

## **M&G European Loan Fund**

### **Supplement to the Prospectus dated 29 January 2020 for Specialist Investment Funds (1) plc**

**This Supplement contains specific information in relation to M&G European Loan Fund (the Fund), a sub-fund of Specialist Investment Funds (1) plc (the Company), an umbrella type open-ended investment company with variable capital. The Company is an umbrella fund with segregated liability between sub-funds. The information contained in this Supplement forms part of and should be read in conjunction with the full information contained in the Prospectus.**

**The Company has been authorised by the Authority for marketing solely to Qualifying Investors. With the exception of investors who qualify as Accredited Employees, the minimum subscription by each applicant for Shares will be at least Euro 100,000 or its foreign currency equivalent. Accordingly, while the Fund is approved by the Authority, the Authority has not set any limits or other restrictions on the investment objective, the investment policies or on the degree of leverage which may be employed by the Fund. The Authority has not reviewed this Supplement.**

The Directors, whose names appear under the **Directors of the Company** section of the Prospectus, accept responsibility for the information contained in the Prospectus and this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) 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 Supplement.

**Dated: 29 January 2020**

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## 1 DEFINITIONS

In this Supplement, unless the context otherwise requires, the following words and phrases shall have the meanings indicated below. Other capitalised words and phrases not set out below can be found in the Prospectus as words and phrases defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

**Accumulation Shares** means Class A Sterling ACC Shares; Class A Euro ACC Shares; Class A Dollar ACC Shares; Class A Swiss Franc ACC Shares; Class A Japanese Yen ACC Shares; Class B Sterling ACC Shares; Class C Sterling ACC Shares; Class C Euro ACC Shares; Class C Dollar ACC Shares; Class C Swiss Franc ACC Shares; Class C Japanese Yen ACC Shares; Class D Euro ACC Shares; Class D Japanese Yen ACC Shares; Class H Sterling ACC Shares; Class H Euro ACC Shares; Class H Swiss Franc ACC Shares; Class H Japanese Yen ACC Shares; Class R Sterling ACC Shares; Class R Euro ACC Shares; Class R Dollar ACC Shares; Class R Swiss Franc ACC Shares and Class R Japanese Yen ACC Shares.

**Associated Company** means any holding company of the AIFM or any subsidiary of any such holding company. A company is considered a holding company where it:

- (i) is a member of its subsidiary and controls the composition of the board of directors of its subsidiary, or
- (ii) holds more than half in nominal value of its subsidiary's equity share capital, or
- (iii) holds more than half in nominal value of its shares carrying voting rights (other than voting rights which arise only in specified circumstances).

**Class A Shares** means the Class A Sterling Shares, Class A Sterling ACC Shares, Class A Euro Shares, Class A Euro ACC Shares, Class A Dollar Shares, Class A Dollar ACC Shares, Class A Swiss Franc Shares; Class A Swiss Franc ACC Shares; Class A Japanese Yen Shares and Class A Japanese Yen ACC Shares.

**Class B Shares** means the Class B Sterling Shares and Class B Sterling ACC Shares.

**Class C Shares** means the Class C Sterling Shares, Class C Sterling ACC Shares, Class C Euro Shares, Class C Euro ACC Shares, Class C Dollar Shares, Class C Dollar ACC Shares, Class C Swiss Franc Shares; Class C Swiss Franc ACC Shares; Class C Japanese Yen Shares and Class C Japanese Yen ACC Shares.

**Class D Shares** means the Class D Euro Shares; Class D Euro ACC Shares; Class D Japanese Yen Shares and Class D Japanese Yen ACC Shares.

**Class H Shares** means the Class H Sterling Shares, Class H Sterling ACC Shares, Class H Euro Shares, Class H Euro ACC Shares, Class H Dollar Shares, Class H Dollar ACC Shares, Class H Swiss Franc Shares, Class H Swiss Franc ACC Shares, Class H Japanese Yen Shares and Class H Japanese Yen ACC Shares.

**Class R Shares** means the Class R Sterling Shares, Class R Sterling ACC Shares, Class R Euro Shares, Class R Euro ACC Shares, Class R Dollar Shares, Class R Dollar ACC Shares, Class R Swiss Franc Shares; Class R Swiss Franc ACC Shares; Class R Japanese Yen Shares and Class R Japanese Yen ACC Shares.

**Collective Investment Scheme** means a vehicle (including but not limited to bodies corporate, investment trusts including unit trusts, investment companies including fixed and variable capital companies, contractual structures similar to trusts including common contractual funds and partnership structures) which pools together funds subscribed by investors and these funds are invested in assets in accordance with the investment objectives and policy of the vehicle.

**Credit Rating Agency** means any of Standard & Poor's Rating Services, a division of The McGraw Hill Group of Companies, Inc., (**S&P**), Moody's Investors Service Limited (**Moody's**), Fitch Ratings (**Fitch**) and other recognised rating agencies as deemed appropriate by the AIFM.

**Currency Hedged Share Classes** means the Share classes available for subscription in the Fund which are denominated in non-Euro currencies as identified in table at section 11.7.

**Income Shares** mean Class A Sterling Shares; Class A Euro Shares; Class A Dollar Shares; Class A Swiss Franc Shares; Class A Japanese Yen Shares; Class B Sterling Shares; Class C Sterling Shares; Class C Euro Shares; Class C Dollar Shares; Class C Swiss Franc Shares; Class C Japanese Yen Shares; Class D Euro Shares; Class D Japanese Yen Shares; Class H Sterling Shares; Class H Euro Shares; Class H Dollar Shares; Class H Swiss Franc Shares; Class H Japanese Yen Shares; Class R Sterling Shares; Class R Euro Shares; Class R Dollar Shares; Class R Swiss Franc Shares and Class R Japanese Yen Shares.

**Investment Grade** means a public credit rating of Baa3 or higher from Moody's and/or BBB- or higher from S&P and/or BBB- or higher from Fitch or if no public credit rating is available, an internal credit rating by the AIFM equivalent to such public credit ratings or higher.

**LMA** means the Loan Market Association.

**LPC** means Thomson Reuters LPC.

**M&G Entity** means the AIFM or any Associated Company of the AIFM.

**M&G Managed** means owned or controlled by an M&G Entity or where there is an investment advisory or investment management agreement in place with an M&G Entity.

**OTC** means over-the-counter.

**Service Providers** mean AIFM, Investment Manager, Administrator, Depositary, any sub-custodian and other third parties including the auditors and legal advisers.

**Share Class** means any of the Class A Shares, Class B Shares, Class C Shares, Class D Shares, Class H Shares, and/or Class R Shares as the context requires;

**Sub-Investment Grade** means a public credit rating less than an Investment Grade or an internal credit rating by the AIFM equivalent to such public credit ratings or lower.

**Subsidiary** means M&G European Loan Fund Limited.

## **2 INVESTMENT OBJECTIVE**

The investment objective of the Fund is to create attractive levels of current income for investors, while maintaining relatively low volatility of Net Asset Value.

## **3 INVESTMENT POLICIES**

### **3.1 Asset Class Overview**

The Fund intends to achieve its investment objective by investing principally in a diversified portfolio of leveraged loans and sub-participations in leveraged loans, as further described below. The Fund may also invest in senior secured floating rate notes (being public bond issues that possess similar structural features and security to senior leveraged loans).

### **3.2 Hedging**

The AIFM may also enter into hedging transactions on behalf of the Fund (including currency forwards and currency swaps) where it believes it is appropriate to hedge the currency risks associated with the investment portfolio held by the Subsidiary. The Fund will not be leveraged for the purposes of AIFMD where leverage is interpreted as any method by which the exposure of a fund is increased whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means.

### **3.3 Leveraged Loans**

The term leveraged loans refers to debt issued by companies, typically to finance internal growth, acquisitions, mergers and leveraged buy-outs by private equity sponsors. The leverage refers to the capital structure of the issuing company, which incorporates a significant amount of debt (circa 50-70%). Consequently, in instances where a public rating exists from a Credit Rating Agency, it is typically Sub-Investment Grade. Senior loans have priority position in the capital structure of the issuing company though and are secured by specific collateral.

It is intended that the Fund's assets will be invested in senior secured loans, where such loans provide first charges over the assets of the issuing companies. It is further intended that the Fund's assets will be invested in leveraged loans issued only by performing companies (as opposed to stressed or distressed companies), such investments being commonly referred to as near par loans.

However, investors should also note that in infrequent circumstances following the negotiated restructuring of a leveraged loan held by the Fund, the terms of that leveraged loan may permit the Fund's investment to be converted to equity or equity-related securities of the issuing company (or such related/successor company, as applicable). The Fund may exercise such rights where the AIFM deems it to be in the best interests of the Fund. Accordingly the Fund may acquire equity securities of such restructured companies and may hold and/or dispose of such equity securities. Such securities may be listed or unlisted.

The Fund will mostly invest in leveraged loans directly by assignment or novation. However, there may be instances where the Fund will invest indirectly by assuming the economic interests in a loan of another lender (known as a sub-participation) who remains the lender of record. This method of investment may be appropriate in certain jurisdictions (for example, Italy) for tax efficiency purposes. In a sub-participation, the Fund enters into a legal agreement with that lender of record, allowing it to benefit solely from the economic interest in the loan (i.e. interest and capital) as if it were itself the lender of record. This is a relatively infrequent occurrence, resulting in a silent participation in the loan that is limited to the income and capital flows arising therefrom. In other words, there is no direct participation in other rights and obligations inherent in the loan documentation. These would remain with the original lender. Furthermore, there is additional credit exposure to consider from this indirect method of investing, namely that of the fronting or direct lender with whom the Fund has entered into a sub-participation agreement.

The leveraged loan market in Europe remains largely unrated by the main rating agencies (Moody's Investor Services, Standard & Poor's Ratings Services and Fitch Ratings) though their coverage is increasing. Where public

ratings do exist for senior secured loans, they are typically double B or high single-B (i.e. Sub-Investment Grade). Where no public rating exists for a particular loan, the AIFM will use its own internal rating system.

It is envisaged that the leveraged loans in which the Fund will be invested will be primarily sourced from issuers organised or incorporated in one or more of the following countries: Austria, Belgium, Denmark, Finland, France, Germany, Republic of Ireland, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland or the United Kingdom. Infrequently, the Fund may purchase assets from US or Canadian obligors. This will typically happen in connection with European acquisition activity by such North American borrowers.

It is also envisaged that the leveraged loans will be issued by companies from a wide variety of industrial sectors (and sub-sets of those sectors) including, for example, aerospace & defence, automobile, broadcasting & entertainment, buildings & real estate, chemicals, containers, packaging & glass, ecological, food & beverage, hotels, inns & gaming, home and office furnishings and housewares, insurance, leisure, motion pictures, personal & non-durable consumer products, retail stores, telecoms and utilities.

### *The Secondary European Loan Market*

The secondary European loan market is an OTC market, though the size, history and number of participants has led to growth and standardisation of trading practices. In addition, the loan market benefits from a trade body, the LMA, to which all leading banks and institutional investors belong. The LMA was established with the objective of fostering an environment that would facilitate the constructive development of a secondary market for loans. Activities include the establishment and on-going refining of standardised trading and settlement procedures as well as the issuance of template loan agreements, including transfer certificates (the instruments by which secondary trades are commonly effected).

LMA members have access to market pricing and reference data from independent valuation service Markit Loan Pricing. Markit provides mark-to-market pricing on over 6,500 facilities provided by more than 60 global sell-side desks. LPC competes with Markit as an independent vender of loan pricing and valuation service, providing mark-to-market loan pricing on almost 6,000 loans. Markit and LPC's activities promote market liquidity and pricing transparency.

Individual quotes on loan assets may also be obtained from the major banks that have dedicated resources to secondary trading. These tend to be those houses that are also active in underwriting and arranging loans in the primary market and include Barclays, Credit Suisse, Goldman Sachs, JP Morgan, Bank of America, BNP, Royal Bank of Scotland and Deutsche Bank. Such banks typically send out regular quotations.

The European leveraged loans market has two indices, the Credit Suisse Western European Leveraged Loan Index and Standard & Poor's European Leveraged Loan Index. The Credit Suisse Western European Leveraged Loan Index was launched in January 1998 and its frequency is weekly. Standard & Poor's European Leveraged Loan Index tracks returns from January 2003 and its frequency is monthly. The Fund will not however be benchmarked to either index.

### **3.4 Collective Investment Schemes**

The Fund may invest in Collective Investment Schemes, whether open-ended or closed-ended or have limited liquidity. They may be regulated or unregulated, listed or unlisted and will typically be domiciled in the EU or the United Kingdom.

The Fund does not invest in other Collective Investment Schemes if this is likely to impact on the ability of the Fund to meet permitted redemption requests as set out in the section below entitled **How to Sell Shares**.

The Fund may invest in other sub-funds of the Company subject to the requirements of the Authority.

The Fund may have indirect exposure through Collective Investments Schemes to investments that include, but are not limited to, the assets described in in this **Investment Policies** section.

### 3.5 Cash Management

On a day to day basis the Fund may retain and actively manage and invest its assets in overnight deposits of credit institutions, shares in money market funds and money market instruments having a minimum credit rating from a Credit rating Agency of A1-P1 or equivalent. Assets will generally only be held in money market instruments for short-term situations where the AIFM is unable to identify suitable leveraged loans in which to invest. Such investments will normally arise through prepayments of investments and short term timing gaps before reinvestment.

## 4 INVESTMENT STRATEGY AND APPROACH

Leveraged loan investment decisions rely on the analysis, research, and advice of the AIFM's experienced leveraged finance team. The leveraged finance team is supported by other teams within the fixed-income division, including the public credit analysis team which is divided across industrial sectors. Leveraged finance analysts use the industry specialists' views as background in their assessment of leveraged loan transactions. The leveraged finance team's investment approach is based on the fundamental analysis of each loan transaction.

All investments must be rated according to an internal rating system and approved by an investment committee of at least four members, drawn from a pool of about 15 senior officers from within the leveraged finance team as well as the wider fixed income division (the **Investment Committee**).

Leveraged loan transactions taken to the Investment Committee take on average about two weeks to review.

Leveraged finance analysts' other duties include monitoring existing leveraged loan positions. Analysts track the performance of transactions using monthly management reports, usually retaining responsibility for monitoring loans that they initially presented to the Investment Committee. In addition the portfolio is reviewed in its entirety on a six-monthly basis by senior officers from inside and outside the leveraged finance team.

The analyst team prepares an initial one page credit review and financial analysis on each new investment proposal. At this point, the analyst proposes an initial credit rating for the investment, based on the AIFM internal ratings system. Internal ratings have an identical lettering system to S&P for example, BB+, BB, BB-, B+.

The internal rating is a current opinion of the creditworthiness of an obligor with respect to the senior secured loan on offer. It takes into account both the vulnerability of the obligor to non-payment, together with the relative position of the loan in the event of a bankruptcy or reorganisation over the lifetime of the obligation.

The rating is proposed, following evaluation of the business and financial profile of the investment under consideration. The AIFM uses information provided by the obligor together with third party sources which it considers relevant and reliable. Financial analysis involves the application of stress cases to financial projections in order to establish how robust future cashflows may be and the effect of negative performance on a company's ability to service its debt. Before full due diligence begins, the credit review must be presented and approved by the leveraged finance team at regular meetings. Following such approval, a full analysis of an opportunity will be prepared and then presented to the Investment Committee.

The principal factors that analysts consider both in the initial credit review and in the full appraisal are:

- (1) industry and business fundamentals, such as the competitive environment, scope to improve profitability, and the appropriate level of leverage for the business;
- (2) liquidity such as the underlying cash flow assumptions, the historical volatility of cash flows, and the company's capital spending and debt service requirements;
- (3) structural features, such as the capital structure, overall leverage, security, covenants, and the domicile of the assets and the company;
- (4) management and the sponsor of the transaction;

- (5) financial covenants such as restrictions on leverage, debt servicing control, maintenance of value; and
- (6) transaction documentation.

The leveraged finance team considers that a management meeting is essential and site visits are also attended when possible. Analysis always includes cash flow modelling that looks at both base and risk cases.

## **5 INVESTMENT RESTRICTIONS**

5.1 The following investment restrictions will be applied to the Fund:

- 5.1.1 No more than 10% of the Fund's gross asset value may be lent to, or invested in the securities of, any one legal entity or other companies of the same group.
- 5.1.2 No more than 10% of the Fund's gross asset value may be invested in shares/units of Collective Investment Schemes.
- 5.1.3 The Fund may not invest in loans where the borrower is an entity which is listed in the Appendix at the time of purchase of the loan.

These restrictions apply at the time of purchase of the investments and continue to apply thereafter. If these limits are subsequently exceeded for reasons beyond the control of the AIFM or as a result of the exercise of subscription rights, repurchase rights or market movements, the AIFM will record such matters and adopt as a priority objective the remedying of that situation, taking due account of the interests of its Shareholders.

## **6 BORROWING AND LEVERAGE**

The Fund may borrow up to 20% of its Net Asset Value on a temporary basis to fund repurchases of Shares in the Fund and general liquidity management, including the efficient management of cash flow.

The Fund will not be leveraged for the purposes of AIFMD where leverage is interpreted as any method by which the exposure of a fund is increased whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means.

## **7 RISK FACTORS**

The general risk factors set out in the **Risk Factors** section of the Prospectus apply to the Fund. In addition, the following risk factors apply to the Subsidiary and the Fund and references below to the Fund shall include where the context so admits or requires the Subsidiary. These risk factors may not be a complete list of all risk factors associated with an investment in the Fund:

### **7.1 General Risk**

The Fund's investment programme is speculative and an investment in the Fund therefore involves a high degree of risk. Such investment is only suitable for sophisticated investors who are in a position to understand and take such risks and satisfy themselves that such investment is appropriate for them, and an investor might lose the full amount of the investment. There is no guarantee that the investment objective of the Fund, or its risk monitoring, hedging and diversification goals, will be achieved and results may vary substantially over time. Shareholders should recognise that investing in the Fund involves special considerations not typically associated with investing in other securities and that the asset allocation is not structured as a complete investment programme. Investments may be made in assets domiciled in jurisdictions which do not have a regulatory regime which provides an equivalent level of shareholder protection to that provided under Irish or English law.



## **7.2 Sub-Investment Grade Assets Risk**

The Fund's investments in leveraged loans are Sub-Investment Grade, which as a result carry greater credit and liquidity risk than Investment Grade sovereign or corporate bonds or loans. The market value of the assets will generally fluctuate with, among other things, general economic conditions, the condition of certain financial markets, international political events, developments or trends in any particular industry and the financial condition of the issuers of the loans. From the perspective of the return on leveraged loans, as the leveraged loans are floating rate obligations, the exposure to changes in prevailing interest rates is a minimal risk. However, from the perspective of the ability of underlying borrower to service its interest burden, any increase in interest rates will increase the interest burden on the leveraged loans to the extent that the underlying borrower has unhedged its position.

The AIFM through its investment strategy will endeavour to avoid losses relating to defaults on the underlying assets. However, there is no assurance that such losses will be avoided. If any losses occur the value of the Shares could be adversely affected by such defaults. To the extent that a default occurs with respect to any loan and the Fund sells or otherwise disposes of its exposure to such loan, it is likely that the proceeds of such sale or disposition will be less than the unpaid principal and interest thereon. During periods of limited liquidity and higher price volatility, the Fund's ability to acquire or dispose of loans at a price and time that the Fund deems advantageous may be impaired. A decrease in the market value of the loans would also adversely affect the value of the Shares.

## **7.3 Leveraged Loans – Liquidity Risk**

Due to the unique and customised nature of loan agreements evidencing leveraged loans and the private syndication thereof, leveraged loans are not as easily purchased or sold as publicly traded securities. Although the range of investors in leveraged loans has broadened in recent years, there can be no assurance that future levels of supply and demand in loan trading will provide the degree of liquidity which currently exists in the market. In addition, the terms of the leveraged loans may restrict their transferability without borrower consent. The AIFM will consider any such restriction, along with all other factors, in determining whether or not to advise the Fund to acquire participation in a leveraged loan.

## **7.4 Leveraged Loans – Security Risk**

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

## **7.5 Sub-Participations Risk**

In purchasing sub-participations, the Fund generally will not have the right to enforce compliance by the obligor with the terms of the applicable debt agreement nor directly benefit from the supporting collateral for the debt in respect of which it has purchased a sub-participation. As a result, the Fund will assume the credit risk of both the obligor and the institution selling the sub-participation.

## **7.6 Custody of Assets Risk**

To avail of the benefits of indemnities and covenants under the relevant loan documentation, the leveraged loans will be registered in the name of the Subsidiary, consistent with market practice. This is not in accordance with normal depositary arrangements for other classes of securities where the securities would be registered in the name of the Depositary. While arrangements have been or will be put in place to reasonably ensure that the Depositary has effective control over the loan assets, there are attendant risks where the Depositary is not the legal owner of the leveraged loans, such as a failure to acquire proper title or improper disposal.

## **7.7 Reliance on Leveraged Loan Obligors Risk**

The Company and the AIFM will not have control over the activities of any company which has entered into a leveraged loan invested in by the Fund. Managers of companies in whose leveraged loans the Fund has invested may manage those companies in a manner not anticipated by the AIFM.

## **7.8 Availability of Suitable Investment Opportunities Risk**

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

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

## **7.9 7.9. Limited Number of Investments Risk**

The Fund anticipates that it will be well diversified. However, in the event of a material demand for redemptions, the Fund could be forced to sell liquid positions resulting in an over-weighting in a small number of illiquid investments. In such circumstances, the aggregate return of the Fund may be substantially and adversely affected by the unfavourable performance of a single investment. The Fund's restriction of repurchases of Shares in excess of 10% of the total Net Asset Value of the Fund on any one Dealing Day will mitigate this risk to an extent should these circumstances arise.

## **7.10 Unidentified Portfolio Risk**

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

## **7.11 Reliance on AIFM Risk**

The success of the Fund depends in substantial part upon the skill and expertise of the personnel of the AIFM. Shareholders will be relying entirely on such persons to manage the affairs of the Fund. Shareholders are not permitted to engage in the active management and affairs of the Fund. As a result, prospective investors will not be able to evaluate for themselves the merits of investments to be acquired by the Fund prior to their being required to pay for Shares of the Fund. Instead, such investors must rely on the judgment of the AIFM to conduct appropriate evaluations and to make investment decisions. There can be no assurance that any of the key investment professionals will continue to be associated with the AIFM throughout the life of the Fund.

## **7.12 Market for Shares; Restrictions on Transferability; Limited Redemption Rights Risk**

There will be no secondary market for Shares of the Fund and transfers of Shares are only permitted to those persons who satisfy the criteria for permitted shareholders. Consequently, investors may be able to dispose of Shares only by requiring the Fund to repurchase their Shares. Although an investor may apply for the repurchase of Shares up to a value of €2,000,000 upon only fifteen calendar days' notice prior to the next Dealing Day, investors should note that any application for the repurchase of a quantity of Shares with a value in excess of €2,000,000 must give sixty calendar days' notice prior to the next Dealing Day.

Any such repurchase made within 12 months of subscription may be subject to a Repurchase Charge of up to 5% of the Net Asset Value of the relevant investor's Shares. The Directors may at their absolute discretion charge an Anti-Dilution Levy which is described in **Subscription of Shares** and **Repurchase of Shares** sections of the Prospectus. The Fund may not repurchase Shares during any period when the calculation of the Net Asset Value of the Fund is suspended in the manner described in the Prospectus. Applicants for repurchases of Shares will be notified of such postponement and, unless withdrawn, their applications will be considered as at the next Dealing Day following the ending of such suspension.

Because of the illiquid nature of some of the Fund's investments, the Fund may not realise the full carrying value of an investment that is sold in order to meet a repurchase request. The risk of any decline in the value of an investment in the Fund during the relevant notice period following a minimum notice of withdrawal is borne by the investor.

#### **7.13 Hedging Risk**

The Fund may utilise different financial instruments to seek to hedge against declines in the values of the Fund's positions as a result of changes in currency exchange rates. Hedging against a decline in the value of the Fund's positions does not eliminate fluctuations in the values of the Fund's positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus offsetting the decline in the Fund's positions' value. Such hedging transactions also limit the opportunity for gain if the value of the Fund's positions should increase. It may not be possible for the Fund to hedge against a change or event at a price sufficient to protect its assets from the decline in value of the Fund's positions anticipated as a result of such change. In addition, it may not be possible to hedge against certain changes or events at all, or the AIFM may choose not to hedge all or any of the Fund's exposure. Furthermore, any swap contracts entered into by the AIFM on behalf of the Fund could expose the Fund to credit risk from the creditworthiness of a counterparty.

Gains or losses arising from currency hedging transactions are borne by the Shareholders of the respective hedged Share Classes. Given that there is no segregation of liabilities between Share Classes, there is a risk that, under certain circumstances, the settlement of currency hedging transactions or the requirement for collateral, if such activity is collateralised, in relation to one Share Class could have an adverse impact of the net asset value of other Share Classes in the Fund.

#### **7.14 Payment of Charges and Expenses to Capital Risk**

The charges and expenses of the Fund may be charged to the capital of the Fund in circumstances where there is insufficient income being received by the Fund. In such circumstances, the capital value of a Shareholder's investment will be lowered.

#### **7.15 Taxation Risk**

A risk exists that the tax authorities in countries with which Ireland has double tax treaties may, where relevant, not be prepared to permit persons in their jurisdictions to pay interest to the Fund ( or its Subsidiary) without the imposition of withholding tax in that foreign jurisdiction. Any such withholding tax will impinge upon the return payable by the Fund to investors.

#### **7.16 Potential Involvement in Litigation Risk**

As a result of the Fund's investment in Sub-Investment Grade assets and as a consequence of credit problems with such investment and the possibility that the Fund may participate in restructuring activities, it is possible that the Fund may become involved in litigation. Litigation entails expense and the possibility of counterclaims against the Fund and ultimately judgments may be rendered against the Fund for which the Fund may not carry insurance.

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

The value of the Fund's assets may be affected by uncertainties such as international political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency

fluctuations and other developments in the laws and regulations of the countries to which the Fund is exposed through its investments.

#### 7.18 Valuations of Net Asset Value Risk

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

#### 7.19 Collective Investment Schemes Risk

The Fund may invest in Collective Investment Schemes which may or may not be managed by the AIFM or its Associated Companies.

Investment in non-Irish domiciled Collective Investment Schemes may not provide a level of investor protection equivalent to that provided by Collective Investment Schemes authorised by the Authority. Investment in an unregulated Collective Investment Scheme will not provide a level of protection equivalent to regulated Collective Investment Schemes.

As an investor in another Collective Investment Scheme, the Fund may bear, along with other investors, its pro-rata share of the expenses of the other Collective Investment Scheme as set out in section 15.4 below. These fees would be in addition to the Annual Charge which the Fund bears directly in connection with its own operations. Where the Fund is the initial investor in a Collective Investment Scheme, it may suffer a proportionally higher total expense ratio but the Fund would only seed a Collective Investment Scheme in this manner where the AIFM has deemed it to be in the best long term interests of the Fund.

The Fund may invest in Collective Investment Schemes with lock-up periods and closed-ended funds. The Fund will not invest in Collective Investment Schemes with lock-up periods or closed-ended funds if this is likely to impact on the ability of the Fund to meet permitted redemption requests as set out in the section below entitled **How to Sell Shares**.

### 8 LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The AIFM manages the Fund's liquidity risk.

The Fund may invest in investments such as leveraged loans which are Sub-Investment Grade which, as a result, carry greater liquidity risk than Investment Grade sovereign bonds, corporate bonds and loans. Due to the unique and customised nature of loan agreements evidencing private debt assets and the private syndication thereof, these assets are not as easily purchased or sold as publicly traded securities. There can be no assurance that future levels of supply and demand in loan trading will provide the degree of liquidity in loan trading which currently exists in the market. In addition, the terms of these assets may restrict their transferability without borrower consent. The AIFM will consider any such restriction, along with all other factors, in determining whether or not the Fund should acquire participation in each asset.

In the event of a material demand for redemptions, the Fund could be forced to sell liquid positions resulting in over-weighting in a small number of illiquid investments. In such circumstances, the aggregate return of the Fund may be substantially and adversely affected by the unfavourable performance of a single investment. The requirement to sell investments quickly may result in an adverse impact on the value of holdings as forced sales will potentially be made below the fair value of investments. To mitigate these risks the Fund has put in place suitable redemption provisions that limit a Shareholder's right to redeem Shares. Such provisions help to manage the risk of a possible mismatch between the liquidity of the Fund's assets and the redemption rights offered to Shareholders. Details of the limits that apply to a Shareholder's right to redeem Shares are provided in **How to Sell Shares** in this Supplement and in **Repurchase of Shares** in the Prospectus.

The Fund is structured with monthly Dealing Days for subscriptions and redemptions. As the private debt assets in which the Funds invest typically settle at least T+10 Business Days, this Supplement makes provision for a range of measures to assist with the management of liquidity on an on-going basis, including, for example, notice periods and Repurchase Charges. The Fund may retain assets in cash or cash equivalent assets (to minimise the cash drag impact on returns for investors) but may also invest in senior secured public floating rate notes with a settlement period (T+3 Business Days through Euroclear) that permits a rapid sale where this might be required for liquidity purposes. The AIFM holds monthly internal meetings with its sales teams to review forthcoming subscriptions and redemptions.

In addition:

- the Company may suspend calculation of the Net Asset Value as provided in **Suspension of Calculation of Net Asset Value** in the Prospectus; and
- the Company may apply an Anti-Dilution Levy on the redemption of Shares as provided in **Key Information for Buying and Selling** in this Supplement and in **Repurchase of Shares** in the Prospectus.

## 9 DIVIDEND POLICY

It is the current intention of the Directors to declare dividends on a quarterly basis on the first Business Days of January, April, July and October. Any such dividend will be paid out of income arising indirectly from its holdings in investments and from any other income that may accrue to the Fund.

Each holder of Income Shares will be given the option in the Application Form to take dividends in cash or have any such income reinvested in the Fund by the allotment of additional shares at the Net Asset Value per Share provided that no Preliminary Charge is payable on any Shares so allotted. The Fund's default position for Income Shares unless the Fund is so advised, will be to have distributions of income automatically paid in cash. Dividends will be paid by telegraphic transfer within one month of the relevant declaration date.

Accumulation Shares are issued at the discretion of the Directors on the basis that no dividends will be declared in respect of those Shares and that any income available for distribution will form part of the assets of the Fund and will be applied when calculating the subscription price and the repurchase price as part of the proportion of the Fund which is attributable to the holders of that class of Shares.

## 10 SUBSIDIARY

It is intended that for capital protection reasons, certain of the Fund's investments may be held through the Subsidiary which is a wholly owned subsidiary of the Company, incorporated and tax resident in Ireland. It has common directors with the Company. The Subsidiary is a private limited company incorporated in Ireland on 8 July 2005. Its authorised share capital is €1,000 and its issued and paid up share capital is €2. Any shares issued by the Subsidiary will remain legally held by the Depositary.

The Subsidiary will be funded for its acquisition of investments on behalf of the Fund by way of loans from the Company. The Fund's interest in the investments held by the Subsidiary will therefore be indirect and references to the Fund's investments and risks attaching to the Fund in this Supplement shall be construed accordingly.

## 11 KEY INFORMATION FOR BUYING AND SELLING

### 11.1 Share Classes

Class A Shares, Class B Shares, Class C Shares, Class D Shares, Class H Shares and Class R Shares are available for subscription in the Fund as outlined below.

	Share Class	Income / Accumulation	Minimum Shareholding	Minimum Initial Investment	Minimum Additional Investment
1.	Class A Sterling	Both	€100,000*	€100,000*	€100,000*
2.	Class A Euro	Both	€100,000	€100,000	€100,000
3.	Class A Dollar	Both	€100,000*	€100,000*	€100,000*
4.	Class A Swiss Franc	Both	€100,000*	€100,000*	€100,000*
5.	Class A Japanese Yen	Both	¥12,500,000	¥12,500,000	€100,000*
6.	Class B Sterling	Both	€100,000*	€100,000*	€100,000*
11.	Class C Sterling	Both	£25,000,000	£25,000,000	£85,000
12.	Class C Euro	Both	€30,000,000	€30,000,000	€100,000
13.	Class C Dollar	Both	\$35,000,000	\$35,000,000	\$110,000
14.	Class C Swiss Franc	Both	CHF35,000,000	CHF35,000,000	CHF110,000
15.	Class C Japanese Yen	Both	¥3,750,000,000	¥3,750,000,000	€100,000*
16.	Class D Euro	Both	€30,000,000	€30,000,000*	€100,000
17.	Class D Japanese Yen	Both	¥3,750,000,000	¥3,750,000,000	€100,000*
18.	Class H Sterling	Both	€300,000,000*	€300,000,000*	€100,000*
19.	Class H Euro	Both	€300,000,000	€300,000,000	€100,000
20.	Class H Dollar	Both	€300,000,000*	€300,000,000*	€100,000*
21.	Class H Swiss Franc	Both	€300,000,000*	€300,000,000*	€100,000*
22.	Class H Japanese Yen	Both	¥37,500,000,000	¥37,500,000,000	€100,000*
22.	Class R Sterling	Both	£150,000,000	£150,000,000	£85,000*
23.	Class R Euro	Both	€175,000,000	€175,000,000	€100,000
24.	Class R Dollar	Both	\$200,000,000	\$200,000,000	\$110,000
25.	Class R Swiss Franc	Both	CHF200,000,000	CHF200,000,000	CHF110,000
26.	Class R Japanese Yen	Both	¥21,875,000,000	¥21,875,000,000	€100,000*

The Minimum Shareholding, Minimum Initial Investment and Minimum Additional Investment amounts may be such other amounts as determined by the Directors in their discretion or a currency equivalent of those amounts. The Minimum Initial Investment will never be less than €100,000 (or its currency equivalent) save in respect of Accredited

Employees. Accredited Employees invest in the Class R shares of the Fund and are not subject to the minimum amounts stipulated in the table above or the regulatory minimum initial investment amount of €100,000.

\*Denotes that such amounts may apply in their currency equivalent provided that the Minimum Initial Investment will never be less than €100,000.

Other than Class D Shares, the differences between the Share classes are the investment minima shown above and/or the charging structures detailed in the **Charges and Expenses** section in order to meet the needs of different distribution channels.

### **Class D Shares**

Class D Shares may only be acquired and held by institutional investors and may not be acquired, directly or through an intermediary, by an individual/natural person. In this respect, the Application Form provides that Class D shares cannot be transferred to individuals/natural persons.

The number of shareholders of Class D Shares is limited to 100 institutional investors.

Any fees and expenses incurred in respect of the specific reporting requirements of Class D Shares will be borne by the Shareholders of Class D Shares and are not included in the Annual Charge for these Share Classes.

#### **11.2 Accounting Date**

31st December in each year.

#### **11.3 Base Currency**

Euro

#### **11.4 Business Day**

Every calendar day (except Saturday or a Sunday) on which retail banks and regulated stock exchanges and markets in London and Dublin are open for business.

#### **11.5 Dealing Day**

The first Business Day of each month and such other Business Day or Business Days as the Directors may determine and as notified in advance to all Shareholders.

#### **11.6 Dealing Deadline**

For subscriptions, 5.00pm Irish time on the Business Day two calendar days preceding the relevant Dealing Day.

For repurchases up to a value of €2,000,000 on any one Dealing Day, 5.00pm Irish time on the Business Day fifteen calendar days preceding the relevant Dealing Day.

For repurchases of a value exceeding €2,000,000 on any one Dealing Day, 5.00pm Irish time on the Business Day sixty calendar days preceding the relevant Dealing Day.

In each case the Directors have the discretion to accept applications after the Dealing Deadline provided they are received before the relevant Valuation Point.

## 11.7 Issue Prices

	Share Class	Initial Offer Period	Issue Price	Share Class Hedging
1.	Class A Sterling	Closed	Net Asset Value per Share	Yes
2.	Class A Euro	Closed	Net Asset Value per Share	No
3.	Class A Dollar	Commenced	\$100 per Share	Yes
4.	Class A Swiss Franc	Commenced	CHF 100 per Share	Yes
5.	Class A Japanese Yen	Commenced	¥10,000 per Share	Yes
6.	Class B Sterling	Closed	Net Asset Value per Share	Yes
7.	Class C Sterling	Closed	Net Asset Value per Share	Yes
8.	Class C Euro	Closed	Net Asset Value per Share	No
9.	Class C Dollar	Commenced	\$100 per Share	Yes
10.	Class C Swiss Franc	Commenced	CHF 100 per Share	Yes
11.	Class C Japanese Yen	Commenced	¥10,000 per Share	Yes
12.	Class D Euro	Closed	Net Asset Value per Share	No
13.	Class D Japanese Yen	Commenced	¥10,000 per Share	Yes
14.	Class H Sterling	Commenced	£100 per Share	Yes
15.	Class H Euro	Closed	Net Asset Value per Share	No
16.	Class H Dollar	Commenced	\$100 per Share	Yes
17.	Class H Swiss Franc	Commenced	CHF 100 per Share	Yes
18.	Class H Japanese Yen	Commencing	¥10,000 per Share	Yes
19.	Class R Sterling	Closed	Net Asset Value per Share	Yes
20.	Class R Euro	Closed	Net Asset Value per Share	No
21.	Class R Dollar	Commenced	\$100 per Share	Yes
22.	Class R Swiss Franc	Commenced	CHF 100 per Share	Yes
23.	Class R Japanese Yen	Commenced	¥10,000 per Share	Yes
24.	Class A Sterling ACC	Commenced	£100 per Share	Yes
25.	Class A Euro ACC	Commenced	€100 per Share	No
26.	Class A Dollar ACC	Commenced	\$100 per Share	Yes
27.	Class A Swiss Franc ACC	Commenced	CHF 100 per Share	Yes
28.	Class A Japanese Yen ACC	Commenced	¥10,000 per Share	Yes
29.	Class B Sterling ACC	Commenced	£100 per Share	Yes
30.	Class C Sterling ACC	Closed	Net Asset Value per Share	Yes
31.	Class C Euro ACC	Closed	Net Asset Value per Share	No
32.	Class C Dollar ACC	Commenced	\$100 per Share	Yes
33.	Class C Swiss Franc ACC	Commenced	CHF 100 per Share	Yes
34.	Class C Japanese Yen ACC	Commenced	¥10,000 per Share	Yes



	Share Class	Initial Offer Period	Issue Price	Share Class Hedging
35.	Class D Euro ACC	Commenced	€100 per Share	No
36.	Class D Japanese Yen ACC	Commenced	¥10,000 per Share	Yes
37.	Class H Sterling ACC	Commenced	£100 per Share	Yes
38.	Class H Euro ACC	Closed	Net Asset Value per Share	No
39.	Class H Dollar ACC	Commenced	\$100 per Share	Yes
40.	Class H Swiss Franc ACC	Commenced	CHF 100 per Share	Yes
41.	Class H Japanese Yen ACC	Commencing	¥10,000 per Share	Yes
42.	Class R Sterling ACC	Closed	Net Asset Value per Share	Yes
43.	Class R Euro ACC	Closed	Net Asset Value per Share	No
44.	Class R Dollar ACC	Commenced	\$100 per Share	Yes
45.	Class R Swiss Franc ACC	Commenced	CHF 100 per Share	Yes
46.	Class R Japanese Yen ACC	Commenced	¥10,000 per Share	Yes

The initial offer period for the Share Classes marked **commenced** will continue until 5.00pm (Irish time) on 30 July 2020 or such longer or shorter period as the Directors may determine and, where required, notify to the Authority.

The initial offer period for the Share Classes marked **commencing** will begin at 9.00am (Irish time) on 30 January 2020 and will continue until 5.00pm (Irish time) on 30 July 2020 or such longer or shorter period as the Directors may determine and, where required, notify to the Authority.

The initial offer period for all other Share Classes marked as **closed** in the table above has now closed.

#### 11.8 Minimum Fund Size

The minimum size of the Fund will be £25,000,000 or such other amount as may be determined by the Directors in their discretion.

#### 11.9 Preliminary Charge

Up to 2% of the Net Asset Value per Share, payable to any distributor or placement agent as the AIFM directs. To protect the interests of all other investors, the Directors may also at their absolute discretion charge an Anti-Dilution Levy. Further detail on this is included in the **Subscription for Shares** section in the Prospectus.

#### 11.10 Repurchase Charge

Up to 5% of the Net Asset Value per Share if the redemptions take place within 12 months of initial investment, payable to the Fund. In order to protect the interests of all other investors, the Directors may at their absolute discretion also charge an Anti-Dilution Levy (as further described in the **Repurchase of Shares** section of the Prospectus).

#### 11.11 Settlement Date

In the case of subscriptions, cleared funds, the Application Form and all supporting documentation must be received two Business Days before the relevant Dealing Day (or such other time as the Directors may agree provided the Application Form is received before the relevant Valuation Point).

In the case of repurchases, settlement will be made within ten Business Days after the relevant Dealing Day provided all of the relevant duly signed repurchase documentation has been received by the Administrator.

#### 11.12 Valuation Point

9:00am CET on the relevant Dealing Day.

### 12 SHARE CLASS CURRENCY HEDGING

The Base Currency of the Fund is the Euro. It is the AIFM's current intention to hedge the currency exposure of the Shareholders of the Currency Hedged Share Classes which are the Share classes available for subscription in the Fund denominated in non-Euro currencies.

The adoption of this strategy may substantially limit Shareholders of those classes from benefiting if the currency of their share class falls against the Euro and/or against the other currencies in which the assets of the Fund are denominated but is also designed to partially protect Shareholders of Currency Hedged Share Classes in the event of the currency of their Share class rising against the Euro and/or against the other currencies in which the assets of the Fund are denominated. All costs and gains/losses of such hedging transactions (including any fees or costs of any hedging provider at any normal commercial rates) will accrue solely to the Shareholders of the relevant class and shall not form part of the assets of the Fund or constitute a liability of the Fund save where they cannot be satisfied out of the assets attributable to that class.

Shareholders of a Currency Hedged Share Class should be aware that the exchange rate used for the purpose of converting the proceeds of their trade to or from Euro is likely to be the rate prevailing at the time the necessary currency hedging contracts are put in place which means that this exchange rate risk is borne by those transacting Shareholders rather than by the other Shareholders in the Fund.

The implication of this currency hedging policy is that Shareholders of the Currency Hedged Share Classes will limit any potential currency risk of the value if the currency of their share class rising against the Euro. On the other hand, as well as incurring the cost of such hedging transactions, Shareholders of the Currency Hedged Share Classes will sacrifice the potential gain should the currency of their share class fall against the Euro.

### 13 HOW TO BUY SHARES

Application for Shares should be made on the Application Form and be submitted in accordance with the provisions set out in the Prospectus to be received by the Administrator on or before the Dealing Deadline for the relevant Dealing Day.

The Minimum Shareholding must be maintained by each Shareholder in the Fund (subject to the discretion of the Directors) following any partial repurchase, exchange or transfer of Shares.

Payment in respect of the issue of Shares must be made by the relevant Settlement Date by electronic transfer in cleared funds in the currency of the relevant Share Class.

This section should be read in conjunction with the section in the Prospectus entitled **Subscription for Shares**.

#### *Class D Shares*

Class D Shares may only be acquired and held by institutional investors and may not be acquired, directly or through an intermediary, by an individual/natural person. In this respect, the Application Form provides that Class D Shares cannot be transferred to individuals/natural persons.

The number of shareholders of Class D Shares is limited to 100 institutional investors.

## 14 HOW TO SELL SHARES

Requests for the sale of Shares should be submitted to the Company care of the Administrator in accordance with the provisions set out in the Prospectus, giving at least fifteen calendar days prior written notice of requests for the sale of Shares up to a value of €2,000,000, or at least sixty calendar days prior written notice of requests for the sale of Shares valuing in excess of €2,000,000 (unless such notice is waived by the Directors in their sole discretion). Requests received on or prior to a Dealing Deadline will be dealt with on the relevant Dealing Day. A repurchase request once given will not be capable of revocation without the consent of the Administrator.

The amount due on the repurchase of Shares of any class in the Fund will be paid by the Settlement Date by electronic transfer to an account in the name of the Shareholder. Payment of the proceeds of repurchase will only be paid on receipt by the Administrator of any relevant repurchase documentation.

No Shareholder shall be entitled to realise part only of his holding of Shares of any class in the Fund if such realisation would result in his holding of Shares of such class after such realisation being below the Minimum Shareholding.

In the event that a Shareholder requires payment of repurchase 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 the receipt of the repurchase request form.

The Constitution contains special provisions where a repurchase request received from a Shareholder would result in more than 5% of the Net Asset Value of Shares in issue being repurchased on any Dealing Day. These provisions are summarised under the section in the Prospectus entitled **Repurchase of Shares**.

The Fund is entitled to limit the number of Shares repurchased on any Dealing Day to 10% of the total Net Asset Value of Shares in issue on that Dealing Day or such other amount as they may in their absolute discretion determine subject to the terms of the Prospectus. The repurchases effected on that Dealing Day will be effected pro rata in the manner described under the section in the Prospectus entitled **Repurchases of Shares**.

To ensure fair treatment of Shareholders, the Company does not offer preferential redemption provisions to any Shareholders of the Fund.

This section should be read in conjunction with the section in the Prospectus entitled **Repurchases of Shares**.

## 15 CHARGES AND EXPENSES

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

### 15.1 Annual Charge

The Fund will pay an annual charge out of the assets of the Fund to cover portfolio management services, operating, administration and oversight costs associated with the Fund (plus any VAT applicable) (the **Annual Charge**). Such charge will accrue daily and will be calculated on each Dealing Day and paid monthly in arrears.

	<b>Class A Shares</b>	<b>Class B Shares</b>	<b>Class C Shares</b>	<b>Class D Shares</b>	<b>Class R Shares</b>	<b>Class H Shares</b>
<b>Annual Charge</b>	1.10%	1.50%	0.65%	0.65%	0.575%	0.525%

The Annual Charge for each Share Class is calculated on the basis of the Net Asset Value of each Share Class and includes:

- (a) fees and charges associated with the portfolio management services, operation, administration and oversight costs associated with the Fund;

- (b) fees and expenses payable to the Service Providers including their out of pocket expenses as permitted pursuant to any contractual arrangements with such Service Provider;
- (c) fees and expenses of any delegates (including sub-custodians) of such Service Providers;
- (d) costs of preparation and dissemination of the Supplement, Prospectus and Constitution as well as financial statements and other reports and notifications to Shareholders;
- (e) costs, fees and expenses in respect of the distribution of the Shares;
- (f) costs, fees and expenses of any paying agent or representative appointed in compliance with the requirements of another jurisdiction;
- (g) costs, fees and expenses relating to Share Class currency hedging (where relevant); and
- (h) remuneration paid to Directors who are not connected with the AIFM as set out in the Prospectus.

## 15.2 Portfolio Transaction Costs

In common with other types of investors in financial markets, the Fund incurs costs when buying and selling underlying investments in pursuit of its investment objective. These portfolio transaction costs may include dealing spreads, collateral management fees, brokerage fees and commissions, interest or taxes payable, gains and losses associated with currency hedging transactions (including share class currency hedging transactions), and other transaction-related expenses, as well as any fees and expenses (including but not limited to legal, tax and technical advisor fees and expenses) relating to the sourcing of or making of investments (or potential investments).

Shareholders should note that these costs are not included in the Annual Charge, but will impact the Net Asset Value of the Fund.

## 15.3 Extraordinary Expenses

In addition, the Fund may bear any extraordinary expenses including, without limitation, litigation expenses and the full amount of any tax, levy, duty or similar charge imposed on the Fund that would not be considered as ordinary expenses.

## 15.4 Collective Investment Scheme Costs

The Collective Investment Schemes in which the Fund may invest may charge subscription, redemption, management, performance, distribution, administration and depositary fees and other operating expenses. Accordingly, the Fund would indirectly pay its pro rata share of the fees and expenses charged by each Collective Investment Scheme as well as the operating fees and expenses of each Collective Investment Scheme. These Collective Investment Schemes may also be subject to performance fees. All such fees and expenses will be reflected in the valuation of the Collective Investment Schemes.

Where the Fund invests in a Collective Investment Scheme that is M&G Managed, the AIFM will reduce the Annual Charge by the amount of any equivalent management fee that has been taken on Collective Investment Scheme or the Collective Investment Scheme will rebate the management fee that it would charge such that the AIFM ensures that Shareholders are not charged twice. This will not apply to performance, distribution, administration and depositary fees and other operating expenses. The Collective Investment Schemes may be subject to performance fees in the order of 20% of out-performance above a defined threshold.

Where the Fund invests in Collective Investment Scheme that is M&G Managed, the manager of the Collective Investment Scheme in which the investment is being made will waive any preliminary and/or redemption fee which the manager of the underlying fund would normally be entitled to receive.

### **15.5 Class D Reporting Expenses**

The fees and expenses incurred in respect of the specific reporting requirements of Class D Shares will be borne by the Shareholders of Class D Shares and are not included in the Annual Charge of these Share Classes as described in section 15.1.

## **16 DISTRIBUTOR STATUS**

The Fund was granted Reporting Fund (RF) status in the UK by HM Revenue & Customs with effect from 1 January 2011 under the Offshore Funds (Tax) Regulations 2009 (SI 2009/3001). It is the Company's intention that the Fund will remain within the regime and has implemented processes to meet the requirements of RF status. Prior to the date of this supplement, the Fund obtained Distributor Status under the Income Taxes Act 1988.

## **17 MISCELLANEOUS**

Further details on the other sub-funds of the Company are available on request from the AIFM.

The Fund was approved by the Authority on 8 August 2005.

## **Appendix**

Aerostar S.A.

Aeroteh

Ashot Ashkelon

Alliant Techsystems Inc.

Aryt Industries Ltd

Doosan Corporation

GenCorp Inc

General Dynamics Corp.

Hanwha Corporation

Kaman Corp.

L-3 Communications Corp.

Lockheed Martin Corporation

Norinco

Poongsan Corporation

Singapore Technologies Engineering

Splav State Research

Textron