem the entire shareholding;
- (iv) if a chargeable event occurs pursuant to Section 739D TCA or in the event any other Taxation becomes payable or any other chargeable event occurs pursuant to any other provision of Taxation law applicable to the ICAV or the Shareholders, the Directors may redeem or cancel such number of Shares as are required to meet the appropriate tax of such Shareholder and to account for such appropriate tax to the relevant tax authority. In the event that the ICAV is not required to pay such appropriate tax to the relevant tax authority immediately, the ICAV shall arrange for the appropriate tax to be lodged to an account in the name of the Depository for the account of the ICAV pending payment to the relevant tax authority; or
- (v) where the Directors believe it is in the best interests of the ICAV, Fund or Shareholders.

### **Transfers of Shares**

Transfers of Shares must be effected by transfer in writing in any usual or common form or in any other form approved by the Directors from time to time. Every form of transfer must state the full name and address of each of the transferor and the transferee and must be signed by or on behalf of the transferor. The Directors may decline to register any transfer of Shares unless the original transfer form is deposited at the registered office of the ICAV, or such other place as the Directors may reasonably require, accompanied by such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain the holder of the Shares until the name of the transferee is entered in the register. A transfer of Shares will not be registered unless the transferee, if not an existing Shareholder, has completed an Application Form and provided the necessary anti-money laundering documentation to the satisfaction of the Administrator. The Directors are not obliged to register the transfer of Shares in the ICAV. The ICAV shall give the transferee written notice of any refusal to register a transfer of Shares, provided that the ICAV is not required to give notice of a refusal to register a transfer where registering the transfer or giving the notice would result in a contravention of any provision of applicable law.

Shares are freely transferable except that the Directors may decline to register a transfer of Shares (a) if the transfer is in breach of US securities laws; (b) if in the opinion of the Directors the transfer would be unlawful or result or be likely to result in any adverse regulatory, tax or fiscal consequences or material administrative disadvantage to the ICAV or the Shareholders; (c) in the absence of satisfactory evidence of the transferee's identity; (d) the proposed transfer would result in a contravention of any provision of the Instrument or would produce a result inconsistent with any provision of the Prospectus; (e) where the ICAV is required to redeem deappropriate or cancel such number of Shares as are required to meet the appropriate tax of the Shareholder on such transfer; or (f) if the person to whom shares are to be transferred is prohibited from holding shares in the ICAV for any reason; or (g) where the Directors believe, in their discretion, that it is in the best interests of the ICAV or the Shareholders to do so. A proposed transferee may be required to provide such representations, warranties or documentation as the Directors may require in relation to the above matters. In the event that the ICAV does not receive a Declaration in respect of the transferee, the ICAV will be required to deduct appropriate tax in respect of any payment to the transferee or any sale, transfer, cancellation, redemption, repurchase or other payment in respect of the Shares as described in the section headed "Taxation" below.

### **Switching**

Shareholders can switch between Funds and different Classes within the same Fund unless provided otherwise in the relevant Supplement. Subject to the minimum investment and holding requirements of the relevant Class, Shareholders may switch some or all of their Shares in one Fund to Shares in another Fund or another Class in the same Fund as set out in relevant supplement. Shares switched will be issued and redeemed (as appropriate) at the Net Asset Value per Share subject to any applicable Duties and Charges. Instructions to switch Shares between Funds or Classes within a Fund may be made to the Administrator by letter or facsimile. Instructions to switch should include full details of the number of Shares to be switched between named Funds or Classes within a Fund.

Unless otherwise stated in the relevant Supplement, switching instructions received by the Administrator up to the Dealing Deadline for a Dealing Day will be dealt with on that Dealing Day. Instructions received after the aforesaid time will be dealt with on the following Dealing Day.

The number of Shares will be rounded up or down to the nearest three decimal places.



## **INVESTMENT RISKS**

### **General**

The investments of a Fund are subject to normal market fluctuations and other risks inherent in investing in securities or other instruments and there can be no assurance that any appreciation in value of investments will occur. In particular the value of investments may be affected by uncertainties such as international, political and economic developments or changes in government policies.

The value of investments and the income derived therefrom may fall as well as rise and investors may not recoup the original amount invested in a Fund. An investment should only be made by those persons who are able to sustain a loss on their investment.

There can be no guarantee that the investment objective of any Fund will actually be achieved.

### **Limited Liability of Funds**

The ICAV is an Irish collective asset-management vehicle constituted as an umbrella fund with segregated liability between each of its Funds. As a result third parties may not look to the assets of the ICAV in respect of liabilities owed by a Fund to them and must instead look to the Fund in which such debt arose.

### **Credit Risks**

Although the Funds may invest in high credit quality instruments, there can be no assurance that the securities or other instruments in which those Funds invest will not be subject to credit difficulties leading to the loss of some or all of the sums invested in such securities or other instruments. The Funds will also be exposed to a credit risk in relation to the counterparties with whom they trade and may also bear the risk of settlement default.

### **Suspension of Valuation**

The ability to subscribe for, redeem or convert Shares may be affected by a temporary suspension of the determination of Net Asset Value which may take place upon the occurrence of certain events.

### **Suspension of Trading**

Securities exchanges typically have the right to suspend or limit trading in any instrument traded on the exchanges. A suspension could render it impossible for the Investment Manager to liquidate positions and thereby expose the Fund to losses.

### **Foreign Exchange Risk**

Where a Fund engages in foreign exchange transactions which alter the currency exposure characteristics of its investments the performance of such Fund may be strongly influenced by movements in exchange rates as currency positions held by the Fund may not correspond with the securities positions held.

The Net Asset Value per Share of a Fund will be computed in its Base Currency whereas the investments held for the account of a Fund may be acquired in other currencies. A Fund's Net Asset Value may change significantly when the currencies other than the Base Currency in which some of the Fund's investments are denominated strengthen or weaken against the Base Currency. Currency exchange rates generally are determined by supply and demand in the foreign exchange markets and the perceived relative merits of investments in different countries. Currency exchange rates can also be affected unpredictably by intervention by Government or central banks or by currency controls or political developments.

In addition, currency hedging transactions, while potentially reducing the currency risks to which the Fund would otherwise be exposed, involve certain other risks, including the risk of a default by a

counterparty, as described above. In addition, where a Fund enters into "cross-hedging" transactions (e.g., utilising a currency different from the currency in which the security being hedged is denominated), the Fund will be exposed to the risk that changes in the value of the currency used to hedge will not correlate with changes in the value of the currency in which the securities are denominated, which could result in loss on both the hedging transaction and the Fund securities.

Forward currency contracts involve the possibility that the market for them may be limited with respect to certain currencies and, upon a contract's maturity, possible inability to negotiate with the dealer to enter into an offsetting transaction. There is no assurance that a forward currency contract market will always exist. These factors restrict the ability to hedge against the risk of devaluation of currencies in which a substantial quantity of securities are being held for a Fund and are unrelated to the qualitative rating that may be assigned to any particular security. A description of forward currency contracts is set out in Appendix I.

As identified in the relevant Supplement where it is the intention to hedge currency risk at a Share class level, and where subscription monies and redemption monies are paid in a currency other than the Base Currency of the Fund, investors should be aware that there is an exchange rate risk if such other currencies depreciate against the Base Currency and consequently they may not realise the full amount of their investment in the Fund.

### **Country Risk**

Investments in securities of issuers of different nations and denominated in different currencies involve particular risks. Such risks include changes in relative currency exchange rates, political and economic developments, the imposition of exchange controls, confiscation and other governmental restrictions. Investment in securities of issuers located in different countries offers potential benefits not available from investments solely in the securities of issuers located in a single country, but also involves certain significant risks that are not typically associated with investing in the securities of issuers located in a single country.

The volume of trading, the volatility of prices and the liquidity of securities may vary in the markets of different countries. In addition, the level of government supervision and regulation of securities exchanges, securities dealers and listed and unlisted companies is different throughout the world. The laws of some countries may limit the Fund's ability to invest in securities of certain issuers located in such countries.

Different markets also have different clearance and settlement procedures. Delays in settlement could result in temporary periods when a portion of the assets of the Fund are uninvested meaning no return may be earned thereon. The inability of the Fund to make intended investment purchases as a result of settlement problems may cause the Fund to miss attractive investment opportunities. The inability of the Fund to dispose of an investment as a result of settlement problems could result in a loss to the Fund as a consequence of a subsequent decline in value of such investment or, if the Fund has entered into a contract to sell such investment, in a possible liability to the purchaser. There may also be a risk 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 Fund. With respect to certain countries, there is a possibility of expropriation, confiscatory taxation, imposition of withholding and/or other taxes on dividends, interest, capital gains or other income, limitations on the removal of funds or other assets of the Fund, political or social instability or diplomatic developments that may affect investments in those countries.

### **Sovereign Risk**

Government interference with international transactions in its currency or the debt obligations of itself or its nationals through various means, including, without limitation, regulation of the local exchange market, restrictions on foreign investment by residents, limits on flows of investment funds from abroad and debt moratoria, may expose the Fund, to unanticipated losses.

There are increasing concerns regarding the ability of multiple sovereign entities to continue to meet their debt obligations. In particular, ratings agencies have recently downgraded the credit ratings of various countries. Many economies are facing acute fiscal pressures as they struggle to balance

budgetary austerity with stagnant growth. Many observers predict that a depressed economic environment will cause budget deficits in these economies to expand in the short term and further increase the perceived risk of a default, thereby rendering access to capital markets even more expensive and compounding the debt problem.

### **Systemic Risk**

Credit risk may also arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect intermediaries with which the Fund interacts.

### **Investing in Emerging Markets**

Where a Fund invests in emerging markets, such investments require consideration of certain risks typically not associated with investing in securities in more developed markets.

Numerous emerging market countries have recently experienced serious and potentially continuing, economic and political problems. Stock markets in many emerging countries are relatively small and risky. Investors are often limited in their investment and divestment activities. Additional restrictions may be imposed under emergency conditions. Emerging market securities may decline or fluctuate because of economic and political actions of emerging market governments and less regulated or liquid securities markets. Investors holding the securities are also exposed to emerging market currency risk (the possibility that that emerging market currency will fluctuate against the Base Currency of a Fund). The legal infrastructure and accounting, auditing and reporting standards in emerging market countries in which a Fund may invest may not provide the same degree of information to investors as would generally apply internationally. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities and consolidation may be treated differently from international accounting standards.

The legal and regulatory environment is sometimes uncertain and the standards of corporate governance, accounting, auditing and reporting standards may not provide the same degree of investor information and protection as would apply in more developed markets. Furthermore, corporate governance, investor protection, settlement, clearing, registration and custody procedures may be underdeveloped which increases the risk of error, fraud or default.

Investors' attention is also drawn to the risks referred to as "**Liquidity and Settlement Risks**", "**Political Risks**" and "**Custodial Risks**" in the sections set out below.

### **Mainland China Investment Risk**

Investing in the securities markets in Mainland China is subject to the risks of investing in emerging markets generally as well as to specific risks relating to the Mainland China market.

Investors should note that the legal system and regulatory framework of Mainland China are still developing, making it more difficult to obtain and/or enforce judgments and as such could limit the legal protection available to investors. Military conflicts, either internal or with other countries, are also a risk. In addition, currency fluctuations, currency convertibility and fluctuations in inflation and interest rates have had, and may continue to have, negative effects on the economy and securities markets of Mainland China. Mainland China's economic growth has historically been driven in a large degree by exports to the U.S. and other major export markets. Therefore, a slowdown in the global economy may have a negative impact on the continued growth of the Chinese economy.

Many of the recent economic reforms in Mainland China are unprecedented and may be subject to adjustment and modification, which may not always have a positive effect on foreign investment in joint stock limited companies in Mainland China or in A-Shares. Governmental interventions in the financial markets in Mainland China have increased in recent years, which may lead to severe price volatility for financial instruments.

In view of the relatively smaller number of A-Share issues currently available in Mainland China, the choice of investments available to a Fund is limited when compared with the choices available in other

more developed markets and the national regulatory and legal framework for capital markets and joint stock companies in Mainland China are not as well developed.

There may be a low level of liquidity of A-Share markets in Mainland China, which are relatively small in terms of both combined total market value and the number of A-Shares which are available for investment. This may lead to severe price volatility under certain circumstances.

Chinese companies are required to follow Mainland China accounting standards and practice which, to a certain extent, follow international accounting standards. However, there may be significant differences between financial statements prepared by accountants following Mainland China accounting standards and practice and those prepared in accordance with international accounting standards.

Both the Shanghai and Shenzhen securities markets are in the process of development and change. This may lead to trading volatility, difficulty in the settlement and recording of transactions and in interpreting and applying the relevant regulations.

Investments in Mainland China are likely to be sensitive to any significant change in the political, social and economic landscapes in Mainland China. Mainland China's economy has been in a state of transition over the past 40 years from a planned economy to a more market-oriented economy, which differs from the economies of developed countries in many ways, such as in the level of government involvement, control of foreign exchange and allocation of resources. The Chinese government plays a major role in the economic reforms and will continue to exercise significant control over Mainland China's economy, including potentially by the adoption of corrective measures to control the growth of economy, which may have an adverse impact on the securities markets of Mainland China and thus the performance of the Fund.

The Chinese government strictly regulates the payment of foreign currency denominated obligations and sets monetary policy. Through its policies, the government may provide preferential treatment to particular industries or companies. The policies set by the government may have a substantial effect on the Chinese economy and the investments of a Fund. Political changes, social instability and adverse diplomatic developments in Mainland China could result in the imposition of additional government restrictions including the expropriation of assets, confiscatory taxes or nationalisation of some or all of the property held by the underlying issuers of the shares. In light of the above mentioned factors, the price of shares of Chinese companies may fall significantly in certain circumstances.

### **Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect**

Funds which can invest in China may invest in China A-Shares through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect (collectively, the "Stock Connect") programs subject to any applicable regulatory limits. The Stock Connect programs are a securities trading and clearing linked program developed by Hong Kong Exchanges and Clearing Limited, the Hong Kong Securities Clearing Company Limited ("HKSCC"), Shanghai Stock Exchange ("SSE") and Shenzhen Stock Exchange ("SZSE") (as relevant) and China Securities Depository and Clearing Corporation Limited ("ChinaClear") with an aim to achieve mutual stock market access between mainland China and Hong Kong. This program will allow foreign investors to trade certain SSE and SZSE listed China A-Shares through their Hong Kong based brokers. Further details in relation to Stock Connect are set out in Appendix IV.

Funds seeking to invest in the domestic securities markets of the People's Republic of China (PRC) may use the Stock Connect and, thus, are subject to the following additional risks:

*General Risk:* The relevant regulations are untested and subject to change. There is no certainty as to how they will be applied which could adversely affect the ICAV. The program requires use of new information technology systems which may be subject to operational risk due to its cross-border nature. If the relevant systems fail to function properly, trading in both Hong Kong, and Shanghai and/or Shenzhen markets through the program could be disrupted.

*Quota Limitations:* The Stock Connect is subject to quota limitations. In particular, once the daily quota is exceeded, buy orders will be rejected (although investors will be permitted to sell their cross-

boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the relevant Fund's ability to invest in China A Shares through the Stock Connect on a timely basis, and the relevant Fund may not be able to effectively pursue its investment strategy.

*Legal/Beneficial Ownership:* Where securities are held in custody on a cross-border basis, there are specific legal/beneficial ownership risks linked to compulsory requirements of the local central securities depositories, HKSCC and ChinaClear. As in other emerging and less developed markets, the legislative framework is only beginning to develop the concept of legal/formal ownership and of beneficial ownership or interest in securities. In addition, HKSCC, as nominee holder, does not guarantee the title to Stock Connect securities held through it and is under no obligation to enforce title or other rights associated with ownership on behalf of beneficial owners. Consequently, the courts may consider that any nominee or depository as registered holder of the relevant Stock Connect securities would have full ownership thereof, and that those Stock Connect securities would form part of the pool of assets of such entity available for distribution to creditors of such entities and/or that a beneficial owner may have no rights whatsoever in respect thereof. Consequently the ICAV and the Depository cannot ensure that the ICAV's ownership of these securities or title thereto is assured. To the extent that HKSCC is deemed to be performing safekeeping functions with respect to assets held through it, it should be noted that the Depository and the ICAV will have no legal relationship with HKSCC and no direct legal recourse against HKSCC in the event that the ICAV suffer losses resulting from the performance or insolvency of HKSCC. In the event ChinaClear defaults, HKSCC's liabilities under its market contracts with clearing participants will be limited to assisting clearing participants with claims. HKSCC will act in good faith to seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or the liquidation of ChinaClear. In this event, the ICAV may not fully recover its losses or its Stock Connect securities and the process of recovery could also be delayed.

*Clearing and Settlement Risk:* HKSCC and ChinaClear will establish the clearing links and each will become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house. As the national central counterparty of the Chinese securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the China Securities regulatory Commission. In the event of a ChinaClear default, HKSCC's liabilities in SSE Shares and SZSE Shares under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC should in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the relevant Fund may suffer delay in the recovery process or may not fully recover its losses from ChinaClear.

*Suspension Risk:* It is contemplated that both the Stock Exchange of Hong Kong ("SEHK"), SSE and SZSE would reserve the right to suspend trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension is effected, the relevant Fund's ability to access the Chinese market will be adversely affected.

*Differences in Trading Day:* The Stock Connect will only operate on days when both the Chinese and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the Chinese market but the Funds cannot carry out any China A Shares trading via the Stock Connect. The Funds may be subject to a risk of price fluctuations in China A Shares during the time when the Stock Connect is not trading as a result.

*Restrictions on Selling Imposed by Front-end Monitoring:* Chinese regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise the SSE or SZSE will reject the sell order concerned. SEHK will carry out pre-trade checking on China A Share sell orders of its participants (i.e., the stock brokers) to ensure there is no over-selling. If a Fund intends to sell certain China A Shares it holds, it must transfer those China A Shares to the respective accounts of its broker(s) before the market opens on the day of selling ("trading day"). If it fails to meet this deadline, it will not be able to sell those shares on the trading day. Because of this requirement, a Fund may not be able to dispose of its holdings of China A Shares in a timely manner.

*Operational Risk:* The Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are permitted to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. The securities regimes and legal systems of the two markets differ significantly and market participants may need to address issues arising from the differences on an on-going basis. There is no assurance that the systems of the SSE, SZSE or SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems fail to function properly, trading in both markets through the program could be disrupted. The relevant Fund's ability to access the China A Share market (and hence to pursue its investment strategy) may be adversely affected.

*Regulatory Risk:* The Stock Connect is a novel concept. The current regulations are untested and there is no certainty as to how they will be applied. In addition, the current regulations are subject to change and there can be no assurance that the Stock Connect will not be abolished. New regulations may be issued from time to time by the regulators/stock exchanges in China and Hong Kong in connection with operations, legal enforcement and cross-border trades under the Stock Connect. Funds may be adversely affected as a result of such changes.

*Recalling of Eligible Stocks:* When a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of the relevant Funds, for example, if the Investment Adviser wishes to purchase a stock which is recalled from the scope of eligible stocks.

*No Protection by Investor Compensation Fund:* Investment in SSE or SZSE shares via the Stock Connect is conducted through brokers, and is subject to the risks of default by such brokers' in their obligations. Investments of Funds are not covered by the Hong Kong's Investor Compensation Fund, which has been established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. Since default matters in respect of SZSE Shares or SSE Shares via Stock Connect do not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund. Therefore the Funds are exposed to the risks of default of the broker(s) they engage in their trading in China A Shares through the Stock Connect.

## **Risks of Investing via the Bond Connect**

Funds which can invest in China may invest in the CIBM through the Bond Connect initiative subject to any applicable regulatory limits. The Bond Connect initiative was launched in July 2017 for mutual bond market access between Hong Kong and Mainland China established by CFETS, China Central Depository & Clearing Co., Ltd ("CCDC"), Shanghai Clearing House ("SCH") and Hong Kong Exchanges and Clearing Limited ("HKEX") and Central Money Markets Unit ("CMU"). This initiative allows eligible foreign investors to invest in the bonds circulated in the CIBM through the northbound trading of Bond Connect ("Northbound Trading Link"). Further details in relation to Bond Connect are set out in Appendix V.

The Funds seeking to invest in the CIBM through the Bond Connect are subject to the following risks:

*Regulatory Risk:* the Bond Connect is relatively new. Laws, rules, regulations, policies, notices, circulars or guidelines relating to the Bond Connect (the "Applicable Bond Connect Regulations") as published or applied by any of the Bond Connect Authorities (as defined below) are untested and are subject to change from time to time. There can be no assurance that the Bond Connect will not be restricted, suspended or abolished. If such event occurs, a Fund's ability to invest in the CIBM through the Bond Connect will be adversely affected, and if the Fund is unable to adequately access the CIBM through other means, the Fund's ability to achieve its investment objective will be adversely affected. "Bond Connect Authorities" refers to the exchanges, trading systems, settlement systems, governmental, regulatory or tax bodies which provide services and/or regulate Bond Connect and activities relating to Bond Connect, including, without limitation, the PBOC, the HKMA, the HKEX, the CEFTS, the CMU, the CSDCC and the SHCH and any other regulator, agency or authority with jurisdiction, authority or responsibility in respect of Bond Connect.

*Legal and Beneficial Ownership:* the CMU (i.e. the HKMA) is the “nominee holder” of the bonds acquired by a Fund through the Bond Connect. Whilst the Bond Connect Authorities have expressly stated that investors will enjoy the rights and interests of the bonds acquired through the Bond Connect in accordance with applicable laws, the exercise and the enforcement of beneficial ownership rights over such bonds in the courts in China is yet to be tested. In addition, in the event that the nominee holder (i.e. the HKMA) becomes insolvent, such bonds may form part of the pool of assets of the nominee holder available for distribution to its creditors and the Fund, as a beneficial owner, may have no rights whatsoever in respect thereof.

*Volatility and Liquidity risk:* market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the CIBM may result in prices of certain debt securities traded on such market fluctuating significantly. The relevant Fund investing in such market is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the relevant Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

*Default Risk of Agents:* under the prevailing Applicable Bond Connect Regulations, eligible foreign investors who wish to participate in the Bond Connect may do so through an offshore custody agent, registration agent or other third parties (as the case may be), who would be responsible for making the relevant filings and account opening with the relevant authorities. A Fund is therefore subject to the risk of default or errors on the part of such agents.

*Settlement Risk:* Although delivery-versus-payment (DVP) settlement (e.g. simultaneous delivery of security and payment) is the dominant settlement method adopted by CCDC and SHCH for all bond transactions in the CIBM, there is no assurance that settlement risks can be eliminated. In addition, DVP settlement practices in the PRC may differ from practices in developed markets. In particular, such settlement may not be instantaneous and be subject to a delay of a period of hours. Where the counterparty does not perform its obligations under a transaction or there is otherwise a failure due to CCDC or SHCH (as applicable), a Fund may sustain losses.

*Operational Risk:* trading through the Bond Connect is performed through newly developed trading platforms and operational systems. There is no assurance that such systems will function properly (in particular, under extreme market conditions) or will continue to be adapted to changes and developments in the market. In the event that the relevant systems fails to function properly, trading through the Bond Connect may be disrupted. A Fund’s ability to trade through the Bond Connect (and hence to pursue its investment strategy) may therefore be adversely affected. In addition, where a Fund invests in the CIBM through the Bond Connect, it may be subject to risks of delays inherent in the order placing and/or settlement.

*Not Protected by Investor Compensation Fund:* Investors should note that if a Fund engages in any trading via the Northbound Trading Link, the Fund will not be covered by Hong Kong’s Investor Compensation Fund or the China Securities Investor Protection Fund and thus investors will not benefit from compensation under such schemes.

## **Peoples Republic of China Tax Risk**

Under current regulations in the PRC, foreign investors may invest in A-Shares listed on the Shanghai and Shenzhen Stock Exchanges and certain other investment products in the PRC.

Under current PRC Enterprise Income Tax Law (“PRC EIT law”) and regulations, any entity considered to be a tax resident of the PRC would be subject to PRC enterprise income tax (“EIT”) at the rate of 25% on its worldwide taxable income. If an entity were considered to be a non-resident enterprise with a “permanent establishment” in the PRC, it would be subject to PRC EIT at the rate of 25% on the profits attributable to the permanent establishment. The ICAV, together with the Manager, intends to operate in a manner that will prevent them from being treated as tax residents of the PRC and from having a permanent establishment in the PRC, though this cannot be guaranteed. It is possible, however, that the PRC could disagree with such an assessment or that changes in PRC tax law could affect the PRC EIT status of the ICAV.

If the entity is a non-PRC tax resident enterprise without permanent establishment in the PRC, the PRC-sourced income (including cash dividends, distributions, interest and capital gains) derived by it

from any investment in PRC securities would be subject to PRC withholding income tax (“WHT”) at the rate of 10% unless exempt or reduced under the PRC EIT Law or a relevant tax treaty.

The ICAV may also potentially be subject to PRC value-added tax at the rate of 6% on capital gains derived from trading of A-Shares. In addition, urban maintenance and construction tax (currently at rates ranging from 1% to 7%), educational surcharge (currently at the rate of 3%) and local educational surcharge (currently at the rate of 2%) (collectively the “Surtaxes”) are imposed based on value-added tax liabilities.

Pursuant to Caishui [2018] No. 108 (“Notice 108”), foreign institutional investors are exempt from EIT on bond interest income derived from November 7, 2018 to November 6, 2021. Such EIT exemption would not be applicable if the bond interest derived is connected with the foreign institutional investors’ establishment or place in the PRC. In respect of bond interest income derived by foreign institutional investors, PRC value-added tax is exempted from November 7, 2018 to November 6, 2021 pursuant to Notice 108.

According to Cai Shui [2016] No. 70 (“Circular 70”), *the Supplementary Notice of the Ministry of Finance and the State Administration of Taxation on VAT Policies for Interbank Dealings of Financial Institutions*, gains derived by foreign institutions approved by PBOC from the investment in the inter-bank RMB markets (including currency market, bond market and derivative market) shall be exempt from VAT.

Pursuant to Caishui [2014] No. 81 (“Notice 81”), Notice 36 and Caishui [2016] No. 127 (“Notice 127”), foreign investors investing in China A-Shares listed on the SSE through the Stock Connect and those listed on the SZSE through the Stock Connect would be temporarily exempt from PRC EIT and value-added tax on the gains on disposal of such A-Shares. Dividends would be subject to PRC EIT on a withholding basis at 10%, unless reduced under a double tax treaty with China upon application to and obtaining approval from the competent tax authority.

Stamp duty under the PRC laws (“Stamp duty”) generally applies to the execution and receipt of taxable documents, which include contracts for the sale of China A-Shares traded on PRC stock exchanges. In the case of such contracts, PRC Stamp Duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1%. The sale or other transfer by the Fund of A-Shares will accordingly be subject to PRC Stamp Duty, but the Fund will not be subject to PRC Stamp Duty when it acquires A-Shares.

Aside from the above-mentioned general rules and Notice 108, the PRC tax authorities have not clarified whether income tax and other tax categories are payable on gains arising from the trading in securities that do not constitute shares or other equity investments, such as bonds and other fixed income securities, of investors through Bond Connect. It is therefore possible that the relevant tax authorities may, in the future, clarify the tax position and impose an income tax or withholding tax on realized gains derived from dealing in PRC fixed income securities.

Shareholders should note that the above disclosure has been prepared based on an understanding of the laws, regulations and practice in the PRC in-force as of the date of this Prospectus.

Shareholders should seek their own tax advice on their own tax position with regard to their investment in the relevant Funds.

It is possible that the current tax laws, regulations and practice in the PRC will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on PRC investments than is currently contemplated. If the temporary exemptions set out above are withdrawn a foreign investor would be subject to PRC taxation in respect of gains on China A Shares/PRC bonds and the resultant tax liability would be payable by the relevant Fund, and thus borne by its investors. However, this liability may be mitigated under the terms of an applicable tax treaty, and if so, any such benefits will be passed to investors.

## **RMB Risk**



The Funds may invest in assets that are denominated in Chinese renminbi (RMB). In addition to the currency risks set out above, the investment in RMB denominated assets are subject to the following risks.

Investors should be aware that the RMB is subject to a managed floating exchange rate based on market supply and demand with reference to a basket of currencies.

Currently, RMB is traded in Mainland China and markets outside Mainland China. RMB traded in Mainland China, CNY, is not freely convertible and is subject to exchange control policies and restrictions imposed by the PRC authorities. On the other hand, the RMB traded outside Mainland China, CNH, is freely tradeable but still subject to controls, limits and availability. In general, the respective daily exchange rate of the RMB against other currencies is allowed to float within a range above or below the central parity rates published by the People's Bank of China ("PBOC") each day. Its exchange rate against other currencies, including e.g. USD or HKD, is therefore susceptible to movements based on external factors. There can be no assurance that such exchange rates will not fluctuate widely.

While CNY and CNH represent the same currency, they are traded on different and separate markets which operate independently. As such, the value of CNH could differ, perhaps significantly from that of CNY and the exchange rate of CNH and CNY may not move in the same direction due to a number of factors including, without limitation, the foreign exchange control policies and repatriation restrictions pursued by the PRC government from time-to-time, as well as other external market forces. Any divergence between CNH and CNY may adversely impact investors.

There is no assurance that RMB will not be subject to devaluation, in which case the value of investors' investments in RMB assets will be adversely affected. Currently, the PRC government imposes certain restrictions on repatriation of RMB out of the PRC. Investors should note that such restrictions may limit the depth of the RMB market available outside of the PRC and thereby, may reduce the liquidity of a Fund. A Fund may be subject to risk of not having sufficient RMB for currency conversion prior to investment.

The PRC government's policies on exchange controls and repatriation restrictions are subject to change, and the Fund's and its investors' position may be adversely affected by such change.

### **Risks relating to investing in Russia and Ukraine and securities listed on Russian markets**

There are significant risks inherent in investing in Russia including: (a) delays in settling transactions and the risk of loss arising out of Russia's system of securities registration and custody; (b) the lack of corporate governance provisions or general rules or regulations relating to investor protection; (c) pervasiveness of corruption, insider trading, and crime in the Russian economic system; (d) difficulties associated in obtaining accurate market valuations of many Russian securities, based partly on the limited amount of publicly available information; (e) tax regulations are ambiguous and unclear and there is a risk of imposition of arbitrary or onerous taxes; (f) the general financial condition of Russian companies, which may involve particularly large amounts of inter-company debt; (g) banks and other financial systems are not well developed or regulated and as a result tend to be untested and have low credit ratings and (g) the risk that the government of Russia or other executive or legislative bodies may decide not to continue to support the economic reform programs implemented since the dissolution of the Soviet Union.

The concept of fiduciary duty on the part of an issuer's management is generally non-existent. Local laws and regulations may not prohibit or restrict a company's management from materially changing the company's structure without shareholder consent. Foreign investors cannot be guaranteed redress in a court of law for breach of local laws, regulations or contracts. Regulations governing securities investment may not exist or may be applied in an arbitrary and inconsistent manner.

Securities in Russia are issued only in book entry form and ownership records are maintained by registrars who are under contract with the issuers. The registrars are neither agents of, nor responsible to, the Depositary or its local agents in Russia. Transferees of securities have no proprietary rights in respect of securities until their name appears in the register of holders of the securities of the issuer.

The law and practice relating to registration of holders of securities are not well developed in Russia and registration delays and failures to register securities can occur. Although a Russian sub-custodian will maintain copies of the registrar's records ("**Extracts**") on its premises, such Extracts may not, however, be legally sufficient to establish ownership of securities. Further a quantity of forged or otherwise fraudulent securities. Extracts or other documents are in circulation in the Russian markets and there is therefore a risk that a Fund's purchases may be settled with such forged or fraudulent securities. In common with other emerging markets, Russia has no central source for the issuance or publication of corporate actions information. The Depositary therefore cannot guarantee the completeness or timeliness of the distribution of corporate actions notifications. Investments in securities listed or traded in Russia will only be made in securities that are listed or traded on the Moscow Exchange MICEX-RTS.

Ukraine has no central source for the issuance or publication of corporate actions information. The Depositary therefore cannot guarantee the completeness or timeliness of the distribution of corporate actions notifications. It should be taken into consideration that when investing in Ukrainian government debt, whether via the primary or secondary market, local regulations stipulate that investors maintain a Ukrainian cash account directly with the correspondent. Such balance represents a debt due from the Ukrainian correspondent to the investors.

There are significant risks inherent in investing in Russia and Ukraine including:

- (i) delays in settling transactions and the risk of loss arising out of Russia's and Ukraine's system of securities registration and custody;
- (ii) the lack of corporate governance provisions or general rules or regulations relating to investor protection;
- (iii) pervasiveness of corruption, insider trading, and crime in the Russian and Ukrainian economic systems;
- (iv) difficulties associated in obtaining accurate market valuations of many Russian and Ukrainian securities, based partly on the limited amount of publicly available information;
- (v) tax regulations are ambiguous and unclear and there is a risk of imposition of arbitrary or onerous taxes.
- (vi) the general financial condition of Russian and Ukrainian companies, which may involve particularly large amounts of inter-company debt;
- (vii) banks and other financial systems are not well developed or regulated and as a result tend to be untested and have low credit ratings and
- (viii) the risk that the governments of Russia and Ukraine or other executive or legislative bodies may decide not to continue to support the economic reform programs implemented since the dissolution of the Soviet Union. The concept of fiduciary duty on the part of a company's management is generally non-existent. Local laws and regulations may not prohibit or restrict a company's management from materially changing the company's structure without shareholder consent. Foreign investors cannot be guaranteed redress in a court of law for breach of local laws, regulations or contracts. Regulations governing securities investment may not exist or may be applied in an arbitrary and inconsistent manner.
- (ix) Securities in Russia and Ukraine are issued only in book entry form and ownership records are maintained by registrars who are under contract with the issuers. The registrars are neither agents of, nor responsible to, the Fund or its local agents in Russia or Ukraine. Transferees of securities have no proprietary rights in respect of securities until their name appears in the register of holders of the securities of the issuer. The laws and practice relating to registration of holders of securities are not well developed in Russia and Ukraine and registration delays and failures to register securities can occur. Although Russian and Ukrainian sub-custodians will maintain copies of Extracts on its premises, such Extracts may not, however, be legally sufficient to establish ownership of securities. Further a quantity of forged or otherwise

fraudulent securities Extracts or other documents are in circulation in the Russian and Ukrainian markets and there is therefore a risk that a Fund's purchases may be settled with such forged or fraudulent securities.

- (x) There is no history of stability in the Russian market and no guarantee of future stability. The economic infrastructure of Russia is poor and the country maintains a high level of external and internal debt. Tax regulations are ambiguous and unclear and there is a risk of imposition of arbitrary or onerous taxes. Banks and other financial systems are not well developed or regulated and as a result tend to be untested and have low credit ratings. Bankruptcy and insolvency are a commonplace feature of the business environment. Foreign investment is affected by restrictions in terms of repatriation and convertibility of currency. The concept of fiduciary duty on the part of a company's management is generally non-existent. Local laws and regulations may not prohibit or restrict a company's management from materially changing the company's structure without shareholder consent. Foreign investors cannot be guaranteed redress in a court of law for breach of local laws, regulations or contracts. Regulations governing securities investment may not exist or may be applied in an arbitrary and inconsistent manner.
- (xi) Equity securities in Russia are issued only in book entry form and ownership records are maintained by registrars who are under contract with the issuers. Although a Russian sub-custodian will maintain copies of the registrar's records ("Share Extracts") on its premises, such Share Extracts may not, however, be legally sufficient to establish ownership of securities. Further a quantity of forged or otherwise fraudulent securities. Share Extracts or other documents are in circulation in the Russian markets and there is therefore a risk that a Fund's purchases may be settled with such forged or fraudulent securities.
- (xii) Political and economic instability may occur and is likely to have a greater impact on the securities markets and the economy in Russia. Foreign investment is affected by repatriation and currency convertibility. Adverse government policies and taxation laws may also have an impact on the portfolio's investments. The legal and regulatory environment is sometimes uncertain and the standards of corporate governance, accounting, auditing and reporting standards may not provide the same degree of investor information and protection as would apply in more developed markets. Furthermore, the settlement, clearing, registration and custody procedures may be underdeveloped which increases the risk of error, fraud or default.

### **Liquidity and Settlement Risks**

The Funds will be exposed to a credit risk on parties with whom they trade and may also bear the risk of settlement default. Some of the markets in which the Funds will invest may be less liquid, less developed and more volatile than the world's leading stock markets and this may result in fluctuations in the price of the Shares. In addition, market practices in relation to the settlement of securities transactions and the custody of assets could provide increased risks to a Fund and may involve delays in obtaining accurate information on the value of securities (which may as a result affect the calculation of the Net Asset Value).

Any proposed investment in markets where custodial and/or settlement systems are not fully developed will be disclosed in the relevant Supplement. Shareholders should also note that settlement mechanisms in emerging and less developed markets are generally less developed and reliable than those in more developed countries and that this therefore increases the risk of settlement default, which could result in substantial losses for a Fund in respect to investments in emerging markets.

### **Political Risks**

The performance of a Fund may be affected by changes in economic and market conditions, uncertainties such as political developments, military conflict and civil unrest, changes in government policies, the imposition of restrictions on the transfer of capital and in legal, regulatory and tax requirements.

### **Custodial / Depositary Risks**

All banks, depositaries, custodians, brokers and dealers with which a Fund will be doing business, may encounter financial difficulties that impair the operational capabilities or capital position of the Fund. Although the Investment Manager intends to limit each Fund's direct investment transactions in transferable securities to transferable securities listed on Recognised Markets, when permitted by the investment restrictions set out in the section entitled "INVESTMENT RESTRICTIONS" above, the Investment Manager will generally have sole discretion to select the financial institutions through which their investment transactions are executed for the underlying investments.

The Depositary and its delegates, if any, will have custody of a Fund's securities, cash, distributions and rights accruing to the Funds' securities accounts. If the Depositary or a delegate holds cash on behalf of a Fund, the Fund will be an unsecured creditor in the event of the insolvency of the Depositary or delegates. Although this is generally done to reduce or diversify risk, there can be no assurance that holding securities through the Depositary or its delegates will eliminate custodial risk.

The Funds will be subject to credit risk with respect to the Depositary and the delegates, if any.

In addition, certain of a Fund's assets may be held by entities other than the Depositary and its delegates. For example, a Fund may provide certain of its assets as collateral to counterparties or brokers in connection with derivatives contracts. If a Fund has over-collateralised derivative contracts, it is likely to be an unsecured creditor of any such counterparty or broker in the event of its insolvency.

A Fund may invest in markets including emerging market countries as defined in the relevant Supplement where trading, custodial and/or settlement systems are not fully developed. The assets of the Fund which are traded in such markets and which have been entrusted to sub-custodians in circumstances where the use of sub-custodians is necessary may be exposed to risk.

In particular, investors should be aware that there is a heightened depositary risk for Funds which may invest in certain countries (including emerging market countries) outside of the EU (each a "**third country**") where the laws of the third country require that the financial instruments are held in custody by a local entity and no local entities satisfy the delegation requirements in the Regulations. Accordingly such entities may not be subject to effective prudential regulation and supervision in the third country. In such circumstances, the Depositary may delegate its custody duties under the Depositary Agreement to such a local entity only to the extent required by the law of the third country and only for as long as there are no local entities that satisfy the delegation requirements in the Regulations, and only where: (i) Shareholders of the relevant Fund are duly informed, prior to their investment, of the fact that such a delegation is required due to legal constraints in the law of the third country, of the circumstances justifying the delegation and of the risks involved in such a delegation; and (ii) the Manager or the ICAV, has instructed the Depositary to delegate the custody of such financial instruments to such a local entity.

### **Cybersecurity Risk**

Cybersecurity breaches may occur allowing an unauthorised party to gain access to assets of the Funds, Shareholder data, or proprietary information, or may cause the ICAV, the Manager, the Investment Manager, any sub-investment manager, any investment advisor, the Administrator or the Depositary to suffer data corruption or lose operational functionality.

A Fund may be affected by intentional cybersecurity breaches which include unauthorised access to systems, networks, or devices (such as through "hacking" activity); infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. In addition, unintentional incidents can occur, such as the inadvertent release of confidential information (possibly resulting in the violation of applicable privacy laws). A cybersecurity breach could result in the loss or theft of Shareholder data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or costs associated with system repairs. Such incidents could cause the ICAV, the Manager, the Investment Manager, any sub-investment manager, any investment advisor, the Administrator, the Depositary, or other service providers to incur regulatory penalties, reputational damage, additional compliance costs, or financial loss. Consequently, Shareholders may lose some or all of their invested capital. In addition, such incidents could affect issuers in which a Fund invests, and thereby cause a Fund's investments to lose value, as

a result of which investors, including the relevant Fund and its Shareholders, could potentially lose all or a portion of their investment with that issuer.

### **Share Currency Designation Risk**

A Class may be designated in a currency other than the Base Currency of that Fund. Changes in the exchange rate between the Base Currency and such designated currency may lead to a depreciation of the value of such Shares as expressed in the designated currency. Unless otherwise set out in the relevant Fund Supplement, the Investment Manager will try to mitigate this risk using forward currency contracts and within the conditions and limits imposed by the Central Bank. A description of forward currency contracts is set out in Appendix I. A Class may not be leveraged as a result of the use of such techniques and instruments, the value of which may be up to but may not exceed 105% of the Net Asset Value attributable to the relevant Class. While it is not the intention of the ICAV to have over or under hedged positions, this may arise due to circumstances outside the ICAV's control. Hedged positions will be kept under review to ensure that over-hedged positions do not exceed the permitted level. This review will also incorporate a procedure to ensure that positions in excess of 100% will not be carried forward from month to month. The ICAV shall ensure that under-hedged positions do not fall short of 95% of the portion of the Net Asset Value of the Share Class which is to be hedged and shall keep any under-hedged positions under review to ensure they are not carried forward from month to month. Investors should be aware that this strategy may substantially limit Shareholders of the relevant Class from benefiting if the designated currency falls against the Base Currency and/or the currency/currencies in which the assets of the ICAV are denominated. In such circumstances, Shareholders of the Class may be exposed to fluctuations in the Net Asset Value per Share reflecting the gain/loss on and the costs of the relevant financial instruments.

Although hedging strategies may not necessarily be used in relation to each Class within a Fund, the financial instruments used to implement such strategies shall be assets/liabilities of the relevant Fund as a whole. However, all gains/losses on and the costs of the relevant financial instruments at a portfolio level will be allocated on a pro rata basis to the classes. All gains/losses on and the costs of the relevant financial instruments relating to class specific hedging will accrue solely to the relevant Class. Transactions will be clearly attributable to a specific Share Class (therefore currency exposure of different currency Classes may not be combined or offset) and currency exposures of the assets of a Fund may not be allocated to separate Share Classes. Where no hedging strategy is used to hedge currency risk a currency conversion will take place on subscription, redemption, switching and distributions at prevailing exchange rates.

### **General Fixed Income Security Considerations**

A Fund may invest in bonds and other fixed income securities. Debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to the risk of price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness or financial condition of the issuer, and general market liquidity (i.e., market risk).

A Fund may invest in fixed income securities which are unrated by a recognised credit-rating agency or rated below investment grade and which are subject to greater risk of loss of principal and/or interest than higher-rated debt securities. A Fund may invest in debt securities which rank junior to other outstanding securities and obligations of a particular issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. A Fund may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. A Fund may therefore be subject to increased credit, liquidity and interest rate risks. In addition, evaluating credit risk for rated debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments.

### **Distressed and High-Yield Securities**

Investments in the securities of financially troubled companies may involve substantial financial and business risks, which are often heightened by an inability to obtain reliable information about the companies and their true financial condition. Investments in companies that are or become involved in

bankruptcy or reorganisation proceedings also may be adversely affected by the laws of one or more jurisdictions in relation to, among other things, "fraudulent conveyances" and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. There is always the risk (both in and out of bankruptcy) that a reorganisation will be unsuccessful (due to, for example, failure to obtain requisite approvals), or significantly delayed (for example, until various liabilities, actual or contingent, have been satisfied or negotiated) or will result in a distribution of cash or new securities the value of which is less than the purchase price to the Fund of the securities in respect of which such distribution was made. In addition, the markets for distressed and high yield securities are subject to abrupt and erratic price movements and excessive price volatility and are frequently illiquid. Distressed securities investing requires active monitoring and may at times, require participation in bankruptcy or reorganisation proceedings by the Investment Manager on behalf of the Fund. In such event, the Fund may have more active participation in the affairs of the issuer than that generally assumed by a passive investor.

Reorganisations may be contentious and adversarial. It is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. The Investment Manager, the Manager and/or the ICAV in respect of a Fund may be participants in civil proceedings related to distressed investments. The costs of any such proceedings, including settlements, judgments and indemnification obligations will be deemed investment expenses and will be borne directly or indirectly by that Fund.

Reorganisation of companies may not be successful, nor improve their operating performance. Liquidations may yield significantly lower proceeds than originally expected. A Fund may lose its entire investment in such companies or may be required to accept cash or securities with a value less than the Fund's original investment, and/or may be required to accept payment over an extended period of time.

### **Below "Investment Grade" Debt Securities**

The Fund may invest in debt securities which may be below "investment grade" and are subject to uncertainties and exposure to adverse business, financial or market conditions which could lead to the issuer's inability to make timely interest and principal payments. The market values of these securities tend to be more sensitive to individual corporate developments and general economic conditions than those of higher rated securities.

### **Unsecured and Subordinated Investments**

Although a Fund may invest in secured and senior obligations, distressed securities purchased by a Fund will be subject to certain additional risks to the extent that such securities may be unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Moreover, such securities may not be protected by financial covenants or limitations upon additional indebtedness.

### **Impact of COVID – 19**

In December 2019, an outbreak of a contagious respiratory virus now known as COVID - 19 occurred and it has since spread globally. The virus has resulted in government authorities in many countries (including the People's Republic of China and Hong Kong, the United States and Europe) taking extreme measures to arrest or delay the spread of the virus including the declaration of states of emergency, restrictions on movement, border controls, travel bans and the closure of offices, schools and other public amenities such as bars, restaurants and sports facilities. This has resulted in major disruption to businesses, both regionally and globally, substantial market volatility, exchange trading suspensions and closures. While the full impact is not yet known, it is anticipated that these events will have a material adverse effect on general global economic conditions and market liquidity.

This may in turn cause material disruptions to business operations of service providers on which a Fund relies, including the Investment Manager. It may also adversely impact a Fund's investments, the ability of the Investment Manager to access markets or implement the Fund's investment policy in the manner originally contemplated, a Fund's net asset value and therefore its investors. A Fund's access to liquidity could also be impaired in circumstances where the need for liquidity to meet redemption requests may rise significantly. There are certain liquidity management tools available to the Fund, as

further outlined in the sections entitled, "REDEMPTION AND TRANSFERS OF SHARES" and "BORROWING POLICY".

The impact of a health crisis such as the COVID - 19 pandemic, and other epidemics and pandemics that may arise in the future, could affect the global economy in ways that cannot necessarily be foreseen at the present time. A health crisis may exacerbate other pre-existing political, social and economic risks. Any such impact could adversely affect a Fund's performance, resulting in losses to investors.

### **Stock Market Risk**

A Fund's Net Asset Value will move up and down in reaction to stock market movements. Stock prices change daily in response to company activity and general economic and market conditions. A Fund's investments in common stocks and other equity securities are subject to stock market risk, which is the risk that the value of equity securities may decline. Also, equity securities are subject to the risk that a particular issuer's securities may decline in value, even during periods when equity securities in general are rising. Additional stock market risks may be introduced when a particular equity security is traded on a foreign market. For more detail on the related risks involved in foreign markets, see "Foreign Exposure Risks" below.

### **Foreign Exposure Risk**

Investing in foreign securities, including depository receipts, or securities of entities with significant foreign operations, involves additional risks which can affect a Fund's performance. Foreign markets, particularly emerging markets, may be less liquid, more volatile and subject to less government supervision than an investor's home market. There may be difficulties enforcing contractual obligations, and it may take more time for transactions to clear and settle. Less information may be available about foreign entities. The costs of buying and selling foreign securities, including tax, brokerage and custody costs, may be higher than those involving domestic transactions. The specific risks of investing in foreign securities include:

*Currency Risk:* The values of foreign investments may be affected by changes in currency rates or exchange control regulations. If the local currency gains strength against the domestic currency, the value of the foreign security increases in domestic currency terms. Conversely, if the local currency weakens against the domestic currency, the value of the foreign security declines in domestic security terms. Unless set out in the relevant Fund Supplement, the Investment Manager do not intend to hedge the resulting currency exposures back into the Base Currency, although they may do so at their discretion.

*Regulatory Risk:* Foreign companies often are not subject to uniform accounting, auditing and financial reporting standards or to other regulatory practices and requirements.

### **Limitations on Redemptions**

There is no secondary market for Shares and no market is expected to develop. An investment in a Fund should be considered only by persons financially able to maintain their investment and who can afford a loss of all or a substantial part of such investment. Shareholders may only redeem Shares as described in this Prospectus. Redemption rights may be deferred or suspended under certain circumstances. Redemptions may also be satisfied, in whole or in part, by distributing securities in specie.

### **Effect of Substantial Redemptions**

Substantial redemptions by Shareholders within a short period of time could require the Fund to liquidate securities positions or other investments more rapidly than would otherwise be desirable, possibly reducing the value of the Fund's assets and/or disrupting the Investment Manager's investment strategy. Reduction in the size of the Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

## **Concentration Risk**

A Fund's investments will be concentrated in a particular country or region, in a select group of issuers, or both. When a Fund's investments are concentrated in a particular country or region, the Fund's performance may be closely tied to economic and political conditions within that country or region. A Fund that concentrates its investments in a select group of issuers can be more volatile than the market as a whole because changes in the financial condition of an issuer or changes in economic or political conditions that affect a particular type of security or issuer can affect the value of an issuer's securities. For these reasons, a concentrated Fund's performance may be more volatile than the performance of more diversified Funds.

## **Leverage and Financing Risk**

A Fund may leverage its capital to the extent and as provided in its Supplement.

While leverage presents opportunities for increasing a Fund's total return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment by the Fund would be magnified by the extent to which the Fund is leveraged.

The cumulative effect of the use of leverage by the Fund in a market that moves adversely to the Fund's investments could result in a substantial loss to that Fund, which would be greater than if the Fund were not leveraged.

## **Borrowings**

Under the Regulations, a Fund may borrow up to 10% of its assets provided this borrowing is on a temporary basis. A Fund may not borrow money, grant loans or act as guarantor on behalf of third parties. Such borrowings may increase the risks attached to an investment in Shares in a Fund.

## **Interest Rate Risk**

Bond prices rise when interest rates decline and decline when interest rates rise. The longer the duration of a bond, the more a change in interest rates affects the bond's price. Short-term and long-term interest rates may not move the same amount and may not move in the same direction. This may result in the amount realised on the sale of Shares being less than the original amount invested.

## **Derivative Securities Risk**

In relation to investment in financial derivative instruments, the use of these instruments involves special risks including (i) dependence on the ability to predict movements in the prices of securities underlying the financial derivative instruments and movements in interest or currency rates; (ii) imperfect correlation between the financial derivative instruments and the securities or market sectors to which they relate; (iii) greater volatility than the securities and/or markets to which they relate; (iv) liquidity risk when, for example, a particular derivative instrument is difficult to purchase or sell; (v) market risk, where the market value of the financial derivative instrument changes in a way that is detrimental to the Fund; (vi) potential conflicts of interest (vii) counterparty risk, where the counterparty with which the Fund trades becomes insolvent, bankrupt or defaults; (viii) settlement risk, where a counterparty defaults in settling a trade; and (ix) legal risk, where the enforceability of a financial derivative instrument contract may be an issue.

## **Efficient Portfolio Management Risk**

The ICAV on behalf of a Fund may enter into trading arrangements in relation to the Investments for efficient portfolio management purposes with counterparties and agents that are related parties to the Depositary or the ICAV's other service providers. Such engagement may on occasion cause a conflict of interest with the role of the Depositary or other service provider in respect of the ICAV. Please refer to the section entitled "*Conflicts of Interest*" herein for further details on how these conflicts are handled.



## **Collateral and Re-use Arrangements**

The terms of hedging arrangements and other derivative transactions entered into by a Fund may provide that collateral given to, or received by, such Fund may be pledged, lent, re-hypothecated or otherwise re-used by the collateral taker for its own purposes. If collateral received by a Fund is re-invested or otherwise re-used, that Fund is exposed to the risk of loss on that investment. Should such a loss occur, the value of the collateral will be reduced and the Fund will have less protection if the counterparty defaults. Similarly, if the counterparty re-invests or otherwise re-uses collateral received from a Fund and suffers a loss as a result, it may not be in a position to return that collateral to the Fund should the relevant transaction complete, be unwound or otherwise terminate and that Fund is exposed to the risk of loss of the amount of collateral provided to the counterparty.

## **Other Risks**

The ICAV will be responsible for paying its fees and expenses regardless of the level of its profitability. In view of the fact that an initial sales charge may be payable on a subscription by an investor any investment in a Fund should be regarded as a medium to long term investment.

## **Third Party Service Providers**

The ICAV does not have any employees and the Directors have been appointed on a non-executive basis. The ICAV is therefore reliant upon the performance of third party service providers for their executive functions. In particular, the Manager, the Investment Manager, any sub-investment manager, any investment advisor, the Administrator and the Depositary will be performing services which are integral to the operation of the ICAV. Failure by any service provider to carry out its obligations to the ICAV in accordance with the terms of its appointment could have a materially detrimental impact upon the operations of the ICAV.

## **Possible Indemnification Obligations**

The ICAV has agreed, or may agree, to indemnify the Directors, the Manager, the Investment Manager, any sub-investment manager, any investment advisor, the Administrator, the Depositary and banks, brokers, dealers, counterparties and others, under various agreements entered into with such persons, against certain liabilities they or their respective directors, officers, affiliates or agents may incur in connection with their relationships with the ICAV.

## **Changes to Share Value**

It should be appreciated that the value of Shares and the income from them may fall as well as rise, and that investors may not get back the amount they have invested. Changes in exchange rates may cause the value of Shares to go up or down. Details of certain investment risks for an investor are set out above.

## **Legal and Tax Requirements**

Persons interested in purchasing Shares should inform themselves as to (a) the legal requirements within their own countries for the purchase of Shares, (b) any foreign exchange restrictions which may be applicable, and (c) the income and other tax consequences of purchase, conversion and redemption of Shares.

The difference, at any one time, between the sale and repurchase price of the Shares means that any investment in the ICAV should be viewed in the medium to long term. Initial applications will be processed upon receipt by the Administrator of both the Application Form and cleared funds. Subsequent purchases will be processed upon receipt of trade instructions and cleared funds.

Specific risk warnings in relation to particular Funds are contained in the relevant Supplement.

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

### **Umbrella Structure of the ICAV**

Pursuant to Irish law, the ICAV should not be liable as a whole to third parties and there should not be the potential for cross contamination of liabilities between different funds. However, there can be no categorical assurance that, should an action be brought against the ICAV in the courts of another jurisdiction, that the segregated nature of the Funds will necessarily be upheld.

### **Subscriptions/Redemptions Account Risk**

Any failure to supply the ICAV or the Administrator with any documentation requested by them for anti-money laundering purposes, as described above, may result in a delay in the settlement of redemption proceeds or dividend payments. In such circumstances, the Administrator will process any redemption request received by a Shareholder and by doing so that investor is no longer considered a Shareholder. Accordingly, Shareholders should note that any redemption proceeds and any sums payable by way of dividend being paid out by a Fund and held for any time in the Subscriptions/Redemptions Account shall remain an asset of the relevant Fund. In the event of the insolvency of the ICAV or the relevant Fund, the Shareholder will rank as an unsecured creditor of the ICAV until such time as the Administrator is satisfied that its anti-money-laundering procedures have been fully complied with, following which redemption proceeds will be released or the dividend paid (as applicable) to the relevant Shareholder. Accordingly, Shareholders are advised to promptly provide the ICAV or Administrator (as appropriate) with all documentation requested to reduce the risk in this scenario.

As detailed under the heading "Subscriptions" above, the Administrator also operates the Subscriptions/Redemptions Account with respect to receipt of subscription monies. In this scenario, the investor is subject to the risk of becoming an unsecured creditor in the event of the insolvency of the ICAV or the relevant Fund during the period between receipt of subscription monies and the Dealing Day on which the Shares are issued.

The ICAV reserves the right to reverse any allotment of Shares in the event of a failure by the Shareholder to settle the subscription monies on a timely basis. In such circumstances, the ICAV shall compulsorily redeem any Shares issued and the Shareholder shall be liable for any loss suffered by the ICAV in the event that the redemption proceeds are less than the amount originally subscribed for. For the avoidance of doubt, the relevant Shareholder shall not be entitled to any profit arising from such a redemption of shares in the event that the redemption proceeds are worth more than the amount originally subscribed for.

Shareholders in solvent Funds should not be impacted by the insolvency of a sister Fund as the ICAV is established with segregated liability. However, there can be no categorical assurance that, should an action be brought against the ICAV in the courts of another jurisdiction, that the segregated nature of the Funds will necessarily be upheld. Shareholders attention is drawn to the risk factor under the heading "Umbrella Structure of the ICAV".

### **Reinvestment of Cash Collateral Risk**

As a Fund may reinvest cash collateral received, subject to the conditions and within the limits laid down by the Central Bank, that Fund will be exposed to the risk associated with such investments, such failure or default of the issuer of the relevant security.

### **Electronic Delivery of Information**

Information relating to a Shareholder's investment in the Fund may be delivered electronically. There are risks associated with such electronic delivery including, but not limited to, that electronic messages are not secure and may contain computer viruses or other defects, may not be accurately replicated on other systems, or may be intercepted, deleted or interfered with without the knowledge of the sender or the intended recipient.

## **Error Trades**

Unintended errors in the communication or administration of trading instructions may, from time to time, arise. Except in the case of negligence, fraud or wilful default of the Investment Manager, losses (if any) arising from such errors will be for the account of the Fund on the basis that profits from such errors (if any) will also be for the account of the Fund.

## **Active Management Risk**

A Fund that relies on its Investment Manager's ability to pursue the Fund's investment objective is subject to active management risk. The Investment Manager will apply investment techniques and risk analyses in making investment decisions for a Fund and there can be no guarantee that these will produce the desired results. Notwithstanding that the Fund's performance may be measured against a benchmark, a Fund may buy securities not included in the relevant benchmark or hold securities in very different proportions from the relevant benchmark. Accordingly, the performance of the Fund depends on the ability of its Investment Manager to choose securities that perform better than securities that are included in the relevant benchmark.

## **Eurozone Crisis and Potential European Union Exit**

The current economic situation in the Eurozone has created significant pressure on certain European countries regarding their membership of the Euro. Some economists advocate the exit of certain countries from the Eurozone, and political movements in some Eurozone countries also promote their country's exit from the Eurozone for economic or political reasons, or both. It is possible that one or more countries may leave the Eurozone and return to a national currency (which may also result in them leaving the EU) and/or that the Euro will cease to exist in its current form, or entirely, and/or lose its legal status in one or more of the current Eurozone countries. There are no historical precedents for this type of event, and the effects of any such event on the Fund are therefore impossible to predict. However, any of these events might, for example: (a) cause a significant rise or fall in the value of the Euro against other currencies; (b) significantly affect the volatility of currency exchange rates (particularly for the Euro) and of the prices of other assets; (c) significantly reduce the liquidity of some or all of the Fund's investments (whether denominated in the Euro or another currency) or prevent the Fund from disposing of them at all; (d) change, through operation of law, the currency denomination of cash, securities, transactions and/or other assets of the Fund that are currently denominated in the Euro to the detriment of the Fund or at an exchange rate that the Investment Manager or the Fund considers unreasonable or wrong; (e) adversely affect the Fund's ability to enter into currency hedging transactions and/or increase the costs of such transactions (which may prevent the Fund or the Fund from allocating losses on currency hedging transactions in accordance with their usual allocation policies, or from protecting certain share classes against exposure to foreign exchange rates through hedging); (f) affect the validity or interpretation of legal contracts on which the Fund relies; (g) adversely affect the ability of the Fund to make payments of any kind or to transfer any of its funds between accounts; (h) increase the probability of insolvency of, and/or default by, its counterparties (including the Depositary and account banks); (i) and/or result in action by national governments or regulators which may be detrimental or which may serve to protect certain types of market participants at the expense of others. Such factors could, individually or in combination with each other, impair the Fund's profitability or result in significant losses, prevent or delay the Fund from being able to value its assets and/or calculate the Net Asset Value and affect the ability of the Fund to redeem Shares and make payments of amounts due to Shareholders. Although the Investment Manager, any sub-investment manager and the Directors might be able to identify some of the risks relating to the possible events described above, there might be no practicable measures available to them that would reduce the impact of such events on the Fund.

The United Kingdom has held a referendum which has delivered a positive vote in favour of its exit from the European Union. Certain other members of the European Union (whether within or outside of the Eurozone) may be reconsidering, or may in the future reconsider, their membership of the European Union, and this could result in one or more countries in addition to the United Kingdom

leaving the European Union. The impact of such events on any Fund is impossible to predict. However, such a situation is likely to result in regulatory changes and economic, political and/or regulatory uncertainty for a prolonged period, which could impact the Fund.

### **Global Financial Market Crisis and Governmental Intervention**

The financial crisis of 2008 and its consequences for global financial markets have created extraordinary uncertainties. The extent to which the underlying causes of instability have the potential to cause further instability remains unclear, but they have led to extensive and unprecedented governmental intervention. Regulators in many jurisdictions have implemented a number of wide-ranging emergency regulatory measures. Intervention has, in certain cases, been implemented on an "emergency" basis and there can be no guarantee that any further emergency measures will not affect the ability of market participants to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, due to the uncertain stability of global financial institutions, the security of assets held by any financial institution cannot be guaranteed, notwithstanding the terms of any agreement with such institution. Given the complexities of the global financial markets and the limited time frame within which governments have been able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

It is impossible to predict with certainty what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on the ability of the Investment Manager to implement the Fund's investment objective. However, the Investment Manager believes that there is a likelihood of increased regulation of the global financial markets, and that such increased regulation could be materially detrimental to the performance of the Fund's portfolio.

### **Large Redemption Risk**

The Funds are subject to the risk that Shareholders will purchase or redeem large quantities of shares of a Fund rapidly or unexpectedly, including as a result of asset allocation decisions made by the Investment Manager. These transactions could adversely affect a Fund's performance if it is forced to sell portfolio securities to satisfy redemption requests or purchase portfolio securities to invest cash when the Fund would otherwise not do so, and at unfavourable prices. Redemptions of a large number of Shares may affect the liquidity of a Fund's portfolio and increase a fund's transaction costs. Large redemptions may be more likely during times of market stress or reduced liquidity, exacerbating the potential impact on a Fund. In addition, returns may be adversely affected if a Fund holds a portion of its assets in liquid, cash-like investments in connection with or in anticipation of Shareholder redemptions. These risks are more pronounced to the extent that a smaller number of shareholders own substantial portions of a Fund.

### **Availability of Investment Strategies**

The success of a Fund's investment activities depends on the Investment Manager's ability to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the financial markets, as well as to assess the import of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by a Fund will involve a high degree of uncertainty. No assurance can be given that the Investment Manager or will be able to locate suitable investment opportunities in which to deploy all of a Fund's assets or to exploit discrepancies in the securities and derivatives markets. A reduction in market liquidity or the pricing inefficiency of the markets in which a Fund seeks to invest, as well as other market factors, will reduce the scope for a Fund's investment strategies.

### **Business Risk**

There can be no assurance that a Fund will achieve its investment objective. The investment results of a Fund are reliant upon the success of the Investment Manager.

Funds compete with other funds and market participants (such as public or private investment funds and the proprietary desks of investment banks) for investment opportunities. The number of such funds and market participants and the scale of the assets managed by such entities may increase. Such competitors may be substantially larger and have considerably greater financial, technical and marketing resources than are available to a Fund or they may also have a lower cost of capital and access to funding sources that are not available to a Fund, which may create competitive disadvantages with respect to investment opportunities. The net effect of these developments may be to reduce the opportunities available for the Investment Manager to generate returns and/or to reduce the quantum of these returns. Historic opportunities for some or all hedge fund strategies may be eroded over time whilst structural and/or cyclical factors may reduce investment opportunities for the Investment Manager thereby temporarily or permanently reducing the potential returns of a Fund.

### **Risk of Counterparty Insolvency**

The ICAV on behalf of a Fund may enter into transactions in over-the-counter markets, which will expose the Fund to the credit of its counterparties and their ability to satisfy the terms of such contracts. The stability and liquidity of over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. If there is a default by the counterparty to such a transaction, a Fund will, under most normal circumstances, have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual remedies may involve delays or costs which could result in the Net Asset Value of a Fund being less than if a Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent. In the event of a bankruptcy or insolvency of a counterparty, the Fund could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the ICAV 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. During an insolvency procedure (which may last many years) the use by a Fund of certain of its assets held by a counterparty may be restricted and accordingly (a) the ability of the Investment Manager to fulfil the investment objective may be severely constrained, (b) the Fund may be required to suspend the calculation of the Net Asset Value and as a result subscriptions for and redemptions of Shares, and/or (c) the Net Asset Value may be otherwise affected. There is also a possibility that the derivatives are 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. In such circumstances, investors may be unable to cover any losses incurred.

In addition, a Fund may use counterparties located in various jurisdictions around the world. Such counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to a Fund's assets will be subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalise about the effect of their insolvency on a Fund and its assets. Prospective investors should assume that the insolvency of any counterparty would result in a loss to a Fund, which could be material.

### **Financing Arrangements: Availability of Credit**

Leverage may be an integral part of a Fund's strategies and may include the use of securities margin, futures margin, margined option premiums, bank or dealer credit lines or the notional principal amounts of FDI transactions. There can be no assurance that a Fund will be able to maintain adequate financing arrangements under all market circumstances.

Where a Fund makes use of leverage to initiate long or short positions and the positions decline in value, it will usually be subject to a "margin call", pursuant to which it must either deposit additional funds with the lender or be subject to sanctions such as the mandatory liquidation of securities over which the lender has been granted security or a mandatory termination of all outstanding contracts with the lender and a claim for compensation for any losses incurred by the lender. In some cases a margin call may be made even if the relevant positions have not declined in value. The Fund would normally satisfy such margin calls in cash or acceptable collateral from its assets and, to the extent that such collateral were insufficient, would liquidate certain assets to raise cash in order to satisfy the relevant margin call. In the event of a large margin call, the Investment Manager might not be able to liquidate assets quickly enough to pay off the margin liability.

As a general matter, the banks and dealers that may provide financing to a Fund can apply essentially discretionary margin, "haircuts", financing and security and collateral valuation policies. Banks and dealers could change these policies at any time, for any reason, including a change in market circumstances, government, regulatory or judicial action or simply a change in the policy of the relevant bank. Changes by banks and dealers to one or more of these policies, or the imposition of other credit limitations or restrictions may be applied retrospectively to existing contracts as well as prospectively to contemplated future dealing. Whilst the Investment Manager may seek to limit the rights of lenders to apply such retrospective changes, any such limitation will be subject to the agreement of the relevant lender, which may not be forthcoming. Retrospective changes may result in large margin calls, loss of financing, forced liquidations of positions at disadvantageous prices, termination of swap agreements and cross-defaults to agreements with other banks and dealers. Prospective changes may result in the inability of the Investment Manager to fulfil the investment objective. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants simultaneously. The imposition of any such limitations or restrictions could compel a Fund to liquidate all or part of its portfolio at disadvantageous prices, perhaps leading to a complete loss of a Fund's equity.

### **Highly Volatile Markets**

The prices of derivative instruments, including options prices, are highly volatile. Price movements of contracts for difference and other derivative contracts in which a Fund may invest are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary, and exchange control programmes and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention is often intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. A Fund is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearing houses.

### **Limited Operating History**

The ICAV and each Fund have no or relatively little operating history upon which prospective investors may base an evaluation of the likely performance of the ICAV and each Fund. The past performance of other investments which the Investment Manager may have managed may not be indicative of the future performance of the ICAV or any Fund. There can be no assurance, and no assurance is given, that a Fund will achieve its investment objective, and the past investment performance of the principals of, or entities associated with, the Investment Manager may not be construed as an indication of the future results of an investment in any Fund.

### **Investment Management**

The ability of a Fund to achieve its investment objective is significantly dependent upon the expertise of the Investment Manager, its partners, members and employees and the Investment Manager's and their affiliates' ability to attract and retain suitable staff. The impact of the departure for any reason of a key individual (or individuals) on the ability of the Investment Manager to achieve the investment objective of a Fund cannot be determined and may depend on, amongst other things, the ability of the Investment Manager to recruit other individuals of similar experience and credibility. In addition, legislative, tax and/or regulatory changes which restrict or otherwise adversely affect the remuneration of key individual(s), including the ability and scope to pay bonuses, which may be imposed in the jurisdictions in which the Investment Manager operates, may adversely affect their ability to attract and/or retain any such key individual(s). In the event of the death, incapacity, departure, insolvency or withdrawal of any such key individual(s), the performance of a Fund may be adversely affected.

Furthermore, some of the contractual arrangements in place with certain of a Fund's counterparties may provide the relevant counterparties with rights of termination, and with certain of its investors that may entitle them to redemption without penalty, if certain key employees and officers of the Investment Manager ceases to have responsibility for managing a Fund's investments or similar provisions. The assertion of such rights to terminate contracts could result in the relevant contractual positions being closed out on unsatisfactory terms and in a fewer number of potential counterparties in the future and/or may otherwise have a material adverse impact on the business and/or financial condition of the

Fund. There can be no assurance that the Investment Manager would be able to mitigate the effects of the loss of any such key individual(s).

The continued services of the Investment Manager to a Fund are dependent on the continuation of the relevant agreement which can be terminated with notice.

Should the need arise, no assurance can be given that the Fund or a Fund would be able to find and recruit a replacement investment manager or sub-investment manager (as applicable) of similar experience and competence or as to the length of time the search for a replacement will take. Any delay in identifying another investment manager or sub-investment manager (as applicable) may materially and adversely affect the achievement of the relevant investment objective.

### **Other Clients of the Investment Manager**

The Investment Manager may manage or advise other funds and/or accounts and will remain free to provide such services to additional funds and accounts, including for its own accounts, in the future. The Investment Manager may vary the investment strategies employed on behalf of the Fund from those used for itself and/or for other clients. No assurance is given that the results of the trading by the Investment Manager on behalf of the Fund will be similar to that of other funds and/or accounts concurrently managed by the Investment Manager. It is possible that such funds and accounts and any additional funds and accounts to which the Investment Manager in the future provides such services may compete with the Fund for the same or similar positions in the markets. The Investment Manager may transfer and/or license any intellectual property developed by it in the performance of services to the ICAV, including without limitation any intellectual property in the investment approach and strategies of any Fund. The Investment Manager may subsequently use information, intellectual property and investment strategies ("**Intellectual Property**") which it has obtained, produced, created, developed or utilised in the performance of services to the ICAV in relation to other investment funds, vehicles or accounts, as it determines in its sole discretion. The ICAV will bear all fees, charges and expenses incurred for all transactions carried out on behalf of the ICAV by the Investment Manager (or on its behalf). Such other investment funds, vehicles or accounts will not pay any part of or contribute towards the fees, charges and expenses of the ICAV for transactions carried out on behalf of the ICAV even if such other investment funds, vehicles or accounts benefit from Intellectual Property derived from the trading activities or results of the ICAV.

### **Investment Manager Conviction**

A Fund's portfolio reflects the conviction of the Investment Manager. At times of high conviction, the portfolio may well be more aggressively constructed than would otherwise be the case. This carries with it additional risks should the Investment Manager's conviction prove misplaced.

### **No Independent Counsel**

The Fund has retained legal counsel to advise them. In connection with its representation of the Fund and where appropriate counsel will not represent Shareholders in their capacity as investors in the Fund. No independent counsel has been retained by the Fund to represent Shareholders in that capacity.

### **Over-the-Counter ("OTC") Transactions**

There has been an international effort to increase the stability of the financial system in general, and the OTC derivatives market in particular, in response to the recent financial crisis. The leaders of the G20 have agreed that all standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties, that OTC derivative contracts should be reported to trade repositories and non-centrally cleared contracts should be subject to higher capital requirements.

In the United States, rules and regulations required under the Dodd-Frank Act, have recently begun to become effective and comprehensively regulate the OTC derivatives markets for the first time. The U.S. Commodities Futures Trading Commission ("**CFTC**") has recently required that certain interest rate and credit default index swaps be centrally cleared, and the first requirement to execute certain

interest rate swap contracts through a swap execution facility. Additional standardised swap contracts are expected to be subject to new clearing and execution requirements in the future. OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as possible margin requirements mandated by the SEC or the CFTC. The regulators also have proposed margin requirements on non-cleared OTC derivatives, but have not yet finalised. Although the Dodd-Frank Act includes limited exemptions from the clearing and margin requirements for so-called "end-users", the Investment Manager is not eligible to rely on such exemptions. In addition, the OTC derivative dealers with which a Fund may execute the majority of its OTC derivatives will not be able to rely on the end-user exemptions under the Dodd-Frank Act and therefore such dealers will be subject to clearing and margin requirements notwithstanding whether a Fund is subject to such requirements. OTC derivative dealers are required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations for cleared derivatives, as is currently permitted. This will increase the OTC derivative dealers' costs, and these increased costs are expected to be passed through to other market participants in the form of higher upfront and mark-to-market margin, less favourable trade pricing, and possible new or increased fees.

The SEC and CFTC are expected to increase the portion of derivatives transactions that will be required to be executed through a regulated securities, futures, or swap exchange or execution facilities. Such requirements may make it more difficult and costly for investment funds, including a Fund, to enter into highly tailored or customised transactions. They may also render certain strategies in which a Fund might otherwise engage impossible or so costly that they will no longer be economical to implement. OTC derivative dealers and major OTC derivatives market participants have now registered with the SEC and/or the CFTC, and the CFTC's broad interpretation of its jurisdiction has recently required additional dealers to register. A Fund may also be required to register as a major participant in the OTC derivatives markets if its swaps positions are too large or leveraged, but the CFTC's and SEC's definition of major swap participant make such registration unlikely. Dealers and major participants will be subject to minimum capital and margin requirements. These requirements may apply irrespective of whether the OTC derivatives in question are exchange-traded or cleared. OTC derivatives dealers are also subject to business conduct standards, disclosure requirements, additional reporting and recordkeeping requirements, transparency requirements, limitations on conflicts of interest, and other regulatory burdens. These requirements may increase the overall costs for OTC derivative dealers, which are likely to be passed along, at least partially, to market participants in the form of higher fees or less advantageous dealer marks. A Fund is also subject to recordkeeping and, depending on the identity of the swaps counterparty, reporting requirements. While many of the requirements of the Dodd-Frank Act have been adopted, the final overall impact of the Dodd-Frank Act on a Fund is uncertain, and it is unclear how the OTC derivatives markets will adapt to the final regulatory regime.

EU Regulation No 648/2012 on OTC derivatives, central counterparties and trade repositories (also known as the European Market Infrastructure Regulation, or "**EMIR**") came into force on 16 August 2012. EMIR introduces uniform requirements in respect of OTC derivative contracts by requiring certain "eligible" OTC derivatives contracts to be submitted for clearing to regulated central clearing counterparties and by mandating the reporting of certain details of OTC derivatives contracts to trade repositories. In addition, EMIR imposes risk mitigation requirements for appropriate procedures and arrangements to measure, monitor and mitigate operational and counterparty credit risk in respect of OTC derivatives contracts which are not subject to mandatory clearing. These risk mitigation requirements are expected to include the exchange and segregation of collateral by the parties, including by a Fund.

While many of the obligations under EMIR have come into force, a number of other requirements have not yet come into force or are subject to phase-in periods and certain key issues have not been finalised by the date of this Prospectus. It is therefore not yet fully clear how the OTC derivatives market will adapt to the new European regulatory regime for OTC derivatives.

The Directors, the Manager and the Investment Manager expect that a Fund will be materially affected by some or all of the requirements of EMIR. However, as at the date of this Prospectus, it is difficult to predict the full impact of EMIR on a Fund, which may include an increase in the overall costs of entering into and maintaining OTC derivative contracts. The Directors, the Manager and the Investment Manager will monitor the position. However, prospective investors and Shareholders



should be aware that the regulatory changes arising from EMIR may in due course adversely affect a Fund's ability to adhere to its investment approach and achieve its investment objective.

### **Profit Sharing**

In addition to receiving an Investment Management Fee, the Investment Manager may also receive a Performance Fee based on the appreciation in the Net Asset Value per Share and accordingly, the Performance Fee will increase with regard to unrealised appreciation, as well as realised gains. Accordingly, a Performance Fee may be paid on unrealised gains which may subsequently never be realised. The Performance Fee may create an incentive for the Investment Manager to make investments for the Fund and a Fund which are riskier than would be the case in the absence of a fee based on the performance of the Fund.

### **Realisation of Profits and Valuation of Investments**

Changes in circumstances or market conditions may lead to revaluation of certain assets, which may result in material increases or decreases in the Net Asset Value. Accordingly, any Shareholder who redeems Shares during a period when the value of any asset has been impaired will not receive any amount in respect of any subsequent increase of the Net Asset Value as a consequence of any revaluation of an asset the value of which was impaired at the time the Shareholder redeemed the relevant Shares. Neither the Fund nor the Investment Manager shall be required to inform a Shareholder proposing to redeem Shares of any circumstances which may lead to a revaluation of an asset, and neither shall be liable to any Shareholder in respect of any loss of opportunity to participate in gains attributable to any revalued assets, howsoever arising.

### **Reliance on Models/Information Technology**

A Fund's investment approach may be based on mathematical models, which are implemented as automated computer algorithms that investment professionals at the Investment Manager have developed over time. The Investment Manager commits substantial resources to the updating and maintenance of existing models and algorithms as well as to the ongoing development of new models and algorithms. The successful operation of the automated computer algorithms on which a Fund's investment approach is based is reliant upon the information technology systems of and its ability to ensure those systems remain operational and that appropriate disaster recovery procedures are in place. Further, as market dynamics shift over time, a previously highly successful model may become outdated, perhaps without recognising that fact before substantial losses are incurred. There can be no assurance that will be successful in maintaining effective mathematical models and automated computer algorithms.

### **Short Selling**

Short selling involves trading on margin and accordingly can involve greater risk than investments based on a long position. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no guarantee that securities necessary to cover a short position will be available for purchase.

Due to regulatory or legislative action taken by regulators around the world as a result of recent volatility in the global financial markets, taking short positions on certain securities has been restricted. The levels of restriction vary across different jurisdictions and are subject to change in the short to medium term. These restrictions have made it difficult and in some cases impossible for numerous market participants either to continue to implement their investment strategies or to control the risk of their open positions. Accordingly, the Investment Manager may not be in a position to fully express its negative views in relation to certain securities, companies or sectors and the ability of the Investment Manager to fulfil the investment objective of a Fund may be constrained.

### **Short Selling Regulation**

The EU regulation on short selling and certain aspects of credit default swaps (the "**SSR**") applies to short sales of/short positions relating to (1) the issued share capital of companies whose shares are

admitted to trading on a regulated market or multilateral-trading facility ("**MTF**") in the EEA (unless the principal trading venue for the relevant shares is located in a country outside the EEA) ("**EEA listed shares**"); and (2) debt instruments issued by an EEA sovereign issuer ("**EEA sovereign debt**"). The SSR currently applies in respect of EU Member States and will apply to the additional EEA jurisdictions once further implementation steps have been taken.

The SSR provides for the disclosure of net short positions in EEA listed shares and EEA sovereign debt. It applies to all natural or legal persons, irrespective of regulatory status, located inside and outside the EEA. The SSR also contains prohibitions on uncovered or "naked" short sales of EEA listed shares and EEA sovereign debt in certain circumstances, as well as a prohibition on uncovered credit default swaps referencing EEA sovereign debt ("**naked CDS**"). The SSR provides for the possibility of an EEA member state's national regulator temporarily suspending the prohibition where it believes that its sovereign debt market is not functioning properly and that the prohibition may have a negative impact on the sovereign CDS debt market. When the prohibition is suspended in this way, naked CDS positions must be included in the net short position calculation for EEA sovereign debt and will be disclosable as part of the more general disclosure relating to short positions in EEA sovereign debt.

National regulators, and in certain circumstances the European Securities and Markets Authority, are able to take additional emergency measures in some situations.

The SSR may prevent the Investment Manager from fully expressing their negative views in relation to EEA listed shares and reduces the flexibility of the Investment Manager to use credit default swaps referencing EEA sovereign debt for risk management or investment purposes. Accordingly, the ability of the Investment Manager and to implement the investment approach and to fulfil the investment objective may be constrained.

### **US Tax-Exempt Investors**

Certain investors may be subject to US federal and state laws, rules and regulations which may regulate their participation in a Fund, or their engaging directly, or indirectly through an investment in the Fund, in investment strategies of the types which a Fund may utilise from time to time. Each type of US Tax-Exempt Investor may be subject to different laws, rules and regulations and should consult with their own advisors as to the advisability and tax consequences of an investment in a Fund. Investment in a Fund by US Tax-Exempt Investors requires special consideration. Trustees or administrators of such investors are urged carefully to review the matters discussed in this Prospectus and the relevant application form.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in a Fund. Prospective investors should read this entire Prospectus and consult with their own legal, tax and financial advisers before deciding to invest in a Fund.**

## **DIVIDEND DISTRIBUTION POLICY**

The Instrument empowers the Directors to declare semi-annual and/or annual dividends in respect of any Shares out of net income (including dividend and interest income) and the excess of realised and unrealised capital gains over realised and unrealised losses in respect of investments of the ICAV.

Any dividend unclaimed after a period of 6 years from the date of declaration of such dividend shall be forfeited and shall revert to the relevant Fund.

The distribution policy for each Fund will be determined by the Directors from time to time and shall be specified in the relevant Supplement to the Prospectus.

## EFFICIENT PORTFOLIO MANAGEMENT

The ICAV may employ investment techniques and FDI for efficient portfolio management of the assets of any Fund including hedging against market movements, currency exchange or interest rate risks under the conditions and within the limits stipulated by the Central Bank under the Regulations and the Central Bank UCITS Regulations and described below. Please see Appendix I for more information. A Fund will only utilise those FDIs as set out in the relevant Fund Supplement and as listed in the RMP that have been cleared by the Central Bank. Each Fund's leverage through the use of derivative instruments, i.e. the global exposure of a Fund, including but not limited to, its exposure from the use of any derivative instruments, must not exceed the total Net Asset Value of the Fund.

Efficient portfolio management means investment decisions involving transactions that fulfil the following criteria:

1. they are economically appropriate in that they are realised in a cost-effective way;
2. they are entered into for one or more of the following specific aims:
  - (iii) reduction of risk;
  - (iv) reduction of cost;
  - (v) generation of additional capital or income for the UCITS with a level of risk which is consistent with the risk profile of the UCITS and the risk diversification rules set out in the Central Bank UCITS Regulations;
3. their risks are adequately captured by the Risk Management Process of the UCITS, and
4. they cannot result in a change to the UCITS declared investment objective or add substantial supplementary risks in comparison to the general risk policy as described in its sales documents.

Direct and indirect operational costs/fees arising from efficient portfolio management techniques may be deducted from the revenue delivered to the Fund. Only direct operational fees charged by third parties unrelated to the Investment Manager will be deducted from any such revenues. Any such direct and indirect operational costs do not include hidden revenue for the Investment Manager or parties related to such parties, although fees may be payable to counterparties and/or the Investment Manager and/or the Depositary and/or entities related to them in relation to such techniques. The Fund will disclose in the financial statements the identity of the entity(ies) to which the direct and indirect costs and fees are paid and indicate if these are related parties to the Manager, the Investment Manager or the Depositary. All revenues from efficient portfolio management techniques, net of direct or indirect operational costs, will be returned to the Fund, if any such techniques are used.

The policy that will be applied to collateral arising from OTC derivative transactions or efficient portfolio management techniques relating to any Fund is to adhere to the Central Bank requirements set out under the heading "Collateral".

## **BORROWING POLICY**

Under the Instrument, the Directors are empowered to exercise all of the borrowing powers of the ICAV, subject to any limitations under the UCITS Regulations, and to charge the assets of the ICAV as security for any such borrowings provided that all such borrowings are within the limits and conditions laid down by the Central Bank.

Under the UCITS Regulations, a Fund may borrow up to 10% of its assets provided this borrowing is on a temporary basis. A Fund may not borrow money, grant loans or act as guarantor on behalf of third parties.

The Manager shall ensure that a Fund with foreign currency borrowings which exceed the value of a back to back deposit treats that excess as borrowing for the purpose of Regulation 103 of the Regulations. Where the balance returned to the Fund is in a foreign currency other than the Base Currency, the Fund may be exposed to currency risk such that the amount returned may be less than it would have been if the offsetting balance had been held in the Base Currency.

## **DETERMINATION AND PUBLICATION AND TEMPORARY SUSPENSION OF NET ASSET VALUE**

The Net Asset Value attributable to the Classes shall be calculated by the Administrator to the nearest three decimal places in the Base Currency as of the relevant Valuation Point in accordance with the valuation provisions set out in the Instrument and summarised below.

The Net Asset Value of each Fund shall be calculated by ascertaining the value of the assets of each Fund and deducting from such amount the liabilities of that Fund (which shall include all fees and expenses payable and/or accrued and/or estimated to be payable by the Fund).

The Net Asset Value of each Class shall be determined by calculating the amount of the Net Asset Value attributable to each Class. The amount of the Net Asset Value of a Fund attributable to a class shall be determined by establishing the proportion of the assets of the class as at the most recent Net Asset Value calculation or the close of the initial offer period in the case of an initial offer of a class, adjusted to take account of any subscription orders (after deduction of any repurchase orders) and by allocating relevant class expenses and fees to the class and making appropriate adjustments to take account of distributions paid, if applicable, and apportioning the Net Asset Value accordingly.

The Net Asset Value per Share of any Class issued in each Fund will be calculated by calculating the amount of the Net Asset Value of the Fund attributable to the relevant Class and dividing the resultant figure by the total number of Shares of the relevant Class in issue or to be deemed to be in issue as of the relevant Dealing Day.

The Net Asset Value per Share (including up-to-date dealing prices) will be published on each Dealing Day on [www.fsinvestments.com](http://www.fsinvestments.com) or through other media, as the Directors, the Manager or Investment Manager may from time to time determine. The Net Asset Value per Share will also be available from the offices of the Administrator.

The Investment Manager may hedge the foreign currency exposure of Classes denominated in a currency other than the Base Currency of a Fund in order that investors in that Class receive a return in the currency of that Class substantially in line with the investment performance of the relevant Fund. As foreign exchange hedging may be utilised for the benefit of a particular Class, its cost and related liabilities and/or benefits shall be for the account of that Class only. Accordingly, such costs and related liabilities and/or benefits will be reflected in the Net Asset Value per Share for shares of any such Class. While holding a hedged Share Class will protect investors in such Share Class from a decline in the value of a currency other than the Base Currency of the Fund, investors in such Share Class will not benefit when that other currency appreciates against the relevant Base Currency. The Investment Manager shall limit hedging to the extent of the particular Share Class' currency exposure. Foreign exchange hedging shall not be used for speculative purposes.

The Investment Manager may hedge the interest rate exposure of certain Classes. All gains/losses on and the costs of the relevant financial instruments relating to class specific interest rate hedging will accrue solely to the relevant Class. Accordingly, such costs and related liabilities and/or benefits will be reflected in the Net Asset Value per Share for shares of any such Class.

### **Valuation of Assets**

1. In determining the value of the assets of each Fund, each Investment which is quoted, listed or traded under the rules a Recognised Market, for which market quotations are readily available, shall be valued as at the last traded price on the relevant Recognised Market at the Valuation Point, provided that the value of the Investment listed, traded or dealt in on a Recognised Market but acquired or traded at a premium or at a discount outside or off the relevant Recognised Market may be valued, taking into account the level of premium or discount as at the date of valuation of the Investment and the Depositary must ensure that the adoption of such procedure is justifiable in the context of establishing the probable realisation value of the security.

2. If the Investment is normally listed, traded or dealt in on or under the rules of more than one Recognised Market, the relevant Recognised Market shall be the one which the Manager determines provides the fairest criteria in a value for the security. If prices for an investment listed, traded or dealt in on the relevant Recognised Market are not available at the relevant time or are unrepresentative, or in the event that any Investments are not listed or traded on any Recognised Market, such investment shall be valued at such value as shall be certified with care and good faith as the probable realisation value of the investment by the Manager, or a competent professional person, firm or corporation appointed by the Manager, or by the Investment Manager who is appointed by the Manager as a competent person and approved by the Depositary for such purpose, or any other means provided the valuation is approved by the Depositary. None of the Directors, the Manager, the Investment Manager, the Depositary or the Administrator shall be under any liability if a price reasonably believed by them to be the latest available price for the time being may be found not to be such.
3. Fixed income securities may be valued using matrix pricing (i.e. valuing securities by reference to the valuation of other securities which are considered comparable in rating, yield, due date and other characteristics) where reliable market quotations are not available. The matrix methodology will be compiled by the persons listed in 2(a)-(c) of Schedule 5 of the Central Bank UCITS Regulations.
4. Units or shares in collective investment schemes which are not valued in accordance with the provisions above shall be valued on the basis of the latest available Net Asset Value per unit/share as published by the collective investment scheme.
5. Cash deposits and similar investments shall be valued at their face value together with accrued interest unless in the opinion of the Manager (in consultation with the Investment Manager) any adjustment is considered necessary to reflect the fair value in the context of currency, marketability, dealing costs and/or such other consideration which are deemed relevant.
6. Exchange-traded derivative instruments shall be valued at the relevant settlement price on the applicable exchange, provided that if the settlement price of an exchange-traded derivative instrument is not available, the value of such instrument shall be the probable realisation value estimated with care and in good faith by a competent person appointed by the Manager and approved for the purpose by the Depositary, which may be the Investment Manager. The counterparty to derivative instruments not traded on an exchange must be prepared to value the contract and to close out the transaction at the request of the Manager at fair value. The Manager will value over the counter derivatives using prices obtained from the counterparty or an alternative valuation calculated by the Manager or by an independent pricing vendor. The Manager must value over the counter derivatives on a daily basis. In valuing over the counter derivatives using an alternative valuation, the Manager will follow international best practice and will adhere to the principles on the valuation of over the counter instruments established by bodies such as IOSCO and AIMA. The alternative valuation is that provided by a competent person appointed by the Manager and approved for the purpose by the Depositary, which may be the Administrator or the Investment Manager or a valuation by any other means provided that the value is approved by the Depositary. The alternative valuation will be reconciled to the counterparty valuation on a monthly basis. Where significant differences arise these will be promptly investigated and explained.

Without prejudice to the above, the Manager shall verify that a Fund's exposures to OTC derivatives are assigned fair values that do not rely only on market quotations by the counterparties of the OTC transactions and that such OTC transactions fulfil the criteria set out in Regulation 68(1)(g)(iii) of the UCITS Regulations.

7. Notwithstanding the provisions of paragraphs (1) to (6) above:
  - (i) The Manager may, at its discretion in relation to any particular Fund which is a short-term money market fund, value any investment using the amortised cost method of valuation where such collective investment schemes comply with the Central Bank's requirements for short-term money market funds and where a review of the amortised

cost valuation vis-à-vis market valuation will be carried out in accordance with the requirements of the Central Bank.

- (ii) Where it is not the intention or objective of the Manager to apply amortised cost valuation to the portfolio of the ICAV as a whole, a money market instrument within such a portfolio shall only be valued on an amortised basis if the money market instrument has a residual maturity of less than 3 months and does not have any specific sensitivity to market parameters, including credit risk.
8. Notwithstanding the generality of the foregoing, the Manager may with the approval of the Depositary adjust the value of any investment if, taking into account currency, marketability, dealing costs, 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.
  9. Any value expressed otherwise than in the Base Currency of the relevant Fund shall be converted into the Base Currency of the relevant Fund at the prevailing exchange rate which the Manager shall determine to be appropriate.
  10. If the Manager deems it necessary, a specific investment may be valued under an alternative method of valuation approved by the Depositary and the rationale for methodologies used should be clearly documented.

#### **Temporary Suspension of Net Asset Value**

The Manager may at any time with prior notification to the Depositary temporarily suspend the issue, valuation, sale, purchase, redemption or conversion of Shares during:

1. the whole or any part of any period when any Recognised Market on which a substantial portion of the Investments for the time being comprised in a Fund are quoted, listed or dealt in is closed otherwise than for ordinary holidays, or during which dealings in any such Recognised Market are restricted or suspended; or
2. the whole or any part of any period where, as a result of political, military, economic or monetary events or other circumstances beyond the control, responsibility and power of the Manager, including the unavailability of relevant prices, the disposal or valuation of any Investments for the time being comprised in a Fund cannot, in the opinion of the Manager, be effected or completed normally or without prejudicing the interest of Shareholders; or
3. any breakdown in the means of communication normally employed in determining the value of any Investments for the time being comprised in a Fund or during any period when for any other reason the value of Investments for the time being comprised in the ICAV cannot, in the opinion of the Manager, be promptly or accurately ascertained; or
4. the whole or any part of any period when a Fund is unable, due to exceptional market conditions or other exceptional circumstances prevailing in one or more Recognised Markets, to repatriate funds for the purposes of making redemption payments or during which the realisation of any Investments for the time being comprised in a relevant Fund, or the transfer or payment of funds involved in connection therewith cannot, in the opinion of the Manager, be effected at normal prices or normal rates of exchange or during which there are difficulties or it is envisaged that there will be difficulties, in transfer of monies or assets required for subscriptions, redemptions or trading; or
5. any period in which the redemption of the Shares would, in the opinion of the Manager, result in a violation of applicable laws; or
6. the whole or any part of any period when, as a result of adverse market conditions, the payment of redemption proceeds may, in the sole opinion of the Manager, have an adverse impact on the relevant Fund or the remaining Shareholders in such Fund; or



7. the whole or any part of any period in which notice has been given to Shareholders of a resolution to wind up the ICAV; or
8. the whole or any part of any period during which dealings in a collective investment scheme in which the relevant Fund has invested a significant portion of its assets, as determined by the Manager, are suspended; or
9. the whole or any part of any period when the Manager determine that it is in the best interests of the Shareholders to do so.

The Manager will exercise this discretion only in circumstances in which the Manager believe that it is not possible to value or trade a material proportion of the securities held in the portfolio in respect of which such decision is being made.

Notice of any such suspension shall be published by the ICAV on [www.fsinvestments.com](http://www.fsinvestments.com) and shall be notified immediately to the Central Bank and the Shareholders. Where possible, all reasonable steps will be taken to bring any period of suspension to an end as soon as possible. Shareholders who have requested issue or redemption of Shares of any Class will have their subscription or redemption request dealt with on the first Dealing Day after the suspension has been lifted unless applications or redemption requests have been withdrawn prior to the lifting of the suspension.

Save where the determination of the Net Asset Value per Share has been temporarily suspended in the circumstances described above, the Net Asset Value per Share as of the most recent Valuation Day shall be made available at the office of the Administrator.

## TAXATION

**The following is a summary of relevant Irish tax law. It does not purport to be a complete analysis of all tax considerations relating to the holding of Shares by all categories of investors, some of whom may be subject to special rules. Shareholders and potential investors are advised to consult their professional advisers concerning possible taxation or other consequences of purchasing, holding, selling, exchanging or otherwise disposing of Shares under the laws of their country of incorporation, establishment, citizenship, residence, ordinary residence or domicile.**

The following summary is based on advice received by the Directors regarding the law and practice in force in Ireland at the date of this Prospectus. Legislative, administrative and judicial changes may modify the tax considerations described below. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position at the time of an investment in the ICAV will not change.

As Shareholders are no doubt aware, the tax consequences of any investment can vary considerably from one jurisdiction to another, and ultimately will depend on the tax regime of the jurisdictions within which a person is tax resident. Therefore the Directors strongly recommend that Shareholders obtain tax advice from an appropriate source in relation to the tax liability arising from the holding of Shares in the ICAV and any investment returns from those Shares.

Finance Act 2016 (which was signed into law on 25 December 2016) legislates for amendments to the tax treatment of Irish real estate funds ("IREFs"). An IREF is defined as an investment undertaking, or sub-fund of an investment undertaking, in which 25% or more of the value of the assets at the end of the immediately preceding accounting period is derived directly or indirectly from Irish real estate and related assets, or where it would be reasonable to consider that the main purpose or one of the main purposes of the investment undertaking, or sub-fund, was to acquire such assets or carry on an Irish real estate business. The Irish tax summary below is based on the assumption that neither the ICAV nor any of its sub-funds is an IREF for the purposes of the proposed new provisions and that accordingly the proposed new Chapter 1B of Part 27 of the TCA will not apply to the ICAV nor to any of its sub-funds.

### Ireland

#### *The ICAV*

The ICAV is an investment undertaking within the meaning of Section 739B TCA and therefore is not chargeable to Irish tax on its relevant income or relevant gains so long as the fund is resident for tax purposes in Ireland. The ICAV shall be regarded as resident for tax purposes in Ireland if it is centrally managed and controlled in Ireland and the ICAV is not regarded as resident elsewhere. It is intended that the Directors of the ICAV will conduct the affairs of the ICAV in a manner that will ensure that it is resident in Ireland for tax purposes.

Tax may arise for the ICAV on the happening of a "chargeable event" in the ICAV ("appropriate tax"). A chargeable event includes:

1. any payments to a Shareholder by the ICAV in respect of their Shares;
2. any appropriation or cancellation of Shares for the purposes of meeting the amount of appropriate tax payable on any gain arising by virtue of a transfer of any Shares;
3. any repurchase, redemption, cancellation or transfer of Shares; and
4. any deemed disposal by a Shareholder of their Shares at the end of a "relevant period" (a "deemed disposal").

A relevant period means a period of eight years beginning with the acquisition of the Shares and each subsequent period of eight years beginning immediately after the preceding relevant period. For those investors (both companies and individuals) impacted by the ending of the Relevant Period, they will be charged to tax at the current rate on any deemed gain, calculated without the benefit of indexation relief, accruing to them based on the increased value (if any) of the Shares since purchase or since the previous exit tax applied, whichever is later. There are provisions which seek to ensure double taxation does not arise where an actual disposal follows a deemed disposal.

There are also certain express exclusions from the meaning of chargeable event. A chargeable event does not include:

1. any exchange by a Shareholder, effected by way of a bargain made at arm's length by the ICAV, of the Shares in the ICAV for other Shares in the ICAV;
2. any transaction in relation to Shares which are held in a recognised clearing system as designated by order of the Irish Revenue Commissioners;
3. certain transfers of Shares between spouses/civil partners and former spouses/civil partners, or former spouses / civil partners on the occasion of judicial separation, decree of dissolution and/or divorce as appropriate; and
4. any exchange of Shares arising on a scheme of reconstruction or amalgamation (within the meaning of Section 739H TCA) of the ICAV with another investment undertaking, subject to certain conditions;

On the happening of a chargeable event the ICAV will deduct the appropriate tax on any payment made to the Shareholder in respect of the chargeable event. On the occurrence of a chargeable event where no payment is made, the ICAV may appropriate or cancel the required number of Shares to meet the tax liability.

Where the chargeable event is a deemed disposal and the percentage value of Shares held by Irish Residents who are not Exempt Investors (as defined below) is less than 10% of the total value of the Shares in the ICAV, and the ICAV has made an election to report annually to the Irish Revenue Commissioners certain details for each Irish Resident Shareholder, the ICAV will not be obliged to deduct appropriate tax. The Shareholder must instead pay tax on the deemed disposal on a self-assessment basis. Irish Resident Shareholders who are not Exempt Investors should contact the ICAV to ascertain whether the ICAV has made such an election in order to establish their responsibilities to account for Irish tax. To the extent that any tax arises on a deemed disposal, such tax will be allowed as a credit against any tax payable on a subsequent chargeable event in respect of the relevant Shares. On the eventual disposal by the Shareholder of their Shares, a refund of any unutilised credit will be payable. In the case of Shares held in a recognised clearing system, the Shareholders may have to account for the tax arising at the end of a relevant period on a self-assessment basis.

No gain will be treated as arising to the ICAV on the happening of a chargeable event in relation to a Shareholder who is not Irish Resident at the time of the chargeable event or in relation to an Irish Resident Shareholder which is an Exempt Investor (as defined below) provided in each case that the requisite tax declaration in the form prescribed by the Irish Revenue Commissioners for the purposes of Section 739D TCA, where applicable, (the "Declaration") has been provided to the ICAV by the Shareholder.

Income and capital gains in respect of assets of the ICAV situated in countries other than Ireland may be subject to taxes including withholding taxes imposed by such countries. The ICAV may not be able to benefit from a reduction in the rate of withholding tax by virtue of the double taxation treaties in operation between Ireland and other countries. The ICAV may not therefore be able to reclaim withholding tax suffered by it in particular countries. If this position changes in the future and the application of a lower rate results in a repayment to the ICAV, the Net Asset Value of the ICAV or a Fund will not be restated and the benefit will be allocated to the then-existing Shareholders rateably at the time of repayment.

## Taxation of Shareholders

### 1. *Non-Irish Residents*

Non-Irish Resident Shareholders will not generally be chargeable to Irish income tax or capital gains tax in respect of their Shares.

No appropriate tax will be deducted by the ICAV provided that either:

- (a) the ICAV is in possession of a signed and completed Declaration from such Shareholder to the effect that the Shareholder is not an Irish Resident; or
- (b) the ICAV is in possession of written notice of approval from the Irish Revenue Commissioners to the effect that the requirement to provide a Declaration is deemed to have been complied with in respect of that Shareholder and the written notice of approval has not been withdrawn.

If the ICAV is not in possession of a Declaration or a written notice of approval, or the ICAV is in possession of information which would reasonably suggest that the information contained in the Declaration or written notice of approval is not or is no longer materially correct, the ICAV must deduct tax on the happening of a chargeable event in relation to such Shareholders. The tax deducted will generally not be refunded.

In the absence of such a Declaration or a written notice of approval, the ICAV must presume that the Shareholder is Irish Resident and the ICAV will deduct the appropriate tax (at the rates set out below) on the happening of a chargeable event in relation to such Shareholder.

Intermediaries acting on behalf of non-Irish Resident Shareholders can claim the same exemption (as above) on behalf of the Shareholders for whom they are acting provided that the ICAV is not in possession of any information which would reasonably suggest that the information provided by an Intermediary is incorrect. The Intermediary must state in the Declaration that to the best of its knowledge the Shareholders on whose behalf it acts are not Irish Resident.

A non-Irish Resident corporate Shareholder which holds Shares directly or indirectly by or for a trading branch or agency of the Shareholder in Ireland, will be liable to Irish corporation tax on income from the Shares or gains made on the disposal of the Shares.

### 2. *Taxable Irish Residents*

The following section describes the Irish tax treatment of Shareholders who are Irish Residents.

#### (b) *Deductions by the ICAV*

An Irish Resident Shareholder who is not an Exempt Investor will have appropriate tax deducted at the rate of 41% in respect of any distributions made by the ICAV and on any gain (irrespective of the frequency with which they are made) arising on a sale, transfer, deemed disposal (subject on election by the ICAV to the 10% threshold outlined above), redemption, repurchase or cancellation of Shares. Any gain will be computed on the difference between the value of the Shareholder's investment in the ICAV at the date of the chargeable event and the original cost of the investment as calculated under special rules. The ICAV will be entitled to deduct such appropriate tax from payments or, where no payment is made on the occurrence of a chargeable event, appropriate and cancel such number of Shares as are required to meet the appropriate tax in respect of the relevant Shareholder and will pay the appropriate tax to the Irish Revenue Commissioners.

Where the Shareholder is an Irish resident company which is not an Exempt Investor and the ICAV is in possession of a Declaration from the Shareholder that it is a company and which includes the company's tax reference number, tax will be deducted by the ICAV from any distributions made by the ICAV to the Shareholder and from any gains arising on a sale, transfer, deemed disposal redemption,

repurchase, cancellation or other disposal of shares by the Shareholder at the rate of 25%.

Refunds of tax where a Declaration could be made but was not in place at the time of a chargeable event are generally not available except in the case of certain corporate Shareholders within the charge to Irish corporation tax.

(c) *Residual tax Liability*

An Irish Resident Shareholder who is not a company and who is not an Exempt Investor (and has therefore had appropriate tax deducted), will not be liable to any further Irish income or capital gains tax in respect of any sale, transfer, deemed disposal, redemption, repurchase, cancellation of Shares or the making of any other payment in respect of their Shares.

Where an Irish Resident Shareholder is not a company and appropriate tax has not been deducted, the payment shall be treated as if it were a payment from an offshore fund and the Shareholder will be liable to account for Irish income tax at the rate of 41% on the payment or on the amount of the gain under the self-assessment system and in particular, Part 41A TCA. No further Irish tax will be payable by the Shareholder in respect of that payment or gain.

Where an Irish Resident Shareholder is a company which is not an Exempt Investor (and has therefore had appropriate tax deducted), and the payment is not taxable as trading income under Schedule D Case I, the Shareholder will be treated as having received an annual payment chargeable to tax under Case IV of Schedule D from which tax at the rate of 25% (or 41% if no Declaration has been made) has been deducted. In practice, where tax at a rate higher than 25% has been deducted from payments to a corporate Shareholder resident in Ireland, a credit of the excess tax deducted over the higher corporation tax rate of 25% should be available.

Where an Irish Resident Shareholder is a company which is not an Exempt Investor (and has therefore had appropriate tax deducted), and the payment is taxable as trading income under Schedule D Case I, the following provisions apply:

- (i) the amount received by the Shareholder is increased by any amount of appropriate tax deducted and will be treated as income of the Shareholder for the chargeable period in which the payment is made;
- (ii) where the payment is made on the redemption, repurchase or cancellation of Shares, such income will be reduced by the amount of consideration in money or money's worth given by the Shareholder for the acquisition of those Shares; and
- (iii) the amount of appropriate tax deducted will be set off against the Irish corporation tax assessable on the Shareholder in respect of the chargeable period in which the payment is made.

Where an Irish Resident Shareholder is a company and appropriate tax has not been deducted, the amount of the payment will be treated as income arising to the Shareholder which is chargeable to Irish tax. Where the payment is in respect of the cancellation, redemption, repurchase or transfer of Shares, such income shall be reduced by the amount of the consideration in money or money's worth given by the Shareholder on the acquisition of the Shares. Where the payment is not taxable as trading income for the company, it will be chargeable to tax under Schedule D Case IV. Where the payment is taxable as trading income for the company, it will be chargeable to tax under Schedule D Case I.

Should an excess payment of appropriate tax arise on the occurrence of a Chargeable Event as a result of tax paid on an earlier deemed disposal in respect of the

Shareholder, the ICAV, on notification in writing to the Shareholder, is not obliged to process the refund arising on behalf of the Shareholder provided if immediately before the chargeable event the value of Shares held by Irish Residents who are not Exempt Investors does not exceed 15% of the value of the total Shares in the ICAV. Instead the Shareholder should seek such a repayment directly from the Irish Revenue Commissioners. Irish legislation also provides in the case of a deemed disposal for the making of an irrevocable election by the ICAV to value the Shares in respect of all Shareholders at the later of 30 June or 31 December immediately prior to the date of the deemed disposal, rather than on the date of the deemed disposal.

Other than in the instances described above the ICAV will have no liability to Irish taxation on income or chargeable gains.

(d) *Reporting*

Pursuant to Section 891C TCA and the Return of Values (Investment Undertakings) Regulations 2013, the ICAV is obliged to report certain details in relation to Shares held by Shareholders to the Irish Revenue Commissioners on an annual basis. The details to be reported include the name, address and, in the case of individual Shareholders, date of birth if on record of, and the value of the Shares held by, a Shareholder. In respect of Shares acquired on or after 1 January 2014, the details to be reported also include the tax reference number of the Shareholder (being an Irish tax reference number or VAT registration number, or in the case of an individual, the individual's PPS number) or, in the absence of a tax reference number, a marker indicating that this was not provided. No details are to be reported in respect of Shareholders who are:

- (i) Exempt Investors;
- (ii) Non-Irish Resident Shareholders (provided a Declaration has been made); or
- (iii) Shareholders whose Shares are held in a recognised clearing system.

3. *Exempt Investors*

(a) Deductions by the ICAV

appropriate tax will not be deducted on the happening of a chargeable event in respect of Shares held by Exempt Investors where the ICAV is in possession of a Declaration in relation to such Shares. It is the Exempt Investor's obligation to account for any tax to the Irish Revenue Commissioners and return such details as are required to the Irish Revenue Commissioners. It is also the Exempt Investor's obligation to notify the ICAV if it ceases to be an Exempt Investor.

Exempt Investors in respect of whom the ICAV is not in possession of a Declaration will be treated by the ICAV in all respects as if they are not Exempt Investors (see above).

(b) Residual tax Liability

Exempt Investors may be liable to Irish tax on their income, profits and gains in relation to any sale, transfer, repurchase, redemption or cancellation of Shares or dividends or distributions or other payments in respect of their Shares.

## **Other Taxes – All Shareholders**

### *Personal Portfolio Investment Undertaking*

An investment undertaking such as the ICAV will be considered to be a personal portfolio investment undertaking ("PPIU") in relation to a specific Irish Resident Shareholder where that Shareholder is an individual and the Shareholder or certain persons connected with the Shareholder can select or influence the selection of some or all of the property of the undertaking. The appropriate tax deducted on the happening of a Chargeable Event in relation to a PPIU will be at the rate of 60% (or 80% where details of the payment/disposal are not correctly included in the individual's tax returns). An investment undertaking is not a PPIU if the only property which may be or has been selected was acquired on arm's length terms as part of a general offering to the public. In the case of investments deriving 50% or more of their value from land, any investment made by an individual is limited to 1% of the total capital required. As a result, it is unlikely the provisions in respect of PPIUs will apply in respect of the ICAV.

### *Currency Gains*

Where a currency gain is made by an Irish Resident Shareholder on the disposal of Shares, such Shareholder may be liable to Irish capital gains tax or corporation tax in respect of such gain in the year of assessment in which the Shares are disposed of.

### *Stamp Duty*

Generally no stamp, documentary, transfer or registration tax is payable in Ireland by the Shareholders on the issue, sale, transfer, redemption, repurchase, cancellation of or subscription for Shares on the basis that the ICAV qualifies as an investment undertaking within the meaning of Section 739B TCA. If any redemption is satisfied by the transfer in specie to any Shareholder of any Irish assets, a charge to Irish stamp duty may arise.

### *Capital Acquisitions Tax*

Provided the ICAV continues to qualify as an investment undertaking as defined by Section 739B TCA any Shares which are comprised in a gift or an inheritance will be exempt from capital acquisitions tax ("CAT") and will not be taken into account in computing CAT on any gift or inheritance taken by the donee or successor if (i) the Shares are comprised in the gift or inheritance at the date of the gift or at the date of the inheritance, and at the relevant valuation date; (ii) at the date of the disposition, the Shareholder making the disposition is neither domiciled nor ordinarily resident in Ireland; and (iii) at the date of the gift, or at the date of the inheritance, the donee or successor is neither domiciled nor ordinary resident in Ireland.

## **Residence and Ordinary Residence**

The following summary of the concepts of residence and ordinary residence under Irish tax law has been issued by the Irish Revenue Commissioners for the purposes of the Declaration set out in the Application Form. Shareholders and potential investors are advised to contact their professional advisers if they have any concerns in relation to the Declaration.

### **Residence – Company**

Prior to Finance Act 2014, company residence was determined with regard to the long-established common law rules based on central management and control. These rules were significantly revised in Finance Act 2014 to provide that a company incorporated in Ireland will be regarded as resident for tax purposes in Ireland, unless it is treated as resident in a territory with which Ireland has a double taxation agreement. While the common law rule based on central management and control remains in place, it is subject to the statutory rule for determining company residence based on incorporation in Ireland. A company which has its central management and control in Ireland is resident in Ireland irrespective of where it is incorporated.

The new incorporation rule for determining the tax residence of a company incorporated in Ireland will apply to companies incorporated on or after 1 January 2015. For companies incorporated in Ireland before this date, a transition period will apply until 31 December 2020. Under these transitional arrangements, a further exception from the incorporation rule applies where 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, in countries with which Ireland has a double taxation treaty (a "taxation treaty country") or the company or a related company are quoted companies on a recognised stock exchange in the EU or in a taxation treaty country.

A company coming within this additional exception from the incorporation rule which has its central management and control outside of Ireland will still be regarded as resident in Ireland if (i) it would by virtue of the law of a taxation treaty country be tax resident in that taxation treaty country if it were incorporated in that taxation treaty country but would not otherwise be tax resident in that taxation treaty country, (ii) it is managed and controlled in that taxation treaty country and (iii) it would not otherwise by virtue of the law of any territory be regarded as resident in that territory for tax purposes.

As noted above, the additional exception from the incorporation rule of tax residence in respect of a company incorporated before 1 January 2015 will however cease to apply or be available after 31 December 2020, or, if earlier, from the date, after 31 December 2014, of a change in ownership (direct or indirect) of the company where there is a major change in the nature or conduct of the business of the company within the period beginning on the later of 1 January 2015 or the date which occurs one year before the date of the change in ownership of the company, and ending 5 years after the date of the change in ownership. For these purposes a major change in the nature or conduct of the business of the company includes the commencement by the company of a new trade or a major change arising from the acquisition by the company of property or of an interest in or right over property. These rules are relatively complex and we would recommend that any Irish incorporated company that considers it is not Irish tax resident seeks professional advice before asserting this in any Declaration given to the ICAV.

### **Residence – Individual**

The normal rule is an individual will be regarded as being resident in Ireland for a tax year if that individual:

1. spends 183 days or more in Ireland in that tax year; or
2. has a combined presence of 280 days in Ireland, taking into account the number of days spent in Ireland in that tax year together with the number of days spent in Ireland in the preceding year.

Presence in a tax year by an individual of not more than 30 days in Ireland will not be reckoned for the purpose of applying the two year test. Presence in Ireland for a day means the personal presence of an individual at any time during that day.

### **Ordinary Residence – Individual**

The Irish tax year operates on the calendar year basis.

The term "ordinary residence" (as distinct from 'residence') 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 in Ireland. For example, an individual who is resident and ordinarily resident in Ireland in 2017 and departs Ireland in that year will remain ordinarily resident in Ireland up to the end of the year in 2020.

### **Common Reporting Standard**

The common reporting standard framework was first released by the OECD in February 2014 as a result of the G20 members endorsing a global model of automatic exchange of financial account information in order to increase international tax transparency. On 21 July 2014, the Standard for Automatic Exchange of Financial Account Information in Tax Matters was published by the OECD and this includes the text of the Common Reporting Standard ("**CRS**" or the "**Standard**"). The goal of the



Standard is to provide for the annual automatic exchange between governments of financial account information reported to them by local reporting financial institutions (as defined) ("**FIs**") relating to account holders who are tax resident in other participating jurisdictions.

Over 100 jurisdictions have committed to exchanging information under the Standard and a group of 50 countries, including Ireland, have committed to the early adoption of the CRS from 1 January 2016 (known as the "**Early Adopter Group**"), with the first data exchanges expected to take place in September 2017. All EU Member States (with the exception of Austria) are members of the Early Adopter Group.

Ireland became a signatory to the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information on 29 October 2014. Enabling legislation for CRS was included in Ireland's Finance Act 2014 and the Returns of Certain Information By Reporting Financial Institutions Regulations 2015 came into effect on 31 December 2015 (the "**Irish CRS Regulations**"). The Irish CRS Regulations provide for the collection and reporting of certain financial account information by Irish FIs, being FIs that are resident in Ireland (excluding any non-Irish branch of such FIs), Irish branches of Irish resident FIs and branches of non-Irish resident FIs that are located in Ireland. Ireland has elected to adopt the 'wider approach' to the Standard. This means that Irish FIs will collect and report information to the Irish Revenue Commissioners on all non-Irish and non-U.S. resident account holders rather than just account holders who are resident in a jurisdiction with which Ireland has an exchange of information agreement. The Irish Revenue Commissioners will exchange this information with the tax authorities of other participating jurisdictions, as applicable.

It is expected that the ICAV will be classified as an Irish FI for CRS purposes and will be obliged to report certain information in respect of certain of its equity holders and debt holders to the Irish Revenue Commissioners in respect of CRS. The relevant information must be reported to the Irish Revenue Commissioners by 30 June in each year, with the first CRS return due on 30 June 2017 in respect of the 2016 calendar year.

Directive 2014/107/EU on Administrative Cooperation in the Field of Taxation ("**DAC II**") implements CRS in a European context and creates a mandatory obligation for all EU Member States (with a one year extension for Austria) to exchange certain financial account information on residents in other EU Member States on an annual basis commencing in 2017 in respect of the 2016 calendar year. Finance Act 2015 confirmed the transposition of DAC II into Irish law. The Irish Revenue Commissioners issued regulations to implement the requirements of DAC II into Irish law on 31 December 2015 and have indicated that Irish FIs (such as the ICAV) will be obliged to make a single return in respect of CRS and DAC II using the Revenue Online Service (ROS). Failure by an Irish FI to comply with its CRS or DAC II obligations may result in an Irish FI being deemed to be non-compliant in respect of its CRS or DAC II obligations and monetary penalties may be imposed on a non-compliant Irish FI under Irish legislation.

For the purposes of complying with its obligations under CRS and DAC II, an Irish FI (such as the ICAV) shall be entitled to require Shareholders to provide any information regarding their (and, in certain circumstances, their controlling persons') tax status, identity, jurisdiction of residence, taxpayer identification number and, in the case of individual shareholders, their date and place of birth in order to satisfy any reporting requirements which the ICAV may have as a result of CRS and DAC II and Shareholders will be deemed by their holding, to have authorised the automatic disclosure of such information, together with certain financial account information in respect of the Shareholder's investment in the ICAV (including, but not limited to, account number, account balance or value and details of any payments made in respect of the Shares) by the ICAV (or any nominated service provider) or any other person on the ICAV's behalf to the Irish Revenue Commissioners and any other relevant tax authorities.

The ICAV (or any nominated service provider) agrees that information (including the identity of any Shareholder (and its controlling persons (if applicable)) supplied for the purposes of CRS or DAC II is intended for the ICAV's (or any nominated service provider's) use for the purposes of satisfying its CRS and DAC II obligations and the ICAV (or any nominated service provider) agrees, to the extent permitted by applicable law, that it will take reasonable steps to treat such information in a confidential manner, except that the ICAV may disclose such information (i) to its officers, directors, agents and advisors, (ii) to the extent reasonably necessary or advisable in connection with tax matters, including

achieving CRS and DAC II compliance, (iii) to any person with the consent of the applicable Shareholder, or (iv) as otherwise required by law or court order or on the advice of its advisors.

Prospective investors should consult their advisors about the potential application of CRS.

### **U.S. Foreign Account Tax Compliance Act**

The foreign account tax compliance provisions contained in Sections 1471 to 1474 of the United States Internal Revenue Code and the regulations promulgated thereunder (“**FATCA**”) impose a reporting regime which may impose a 30% withholding tax on certain U.S. source payments, including interest (and original issue discounts), dividends, other fixed or determinable annual or periodical gains, profits and income, made on or after 1 July 2014 and the gross proceeds from a disposition of property of a type which can produce U.S. source interest or dividends made on or after 1 January 2019 (collectively, “**Withholdable Payments**”), if paid to certain non-U.S. financial institutions (any such non-U.S. financial institution, an “**FFI**”) that fail to enter into, or fail to comply with once entered into, an agreement with the U.S. Internal Revenue Service to provide certain information about their U.S. accountholders, including certain account holders that are non-U.S. entities with U.S. owners. The ICAV expects that it will constitute an FFI.

The United States and the Government of Ireland have entered into an intergovernmental agreement to facilitate the implementation of FATCA (the “**IGA**”). An FFI (such as the ICAV) that complies with the terms of the IGA, as well as applicable local law requirements will not be subject to withholding under FATCA with respect to Withholdable Payments that it receives. Further, an FFI that complies with the terms of the IGA (including applicable local law requirements) will not be required to withhold under FATCA on Withholdable Payments it makes to accountholders of such FFI (unless it has agreed to do so under the U.S. “qualified intermediary,” “withholding foreign partnership,” or “withholding foreign trust” regimes). Pursuant to the IGA, an FFI is required to report certain information in respect of certain of its accountholders to its home tax authority, whereupon such information will be provided to the U.S. Internal Revenue Service. The ICAV will undertake to comply with the IGA and any local implementing legislation, but there is no assurance that it will be able to do so.

The ICAV (or any nominated service provider) shall be entitled to require Shareholders to provide any information regarding their (and, in certain circumstances, their controlling persons’) tax status, identity or residency in order to satisfy any reporting requirements which the ICAV may have as a result of the IGA or any legislation promulgated in connection with the agreement and Shareholders will be deemed, by their shareholding to have authorized the automatic disclosure of such information by the ICAV (or any nominated service provider) or any other person on the ICAV’s behalf to the relevant tax authorities.

The ICAV (or any nominated service provider) agrees that information (including the identity of any Shareholder) (and its controlling persons (if applicable)) supplied for purposes of FATCA compliance is intended for the ICAV’s (or any nominated service provider) use for purposes of satisfying FATCA requirements and the ICAV (or any nominated service provider) agrees, to the extent permitted by applicable law, that it will take reasonable steps to treat such information in a confidential manner, except that the ICAV may disclose such information (i) to its officers, directors, agents and advisors, (ii) to the extent reasonably necessary or advisable in connection with tax matters, including achieving FATCA compliance, (iii) to any person with the consent of the applicable Shareholder, or (iv) as otherwise required by law or court order or on the advice of its advisors.

Prospective investors should consult their advisors about the potential application of FATCA.

### **EU Savings Directive**

On 10 November 2015 the Council of the European Union adopted a Council Directive repealing the EU Savings Directive from January 1, 2017 in the case of Austria and from January 1, 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, or accounting for withholding taxes on, payments made before those dates and to certain other transitional provisions in the case of Austria). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by Council Directive 2014/107/EU) (DAC II). The new

regime under DAC II is aligned with the CRS released by the OECD in July 2014 and essentially imports CRS into EU legislation. Council Directive 2011/16/EU (as amended) is generally broader in scope than the EU Savings Directive, although it does not impose withholding taxes.

## **GENERAL**

### **THE SHARE CAPITAL**

The minimum authorised share capital of the ICAV is €2.00 (two euro) represented by 2 (two) Subscriber Shares of no par value issued at €1.00 (one euro) each. The maximum authorised share capital of the ICAV, as may be amended by the Directors from time to time and notified to Shareholders, is 500,000,000,002 Shares of no par value represented by 2 (two) Subscriber Shares of no par value and 500,000,000,000 (five hundred billion) Shares of no par value, initially designated as unclassified Shares. The Directors are empowered to issue up to 500,000,000,000 Shares of no par value designated as Shares of any Class on such terms as they think fit.

The Subscriber Shares entitle the holders to attend and vote at general meetings of the ICAV but do not entitle the holders to participate in the profits or assets of the ICAV except for a return of capital on a winding-up. The Shares entitle the holders to attend and vote at general meetings of the ICAV and to participate in the profits and assets of the ICAV. There are no pre-emption rights attaching to the Shares.

### **VARIATION OF SHAREHOLDER RIGHTS**

The rights attached to each Class (and for these purposes, reference to any Class shall include reference to any Class) may, whether or not the ICAV is being wound up be varied with the consent in writing of the holders of three-fourths of the issued Shares of that Class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the Shares of that Class. The provisions of the Instrument in relation to general meetings shall apply to every such separate general meeting except that the necessary quorum at any such meeting shall be two persons holding or representing by proxy at least one third of the issued Shares of the Class in question or, at an adjourned meeting, one person holding Shares of the Class in question or his proxy. Any holder of Shares representing one tenth of the Shares in issue of the Class in question present in person or by proxy may demand a poll. The rights attaching to any Class shall not be deemed to be varied by the creation or issue of further Shares of that Class ranking pari passu with Shares already in issue, unless otherwise expressly provided by the terms of issue of those Shares.

### **VOTING RIGHTS**

The Instrument provides that on a show of hands at a general meeting of the ICAV every Shareholder and Subscriber Shareholder present in person or by proxy shall have one vote and on a poll at a general meeting every Shareholder and Subscriber Shareholder shall have one vote in respect of each Share and Subscriber Share as the case may be, held by him; provided, however, that, in relation to a resolution which in the opinion of the Directors affects more than one Class or gives or may give rise to a conflict of interest between the shareholders of the respective Classes, such resolution shall be deemed to have been duly passed, only if, in lieu of being passed at a single meeting of the Shareholders of all of those Classes, such resolution shall have been passed at a separate meeting of the Shareholders of each such Class.

### **INSTRUMENT**

The sole object of the ICAV, as set out in the Instrument, is the collective investment of funds in property and giving members of the ICAV the benefit of the results of the management of its funds. The ICAV may take any measure and carry out any operations which it may deem useful or necessary to the accomplishment and development of its purpose to the fullest extent permitted by the Regulations.

All holders of Shares are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Instrument of the ICAV, copies of which are available as described under the section entitled "General – Documents for Inspection".

## CONFLICTS OF INTEREST

The Manager, the Investment Manager, any sub-investment manager, any investment advisor, each of the Directors, the Administrator, the Depositary and/or their respective affiliates or any person connected with them may from time to time act as manager, investment manager, sub-investment manager, depositary, sub-custodian, registrar, broker, execution broker, director, administrator, investment adviser, dealer, service provider, distributor or sales agent ("**Connected Person**") in relation to, or be otherwise involved in, other investment funds and other vehicles (which may invest, either directly or indirectly, in any Fund) which may have similar or different objectives to those of any Fund. It is, therefore, possible that any of the foregoing may, in the course of business, have potential conflicts of interest with any Fund. Each will, at all times, have regard in such event to its obligations to the Funds, as the case may be, and will endeavour to ensure that such conflicts are resolved fairly. Each will at all times have regard in such event to its obligations under the Instrument and/or any agreements to which it is party or by which it is bound in relation to the ICAV and, in particular, but without limitation to their obligations to act in the best interests of the Shareholders when undertaking any investments where conflicts of interest may arise and they will each respectively endeavour to ensure that such conflicts are resolved fairly. Where deemed appropriate by the Directors and approved for such purpose by the Depositary, a valuation committee of the Investment Manager may be established to value unlisted securities. In the regard, the Directors may accept the valuation of the valuation committee and investors should be aware that in these circumstances, a possible conflict of interest may arise, as the higher estimated value of the unlisted securities the higher the fees payable to the Investment Manager.

There is no prohibition on dealing in assets of the Funds by a Connected Person provided that such transactions are carried out as if negotiated at arm's length and in the best interests of the Shareholders.

The ICAV will not enter into a transaction with a Connected Person unless at least one of the following conditions is complied with:

- (i) the value of the transaction is certified by a person approved by the Depositary (or in the case of any such transaction entered into by the Depositary, the Directors) as independent and competent; or
- (ii) the transaction has been executed on best terms on an organised investment exchange under its rules; or
- (iii) the transaction has been executed on terms which the Depositary is (or in the case of any such transaction entered into by the Depositary, the Directors are) satisfied conform with the requirement to be conducted at arm's length and in the best interests of the Shareholders.

The Depositary or the Directors, in case of transactions involving the Depositary must document how it complied with (i), (ii) or (iii) above. Where transactions are conducted in accordance with paragraph (iii), the Depositary or the Directors in the case of transactions involving the Depositary, must document the rationale for being satisfied that the transaction conformed to the principles outlined above.

Subject to applicable law and the Central Bank's requirements, employees or officers of the Investment Manager or their affiliates may directly or indirectly acquire Shares. Any acquisition or divestment of Shares by such individuals shall be on the terms applicable to all Shareholders and in satisfaction of professional requirements.

In selecting brokers to make purchases and sales for a Fund the Investment Manager will choose those brokers who provide best execution to that Fund. Best execution will be the best price available in the market, exclusive of any charges but taking account of any other exceptional circumstances such as counterparty risk, order size or client instructions. In determining what constitutes best execution, the Investment Manager may take into consideration the overall economic result to the Fund (price and commission plus other costs), the efficiency of the transaction, the brokers' ability to effect the transaction if a large block is involved, availability of the broker for difficult transactions in the future, other services provided by the broker such as research and the provision of statistical and other

information, and the financial strength and stability of the broker. In managing the assets of the Fund, the Investment Manager may receive certain research and statistical and other information and assistance from brokers. The Investment Manager may allocate brokerage business to brokers who have provided such research and assistance to a Fund and/or other accounts for which the Investment Manager exercises investment discretion. The benefits provided under any soft commission arrangements must assist in the provision of investment services to a Fund. Any soft commission arrangements will be disclosed in the periodic reports of the ICAV. The Investment Manager will also have regard to the rules and guidance of the Investment Manager's regulator.

In addition, the Administrator may have relationships with providers of technology, data or other services to the ICAV, its Funds, the Manager, the Investment Manager, any sub-investment manager, any investment advisor and the Administrator may receive economic and/or other benefits in connection with the ICAV's, the Manager's or the Investment Manager's activities in respect of one or more Funds, including but not limited to its or their use of technological, communication or other services. Where the technological, communication or other services relate to execution, the providers of the technology, data or other services have agreed to provide best execution to the ICAV, its Funds, the Manager or the Investment Manager. The benefits provided under any such soft commission arrangement must assist in the provision of investment services to a Fund. Any soft commission arrangements will be disclosed in the periodic reports of the ICAV.

Conflicts of interest may arise in the Depositary's performance of its duties in circumstances where, including without limitation, the Manager or the ICAV maintains other business relationships with the Depositary or any of the Depositary's affiliates, where the ICAV's assets may include an investment or property held by the Depositary or managed by an affiliate of the Depositary, where the Depositary or an affiliate may have a holding in financial instruments purchased or sold by the Depositary on behalf of the ICAV or where the Depositary may have a relationship with another party that may conflict with the Depositary's duties to the ICAV and ICAV's interests.

To enable the ICAV to meet its investment objectives, the Depositary may appoint certain entities as its delegates for the purposes of providing sub-custodial functions in countries where the Depositary does not have a direct local presence. Conflicts of interest may arise in circumstances where, including without limitation, the Manager or the ICAV maintains other business relationships with any of the Depositary's delegates or the delegate's sub-delegates, where the ICAV's assets may include an investment or property held by the delegate or sub-delegate or managed by the delegate or sub-delegate, where the delegate or its sub-delegate has a holding in financial instruments purchased or sold by the delegate or sub-delegate on behalf of the ICAV, where a delegate or sub-delegate may have a relationship with another party that may conflict with the delegate's or sub-delegate's duties to the ICAV and the ICAV's interests.

The Investment Manager or any other person connected with them may invest in, directly or indirectly, or manage or advise other investment funds, vehicles or accounts which invest in assets which may also be purchased or sold by the ICAV. The Investment Manager or any person connected with them is under any obligation to offer investment opportunities of which any of them becomes aware to the ICAV or to account to the ICAV in respect of (or share with the ICAV or inform the ICAV of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities at its discretion on an equitable basis between the ICAV and other clients.

A Director may be a party to, or otherwise interested in, any transaction or arrangement with a Fund or in which a Fund is interested, provided that he has disclosed to the Directors prior to the conclusion of any such transaction or arrangement the nature and extent of any material interest of his therein in addition to complying with the requirements of the Central Bank. Unless the Directors determine otherwise, a Director may not vote in respect of any contract or arrangement or any proposal whatsoever in which he has a material interest, having first disclosed such interest. At the date of this Prospectus other than as disclosed below, no Director nor any connected person has any interest, beneficial or non-beneficial, in the share capital of the ICAV or any material interest in the ICAV or in any agreement or arrangement with the ICAV. The Directors shall endeavour to ensure that any conflict of interest is resolved fairly.

At the date of this prospectus, the Directors have the following conflicts of interest with the ICAV:

Yvonne Connolly is a Director of the ICAV, a director of the Manager and an employee of an affiliate of the Manager.

Enrico Gaglioti and Ryan Caldwell are each Directors of the ICAV, and directors and shareholders of the Investment Manager.

John Paul Armenio is a Director of the ICAV and an employee of the Investment Manager.

The foregoing does not purport to be a complete list of all potential conflicts of interest involved in an investment in a Fund.

The Directors will seek to ensure that any conflict of interest of which they are aware is resolved fairly.

By acquiring or continuing to hold Shares, each investor will be deemed to have acknowledged the existence of the actual or potential conflicts of interests described above and to have waived, to the fullest extent permitted by applicable law, any claim with respect to the existence of any such conflicts.

## **REMUNERATION POLICY**

The Manager has remuneration policies and practices in place consistent with the requirements of the Regulations and will also comply with the requirements of the ESMA Guidelines, as required and when applicable. The Manager will procure that any delegate, including the Investment Manager, to whom such requirements also apply pursuant to the ESMA Guidelines will have equivalent remuneration policies and practices in place as required and when applicable.

The remuneration policy reflects the Manager's objective for good corporate governance, promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Funds or the Instrument. It is also aligned with the investment objectives of the each Fund and includes measures to avoid conflicts of interest. The remuneration policy is reviewed on an annual basis (or more frequently, if required) by the board of directors of the Manager, led by the independent non-executive chairman of the Manager, to ensure that the overall remuneration system operates as intended and that the remuneration pay-outs are appropriate for each Fund. This review will also ensure that the policy reflects best practice guidelines and regulatory requirements, as may be amended from time to time.

Details of the up-to-date remuneration policy of the Manager (including, but not limited to; (i) a description of how remuneration and benefits are calculated; (ii) the identities of persons responsible for awarding the remuneration and benefits; and (iii) the composition of the remuneration committee, where such a committee exists) will be available by means of a website <http://www.carnegroup.com/policies-and-procedures/> and a paper copy will be made available to Shareholders free of charge upon request as soon as it becomes available.

## **MEETINGS**

All general meetings of the ICAV or any Fund shall be held in Ireland. At least fourteen calendar days' notice (or such shorter time as may be agreed with the Shareholders from time to time) shall be given to Shareholders. The notice shall specify the place, the day and the hour of the meeting, and the general nature of the business of the meeting. A proxy may attend on behalf of any Shareholder. The voting rights attached to the Shares are set out under the heading "General – Voting Rights".

The Directors have elected to dispense with the holding of the annual general meeting of the ICAV in the first and each subsequent year of its operation, and Shareholders are hereby notified of this fact for all purposes of Section 89 of the Act, provided that one or more Shareholders of the ICAV holding, or together holding, not less than 10% of the voting rights in the ICAV or the Auditors may require the ICAV to hold an annual general meeting in that year by giving notice in writing to the ICAV in the previous year or at least one month before the end of the relevant year.

## REPORTS AND ACCOUNTS

The ICAV shall cause to be prepared an annual report and audited annual accounts in relation to the ICAV or each Fund for the period ending 31 October in each year or such other accounting period end date with respect to a Fund as may be specified in the Supplement relating to such Fund. These will be made available to Shareholders within four months of the end of the relevant accounting period end. In addition, the ICAV shall cause to have prepared and made available to Shareholders a half-yearly report, which shall include unaudited half-yearly accounts for the ICAV or each Fund. The half-yearly report will be made up to 30 April in each year or such other semi-annual accounting period end date with respect to a Fund as may be specified in the Supplement relating to such Fund. Un-audited half-yearly reports will be made available to Shareholders within two months of the end of the relevant accounting period.

The first audited annual report in respect of the ICAV (or the initial Sub-Fund of the ICAV as applicable) will be prepared for the period ending 31 October 2017 and the first set of half yearly financial statements of the ICAV (or the initial Sub-Fund of the ICAV as applicable) will be prepared for the period ending 30 April 2017.

The ICAV may provide certain additional reports (including in relation to certain performance measures, risk measures or general portfolio information), accounting materials and/or marketing literature to any current or prospective Shareholders upon request, and, if deemed necessary by the ICAV, upon the execution of a confidentiality agreement and/or non-use agreement. To the extent that additional information and/or reporting is made available to individual Shareholders, this will be available to other Shareholders on request to the ICAV.

## WINDING UP

The Instrument contains provisions to the following effect:

1. If the ICAV or a Fund shall be wound up the liquidator shall, subject to the provisions of Part 11 of the Companies Act 2014, apply the assets of the ICAV or Fund in such manner and order as he thinks fit in satisfaction of creditors' claims.
2. The assets available for distribution among the Shareholders of the ICAV or Fund shall then be applied in the following priority:
  - (a) firstly, in the payment to the holders of the Shares of each Fund or Class of a sum in the currency in which that Fund or Class is designated (or in any other currency selected by the liquidator) as nearly as possible equal (at a rate of exchange determined by the liquidator) to the Net Asset Value of the Shares of such Fund or Class held by such holders respectively as at the date of commencement to wind up provided that there are sufficient assets available to enable such payment to be made;
  - (b) secondly, in the payment to the holders of the Subscriber Shares, sums up to the nominal amount paid thereon out of the assets of the ICAV not comprised within any Funds remaining after any recourse thereto under sub paragraph (a) above; and
  - (c) thirdly, in the payment to the holders of each Fund or Class of any balance then remaining, such payment being made in proportion to the number of Shares of that Fund or Class held.
3. If the ICAV 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 and any other sanction required by Part 11 of the Companies Act 2014, divide among the Shareholders in specie the whole or any part of the assets of the ICAV, 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 the member or different classes of Shareholders. If a Shareholder so requests, the liquidator shall procure the sale of assets to be distributed and shall distribute the proceeds to the Shareholders. 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 ICAV may be closed and the ICAV dissolved, but so that no member shall be compelled to accept any assets in respect of which there is a liability.

## **TERMINATION OF THE ICAV, A FUND OR CLASS**

The Instrument contains provisions to the following effect:

1. The ICAV, any Fund or Class may be terminated by the Directors in their sole and absolute discretion, by notice in writing to the Shareholders in any of the following events and as specified by the terms of the Prospectus:
  - (a) if the ICAV shall cease to be authorised by the Central Bank under the Regulations or if the Directors reasonably believe that the ICAV is likely to cease to be authorised by the Central Bank having taken legal advice in that regard;
  - (b) if at any time the Net Asset Value of the relevant Fund shall be less than the Minimum Fund Size;
  - (c) if any law shall be passed which renders it illegal or in the reasonable opinion of the Directors, in consultation with the Investment Manager, impracticable or inadvisable to continue the ICAV or the Fund;
  - (d) all of the Shares of a Fund have been redeemed; or
  - (e) if the Directors in their discretion consider termination of the ICAV or a Fund appropriate.
2. The decision of the Directors in any of the events specified herein shall be final and binding on all the parties concerned but the Directors shall be under no liability on account of any failure to terminate the relevant Fund pursuant to this Section or otherwise.
3. The Directors shall give notice of a termination of a Fund to the Shareholders in the relevant Fund and by such notice affix the date at which such termination is to take effect, which date shall be for such period after the service of such notice as the Directors shall in their sole and absolute discretion determine.
4. With effect on and from the date as at which any Fund is to terminate or such other date as the Directors may determine:
  - (a) no Shares of the relevant Fund may be issued or sold by the ICAV; and
  - (b) the Investment Manager shall, on the instructions of the Directors, realise all the Investments then compromised in the relevant Fund (which realisation shall be carried out and completed in such manner and within such period after the termination of the relevant Fund as the Directors think advisable); and
5. The Depositary shall, on the instructions of the Directors from time to time, distribute to the Shareholders of the relevant Fund in proportion to their respective interests in the relevant Fund all net cash proceeds derived from the realisation of Investments of the relevant Fund and available for the purpose of such distribution, provided that the Depositary shall not be bound (except in the case of the final distribution) to distribute any of the monies for the time being in its hands the amount of which is insufficient to pay EUR1 or its equivalent in the relevant currency in respect of each Share of the relevant Fund and provided also the Depositary shall be entitled to retain out of any monies in its hands full provision for all costs, charges, expenses, claims and demands incurred, made or apprehended by the Depositary or the Directors in connection with or arising out of the termination of the relevant Fund and out of the monies so retained to be indemnified and saved harmless against any such costs, charges, expenses, claims and demands.

## **MATERIAL CONTRACTS**

The following contracts, which are summarised in the Sections "The Manager", "The Investment Manager", "The Administrator", and "The Depositary" and under "Fees and Expenses" above and such other contracts as may be disclosed in the relevant Supplement, have been entered into and are, or may be, material:

1. the Management Agreement;
2. the Investment Management Agreement;
3. the Administration Agreement; and
4. the Depositary Agreement.

## **ELECTRONIC COMMUNICATION**

The Directors have arranged for electronic communication by the ICAV or any other person on behalf of the ICAV as the case may be of:

1. notices of general meetings;
2. the appointment of a proxy;
3. balance sheet, profit and loss account and group accounts and the Directors' and Auditors' reports;
4. confirmations of subscriptions and redemptions; and
5. the Net Asset Value.

If the Shareholder elects for electronic communication, all communication of notices, accounts, confirmations and Net Asset Value by the ICAV or any other person on behalf of the ICAV will be by way of electronic communication.

Shareholders electing to receive electronic communications will be required to provide the ICAV with their e-mail address. Hard copies of these documents continue to be available.

The ICAV or the Administrator on behalf of the ICAV is required to deliver to the investors of the ICAV certain notices and documents from time to time, such as Net Asset Value statements, notices of meetings and annual audited financial statements. The ICAV, or the Administrator on behalf of the ICAV, may in the future elect to deliver such notices and documents by e-mail to the address in the ICAV's records or by posting them on a password protected website. When delivering documents by e-mail, the ICAV will generally distribute them as attachments to e-mails in Adobe's Portable Document Format (PDF) (Adobe Acrobat Reader software is available free of charge from Adobe's web site at [www.adobe.com](http://www.adobe.com) and the Reader software must correctly be installed on the investor's system before the investor will be able to view documents in PDF format). Investors who do not wish to receive such documents electronically, or who wish to change the method of notice, should elect to do so by notifying the Administrator in writing.

## **DOCUMENTS FOR INSPECTION**

Copies of the following documents may be inspected and obtained at the registered office of the ICAV at 2<sup>nd</sup> Floor, Block E Iveagh Court, Harcourt, Dublin 2, Ireland during normal business hours on any Business Day:-

1. the material contracts referred to above or any additional material contracts as specified in the relevant Supplement;
2. the Instrument of the ICAV;

3. the Regulations; and
4. the half-yearly reports, annual reports and audited accounts (if issued).

## **APPENDIX I**

### **GUIDELINES ON EFFICIENT PORTFOLIO MANAGEMENT**

#### **Use of FDI and Portfolio Management Techniques**

The Manager will employ an investment risk management process, which enables it to accurately monitor, measure and manage the risks attached to financial derivative instrument ("FDI") positions. Each Fund may only employ the FDI techniques provided in the relevant Fund Supplement where full details are shown and described.

Only where and to the extent specified in the relevant Fund Supplement, each Fund may invest in FDI and/or utilise techniques and instruments for hedging and/or investment purposes and/or efficient portfolio management and/or to manage foreign exchange risks, subject to the conditions and within the limits laid down by the Central Bank. Any proposed investment in FDI is subject to a Risk Management Process document being submitted to, and approved by the Central Bank in advance.

The performance of swaps and contracts for difference which may be used for hedging and/or investment purposes and/or efficient portfolio management and/or to manage foreign exchange risks may be strongly influenced by movements in currency rates because a Fund may have exposure to a particular currency that is different to the currency in which the securities held by that Fund are denominated.

A description of some of the techniques and instruments that may be used for efficient portfolio management and/or investment purposes is set out below. This list is not exhaustive. Those FDI techniques which are being utilised by the Fund are set out in the relevant Fund Supplement and the RMP document being submitted to, and approved by the Central Bank in advance.

#### **Options**

An option is a contract which contains the right, but not the obligation, to buy or sell a specific quantity of an underlying asset or instrument at a fixed price on or before a specified date. The seller has the corresponding obligation to fulfil the transaction – that is to sell or buy – if the buyer (owner) "exercises" the option. The buyer pays a premium to the seller for this right. An option which conveys to the owner the right to buy something at a specific price is referred to as a call; an option which conveys the right of the owner to sell something at a specific price is referred to as a put. Both are commonly traded.

A futures option, or option on futures, is an option contract in which the underlying is a single futures contract. The buyer of a futures option contract has the right (but not the obligation) to assume a particular futures position at a specified price (the strike price) any time before the option expires. The futures option seller must assume the opposite futures position when the buyer exercises this right.

A foreign exchange option (commonly shortened to just FX option or currency option) is a financial instrument that gives the right but not the obligation to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date.

An interest rate option is an investment tool whose payoff depends on the future level of interest rates.

Interest rate options are both exchange traded and over-the-counter instruments.

#### **Futures**

Futures are contracts to buy or sell a standard quantity of a specific asset (or, in some cases, receive or pay cash based on the performance of an underlying asset or instrument) at a pre-determined future date and at a price agreed through a transaction undertaken on an exchange. The commercial purpose of futures contracts can be to allow investors to hedge against market risk or gain exposure to the underlying market. Since these contracts are marked-to-market daily, investors can, by closing out their position, exit from their obligation to buy or sell the underlying assets prior to the contract's

delivery date. Using futures to achieve a particular strategy instead of using the underlying or related security frequently results in lower transaction costs being incurred.

Fixed income futures are contractual obligation for the contract holder to purchase or sell a fixed income future on a specified date at a predetermined price. A fixed income future can be bought in a futures exchange market and the prices and dates are determined at the time the future is purchased.

A currency future is a transferable futures contract that specifies the price at which a currency can be bought or sold at a future date. Currency future contracts allow investors to hedge against foreign exchange risk.

## **Swaps**

A swap is a derivative contract through which two parties exchange financial instruments. Most swaps involve cash flows based on a notional principal amount that both parties agree to. Usually, the principal does not change hands. Each cash flow comprises one leg of the swap. One cash flow is generally fixed, while the other is variable, that is, based on a benchmark interest rate, floating currency exchange rate or index price.

The most common kind of swap is an interest rate swap. Swaps do not trade on exchanges and are over-the-counter contracts between businesses or financial institutions.

An interest rate swap is a liquid financial derivative instrument in which two parties agree to exchange interest rate cash flows, based on a specified notional amount from a fixed rate to a floating rate (or vice versa) or from one floating rate to another. Interest rate swaps can be used to limit or manage exposure to fluctuations in interest rates or to obtain a marginally lower interest rate than it would have been able to get without the swap.

A foreign currency swap is an agreement to make a currency exchange between two foreign parties. The agreement consists of swapping principal and interest payments on a loan made in one currency for principal and interest payments of a loan of equal value in another currency.

A sovereign credit default swap is a financial swap agreement that the seller of the credit default swap will compensate the buyer (usually the creditor of the reference loan) in the event of a sovereign loan default (by the debtor) or other credit event.

## **Forwards**

A forward contract locks in the price at which an asset may be purchased or sold on a future date. In forward foreign exchange contracts, the contract holders are obligated to buy or sell from another a specified amount of one currency at a specified price (exchange rate) with another currency on a specified future date. Forward contracts cannot be transferred but they can be 'closed out' by entering into a reverse contract.

The commercial purpose of a forward foreign exchange contract may include, but is not limited to, altering the currency exposure of securities held, hedging against exchange risks, increasing exposure to a currency, and shifting exposure to currency fluctuations from one currency to another. Forward foreign exchange contracts are specifically useful and may be used for the hedging in connection with hedged currency classes of shares. Forward contracts are similar to futures contracts but are generally entered into as an over-the-counter contract rather than on exchange.

## **Permitted FDIs**

Where specified in a Fund supplement: -

1. Each Fund may invest in FDI provided that the relevant reference items or indices, consist of one or more of the following (noting that FDIs on commodities are excluded):

- (a) instruments referred to in paragraphs 1.1 to 1.5 of the Investment Restrictions section of this Prospectus, deposits, financial indices, interest rates, foreign exchange rates or currencies;
  - (b) the FDI do not expose a Fund to risks which it could not otherwise assume (e.g. gain exposure to an instrument/issuer/currency to which a Fund cannot have a direct exposure),;
  - (c) the FDI do not cause a Fund to diverge from its investment objectives; and
  - (d) the reference to financial indices above shall be understood as a reference to indices which fulfil the criteria set out in the Central Bank UCITS Regulations and the Central Bank's guidance on "UCITS Financial Indices" and "UCITS Financial Derivative Instruments and Efficient Portfolio Management".
2. Credit derivatives as permitted in the circumstances outlined in the Central Bank's guidance on "UCITS Financial Derivative Instruments and Efficient Portfolio Management" only.
  3. FDI must be dealt in on a market which is regulated, operating regularly, recognised and open to the public in a Member State or non-Member State, and included at Appendix II hereto.
  4. Notwithstanding paragraph 3, each Fund may invest in FDI dealt in over-the-counter, "OTC derivatives" provided that:
    - (a) the counterparty is a Relevant Institution listed in paragraphs 2.6 and 2.7 of the Investment Restrictions section of this Prospectus or (i) an investment firm, authorised in accordance with the Markets in Financial Instruments Directive, in an EEA Member State or (ii) a group company of an entity issued with a bank holding company licence from the Federal Reserve of the United States of America where that group company is subject to bank holding consolidated supervision by that Federal Reserve;
    - (b) where a counterparty within subparagraphs (i) and (ii) of paragraph 4(a) above was subject to a credit rating by an agency registered and supervised by ESMA, the rating shall be taken into account by the Manager in the credit assessment process and where such counterparty is downgraded to A-2 or below (or comparable rating) by that credit rating agency, this shall result in a new credit assessment being conducted of the counterparty by the Manager without delay;
    - (c) in the case of subsequent novation of the OTC derivative contract, the counterparty is one of:
      - (i) the entities set out in paragraph (a); or
      - (ii) a central counterparty (CCP) authorised, or recognised by ESMA, under Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR) or, pending recognition by ESMA under Article 25 of EMIR, an entity classified as a derivatives clearing organisation by the Commodity Futures Trading Commission or a clearing agency by the SEC (both CCP);
    - (d) risk exposure to the counterparty does not exceed the limits set out in Regulation 70(1)(c) of the Regulations, assessed in accordance with subparagraph (e);
    - (e) in assessing risk exposure to the counterparty to an OTC derivative for the purpose of Regulation 70(1)(c) of the Regulations: (i) the Manager shall calculate the exposure to the counterparty using the positive mark-to-market value of the OTC derivative with that counterparty; (ii) the Manager may net

derivative positions with the same counterparty, provided that the Fund is able to legally enforce netting arrangements with the counterparty. For this purpose netting is permissible only in respect of OTC derivatives with the same counterparty and not in relation to any other exposures the Fund has with the same counterparty; (iii) the Manager shall take into account of collateral received by the Fund in order to reduce the exposure to the counterparty provided that the collateral meets the requirements of the Central Bank UCITS Regulations;

- (f) the Manager must subject a Fund's OTC derivatives to reliable and verifiable valuation on a daily basis and ensure that it has appropriate systems, controls and processes in place to achieve this. Reliable and verifiable valuation shall be understood as a reference to a valuation, by a Fund, corresponding to fair value which does not rely only on market quotations by the counterparty and which fulfils the following criteria:
  - (i) the basis for the valuation is either a reliable up-to-date market value of the instrument, or, if such value is not available, a pricing model using an adequate recognised methodology;
  - (ii) verification of the valuation is carried out by one of the following:
    - (A) an appropriate third party which is independent from the counterparty of the OTC derivative, at an adequate frequency and in such a way that a Fund is able to check it;
    - (B) a unit within a Fund which is independent from the department in charge of managing the assets and which is adequately equipped for the purpose.

- 5. Risk exposure to an OTC derivative counterparty may be reduced where the counterparty will provide a Fund with collateral in accordance with the requirements of the Central Bank as set out in the Central Bank UCITS Regulations. The Fund will require receipt of the necessary level of collateral so as to ensure counterparty exposure limits set out in the Regulations are not breached. Collateral received must at all times meet the requirements set out in the Central Bank UCITS Regulations. Collateral passed to an OTC derivative counterparty by or on behalf of a Fund must be taken into account in calculating exposure of the Fund to counterparty risk as referred to in UCITS Regulation 70(1)(c). Collateral passed may be taken into account on a net basis only if the UCTS is able to legally enforce netting arrangements with this counterparty.
- 6. Position exposure to the underlying assets of FDI, including embedded FDI in transferable securities or money market instruments or CIS, when combined where relevant with positions resulting from direct investments, may not exceed the investment limits set out in the Central Bank UCITS Regulations. 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 Regulation 71(1) of the Regulations.
- 7. A transferable security or money market instrument embedding a FDI shall be understood as a reference to financial instruments which fulfil the criteria for transferable securities or money market instruments set out in Regulations and which contain a component which fulfils the following criteria:
  - (a) by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or money market instrument which functions as a host contract can be modified according to a specific interest rate, financial instrument price, foreign exchange rate, index of prices or rate, credit rating or credit index, or other variable, and therefore vary in a way similar to a standalone derivative;

- (b) its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
  - (c) it has significant impact on the risk profile and pricing of the transferable security or money market instrument.
8. A transferable security or a money market instrument shall not be regarded as embedding a FDI where it contains a component which is contractually transferable independently of the transferable security or the money market instrument. Such a component shall be deemed a separate financial instrument.
  9. Unless otherwise disclosed in the relevant Supplement, the ICAV employs the commitment approach to measure its global exposure. The global exposure of any Fund will not exceed its total Net Asset Value at any time. The method used to calculate global exposure for each Fund is set out in the relevant Fund Supplement.

### **Cover requirements**

The Manager must, at any given time, ensure that, at all times: (i) a Fund is capable of meeting all its payment and delivery obligations incurred by transactions involving FDI; (ii) the Risk Management Process of the Fund includes the monitoring of FDI transactions to ensure that every such transactions is covered adequately; and (iii) a transaction in FDI which gives rise, or may give rise, to a future commitment on behalf of a Fund must be covered as follows:

1. in the case of FDI which automatically, or at the discretion of a Fund, are cash settled a Fund must hold, at all times, liquid assets which are sufficient to cover the exposure.
2. in the case of FDI which require physical delivery of the underlying asset, the asset must be held at all times by the relevant Fund. Alternatively a Fund may cover the exposure with sufficient liquid assets where:
  - (i) the underlying assets consists of highly liquid fixed income securities;
  - (ii) the exposure can be adequately covered without the need to hold the underlying assets;
  - (iii) the specific FDI are addressed in the Risk Management Process, which is described in paragraph under the heading "Risk Management" below; and
  - (iv) details of the exposure are provided in the relevant Supplement.

### **Risk Management**

1. Each Fund must employ a Risk Management Process ("**RMP**") to monitor, measure and manage the risks attached to FDI positions.
2. Each Fund must provide the Central Bank with details of its proposed RMP with details of its FDI activity. The initial filing is required to include information in relation to:
  - (a) permitted types of FDI, including embedded derivatives in transferable securities and money market instruments;
  - (b) details of the underlying risks;
  - (c) relevant quantitative limits and how these will be monitored and enforced; and
  - (d) methods for estimating risks.



3. Material amendments to the initial filing must be notified to the Central Bank in advance. The Central Bank may object to the amendments notified to it and amendments and/or associated activities objected to by the Central Bank may not be made.
4. Each Fund must submit a report to the Central Bank on its FDI positions on an annual basis. The report, which must include information under the different categories identified in paragraph 2 above, must be submitted with the annual report of the ICAV. A Fund must, at the request of the Central Bank, provide this report at any time.
5. The ICAV will, on request, provide supplementary information to Shareholders relating to the risk management methods employed including the qualitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments.

### **Collateral**

1. All cash and non-cash assets (including, but not limited to equities and bonds) received in the context of efficient portfolio management techniques should be considered as collateral and should comply with the following criteria:
  - (a) Liquidity: Collateral received other than cash should be highly liquid and traded on a Recognised Market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. Collateral received should also comply with the provisions of Regulation 24 of the Central Bank UCITS Regulations.
  - (b) Valuation: Collateral received should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place.
  - (c) Issuer credit quality: Collateral received should be high quality. Where the issuer is subject to a credit rating by an agency registered and supervised by ESMA, that rating shall be taken into account by the Manager in the credit assessment process. Where an issuer is downgraded below the two highest short-term credit ratings by the credit rating agency referred to in the preceding sentence, this shall result in a new credit assessment being conducted of the issuer by the Manager without delay.
  - (d) Correlation: Collateral received should be issued by an entity that is independent from the counterparty and is not expected to display a high correlation with the performance of the counterparty.
  - (e) Diversification (asset concentration): (i) subject to subparagraph (ii) of this paragraph, collateral should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure to a given issuer of 20% of the Fund's Net Asset Value. When exposed to different counterparties, the different baskets of collateral should be aggregated to calculate the 20% limit of exposure to a single issuer and (ii) A Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a Member State, one or more of its local authorities, a third country, or a public international body to which one or more Member States belong. Such a Fund should receive securities from at least 6 different issues, but securities from any single issue should not account for more than 30% of the Fund's Net Asset Value. Where a Fund intends to be fully collateralised in securities issued or guaranteed by a Member State, this will be disclosed in the relevant Supplement. The relevant Supplement should also identify the Member States, local authorities, or public international bodies or guaranteeing securities which the Fund is able to accept as collateral for more than 20% of its Net Asset Value.

- (f) Immediately available: Collateral received should be capable of being fully enforced at any time without reference to or approval from the counterparty.
- 2. Risks linked to the management of collateral, such as operational and legal risks, should be identified, managed and mitigated by the risk management process.
- 3. Collateral received on a title transfer basis should be held by the Depository. For other types of collateral arrangement, the collateral can be held by a third party sub-custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.
- 4. Non-cash collateral cannot be sold, pledged or re-invested.
- 5. Cash collateral may not be invested other than in the following:
  - (a) deposits with Relevant Institutions;
  - (b) high-quality government bonds;
  - (c) reverse repurchase agreements provided the transactions are with Relevant Institutions subject to prudential supervision and the Fund is able to recall at any time the full amount of cash on an accrued basis; or
  - (d) short-term money market funds as defined in the ESMA Guidelines on a Common Definition of European Money Market Funds (ref CESR/10-049).

Where the Manager invests the cash collateral received by a Fund that investment should be diversified in accordance with the diversification requirement applicable to non-cash collateral. Invested cash collateral may not be placed on deposit with the counterparty or an entity related or connected to the counterparty. Exposure created through the reinvestment of collateral must be taken into account in determining risk exposures to a counterparty. Re-investment of cash collateral in accordance with the provisions above can still present additional risk for the Fund. Please refer to the section of the Prospectus entitled "Re-investment of Cash Collateral Risk" for more details.

- 6. The Manager shall ensure that, where a Fund receives collateral for at least 30% of its assets there is in place an appropriate stress testing policy to ensure regular stress tests are carried out under normal and exceptional liquidity conditions to assess the liquidity risk attached to the collateral. The liquidity stress testing policy should at least prescribe the following:
  - (a) design of stress test scenario analysis including calibration, certification and sensitivity analysis;
  - (b) empirical approach to impact assessment, including back testing of liquidity risk estimates;
  - (c) reporting frequency and the limit/loss tolerance threshold/s; and
  - (d) mitigation actions to reduce loss including haircut policy and gap risk protection.
- 7. The Manager shall, in accordance with this paragraph, establish and ensure adherence to a clear haircut policy for a Fund adapted for each class of assets received as collateral. When devising the haircut policy, the Manager shall take into account the characteristics of the assets such as the credit standing or the price volatility, as well as the outcome of the stress tests performed in accordance with Regulation 21 of the Central Bank UCITS Regulations as set out in paragraph 7 above. The Manager shall document the hair cut policy and justify and document each decision to apply a specific haircut, or to refrain from applying any haircut, to a certain class of assets.

8. All the revenues arising from efficient portfolio management techniques, net of direct and indirect operational costs, will be returned to the Fund.

## APPENDIX II MARKETS

The markets and exchanges are listed in accordance with the regulatory criteria as defined in the Central Bank UCITS Regulations. The Central Bank does not issue a list of approved markets and exchanges. With the exception of permitted investments in unlisted securities, the ICAV will only invest in securities traded on a stock exchange or market which meets with the regulatory criteria (regulated, operate regularly, be recognised and open to the public) and which is listed in the Prospectus. The stock exchange and/or markets will be drawn from the following list: -

(i) any stock exchange which is:

- (a) located in any Member State; or
- (b) located in any of the following countries:-

Australia  
Canada  
Japan  
New Zealand  
Norway  
Switzerland  
United Kingdom  
United States of America

(ii) any stock exchange included in the following list: -

Argentina	Bolsa de Comercio de Buenos Aires
Argentina	Mercado Abierto Electronico S.A
Brazil	Bolsa De Valores De Sao Paulo
Chile	La Bolsa Electronica De Chile
Chile	Bolsa de Comercio de Santiago
Chile	Bolsa de Valparaiso
China	Shanghai Stock Exchange
China	Shenzhen Stock Exchange
China	Shanghai-Hong Kong Stock Connect
China	Shenzhen-Hong Kong Stock Connect
China	China Interbank Bond Market via Bond Connect
Egypt	Egyptian Exchange
Hong Kong	Stock Exchange of Hong Kong Ltd
Hong Kong	Hong Kong Futures Exchange
India	National Stock Exchange of India
India	Bombay Stock Exchange
Indonesia	Indonesia Stock Exchange
Korea, Republic of	Korea Exchange
Malaysia	Bursa Malaysia Securities Berhad
Malaysia	Bursa Malaysia Derivatives Berhad
Mexico	Bolsa Mexicana De Valores (Mexican Stock Exchange)
Mexico	Mercado Mexicano de Derivados
Peru	Bolsa De Valores De Lima
Philippines	Philippines Stock Exchange, Inc.
Russia	Moscow Exchange MICEX-RTS
Saudi Arabia	Saudi Stock Exchange
Singapore	Singapore Exchange
Singapore	CATALIST
South Africa	JSE Securities Exchange
South Africa	South African Futures Exchange
Taiwan	GreTai Securities Market
Taiwan	Taiwan Stock Exchange

Taiwan	Futures Exchange
Thailand	Stock Exchange of Thailand
Thailand	Market for Alternative Investments
Thailand	Bond Electronic Exchange
Thailand	Thailand Futures Exchange
Turkey	Istanbul Stock Exchange
Turkey	Turkish Derivatives Exchange
UAE – Abu Dhabi	Abu Dhabi Securities Exchange
UAE – Dubai	Dubai Financial Exchange
UAE – Dubai	NASDAQ Dubai

(iii) any of the following:

the market organised by the International Capital Market Association;

the "listed money market institutions", as described in the Bank of England publication "The Regulation of the Wholesale Markets in Sterling, Foreign Exchange and Bullion" dated April 1988 (as amended from time to time);

a market comprising dealers which are regulated by the Federal Reserve Bank of New York and the United States Securities and Exchange Commission;

a market comprising dealers which are regulated by the United States National Association of Securities Dealers and the United States Securities and Exchange Commission;

NASDAQ; and

The over-the-counter market in the United States regulated by the National Association of Securities Dealers Inc. (also described as the over-the-counter market in the United States conducted by primary and secondary dealers regulated by the Securities and Exchange 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 French market for Titres de Créances Négotiables (over-the-counter market in negotiable debt instruments);

the over-the-counter market in Canadian Government Bonds, regulated by the Investment Dealers Association of Canada.

### **Financial Derivative Instruments**

In the case of an investment in financial derivative instrument, in any derivative market approved in a member state of the European Economic Area and the following exchanges or markets:

American Stock Exchange, Chicago Mercantile Exchange, Chicago Board of Options Exchange, Chicago Board of Trade, Coffee, Sugar and Cocoa Exchange, Iowa Electronic Markets, Kansas City Board of Trade, Mid-American Commodity Exchange, Minneapolis Grain Exchange, New York Cotton Exchange, New York Mercantile Exchange, Twin Cities Board of Trade.

For the purposes only of determining the value of the assets of a Fund, the term "Recognised Market" shall be deemed to include, in relation to any derivatives contract used, any market or exchange on which such contract may be acquired or sold which is referred to in (i)(a) or (iii) hereof or which is in the European Economic Area or the United Kingdom, is regulated, recognised, operates regularly and is open to the public.

**APPENDIX III**  
**LIST OF SUB-CUSTODIAL AGENTS APPOINTED BY THE DEPOSITARY**

<b>Subcustodian Network MARKET</b>	<b>SUBCUSTODIAN</b>
Argentina(suspended market)	Citibank N.A.
Australia	HSBC Bank Australia Limited
Austria	UniCredit Bank Austria AG
Bahrain	HSBC Bank Middle East Limited
Bangladesh	Standard Chartered Bank
Belgium	BNP Paribas Belgium
Bermuda	HSBC Securities Services
Bosnia & Herzegovina	UniCredit Bank Austria AG
Botswana	Standard Chartered Bank Botswana Ltd
Brazil	BNP Paribas Brazil
Bulgaria	UniCredit Bulbank AD
Canada	Royal Bank of Canada
Chile	Banco de Chile (Citibank N.A.)
China	HSBC Bank (China) Company Limited
Colombia	Cititrust Colombia S.A.
Croatia	UniCredit Bank Austria AG
Cyprus	HSBC Bank plc
Czech Republic	UniCredit Bank Czech Republic a.s.
Denmark	Danske Bank A/S
Egypt	HSBC Bank Egypt S.A.E.
Estonia	Swedbank
Euromarket	Clearstream Banking S.A.
Finland	Nordea Bank Finland Plc
France	Deutsche Bank A.G.
Germany	Deutsche Bank A.G.
Ghana	Standard Chartered Bank Ghana Ltd.
Greece	HSBC Bank Plc Greece
Hong Kong	Standard Chartered Bank (Hong Kong) Limited
Hungary	UniCredit Bank Hungary Zrt.
Iceland(suspended market)	Islandsbanki hf
India	The Hongkong and Shanghai Banking Corporation Limited
Indonesia	Standard Chartered Bank
Ireland	Citibank Ireland
Israel	Citibank N.A. Tel Aviv Branch
Italy	BNP Paribas Securities Services
Japan	Citibank, Tokyo
Jordan	Standard Chartered Bank
Kazakhstan	JSC Citibank Kazakhstan
Kenya	Standard Chartered Bank Kenya
Kuwait	HSBC Bank Middle East Limited
Latvia	Swedbank
Lebanon	HSBC Bank Middle East Limited
Lithuania	Swedbank
Luxembourg	Clearstream
Malaysia	Standard Chartered Bank Malaysia Berhad
Mauritius	The Hongkong and Shanghai Banking Corporation Limited
Mexico	Citibanamex
Morocco	Société Générale Marocaine de Banques
Namibia	Standard Bank Namibia Ltd
Nasdaq Dubai Ltd	HSBC Bank Middle East Limited
Netherlands	BNP Paribas Securities Services
New Zealand	The Hongkong and Shanghai Banking Corporation Limited
Nigeria	Citibank Nigeria Limited
Norway	DNB Bank ASA
Oman	HSBC Bank Middle East Limited
Pakistan	Deutsche Bank A.G.
Peru	Citibank del Peru S.A.
Philippines	Standard Chartered Bank
Poland	Bank Polska Kasa Opieki S.A.
Portugal	BNP Paribas Securities Services
Qatar	HSBC Bank Middle East Limited

Romania	BRD -Groupe Societe Generale
Russia	Societe Generale, Rosbank
Saudi Arabia	HSBC Saudi Arabia
Serbia	UniCredit Bank Austria AG
Singapore	DBS Bank Ltd
Slovak Republic	UniCredit Bank Slovakia a.s.
Slovenia	UniCredit Bank Austria AG
South Africa	Société Générale
South Korea	The Hong Kong and Shanghai Banking Corporation Limited
Spain	Bancoval Securities Services S.A.
Sri Lanka	The Hongkong and Shanghai Banking Corporation Limited
Sweden	Skandinaviska Enskilda Banken AB (publ)
Switzerland	Credit Suisse AG
Taiwan	HSBC Bank (Taiwan) Limited
Thailand	Standard Chartered Bank (Thai) Plc
Tunisia	Societe Generale Securities Service UIB Tunisia
Turkey	Citibank A.S.
UAE -Abu Dhabi	HSBC Bank Middle East Limited
UAE -Dubai	HSBC Bank Middle East Limited
UK	The Bank of New York Mellon
Ukraine	PJSC Citibank
Uruguay	Banco Itaú Uruguay S.A.
USA	The Bank of New York Mellon
Vietnam	HSBC Bank (Vietnam) Ltd
Zambia	Standard Chartered Bank Zambia PLC

## APPENDIX IV

### STOCK CONNECT

The Stock Connect is a securities trading and clearing linked program developed by Hong Kong Exchanges and Clearing Limited, SZSE, SSE and ChinaClear with an aim to achieve mutual stock market access between the PRC and Hong Kong. The Stock Connect comprises a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including the Funds), through their Hong Kong brokers and a securities trading service company established by SEHK, may be able to trade eligible China A Shares listed on the SSE or SZSE by routing orders to SSE or SZSE respectively. Under the Southbound Trading Link investors in China will be able to trade certain stocks listed on the SEHK. Under the Stock Connect, the Funds, through their Hong Kong brokers may trade certain eligible shares listed on the SSE or SZSE.

For the SSE, these include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed A shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on SEHK, except the following:

- SSE-listed shares which are not traded in RMB; and
- SSE-listed shares which are included in the “risk alert board”.

The SSE does not permit ETFs as eligible securities.

For the SZSE, these include all constituent stocks of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index and all SZSE-listed shares of companies that have issued both A shares and H shares, except the following:

- SSE-listed shares which are not traded in RMB; and
- SSE-listed shares which are included in the “risk alert board”, or under delisting arrangement.

However, the SZSE, unlike the SSE, restricts investors who are eligible to trade shares listed on the ChiNext Board of SZSE to “institutional professional investors”<sup>1</sup>.

The SZSE will include ETFs as eligible securities.

It is expected that the list of eligible securities will be subject to review.

The trading is subject to rules and regulations issued from time to time. Trading under the Stock Connect will initially be subject to a daily quota (“Daily Quota”). Northbound trading and Southbound trading will be subject to a separate Daily Quota. The Daily Quota limits the maximum net buy value of cross-boundary trades under the Stock Connect each day. The Northbound Daily Quota is set at RMB52 billion for each of SZSE and SSE respectively. HKSCC, a wholly-owned subsidiary of HKEX, and ChinaClear will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by their respective market participants and investors. The China A Shares traded through Stock Connect are issued in scriptless form, and investors will not hold any physical China A Shares.

Although HKSCC does not claim proprietary interests in the either SZSE or SSE securities held in its omnibus stock account in ChinaClear, ChinaClear as the share registrar for SZSE and SSE listed companies will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such SZSE and SSE securities.

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<sup>1</sup> As defined in the Hong Kong Securities and Futures Ordinance and the SFC Code of Conduct for Persons Licensed by or Registered with the SFC.



In addition to paying trading fees, levies and stamp duties in connection with trading in China A Shares, the Funds may be subject to new fees arising from trading of China A Shares via the Stock Connect which are yet to be determined and announced by the relevant authorities.

## APPENDIX V

### BOND CONNECT

Bond Connect is an initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China established by CFETS, China Central Depository & Clearing Co., Ltd (“CCDC”), Shanghai Clearing House (“SCH”), and Hong Kong Exchanges and Clearing Limited (“HKEX”) and Central Moneymarkets Unit (“CMU”).

Bond Connect is governed by rules and regulations as promulgated by the Mainland Chinese authorities. Such rules and regulations may be amended from time to time and include (but are not limited to) the “Interim Measures for the Administration of Mutual Bond Market Access between Mainland China and Hong Kong (Decree No.1 [2017])” issued by the PBOC on 21 June 2017 and any other applicable regulations, rules and guidances promulgated by the relevant authorities.

Under the prevailing regulations in Mainland China, eligible foreign investors will be allowed to invest in the bonds circulated in the CIBM through the Northbound Trading Link. There will be no investment quota for the Northbound Trading Link. Under the Northbound Trading Link, eligible foreign investors are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

Eligible foreign investors may submit trade requests for bonds circulated in the CIBM through the Northbound Trading Link provided by offshore electronic bond trading platforms, which will in turn transmit their requests for quotation to CFETS. CFETS will send the requests for quotation to a number of approved onshore dealers (including market makers and others engaged in the market making business) in Mainland China. The approved onshore dealers will respond to the requests for quotation via CFETS, and CFETS will send their responses to those eligible foreign investors through the same offshore electronic bond trading platforms. Once the eligible foreign investor accepts the quotation, the trade is concluded on CFETS.

On the other hand, the settlement and custody of bond securities traded in the CIBM under the Bond Connect will be done through the settlement and custody link between the CMU, as an offshore custody agent, and the CSDCC and the SHCH, as onshore custodian and clearing institutions in Mainland China. Under the settlement link, CSDCC or the SHCH will effect gross settlement of confirmed trades onshore and the CMU will process bond settlement instructions from the CMU members on behalf of eligible foreign investors in accordance with its relevant rules.

Pursuant to the prevailing regulations in Mainland China, the CMU, being the offshore custody agent recognized by the HKMA, open omnibus nominee accounts with the onshore custody agent recognized by the PBOC (i.e., the CSDCC and Interbank Clearing Company Limited). All bonds traded by eligible foreign investors will be registered in the name of the CMU, which will hold such bonds as a nominee owner.

Eligible foreign investors may trade through Bond Connect using offshore RMB (CNH) or by converting offshore currency into Onshore RMB (CNY) under Bond Connect.

Where an investor uses offshore currency to invest through the Northbound Trading Link, it must open a segregated RMB capital account with a Hong Kong RMB clearing bank or an eligible offshore RMB business participating bank (each an "RMB Settlement Bank") to convert its foreign currency into CNY. Where bonds are purchased in CNY in this manner, the proceeds of the sale must be converted back into the foreign currency upon sale of the bonds and remittance of the proceeds out of mainland China.

Investors using CNH to invest in bonds through Bond Connect do not need to appoint an RMB Settlement Bank, nor do they need to open a segregated RMB capital account.