

CHALLENGE FUNDS
FIRST ADDENDUM TO PROSPECTUS

This First Addendum dated 3 March, 2021 should be read in conjunction with and forms part of the Prospectus for CHALLENGE Funds (the "Fund") dated 21 January, 2021 (the "Prospectus").

The Directors of Mediolanum International Funds Limited (the "**Manager**"), the manager of the Fund, are the persons responsible for the information contained in this Addendum. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

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

The Directors of the Manager of the Fund wish to advise Unitholders of the following changes to the Prospectus:

The following new sub-section shall be inserted after the sub-section headed "**Investment Objectives and Policies**" in section 3 of the Prospectus entitled "**The Fund**":

"Integration of Sustainability Risks

The Manager maintains a responsible investment policy that outlines the framework and approach taken in respect of responsible investment in its investment decision-making process. The Manager defines "responsible investment" as (i) the integration of sustainability considerations, including environmental, social and corporate governance (**ESG**) factors into the investment decision-making process, (ii) the management of sustainability risk and (iii) active ownership (i.e. seeking to drive change through proxy voting in investee companies/underlying funds) (together, "**ESG Factors**"). The Manager believes that integration of ESG Factors into the investment decision-making process can lead to more sustainable risk-adjusted returns by identifying high quality companies for investment and/or Delegate Investment Managers (including collective investment schemes under their management) and/or underlying funds that pursue an ESG/sustainable investment agenda.

Assessment of ESG Factors forms an important part of the due diligence process implemented by the Manager when selecting and monitoring investments (including underlying funds) and assessing and appointing/monitoring Delegate Investment Managers.

Unless otherwise specified for a particular Sub-Fund or Sub-Funds in the Sub-Fund Information Card attached to this Prospectus, this information applies to all Sub-Funds.

Delegate Investment Managers

As part of the due diligence process implemented by the Manager in respect of the selection of one or more Delegate Investment Managers, the Manager uses various screening tools (individually or combined) in assessing potential third-party asset manager(s) which can include the use of external research and data (including publicly available information and data sourced from third party data providers) and direct engagement with the potential third-party asset manager(s). The Manager communicates its ESG approach

and requirements to Delegate Investment Managers and potential third party manager(s) as part of the selection process and the ongoing monitoring process, to seek to ensure they align with such approach and requirements and the Manager will engage with them with the specific objective of driving change, particularly with those who score poorly against the Manager's various metrics.

Investments

When assessing the sustainability risk associated with underlying investments, the Manager is assessing the risk that the value of such underlying investments could be materially negatively impacted by an environmental, social or governance event or condition ("**ESG Event**"). While the relevant impact of an ESG Event on the return of a Sub-Fund may vary depending on the specific risk and relevant asset class, an ESG Event may impair the value of investments made by a Sub-Fund, including the loss of the entire amount invested. Sustainability risks may arise and impact a specific investment made by a Sub-Fund or may have a broader impact on an economic sector, on geographical regions or on countries which, in turn, may impact a Sub-Fund's investments.

Accordingly, the Manager seeks to manage and mitigate sustainability risks to the extent possible by integrating such risks into its investment decision-making process. The Manager does this using both quantitative and qualitative processes, in the following manner:

- (i) prior to acquiring investments on behalf of a Sub-Fund, the Manager uses various screening tools (individually or combined) in defining the investment universe which can include the use of external research and data (including publicly available information and data sourced from third party data providers), Delegate Investment Managers' proprietary tools as well as assessment of strengths and weaknesses of engagements of the relevant issuers conducted by the Manager. Consideration is also given to ESG Factors which the Manager believes will positively or negatively influence the financial returns of an investment. While consideration is given to ESG Factors in the investment decision-making process, unless otherwise stated in respect of a particular Sub-Fund or Sub-Funds in the Sub-Fund Information Card attached to this Prospectus, there are no exclusions applicable across all Sub-Funds based on ESG Factors. From an asset allocation perspective, the Manager's approach to ESG integration is bottom up and to a lesser extent top down as the Manager does not wish to exclude investing in areas where ESG Factors are less developed (such as Emerging Markets);
- (ii) as part of its ongoing monitoring of investments, the Manager regularly reviews the consideration and implementation of ESG Factors in all Sub-Funds in order to ensure that ESG Factors are continuing to be considered in accordance with the Manager's responsible investment policy. The Manager retains discretion to divest from or engage with investee companies/Delegate Investment Managers when considering adverse sustainability risks or ESG Events.

While the Manager considers ESG Factors in the investment decision-making process of all Sub-Funds, this does not mean that ESG Factors/sustainability considerations are the sole or foremost considerations for investment decisions. Further, given the wide variety of Sub-Funds under management, each Sub-Fund may take varying approaches when assessing and weighing up sustainability matters within its investment process in line with a particular Sub-Fund's investment objective and policies. The likely impact on the return of a Sub-Fund from a potential or actual material decline in the value of an investment due to the occurrence of an ESG Event will vary and will depend on several factors including but not limited to the type, extent and/or complexity of the ESG Event.

Further information as to which sustainability risks are integrated into the Manager's investment decision-making process is available on the Manager's website at www.mifl.ie."

Dated: 3 March, 2021