

## **LSAM SF 3 plc**

An umbrella fund with segregated liability between sub-funds

A company incorporated with limited liability as an investment company with variable capital incorporated under the laws of Ireland with registered number 426254)

(the "**Company**")

## **CONSOLIDATED PROSPECTUS FOR GERMANY**

**Information contained herein is selective, containing specific information in relation to the Company. This document forms part of and should be read in conjunction with the Prospectus for the Company dated 5 March 2021 together with any supplement or addendum thereto (collectively the "Prospectus"). This document is for distribution in Germany only.**

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

Dated: 22 November 2023

# **LSAM SF 3 Plc**

## **INVESTMENT COMPANY**

**An open-ended investment company with variable capital incorporated  
in Ireland with registered number 426254 established as an umbrella fund with segregated  
liability between sub-funds**

## **PROSPECTUS**

5 March 2021

**McCann FitzGerald**  
Solicitors  
Riverside One  
Sir John Rogerson's Quay  
Dublin 2

## IMPORTANT INFORMATION

The Directors of the Company, whose names appear on page (iv), accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

**The Company has been authorised by the Central Bank as an undertaking for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended. The authorisation of the Company by the Central Bank is not an endorsement or guarantee of the Company by the Central Bank nor is the Central Bank responsible for the contents of this Prospectus. In addition, the authorisation of the Company by the Central Bank shall not constitute a warranty as to the performance of the Company and the Central Bank shall not be liable for the performance or default of the Company.**

**Investors should note that since transferable securities may depreciate as well as appreciate in value, no assurance can be given by the Company or the Directors or any of the persons referred to in this Prospectus that the Company will attain its objectives. The price of Shares, in addition to the income therefrom, may fall as well as rise. The Manager may also charge a redemption fee of up to 2% in the case of redemptions. Accordingly, an investment should only be made where the investor is or would be in a position to sustain any loss on his or her investment. The difference at any one time between the sale and repurchase price of the Shares of any Fund means that the investment should be regarded as medium to long term.**

**Some of the Funds may use financial derivative instruments for investment purposes. While the prudent use of such derivatives can be beneficial, derivatives also involve risks different from, and in certain cases, greater than, the risks presented by more traditional investments. Structured derivative transactions are complex and may involve a high degree of loss.**

Investors' attention is drawn to the "General Risk Factors" set out on page 17. Prospective investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own jurisdictions for the purchase, holding or disposal of Shares; (b) any applicable foreign exchange restrictions; and (c) any income and other taxes which may apply to their purchase, holding or disposal of Shares or payments in respect of Shares.

**If investors are in any doubt regarding the action that should be taken, they should consult their stockbroker or other financial adviser.** The distribution of this Prospectus and the offering of the Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Company to inform themselves about and to observe any such restrictions. This Prospectus does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

This document may not be authorised or distributed in any jurisdiction unless it is accompanied by the Company's most recent annual or interim report (when available). This document (and any Supplement attached hereto) together constitute the Prospectus for the issue of Shares in the Company.

## Selling Restrictions

### Switzerland

Shares of the Company may be registered for sale in Switzerland. Details will be set out in the applicable Supplement.

### United States

The Company does not currently issue, offer for sale (directly or indirectly) or permit the transfer of Shares to or for the benefit of U.S. Persons. The Shares may not be assigned, resold, pledged, exchanged or otherwise transferred (each, a “Transfer”) to or for the benefit of a U.S. Person (as defined in this Prospectus).

The Shares have not been, and will not be, registered under the 1933 Act, or qualified under any applicable state statutes and may not be offered, sold or transferred in the United States (including its territories and possessions) or to or for the benefit of, directly or indirectly, any U.S. Person (as that term is defined herein). The Company has not been, and will not be, registered under the U.S. Investment Company Act of 1940, as amended (the “1940 Act”), and investors will not be entitled to the benefits of such registration.

The Directors will reject any proposed purchase of Shares by, or Transfer of Shares to, a U.S. Person or for the benefit of a U.S. Person and will require the transfer or redemption of any Shares held by, or for the benefit of, any person who is a U.S. Person or is holding Shares for the account of, or for the benefit of, a U.S. Person.

**Any Shareholder who becomes a U.S. Person after his or its initial investment in the Company will have their Shares compulsorily redeemed in accordance with the provisions of this Prospectus and will be prohibited from purchasing additional Shares of any sub-fund of the Company, or exchanging Shares of one sub-fund for Shares of another sub-fund, for so long as such Shareholder is a U.S. Person.**

Each Shareholder is required to notify the Company immediately of any change in his or its status as a U.S. Person.

Investors may not enter into or issue any derivative or structured product (each, a “Structured Product”), the return on which is based, directly or indirectly, in whole or in part, on the value of the Company, any sub-fund of the Company or any Shares without the prior consent of the Company, which may be granted, conditioned or withheld in the sole discretion of the Directors.

Notwithstanding the foregoing, the Directors shall **not** consent to the creation or issuance of any Structured Product that is entered into or issued with or to any entity (each, a “Structured Product Investor”), such that (i) the Structured Product Investor (and, where the Structured Product is held by the Structured Product Investor on behalf of any underlying beneficial owner, such underlying beneficial owner) would be a beneficial owner of Shares for purposes of the 1940 Act unless such Structured Product Investor (and, where applicable, underlying beneficial owner) is a U.S. Person; and (ii) the sale of the Structured Product or the purchase of the Structured Product by any Structured Product Investor (and, where the Structured Product is held by the Structured Product Investor on behalf of any underlying beneficial owner, such underlying beneficial owner) would result in any violation by the Company, any sub-fund of the Company and/or any investment adviser to the Company or any sub-fund of the Company of any laws or regulations in any jurisdiction.

**Section 871(m) of the U.S. Tax Code requires withholding (up to 30%, depending on whether a treaty applies) on certain financial instruments to the extent that the payments or deemed payments on the financial instruments are contingent upon or determined by reference to U.S. source dividends. Under U.S. Treasury Department regulations, certain payments or deemed payments to non-U.S. Holders with respect to certain equity-linked instruments that reference U.S. stocks may be treated as dividend equivalents that are subject to U.S. withholding tax at a rate of 30% (or lower treaty rate). Under these regulations, withholding may be required even in the**

absence of any actual dividend-related payment or adjustment made pursuant to the terms of the instrument. Financial instruments issued on or after January 1, 2016 are subject to these regulations and, therefore, payments with respect to such financial instruments could be subject to withholding under Section 871(m). Moreover, it is possible that such withholding tax could apply to the Securities under these rules if, for example, the Non-U.S. Holder enters into certain subsequent transactions in respect of the Underlying References. If withholding is required, we (or the applicable paying agent) would be entitled to withhold such taxes without being required to pay any additional amounts with respect to amounts so withheld. Non-U.S. Holders should consult with their tax advisors regarding the application of Section 871(m) and the regulations thereunder in respect of their acquisition and ownership of the Securities.

## **DIRECTORY**

### **Directors**

Colm Torpey  
Alan White  
Robert Burke

### **Administrator, Registrar and Transfer Agent**

State Street Fund Services (Ireland) Limited  
78 Sir John Rogerson's Quay  
Dublin 2  
Ireland

### **Manager**

Lantern Structured Asset Management Limited  
First Floor College Park House  
South Frederick Street  
Dublin 2  
Ireland

### **Distributor in respect of non-exempt EEA investors**

UBS Europe SE  
Bockenheimer  
Landstraße 2-4  
OpernTurm 60306  
Frankfurt am Main  
Germany

### **Auditors**

KPMG  
1 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

### **Registered Office**

First Floor College Park House  
South Frederick Street  
Dublin 2  
Ireland

### **Depository**

State Street Custodial Services (Ireland) Limited  
78 Sir John Rogerson's Quay  
Dublin 2  
Ireland

### **Company Secretary of the Company and the Manager**

Colm Torpey  
First Floor College Park House  
South Frederick Street  
Dublin 2  
Ireland

### **Distributor in respect of UK investors, non-EEA investors and exempt EEA investors**

UBS AG, London Branch  
5 Broadgate  
London  
EC2M 2QS  
United Kingdom

### **Legal Advisers**

McCann FitzGerald  
Riverside One  
Sir John Rogerson's Quay  
Dublin 2  
Ireland

## DEFINITIONS

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The following definitions apply throughout this Prospectus unless the context requires otherwise:

<b>“Act”</b>	means the Companies Act 2014, as may be modified, amended, supplemented, consolidated or re-enacted from time to time;
<b>“Administrator”</b>	means State Street Fund Services (Ireland) Limited or such other person or persons from time to time appointed by the Manager and the Company as the administrator of the Company in accordance with the requirements of the Central Bank;
<b>“Administration Agreement”</b>	means the agreement dated 29 July 2016 (and any subsequent amendments thereto) entered into between the Manager, the Administrator and the Company;
<b>“AIF”</b>	means collective investment undertakings, including investment compartments thereof, which: (i) raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and (ii) do not require authorisation pursuant to Article 5 of Directive 2009/65/EC;
<b>“Base Currency”</b>	means the base currency of a Fund as set out in the applicable Supplement;
<b>“Benchmarks Regulation”</b>	means Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014;
<b>“Cash Deposits”</b>	means deposits (i) that are repayable on demand; or have the right to be withdrawn; and (ii) have a maturity date of no more than twelve months;
<b>“Calculation Agent”</b>	means the calculation agent as set out in the applicable Supplement;
<b>“Central Bank”</b>	means the Central Bank of Ireland or any successor regulator thereto;
<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 may be amended, supplemented or modified from time to time and any other statutory instrument, regulations, rules, conditions, notices, requirements or guidance of the Central Bank issued from time to time applicable to the Company pursuant to the Principal Regulations

	and the Delegated Regulation or either of them, as the case may be;
<b>“Closing Date”</b>	means the closing date of the Initial Offer in respect of a Fund or Class of Shares as set out in the applicable Supplement;
<b>“Collective Investment Scheme”</b>	means UCITS and/or collective investment schemes other than UCITS in which the Funds may invest pursuant to the Central Bank UCITS Regulations;
<b>“Company”</b>	means LSAM SF 3 plc;
<b>“Constitution”</b>	means the memorandum and articles of association of the Company;
<b>“Data Protection Law”</b>	means (i) Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) and (ii) the Irish Data Protection Act 2018, as either may be amended or supplemented, and any applicable and legally binding directions, determinations, codes of practice, orders, notices or demands issued by any supervisory authority and any applicable national, international, regional, municipal or other data privacy authority or other data protection laws or regulations in any other territory which are otherwise applicable;
<b>“Delegated Regulation”</b>	means any delegated regulation adopted by the European Commission supplementing Directive 2009/65/EC of the European Parliament and of the Council, including European Commission Delegated Regulation EU 2016/438;
<b>“Depositary”</b>	means State Street Custodial Services (Ireland) Limited, or such other person or persons from time to time appointed by the Company as the Depositary of the Company with the prior approval of the Central Bank;
<b>“Depositary Agreement”</b>	means the agreement dated 29 July 2016 (and any subsequent amendments thereto) entered into between the Company and the Depositary;
<b>“Directors”</b>	means the board of directors of the Company, whose names appear on page (iv) of this Prospectus;
<b>“Distribution Agreement”</b>	means any distribution agreement entered into between the Manager, the Distributor(s) and the Company (and any subsequent amendments thereto or restatement thereof);
<b>“Distributors”</b>	means (i) UBS AG, London Branch in respect of



	UK investors, non-EEA investors and exempt EEA investors and UBS Europe SE in respect of non-exempt EEA investors; and/or (ii) such other person or persons appointed by the Company and the Manager as distributor to the Company from time to time, and a “ <b>Distributor</b> ” shall refer to any one of UBS AG, London Branch, UBS Europe SE; and/or such other person or persons appointed by the Company and the Manager as distributor to the Company from time to time, as applicable;
“ <b>ESMA</b> ”	means the European Securities and Markets Authority;
“ <b>Euro</b> ” or “ <b>€</b> ”	means the currency referred to in the second sentence of Article 2 of the Council Regulation (EC) No. 974/98 of 3 May 1998 and as adopted as the single currency of the participating Member States of the European Union;
“ <b>Fund(s)</b> ”	means an existing sub-fund of the Company and any further sub-fund or sub-funds to be established by the Company with the prior approval of the Central Bank;
“ <b>Fund Business Day</b> ”	means a business day of a Fund as set out in the applicable Supplement;
“ <b>Initial Offer</b> ”	means the initial offer of Shares in a Fund as set out in the applicable Supplement;
“ <b>Intermediary</b> ”	means a person who (a) carries on a business which consists of, or includes, the receipt of payment from an investment undertaking on behalf of other persons, or (b) holds units in an investment undertaking on behalf of other persons;
“ <b>Investment Manager</b> ”	means such person or persons from time to time appointed by the Manager and/or the Company to provide investment management services to a Fund, as described in the applicable Supplement;
“ <b>Ireland</b> ”	means the Republic of Ireland;
“ <b>Irish Resident</b> ”	means any person Resident or Ordinarily Resident in Ireland for tax purposes;
“ <b>Management Fee</b> ”	means the fee payable to the Manager in relation to each Fund for its services as manager as more fully described on page 44 of this Prospectus and as described in the applicable Supplement;
“ <b>Management Agreement</b> ”	means the agreement dated 9 May 2007 (and any subsequent amendment thereto) entered into between the Company and the Manager;
“ <b>Manager</b> ”	means Lantern Structured Asset Management Limited, who is the ‘responsible person’ for the

	purposes of the Central Bank UCITS Regulations, or such other person or persons from time to time appointed by the Company as the Manager of the Company in accordance with the requirements of the Central Bank;
<b>“Maturity Date”</b>	means (where applicable) the maturity date of a Swap Agreement as set out in the applicable Supplement;
<b>“Minimum Holding”</b>	means (where applicable) the minimum share holding in respect of any Fund as provided for in the applicable Supplement;
<b>“Minimum Subscription”</b>	means (where applicable) the minimum subscription in respect of any Fund as provided for in the applicable Supplement;
<b>“Money Market Instruments”</b>	means money market instruments in which a Fund may invest in accordance with the requirements of the Central Bank;
<b>“Net Asset Value”</b>	means the net asset value of the Company or of a Fund or of a Class of Shares of a Fund as more fully described in the section headed “Valuation” on page 40;
<b>“OECD”</b>	means the Organisation for Economic Co-operation and Development whose current members comprise Australia; Austria; Belgium; Canada; Chile; Czech Republic; Denmark; Estonia; Finland; France; Germany; Greece; Hungary; Iceland; Ireland; Israel; Italy; Japan; Korea; Latvia; Lithuania; Luxembourg; Mexico; Netherlands; New Zealand; Norway; Poland; Portugal; Slovak Republic; Slovenia; Spain; Sweden; Switzerland; Turkey; United Kingdom and United States;
<b>“OTC Derivative”</b>	means a financial derivative dealt over-the-counter;
<b>“Participating Share” or “Shares”</b>	means a Participating Share in the capital of the Company of no par value, issued subject to, and in accordance with, the Act, the Principal Regulations and the Constitution;
<b>“Principal Regulations”</b>	means the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011), as amended, supplemented, consolidated or otherwise modified from time to time;
<b>“Recognised Market”</b>	means any regulated stock exchange or market, details of which are set out in Appendix III to this Prospectus;
<b>“Redemption Date”</b>	means the relevant day on which the Shares in a Fund can be redeemed as set out in the applicable

	Supplement;
<b>“Sales Agent”</b>	means an entity duly appointed by a Distributor for the marketing of Fund Shares;
<b>“Shareholder”</b>	means a holder of Shares in the Company;
<b>“Subscriber Share”</b>	means a subscriber share of €1.00 each in the capital of the Company;
<b>“Subscription Date”</b>	means the relevant day on which Shares in a Fund can be purchased as set out in the applicable Supplement;
<b>“Supplement”</b>	means a supplement to this Prospectus containing information relating to a particular Fund;
<b>“Swap Agreement”</b>	means the Swap Agreement or Swap Agreements relating to a particular Fund as provided for in a particular Supplement;
<b>“Swap Counterparty”</b>	means the Swap Counterparty relating to a particular Fund as provided for in a particular Supplement;
<b>“Transferable Securities”</b>	means transferable securities in which a Fund may invest in accordance with the requirements of the Central Bank;
<b>“UCITS”</b>	means an undertaking the sole object of which is the collective investment in Transferable Securities and/or other liquid financial assets permitted under the Principal Regulations of capital raised from the public and which operates on the principle of risk-spreading and the units of which are at the request of the holders repurchased or redeemed directly or indirectly out of those undertakings’ assets. Action taken by a UCITS to ensure that the stock exchange value of its units does not vary significantly from their net asset value shall be regarded as equivalent to such repurchase or redemption. Other liquid financial assets include cash deposits, financial derivative instruments, other collective investment undertakings, index tracking funds and Money Market Instruments;
<b>“UCITS Directive”</b>	means Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities as amended by Directive 2014/911/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions,

	remuneration policies and sanctions and as may be further amended from time to time;
<b>“United States” or “US”</b>	includes the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
<b>“US\$” or “US Dollars”</b>	means US dollars, the lawful currency of the United States;
<b>“U.S. Person”</b>	means a person who is in either of the following three categories: (a) a person included in the definition of “U.S. person” under Rule 902 of Regulation S under the 1933 Act (as such definition may be amended from time to time) or (b) a United States person within the meaning of Executive Order 13959 or (c) a person excluded from the definition of a “Non-United States person” as used in CFTC Rule 4.7 (as such definition may be amended from time to time). For the avoidance of doubt, a person is excluded from this definition of U.S. Person only if he or it does not satisfy any of the definitions of “U.S. person” in Rule 902 and qualifies as a “Non-United States person” under CFTC Rule 4.7;
<b>“Valuation Date”</b>	means the relevant Fund Business Day on which the Net Asset Value of a Fund is calculated as set out in the applicable Supplement. For the avoidance of doubt, there will be a Valuation Date in respect of each Subscription Date and Redemption Date; and
<b>“Valuation Point”</b>	means the relevant time in respect of each Valuation Date at which the Net Asset Value of a Fund is calculated as set out in the applicable Supplement.

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## THE COMPANY

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### Introduction

The Company was incorporated on 11 September 2006 with registered number 426254 as an open-ended umbrella-type investment company with variable capital. It is authorised in Ireland by the Central Bank as a UCITS pursuant to the Principal Regulations. The liability of the members is limited.

The Company is organised in the form of an umbrella fund with segregated liability between Funds. The Constitution provides that the Company may offer separate Classes of Shares, each representing interests in a Fund. Each Fund will have a distinct portfolio of investments, and more than one Class of Shares may be issued in respect of any Fund with the prior approval and clearance by the Central Bank. The Company may from time to time create additional Classes of Shares within a Fund in accordance with the requirements of the Central Bank. Separate books and records will be maintained for each Fund but not for each class.

The Directors may, in their absolute discretion, differentiate between the rights attaching to the different Classes of Shares within a particular Fund including, without limitation, the dividend policy, the level of management fees, the subscription charge and/or the redemption charge payable in respect of each class.

The subscriber share capital of the Company is denominated in Euro. The Base Currency of a Fund will be as set out in the applicable Supplement.

Details of any Fund or Funds created in the future shall be as set out in the applicable Supplement in accordance with the requirements of the Central Bank. The applicable Supplement shall form part of, and should be read in conjunction with, this Prospectus.

At the date hereof, there are currently four Funds in the Company.

### Investment Objectives, Policies and Restrictions

The assets of each Fund will be invested in accordance with the investment objectives and policies of that Fund as set out in the applicable Supplement. The Company and its Directors, in consultation with the Manager, are responsible for the formulation of the investment policy of each Fund and any subsequent change to that policy. Each Fund is subject to the investment and borrowing restrictions contained in the Principal Regulations and Central Bank UCITS Regulations and as set out in Appendix II. Additional restrictions (if any) relevant to each Fund will be as set out in the applicable Supplement.

The Company is authorised in Ireland by the Central Bank as a UCITS. Pursuant to the Principal Regulations, a UCITS is permitted to invest, *inter alia*, in Transferable Securities listed on Recognised Markets, Collective Investment Schemes, Cash Deposits, Money Market Instruments and exchange traded and/or OTC Derivatives. Details of the types of investments in respect of each Fund will be set out in the applicable Supplement.

### References to Benchmarks

Certain Funds may refer to indices within the Supplement of the relevant Funds. These indices may be referenced for various purposes including, but not limited to operating as a reference benchmark and relative VaR measurement. Where an index is used for such purposes the relevant index will not be used to measure the performance of the Fund for the purposes of defining asset allocation in accordance with Article 3 (1)(7)(e) of the Benchmarks Regulation. The particular purpose of the relevant index shall be clearly disclosed in the relevant Supplement. Shareholders should note that the Company and/or its distributors may from time to time refer to other indices in marketing literature or other communications purely for financial or risk comparison purposes. However, unless such indices are referred to as such in the Supplement of the Fund they are not formal benchmarks against which the Fund is managed.

Where relevant the Manager shall put in place written plans, in accordance with Article 28(2) of the Benchmarks Regulation, detailing the actions it will take in the event that any index it uses for any Fund in accordance with Article 3 (1)(7)(e) of the Benchmarks Regulation materially changes or ceases to be provided. These written plans shall detail

the steps the Manager will take to nominate a suitable alternative index. Copies of these written plans may be obtained on request from the Manager.

Any index used by a Fund in accordance with Article 3 (1)(7)(e) of the Benchmarks Regulation shall be provided by an administrator and either the index or the administrator of such index shall be included in the register referred to in Article 36 of the Benchmarks Regulation or availing of the transitional arrangements pursuant to Article 51 of the Benchmarks Regulation. In the event that any index used by a Fund (for the purposes contemplated by the Benchmarks Regulation), or the administrator of such index, is not or ceases to be included in the register referred to in Article 36 of the Benchmarks Regulation, the Fund will discontinue its use of the relevant index and/or an alternative index may be identified for use by the relevant Fund.

Certain aspects of Regulation EU 2017/2402 (the “**Securitisation Regulation**”) apply to UCITS such as the Company from 1 January 2019. Accordingly, where a Fund is exposed to securitisations, the Investment Manager of the Fund will carry out a due diligence process before becoming exposed to a securitisation and on an ongoing basis as long as they remain exposed to a securitisation. The Investment Manager will ensure that the securitisation is risk retention compliant with the originator retaining a material net economic interest of not less than 5% in the securitisation and on an ongoing basis, the originator of the securitisation will make available to holders of a securitisation position certain information on the transaction and underlying exposures in accordance with the Securitisation Regulation.

Any change in investment objectives or material change in the investment policies of a Fund will only be made with the prior approval of the majority of the Shareholders of the Fund. In the event of a change to the investment objective or a material change to the investment policy of a Fund, a reasonable notification period shall be given to all Shareholders in the Fund to enable them, if they choose to do so, to redeem their Shares in the relevant Fund prior to the implementation of such changes.

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

Investors should have regard to the description of a typical investor of the relevant Fund of the Company, under the heading “Profile of a Typical Investor” in the applicable Supplement.

### **Key Investor Information Document**

Please refer to the synthetic risk and reward indicator (the “SRRI”) as disclosed in the “Risk and Reward Profile” section of the key investor information document (the “**Key Investor Information Document**”) for the relevant Class of Shares in which you are invested in or proposed to invest in. The SRRI is based on the volatility of a Fund calculated in accordance with the UCITS requirements. The higher the risk grading of the SRRI may mean that the net asset value of a Fund is likely to experience higher levels of volatility.

### **Use of Financial Derivative Instruments**

At the discretion of the Directors, any Fund may use financial derivative instruments (“**FDIs**”) for investment purposes. Full details of the intended use of FDIs as part of a Fund’s investment policy will be set out in the applicable Supplement in accordance with the requirements of the Central Bank. The use of FDIs will be in accordance with the provisions of Appendix I of this Prospectus.

In addition, each Fund may also enter into FDIs with one or more counterparties for the purposes of efficient portfolio management in accordance with the requirements of the Central Bank. Where FDIs are used for the purposes of efficient portfolio management, their role will typically be to reduce market exposures and consequently to reduce market risk. Examples of such FDIs include swaps and forwards which hedge to a greater or lesser extent the risk of losses in a Fund due to movements in foreign exchange rates. In such circumstances, the effect of the FDIs on the performance of a Fund is expected to reduce possible gains and losses which may otherwise have occurred had the FDIs not been in place.

Efficient portfolio management for these purposes means an investment decision involving transactions that are entered into for one or more of the following specific reasons:

- a reduction of risk;
- a reduction of cost; or



- the generation of additional capital or income for a Fund with an appropriate level of risk, taking into account the risk profile of the Fund and subject to the conditions and limits as set out in the Central Bank UCITS Regulations and within any further limits laid down by the Central Bank from time to time.

Accordingly, the types of FDIs that may be used by the Company (and each of its Funds) include, but are not limited to, funded or unfunded total return swaps, forward foreign exchange contracts, spot contracts and options on such contracts, currency futures, swaps, options and swaptions thereon, put and call options on securities, stock index and interest rate futures and options thereon, stocklending, repurchase, reverse repurchase, warrants, contracts-for-difference, equity linked notes and credit default swaps. A Fund may only utilise repurchase agreements, reverse repurchase agreements and securities lending agreement for the purposes of efficient portfolio management.

The Manager and/or the relevant Investment Manager of a Fund may also purchase or sell spot or forward contracts to provide protection against exchange rate risk to which the Fund may be subject. The Manager and/or the Investment Manager may also enter into an interest rate hedge agreement or other interest rate derivatives (e.g., interest rate swaps, caps and floors) on behalf of the Fund to hedge interest rate risk related to fixed rate assets.

In respect of FDIs, collateral may be passed to an OTC Derivative counterparty by or on behalf of the relevant Fund and must be taken into account in calculating exposure of the relevant Fund to the counterparty risk as referred to in the Principal Regulations. See “Collateral Policy” section in Appendix I for further details.

For the avoidance of doubt, the payment of any amounts due and payable by the Fund under OTC Derivatives will take priority over the distribution of dividends to Shareholders.

A summary description of the conditions and limits laid down by the Central Bank with respect to types of FDIs and investment techniques and instruments is provided at Appendix I. Prospective investors are also referred to the “General Risk Factors” section beginning on page 17 herein, and where applicable to the Risk Factors section of the relevant Supplement, which lists certain of the risks associated with the use of relevant financial derivative instruments and with an investment in a Fund.

The Company may be leveraged or may create synthetic short positions (i.e. positions which are in economic terms equivalent to short positions) through the use of financial derivative instruments. A description in relation to each of the categories of assets in which a Fund may invest, whether a Fund will take long positions or short positions or both, and the percentage of assets of a Fund anticipates will be invested in long positions and/ or in short positions respectively will be set out in the applicable Supplement.

The Manager will employ a risk management process which will enable it to monitor and measure the risks attached to financial derivative instruments, and details of this process have been provided to the Central Bank. The Manager will not utilise financial derivative instruments which have not been included in the risk management process until such time as a revised risk management process has been submitted and approved by the Central Bank. The Manager will provide on request to Shareholders supplementary information relating to the risk management methods employed by the Manager including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments of a Fund.

The Manager has submitted a risk management process to the Central Bank in accordance with the requirements of the Central Bank in relation to the FDI transactions in which each Fund will engage. A list of the Recognised Markets on which FDIs may be quoted or traded is set out in Appendix III.

#### Use of stocklending/ repurchase transactions

The Manager and/or the Investment Manager may, for any purpose, enter into sales and repurchase arrangements (repos) and stocklending arrangements with one or more counterparties in accordance with the requirements of the Central Bank (the “**stocklending/ repurchase transactions**”).

Any such stocklending/repurchase transactions will be subject to the conditions, limits and requirements of the Central Bank and the provisions of the Prospectus. In these transactions, collateral may move between the Company and the relevant Counterparty in order to mitigate any counterparty risk in accordance with the Company’s collateral policy set out at Appendix I hereto.

The Company on behalf of the relevant Fund will ensure that it is able at any time to recall any securities subject to the stocklending/repurchase transactions or to terminate the stocklending/repurchase transactions into which it has entered. Fixed-term stocklending/repurchase transactions that do not exceed seven days should be considered as arrangements on terms that allow the assets to be recalled at any time by the Fund.

It is expected that any stocklending/repurchase transactions entered into by the Company in respect of a Fund will be with UBS AG or an affiliate. The purpose of entering any such arrangement will be to reduce the cost of one or more structured OTC FDIs entered into by the Company in respect of a Fund with UBS AG or an affiliate. Consequently, it is expected that the relevant Fund will not receive any specific revenue from the counterparty in respect of the stocklending/repurchase arrangement, rather the Fund will benefit from reduced costs under the terms of the relevant structured OTC FDIs. It is expected that any transaction costs in relation to the operation of the stocklending/repurchase arrangement will be borne by the counterparty (as outlined in the annual report of the Company) and not by the relevant Fund. Notwithstanding this, should any specific revenue arise from stocklending / repurchase transactions, the Manager shall ensure that such revenue shall be returned to the Fund following the deduction of any direct and indirect operational costs and fees arising.

From time to time, a relevant Fund may engage stocklending/repurchase transactions counterparties and/or securities lending agents that are related parties to the Depositary or other service providers of the Company. Such engagement may on occasion cause a conflict of interest with the role of the Depositary or other service provider in respect of the Company. Please refer to “Conflicts of Interest” section at page 30 of this Prospectus for further details on the conditions applicable to any such related party transactions. The identity of any such related parties will be specifically identified in the Company’s semi-annual and annual reports.

Stocklending/repurchase transactions do not constitute borrowing or lending for the purposes of the Principal Regulations.

#### **Securities Financing Transactions (SFTs) and Total Return Swaps (“TRS”)**

Each Fund may utilise SFTs or TRS. The counterparties to such SFTs or TRS will be corporate entities (which may or may not be related to the Company, Manager, Depositary or their delegates) typically located in OECD jurisdictions. The Manager will conduct due diligence in the selection of counterparties to SFTs and TRS (“**SFT Counterparties**”) for the Funds in order to ensure those counterparties are institutions subject to prudential supervision and belong to categories approved by the Central Bank. As part of this assessment the Manager will have regard to the legal status, location and minimum credit rating (where relevant) of the particular counterparty. It is expected that the relevant Fund will not receive any specific revenue from the counterparty in respect of SFT arrangements, rather the Fund will benefit from reduced costs under the terms of the relevant arrangements. It is expected that any transaction costs in relation to the operation of the SFT arrangement will be borne by the counterparty (as outlined in the annual report of the Company) and not by the relevant Fund. Notwithstanding this, should any specific revenue arise from SFT transactions, the Manager shall ensure that such revenue shall be returned to the Fund following the deduction of any direct and indirect operational costs and fees arising.

The type of assets subject to SFTs and TRS and the expected and maximum proportion of a Fund’s Net Asset Value subject to them is described in the applicable Supplement but will not exceed the investment restrictions prescribed in Appendix II.

For collateral management, SFTs and TRS will be subject to the “Collateral Policy” section outlined at Appendix I.

The risks associated with SFTs and TRS are more fully described in the section entitled “General Risk Factors”, under the heading “Risks Associated with TRS and certain SFTs”.

#### **Pooling**

To reduce operational and administrative charges and to facilitate diversification of investments, the Manager may authorise the assets of any Fund to be managed in conjunction with other funds established by the Manager or other funds promoted or managed by the Manager or any company affiliated with the Manager. This will be done by establishing a pool of assets (“**Pool**”) comprising cash and investments contributed by all funds which participate in the Pool (a “**Participating Fund**” or collectively, the “**Participating Funds**”). This technique is known as pooling. For the avoidance of doubt a Participating Fund is a sub-fund for which the Manager exercises investment discretion and for which the Administrator acts as administrator and the Depositary acts as Depositary and which participates in a

Pool.

Any reference to the Manager in this section of the Prospectus dealing with common investment pools shall be construed as including any investment manager appointed by the Manager from time to time in respect of the Fund or a sub-segment of the Fund.

Opportunities to establish pooling arrangements arise where the investment objectives and policies of Participating Funds are sufficiently similar so as to enable the assets contributed by a Participating Fund to be managed in a manner identical to that of all other Participating Funds in the Pool. However, it is not essential that the investment objectives and policies of each Participating Fund in the Pool be identical. It is sufficient that the Manager be in a position to manage the Pool as one portfolio of assets whilst complying with the investment objectives, policies and restrictions applicable to each Participating Fund.

A Pool is not a separate legal entity and an investor may not invest directly in a Pool. Such pooling operates in a manner that does not compromise the obligation to ensure that the assets of each Fund belong exclusively to the Fund to which they are attributed.

#### *Operational Issues relating to Pooling*

Assets may be contributed to and withdrawn from the Pool by a Participating Fund at any time. A record shall be maintained of all of the assets contributed to the Pool by a Participating Fund and the percentage allocation of each of the pooled assets within the Pool that is attributable to each Participating Fund, which shall be allocated on a pro-rata basis. This percentage allocation shall be applied to all assets held in the Pool. When additional cash or securities are contributed to or withdrawn from the Pool by a Participating Fund the allocation percentage of each Participating Fund will be adjusted to reflect the change. Where a contribution is made in cash, a deduction may be made where the Manager considers this necessary to discharge transaction costs and fiscal charges incurred in investing the cash. Similarly, in the case of a cash withdrawal, a deduction may be made to reflect transaction costs in disposing of securities. Dividends and any other distribution of income received in respect of assets will be allocated pro-rata to the Participating Fund's holding of assets. All assets comprising a Pool will be valued in accordance with the provisions contained in the "Valuation Principles" section of the Prospectus.

Shareholders should note that the pooling arrangement may cause the composition of the assets of a Participating Fund to be altered as a result of subscriptions and redemptions in another Participating Fund which would cause the Manager to dispose of or acquire assets for the Pool or may cause the Manager to increase the amount of ancillary liquid assets held by the Manager, provided always that any such change will be consistent with the respective investment objective or policy of each Participating Fund.

#### *Custody of Assets*

The Depositary shall, by relying on a set of records produced by the Administrator's accounting systems, at all times ensure that it is in a position to identify the assets belonging to each Participating Fund even though the sub-custodian's records may identify the assets as being held in a Pool.

#### *Termination of Pooling Arrangements*

The Manager may elect at any time to terminate a Fund's participation in the pooling arrangements on notice to the Administrator and the Depositary. In such an event, the portion of the assets in the Pool representing such Fund's percentage allocation of assets shall be withdrawn.

#### **Dividend Policy**

Any dividend payment in respect of a Fund shall be made in accordance with the dividend policy of that Fund as set out in the applicable Supplement.

#### **General Risk Factors**

Investors' attention is drawn to the following general risk factors which may relate to an investment in any Fund. In addition to the risks set out below, any risks specific to a particular Fund will be as set out in the applicable Supplement.

### *Market fluctuations*

Potential investors should note that the investments of each Fund are subject to market fluctuations and that there can be no assurance that any appreciation in value will occur. The value of investments and the income from them, and therefore the value of and income from the Shares, can go down as well as up and an investor may not get back the amount invested.

### *Currency risk*

Changes in exchange rates between currencies may also cause the value of the investments to diminish or increase. As subscription monies and redemption monies may be paid in a currency other than the Base Currency of a Fund, investors should be aware that there is an exchange rate risk if such other currencies strengthen against the Base Currency and consequently they may not realise the full amount of their investment in a Fund. In the context of borrowings, currency risk may arise from not maintaining the offsetting balance in the Base Currency of a Fund.

### *Settlement Risk*

The Company may be exposed to a credit risk on parties with whom it trades. There can be no guarantee of the operation or performance of settlement, clearing and registration of transactions in some markets, particularly emerging markets. Where organised securities markets and banking and telecommunications systems are underdeveloped, concerns inevitably arise in relation to settlement, clearing and registration of transactions in securities where these are acquired other than as direct investments. Furthermore, due to local postal and banking systems, no guarantee can be given that all entitlements attaching to quoted and over-the counter traded securities acquired by the Company, including those related to dividends, can be realised.

### *Cross liability between funds*

The Company is established as a segregated portfolio company. As a matter of Irish law, the assets of one Fund will not be available to satisfy the liabilities of another. However, the Company is a single legal entity which may operate or have assets held on its behalf or be subject to claims in other jurisdictions which may not necessarily recognise such segregation. There is no guarantee that the courts of any jurisdiction outside Ireland will respect the limitations on liability associated with segregated portfolio companies nor is there any guarantee that the creditors of one Fund will not seek to enforce such Fund's obligations against another Fund.

### *Counterparty risk*

A Fund is exposed to the risk that the Swap Counterparty may default on its obligations to perform under the Swap Agreement. In assessing this risk, investors should recognise the protection offered by the regulatory requirement that the maximum net exposure to the Swap Counterparty after taking into account any collateral should not exceed 5% or 10% (depending on the status of the Swap Counterparty) of the Net Asset Value of the Fund.

Many of the markets in which the Company may effect its transactions are "over-the-counter" or "inter-dealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes a Fund to the risk that a counterparty will not settle a transaction due to a credit or liquidity problem, thus causing a Fund to suffer a loss. In addition, in the case of a default, a Fund could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Company has concentrated their transactions with a single counterparty or small group of counterparties. Other than as disclosed herein and in compliance with the Principal Regulations, the Company is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. The ability of the Company to transact business with any one or more counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by a Fund.

Where a Fund delivers collateral to its trading counterparties under the terms of its ISDA master agreements and other trading master agreements, either by posting initial margin or on a daily mark-to-market basis, circumstances may arise where a counterparty may be over-collateralized and/or that Fund may from time to time have uncollateralized mark-to-market exposure to a counterparty in relation to its rights to receive securities and cash. In both circumstances, although counterparty risk with respect to each Fund will be monitored and measured in accordance with the Principal Regulations, a Fund will be exposed to the creditworthiness of any such counterparty and, in the event of the insolvency or other credit event of a trading counterparty, such Fund will typically rank as an unsecured creditor in relation to

amounts equivalent to any such over-collateralization and any uncollateralized exposure to such trading counterparty. In such circumstances it is likely that such Fund will not be able to recover any debt in full.

A Fund may trigger events of default or termination events under various counterparty agreements due to, among other things, reductions in Net Asset Value. If a Fund is unable to obtain waivers from the relevant counterparties, such counterparties could exercise numerous remedies under the affected agreements, including of posted collateral and termination of outstanding trades.

#### *Use of Derivatives*

A Fund may employ various investment techniques, such as, but not limited to, funded or unfunded total return swaps, forward foreign exchange contracts, spot contracts and options on such contracts, currency futures, swaps, options and swaptions thereon, put and call options on securities, stock index and interest rate futures and options thereon, stocklending, repurchase, reverse repurchase, warrants, contracts-for-difference, equity linked notes and credit default swaps (together “derivatives”) for investment purposes or efficient portfolio management. These derivative positions may be executed either on-exchange or over-the-counter. Risks associated with the use of such derivatives are (i) failure to predict accurately the direction of the market movements and (ii) market risks, for example lack of liquidity or lack of correlation between the change in the value of the underlying asset and that of the value of the Fund’s derivatives. These techniques may not always be possible or effective in enhancing returns or mitigating risk.

#### *Swaps and Other Derivatives*

As indicated, each Fund may enter into a swap or swap agreements and similar derivative transactions involving or relating to interest rates, credit risks, currencies, securities, investment fund interests, indices, prices or other items. An OTC swap transaction is an individually negotiated, non-standardised agreement between two parties to exchange cash flows (and sometimes principal amounts) measured by different interest rates, commodity-related prices, exchange rates, indices or prices, with payments generally calculated by reference to a principal (“notional”) amount or quantity. Such swap contracts and similar derivative contracts are not currently traded on exchanges in any significant amount; rather, banks and dealers act as principals in the OTC swap markets. As a result, a Fund will be subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the counterparties with which such Fund trades. The counterparties with which a Fund deals may limit the size or duration of positions available to such Fund as a consequence of credit considerations.

A Fund’s ability to use swaps and other derivatives may be limited by market conditions, regulatory limits or regulatory intervention and tax considerations, and involves certain additional risks, including:

- (i) dependence on the relevant investment manager’s ability to predict movements in the price of securities being hedged and movements in interest rates;
- (ii) imperfect correlation between movements in the securities or currency on which a derivative contract is based and movements in the securities or currencies in the relevant Fund;
- (iii) the absence of a liquid market or of accurate pricing information for any particular derivative instrument at any particular time;
- (iv) through the use of derivatives the degree of leverage inherent in derivatives trading (e.g., the low margin deposits normally required in derivatives trading) means that a relatively small price movement in a derivatives contract may result in an immediate and substantial loss to the Fund;
- (v) possible impediments to the ability to meet redemption requests or other short-term obligations because of the percentage of a Fund’s assets segregated to cover its obligations;
- (vi) counterparty exposure on OTC Derivatives;
- (vii) settlement risk, i.e., the risk of failure of brokers and/or counterparties to properly settle transactions; and
- (viii) legal risk associated with the documentation of derivative transactions.

#### *Risks associated with TRS and certain SFTs*

TRS and certain SFTs involve the exchange of the right to receive the total return, income plus capital gains or losses, of a specified reference asset, index or basket of assets against the right to make fixed or floating payments. The value of a TRS may change as a result of fluctuations in the underlying investment exposure.

The principal risk when engaging in TRS and reverse repurchase transactions is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations to return securities or cash to the Fund as required by the terms of the transaction. Counterparty risk is mitigated by the transfer or pledge of collateral in favour of the Fund.

#### *Risks associated with Stock Lending and Repurchase Transactions*

The risks in lending portfolio securities, as with other extensions of credit, consist of the failure of one or more counterparty to comply with the terms of agreement, which can result in the:

- possible loss of rights to the collateral put up by the borrower of the securities;
- inability of the intermediary to return the securities deposited by the Fund; and
- possible loss of benefits accruing to the securities deposited with the intermediary.

The Company may engage in stocklending/repurchase transactions over a period of time with one or more counterparties, which could include an exclusive arrangement with a member of the UBS AG Group as the exclusive counterparty. Collateral which meets the requirements of the collateral policy (see “Collateral Policy” section in Appendix I) will be posted by the relevant counterparty. A default by the counterparty to such stocklending/repurchase transactions, or a fall in the value of the collateral posted in connection with such transactions below that of the value of the securities lent or the cash leg of the repurchase transaction may result in a reduction in the value of the relevant Fund and the Fund may suffer loss as a result. The Company will use reasonable endeavours to ensure that any collateral transferred to it in connection with such transactions will be segregated from the bankruptcy estate of the counterparty and not available to the creditors of the counterparty. Shareholders are advised, however, that third parties may seek to challenge such segregation which, if successful, would result in a total loss of both the collateral and the assets of the Fund that were lent or otherwise transferred. In the case of cash collateral, as a matter of applicable law, such cash collateral might not be held in a segregated manner in favour of the Company, which may result in a total loss of cash collateral upon insolvency of the relevant counterparty.

#### *Interest and Exchange Rate Fluctuations*

An investment in Shares of the Fund may directly or indirectly involve exchange rate risk. Because the Net Asset Value of a Fund will be calculated in its Base Currency, the performance of any of its constituents denominated in another currency other than the Base Currency will also depend on the strength of such currency against the Base Currency. Equally, the currency denomination of any Fund asset in another currency than the Base Currency will involve exchange rate risk for the relevant Fund. Furthermore, an investor will be subject to exchange rate risk where he invests in a Fund whose Base Currency is different to the functional currency of the investor.

Each Fund may, but is not obliged to, enter into hedging transactions on currencies to protect against a decline in the value of investments denominated in currencies other than the Base Currency, and against any increase in the cost of investments denominated in currencies other than the Base Currency; however there is no assurance that any such hedging transactions will be successful.

Fluctuations in interest rates of the country or region in whose currency or currencies the Shares, the relevant Fund’s assets and/or the assets referenced under a swap are denominated may affect financing costs and the real value of the Shares in the relevant Fund. Interest rates vary over time, and the Net Asset Value of a Fund invested in fixed-interest securities will change in response to fluctuations in interest rates (and credit spreads). For example, when interest rates decline the value of fixed-income securities can generally be expected to rise, and conversely, when interest rates rise, the value of fixed-income securities can generally be expected to decline.

#### *EPM Risk*

The Company on behalf of a Fund may employ techniques and instruments relating to Transferable Securities, Money Market Instruments and/or other financial instruments in which it invests for efficient portfolio management purposes. Many of the risks attendant in utilising derivatives, as disclosed in the sections entitled “Use of Derivatives” and “Swaps and Other derivatives” above, will be equally relevant when employing such efficient portfolio management techniques.

In addition, particular attention is drawn to the section entitled “Counterparty Risk” and “Risks associated with Stock Lending and Repurchase Transactions”.

#### *Conflicts of interest*

Investors should also be aware that from time to time, a Fund may engage with swap counterparties, Stocklending/repurchase transaction counterparties and agents and other financial derivative contracts' counterparties that are related parties to the Depositary or other service providers of the Company. Such engagement may on occasion cause a conflict of interest with the role of the Depositary or other service provider in respect of the Company. Please refer to section headed “Conflicts of Interest” on page 30 below for further details on the conditions applicable to any such related party transactions.

#### *Options*

A Fund may buy or sell (write) both call options and put options. A Fund's option transactions may be part of a hedging strategy or a form of leverage, in which such Fund has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances. In options trading, the buyer of an option assumes the risk of losing the premium paid to purchase the option.

Selling (“writing” or “granting”) an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller may be liable for additional margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option, and, upon such exercise, the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest, depending on the terms of the option.

The options markets have the authority to prohibit the exercise of particular options, which if imposed when trading in the option has also been halted, would lock buyers and writers of that option into their positions until one of the two restrictions has been lifted.

#### *Combination Transactions*

A Fund may engage in spreads or other combination options transactions involving the purchase and sale of related exchange traded or OTC options and futures contracts. These transactions are considerably more complex than the purchase or writing of single options. They involve the risk that executing simultaneously two or more buy or sell orders at the desired prices may be difficult or impossible, the possibility that a loss could be incurred on both sides of a multiple options transaction, and the possibility of significantly increased risk exposure resulting from the hedge against loss inherent in most spread positions being lost as a result of the assignment of an exercise to the short leg of a spread while the long leg remains outstanding. In addition, the transaction costs of combination options transactions can be especially significant due to separate costs being incurred on each component of the combination.

#### *Futures Trading*

Each Fund may utilise futures contracts and options thereon. Futures prices are highly volatile, with price movements being influenced by a multitude of factors such as supply and demand relationships, government trade, fiscal, monetary and exchange control policies, political and economic events and emotions in the marketplace. Futures markets are subject to comprehensive statutes, regulations and margin requirements. Further, futures trading may be illiquid as a result of daily limits on movements of prices, while a Fund's futures trading could be adversely affected by speculative position limits.

A Fund may open a futures position by placing with a futures commission merchant an initial margin that is small relative to the value of the futures contract, making the transaction “leveraged”. If the market moves against a Fund's position or margin levels are increased, the relevant Fund may be called upon to pay substantial additional funds on short notice to maintain its position. If a Fund were to fail to make such payments, its position could be liquidated at a loss, and such Fund would be liable for any resulting deficit in its account.

#### *Forward Contracts*

Each Fund may trade forward contracts in the interbank currency market. Such forward contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis.

In general, governmental authorities do not regulate trading in forward contracts; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by a Fund due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Company would otherwise recommend, to the possible detriment of a Fund. Market illiquidity or disruption could result in major losses to a Fund.

#### *Credit Default Swaps*

A Fund may enter into credit derivative contracts in accordance with the Principal Regulations and the Central Bank's requirements. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic and/or upfront payments equal to a fixed percentage of the notional amount of the contract. A Fund may also purchase or sell credit default swaps on a basket of reference entities or an index. In circumstances in which a Fund is the credit default swap buyer and does not own the debt securities that are deliverable under a credit default swap, such Fund is exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavourable prices, as would be the case in a so-called "short squeeze". While the credit default swap market auction protocols reduce this risk, it is still possible that an auction will not be organised or will not be successful. In certain instances of issuer defaults or restructurings (for those credit default swaps for which restructuring is specified as a credit event), it has been unclear under the standard industry documentation for credit default swaps whether or not a "credit event" triggering the seller's payment obligation had occurred. Potentially a Fund would not be able to realise the full value of the credit default swap upon a default by the reference entity. As a seller of credit default swaps, a Fund incurs leveraged exposure to the credit of the reference entity and is subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, a Fund will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity's debt obligations. In addition, in the event that the CDS Determinations Committee does not establish a cash settlement auction and identify the relevant deliverable securities, the credit default swap buyer will have broad discretion to select which of the reference entity's debt obligations to deliver to a Fund following a credit event and will likely choose the obligations with the lowest market value in order to maximise the payment obligations of such Fund. Given the recent sharp increases in volume of credit derivatives trading in the market, settlement of such contracts may also be delayed beyond the time frame originally anticipated by counterparties. Such delays may adversely impact a Fund's ability to otherwise productively deploy any capital that is committed with respect to such contracts.

#### *Highly Volatile Derivative Instruments*

The prices of derivative instruments, including options, are highly volatile. Price movements of forward contracts and other derivative contracts in which a Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs 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, particularly those in currencies and financial instrument options. A Fund also is subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearing houses.

#### *Clearing House Protections*

On many exchanges, the performance of a transaction by a broker (or a third party with whom it is dealing on the Company's behalf) is "guaranteed" by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover the Company and may not protect the Company if a broker or another party defaults on its obligations to the Company.



### *Substantial repurchases*

Substantial repurchases by Shareholders will necessitate liquidation of investments. It is possible that losses may be incurred due to such liquidations that might otherwise not have arisen.

### *Taxation*

Any change in the Company's tax status or in legislation could affect the value of investments held by the Company and affect the Company's ability to provide a return to investors. Potential investors and Shareholders should note that the statements on taxation, which are set out herein and in each Supplement, are based on advice which has been received by the Directors regarding the law and practice in force in the relevant jurisdiction as at the date of this Prospectus and each Supplement. As is the case with any investment, there can be no guarantee that a tax position or proposed tax position prevailing at the time an investment is made in the Company will endure indefinitely. The attention of potential investors is drawn to the tax risks associated with investing in the Company, particularly the section headed "Taxation" starting on page 47.

### *Temporary suspension*

Investors are reminded that in certain circumstances their right to redeem or convert Shares may be temporarily suspended.

### *Political and /or regulatory risks*

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

### *Interest Rate Changes and Proposals to Reform LIBOR/EURIBOR/EONIA*

Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Since April, 2013, the UK Financial Conduct Authority ("FCA") has regulated the London Inter-Bank Offered Rate ("LIBOR") and regulators in other jurisdictions have increased oversight of other interbank offered rates ("IBORs") and similar "benchmark" rates. Efforts to transition from IBORs to alternative benchmark rates are underway in several jurisdictions. The FCA has urged users to plan the transition to alternative reference rates and has confirmed that the deadline for transitioning away from LIBOR remains the end of 2021. Furthermore, the European Money Market Institute's Euro Overnight Index Average ("EONIA") is expected to be discontinued in 2022 and the private-sector working group on euro risk-free rates has recommended euro short-term rate ("ESTR") as the replacement for EONIA.

In October 2020, the International Swaps and Derivatives Association ("ISDA") launched the IBOR Fallbacks Supplement and IBOR Fallbacks Protocol, amending the ISDA standard definitions for interest-rate derivatives to incorporate fallbacks for derivatives linked to certain IBORs. The changes came into effect on 25 January 2021 and, from that date, all new cleared and non-cleared derivatives between adhering parties that reference the definitions now include these fallbacks.

Investors should be aware that:

- a) any of these changes or any other changes to, or the discontinuation of, LIBOR, Euro Interbank Offered Rate ("EURIBOR") or EONIA could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be;
- b) if the applicable rate of interest on any credit asset in a Fund's portfolio is calculated with reference to a LIBOR or EURIBOR currency or tenor which is discontinued, such rate of interest will then be determined by the

provisions of the affected credit asset, which may include determination by the relevant calculation agent in its discretion; and

- c) the administrators of LIBOR and EONIA will not have any involvement in the credit assets in the Fund's portfolio or the Shares and may take any actions in respect of LIBOR or EURIBOR without regard to the effect of such actions on such credit assets or the Shares.

Any of the above or any other significant changes to LIBOR, EURIBOR, EONIA or any other benchmark could have a material adverse effect on the value of, and the amount payable under any credit asset in a Fund's portfolio which pay interest linked to a EONIA, LIBOR or EURIBOR rate or other benchmark (as applicable), and also on the returns to Shareholders.

#### *Breaches in Information Technology Security*

The Manager, Distributors, Investment Manager, Administrator and Depositary (and their respective groups) each maintain information technology systems. However, like any other system, these systems could be subject to cyber security attacks or similar threats resulting in data security breaches, theft, a disruption to the Manager's, Distributor's, Investment Manager's, Administrator's and/or Depositary's service or ability to close out positions and the disclosure or corruption of sensitive and confidential information. Such security breaches may potentially also result in loss of assets and could create significant financial and/ or legal exposure for the Company.

#### *Controlling Shareholder*

There is no restriction on the percentage of the Company's Shares that may be owned by one person or a number of connected persons. It is possible, therefore, that one person may be able to obtain control of the Company or of a Fund.

#### *Common Reporting Standard Risks*

The requirements of the Common Reporting Standard ("CRS") as implemented in Ireland may impose additional due diligence procedures, systems and/or administrative burdens and costs on the Company and/ or its Shareholders. Investors are reminded that their personal and account information may need to be reported to the relevant tax authorities. Where investors provide inaccurate or incomplete information, the Funds could become liable to withholding taxes and other penalties for non-compliance. The Company has the ability to compulsorily redeem recalcitrant investors and make withholdings from distributions/redemption proceeds to pass on any CRS related financial penalties and costs suffered by a Fund solely to any recalcitrant investors that have caused the liabilities rather than allowing such liabilities to be borne by the investors as a whole.

#### *US Foreign Account Tax Compliance Act ("FATCA")*

Pursuant to FATCA, the Company (or each Fund) and/or the Manager is required to comply (or be deemed compliant) with extensive reporting and withholding requirements designed to inform the U.S. Department of the Treasury of U.S.-owned foreign investment accounts. Failure to comply (or be deemed compliant) with these requirements will subject the Company (or each Fund)and/ or the Manager to U.S. withholding taxes on certain U.S.-sourced income and gains. Pursuant to an intergovernmental agreement between the United States and Ireland, the Company (or each Fund) and/ or the Manager may be deemed compliant, and therefore not subject to the withholding tax, if it identifies and reports U.S. taxpayer information directly to the government of Ireland. Investors may be requested to provide additional information to the Company and/ or the Manager to enable the Company (or each Fund) and/ or the Manager to satisfy these obligations. Failure to provide requested information may subject an investor to liability for any resulting U.S. withholding taxes, U.S. tax information reporting and/or mandatory redemption, transfer or other termination of the investor's interest in its Shares.

Prospective investors should consult their own tax advisor with regard to US federal, state, local and non-US tax reporting and certification requirements associated with an investment in the Company.

#### *Market, Economic and Regulatory Changes*

Changes in market and economic conditions, tax or other laws or regulations or accounting standards and/or government intervention in markets may have an adverse effect on the Company's investments and on the value of Shares. The

likelihood of these types of adverse changes and the extent to which they may affect the business of the Company cannot be accurately predicted.

#### *Changes in the UK Political Environment*

As a result of the outcome of the UK Referendum on continued membership of the European Union held on 23 June 2016, the UK ceased to be a member state of the European Union on 31 January 2020. Brexit has led to political, legal, tax and economic uncertainty and such uncertainty may impact on the Company and its Funds and/or the markets within which it operates, not just in the UK but throughout the European Union, the European Economic Area and globally. The longer term impact of the decision to leave the EU on the UK regulatory framework will depend, in part, on the relationship that the UK will seek to establish with the EU in the future. It is not yet clear whether and to what extent current EU regulations will remain applicable or will be replaced by different UK regulations. Accordingly, it is possible that UK investors in the Company and its Funds may be subject to fewer regulatory protections than would otherwise be the case and any changes to UK legislation or regulation may introduce potentially significant new uncertainties and instabilities in the financial markets.

It is not possible to ascertain the precise impact the UK's departure from the EU may have on the Company or a Fund but the UK's exit may adversely affect the ability of UK service providers or UK counterparties to access markets, make investments or enter into agreements (on either their own behalf or on behalf of the Company or a Fund), or continue to work with non-UK counterparties and service providers, all of which may result in increased costs to the Company and its Funds. UK based investors may no longer be allowed to invest in the Company or suffer negative consequences from an investment in the Company.

#### *External Factors May Impact on Fund Performance*

Fund performance is influenced by a variety of external factors which are beyond the control of the Company, including: changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; political and economic events, policies and political unrest; changes in interest rates and rates of inflation; currency devaluations and revaluations; market sentiment; and force majeure events, including natural disasters (such as hurricanes, earthquakes or floods), pandemics or any other serious public health concern, war or terrorism or the threat of or perceived potential for these events, each of which or a combination of which may have a negative impact on the performance of a Fund. These events could adversely affect levels of business activity and precipitate sudden significant changes in regional and global economic conditions and cycles. These events also pose significant risks to people and physical facilities and operations around the world.

The outbreak of the novel coronavirus, COVID-19, in China and its subsequent spread worldwide has significantly increased risk within the global economy and investor uncertainty. In addition, significant declines in oil prices may have additional effects on the economy and certain sectors. As a result equity markets have experienced significant declines, market volatility has substantially increased and some markets have experienced disruptions in orderly function. In the short term, UBS entities may benefit from higher transaction volumes and increased volatility, although continuation of these trends is uncertain. Looking forward, lower asset prices would adversely affect invested assets with a consequent effect on recurring fee income, and lower interest rates will reduce net interest income. The outbreak of COVID-19 and the measures being taken globally to reduce the peak of the resulting pandemic will likely have a significant adverse effect on global economic activity, including in China, the United States and Europe. In addition, these factors are likely to have an adverse effect on the credit profile of some of UBS's clients and other market participants, which may result in an increase in expected credit loss expense and credit impairments.

#### *MiFID II*

The package of European Union market infrastructure reforms known as "MiFID II" (Markets in Financial Instruments Directive 2014/65/EU) is expected to have a significant impact on the European capital markets. MiFID II, which took effect from 3 January 2018, increases the regulation of trading platforms and firms providing investment services.

Among its many reforms, MiFID II introduces significant changes to pre-trade and post-trade transparency obligations in respect of financial instruments admitted to trading on EU trading venues, including a new transparency regime for non-equity financial instruments; an obligation to execute transactions in shares and derivatives on a regulated trading venue; and a new focus on regulation of algorithmic and high frequency trading. These reforms may lead to a reduction in liquidity in certain financial instruments, as some of the sources of liquidity exit European markets, and an increase in transaction costs, and, as a consequence, may have an adverse impact on the ability of an investment manager to

execute an investment strategy for a Fund effectively.

New rules requiring unbundling the costs of research and other services from dealing commission and further restrictions on an investment manager's ability to receive certain types of goods and services from brokers may result in an increase in the investment-related expenditure of the Company and/or negatively impact an investment manager's ability to access investment research relevant to a particular Fund.

#### *Data Protection Risk*

In order to maintain security and to prevent infringement of Data Protection Law, the Company, the Manager, the Administrator, the Depositary or any of their delegates, where acting as a "data controller", are each required to evaluate the risks inherent in the processing of data and implement measures to mitigate those risks, such as encryption. Such measures are required to ensure an appropriate level of security, including confidentiality, taking into account the state of the art and the costs of implementation in relation to the risks and the nature of the personal data to be protected. Potential investors and Shareholders should be aware that certain data security risks can arise by processing of personal data, such as accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data transmitted, stored or otherwise processed which may in particular lead to physical, material or non-material damage. There may be instances where processing operations by the Company, the Manager, the Administrator and/or the Depositary are likely to result in a high risk to the rights and freedoms of potential investors or Shareholders, however, the relevant data controller will be responsible for the carrying out of a data protection impact assessment to evaluate, in particular, the origin, nature, particularity and severity of any such risk. A personal data breach may, if not addressed in an appropriate and timely manner, result in physical, material or non-material damage to potential investors or Shareholders such as loss of control over their personal data or limitation of their rights, discrimination, identity theft or fraud, financial loss, damage to reputation, loss of confidentiality of personal data protected by professional secrecy or any other significant economic or social disadvantage to the natural person concerned and/or the Company.

#### *Litigation Risk*

With regard to certain investments of, or shareholdings in, a Fund, it is a possibility that the Manager, an Investment Manager, the Distributor the Depositary, and/or the Administrator on behalf of a Fund may be plaintiffs or defendants in civil proceedings. The expense of prosecuting claims, for which there is no guarantee of success, and/or the expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the relevant Fund and would reduce net assets.

*The foregoing list of risk factors does not purport to be a complete explanation of the risks involved in investing in a Fund. Potential investors should read this entire Prospectus and the applicable Supplement before determining whether to invest in the Shares and should consult with their own legal, financial and tax advisers. Potential investors should also be aware that, if they decide to purchase Shares, they will have no role in the management of the Fund and will be required to rely on the expertise of the Manager and the Directors in dealing with the foregoing (and other) risks on a day-to-day basis.*

## **REMUNERATION POLICY**

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### Remuneration Policy of the Manager

The Manager has implemented a remuneration policy which is consistent with the requirements set out in the UCITS Directive and which is based on the remuneration policy of UBS Group AG available on [www.ubs.com/investor](http://www.ubs.com/investor). The policy reflects Lantern Structured Asset Management Limited's objectives for good corporate governance as well as sustained and long-term value creation for shareholders. In addition, it ensures that the Manager is able to attract, develop and retain high-performing and motivated employees in a competitive international market; employees are offered a competitive and market-aligned compensation package making fixed salaries a significant compensation component; and employees feel encouraged to create sustainable results and that a link exists between the Manager's shareholders, its customers and its employees' interests.

Details of the Manager's policy relating to how remuneration and benefits are calculated, the people responsible for awarding the remuneration and benefits and the composition of the remuneration committee (where such a committee

exists) are available on [www.lsam.com](http://www.lsam.com). A paper copy of the full policy is available to investors and prospective investors free of charge upon request from the Manager.

## MANAGEMENT AND ADMINISTRATION

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### Directors of the Company

The Directors of the Company are responsible, *inter alia*, for establishing the investment objectives and policies of the Company and each Fund, for monitoring the Company's performance and for the overall management and control of the Company.

The following are the Directors of the Company:

#### Colm Torpey

Mr Torpey has worked for the Manager since 2005. He is a director of the Manager and director of several investment funds managed by the Manager. He worked for Pioneer Alternative Investment Management Limited as Head of Internal Audit from 2003 until December 2005. From 1993 to 2002, he worked for Arthur Andersen and from 2002 to 2003 for KPMG, reaching the level of Audit Director. He is a CFA Charterholder, a fellow of the Institute of Chartered Accountants in Ireland and a member of the Irish Taxation Institute. Mr. Torpey is an Irish resident.

#### Alan White

Mr. White has worked with UBS Investment Bank since July 2002. From January 2004 to September 2006 he held the position of manager of Alternative Investment Strategies Trade Support and from September 2006 to December 2006 he worked as an Equity Derivatives Structurer. Mr. White has worked with the Manager since January 2007, where he presently works as head product developer. He holds a Degree in Finance and a Diploma in Computer Science from University College Cork. Mr. White is an Irish resident.

#### Robert Burke

Robert Burke was, until 30 May 2005, a partner in McCann FitzGerald, having joined the firm in 1978. Robert Burke is experienced in most areas of company and commercial law in addition to corporate taxation. He qualified as a Chartered Accountant with Price Waterhouse in 1973 and practised as a tax specialist with them until 1978. He is a member of the Foundation for Fiscal Studies (Ireland), the International Fiscal Association and the International Bar Association and an Associate Member of the Institute of Taxation in Ireland. Mr. Burke is an Irish resident.

### The Manager

The Company has appointed Lantern Structured Asset Management Limited to act as Manager of the Company pursuant to the Management Agreement. The Manager was incorporated in Ireland as a private limited liability company on 1 December 2005 with registration number 411816. The authorised share capital of the Manager is €10,000,000 divided into 10,000,000 ordinary shares of €1.00 each, 2,600,000 of which have been issued and are fully paid up. The Manager is a wholly owned-subsiary of UBS AG.

The Manager is engaged in the business of providing investment management, administration and related services to collective investment schemes such as the Company. The Manager has been appointed by the Directors to provide these services to the Company and has delegated certain of its duties for the provision of these services to the Administrator and the Distributors as described herein. As at 31 December 2019, the Manager had assets under management of approximately €15.138 million.

The directors of the Manager are as follows:

Colm Torpey  
Alan White  
Robert Burke  
Gavin Byrnes  
Andre Mueller-Wegner

### Distributors

The Manager has appointed UBS AG, London Branch to act as its distributor in respect of UK investors, non-EEA investors and exempt EEA investors domiciled in the UK, Germany, the Netherlands, Luxembourg, Belgium and Ireland (together, the “**Exempt EEA Countries**”), and UBS Europe SE to act as its distributor in respect of non-exempt EEA investors domiciled in EEA countries other than Exempt EEA Countries, pursuant to the Distribution Agreement.

UBS AG, London Branch is also the entity that acts as promoter to the Company. UBS AG, London Branch is the London branch of UBS AG. Headquartered in Zurich and Basel, UBS AG is a global firm providing financial services to private, corporate and institutional clients. It is present in all major financial centres worldwide, with offices in over 50 countries.

UBS Europe SE is a European public limited liability company incorporated in Germany with registration number HRB 107046. It is a wholly owned subsidiary of UBS AG and is a Societas Europaea. It was established in 2016 as the result of the merging of several UBS subsidiaries across the EEA and is incorporated and headquartered in Germany. To date it has served as UBS’s primary regional hub for its EEA wealth management business as well as housing certain investment bank and asset management business activities.

### **The Administrator**

The Manager has appointed State Street Fund Services (Ireland) Limited as administrator, registrar and transfer agent of the Company pursuant to the Administration Agreement.

The Administrator will have responsibility for the day to day administration of the Company’s affairs, including the valuation of the Company’s assets and the preparation of the Company’s semi-annual and annual reports.

The Administrator is a limited liability company incorporated in Ireland on 23 March 1992 and is ultimately a wholly-owned subsidiary of the State Street Corporation. State Street Corporation is a leading world-wide specialist in providing sophisticated global investors with investment servicing and investment management. State Street Corporation is headquartered in Boston, Massachusetts, U.S.A., and trades on the New York Stock Exchange under the symbol “STT”. The Administrator is engaged in the business of providing administrative and accounting services to collective investment schemes.

The Administrator provides administration services to collective investment schemes such as the Company.

### **The Depositary**

State Street Custodial Services (Ireland) Limited has been appointed by the Company to act as Depositary of all of the assets of the Company under the terms of a Depositary Agreement.

#### *Depositary’s functions*

The Depositary has been entrusted with following main functions:

- (i) ensuring that the sale, issue, repurchase, redemption and cancellation of Shares are carried out in accordance with applicable law and the Constitution;
- (ii) ensuring that the value of the Shares is calculated in accordance with applicable law and the Constitution;
- (iii) carrying out the instructions of the Manager or the Company unless they conflict with applicable law and the Constitution;
- (iv) ensuring that in transactions involving the assets of the Company any consideration is remitted within the usual time limits;
- (v) ensuring that the income of the UCITS is applied in accordance with applicable law and the Constitution;
- (vi) monitoring of the Company’s cash and cash flows;
- (vii) safe-keeping of the Company’s assets, including the safekeeping of financial instruments to be held in custody and ownership verification and record keeping in relation to other assets.

#### *Depositary’s liability*

In carrying out its duties the Depositary shall act honestly, fairly professionally, independently and solely in the interests of the Company and the Company’s Shareholders.

In the event of a loss of a financial instrument held in custody, determined in accordance with the UCITS Directive, and in particular Regulation 36 (as amended) of the Principal Regulations, Depositary shall return financial instruments of identical type or the corresponding amount to the Company or the Manager acting on behalf of the Company without undue delay.

The Depositary shall not be liable if it can prove that the loss of a financial instrument held in custody has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary pursuant to the UCITS Directive.

In case of a loss of financial instruments held in custody, the Shareholders may invoke the liability of the Depositary directly or indirectly through the Company and/ or the Manager provided that this does not lead to a duplication of redress or to unequal treatment of the Shareholders. The Depositary will be liable to the Company for all other losses suffered by the Company as a result of the Depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the UCITS Directive.

The Depositary shall not be liable for consequential or indirect or special damages or losses, arising out of or in connection with the performance or non-performance by the Depositary of its duties and obligations.

#### *Delegation*

The Depositary has full power to delegate the whole or any part of its safe-keeping functions but its liability will not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping. The Depositary's liability shall not be affected by any delegation of its safe-keeping functions under the Depositary Agreement.

Information about the safe-keeping functions which have been delegated and the identification of the relevant delegates and sub-delegates are contained in Appendix IV to this Prospectus.

#### **Conflicts of Interest**

The Depositary is part of an international group of companies and businesses that, in the ordinary course of their business, act simultaneously for a large number of clients, as well as for their own account, which may result in actual or potential conflicts. Conflicts of interest arise where the Depositary or its affiliates engage in activities under the depositary agreement or under separate contractual or other arrangements. Such activities may include:

- (i) providing nominee, administration, registrar and transfer agency, research, agent securities lending, investment management, financial advice and/or other advisory services to the Company;
- (ii) engaging in banking, sales and trading transactions including foreign exchange, derivative, principal lending, broking, market making or other financial transactions with the Company either as principal and in the interests of itself, or for other clients.

In connection with the above activities the Depositary or its affiliates:

- (i) will seek to profit from such activities and are entitled to receive and retain any profits or compensation in any form and are not bound to disclose to, the Company, the nature or amount of any such profits or compensation including any fee, charge, commission, revenue share, spread, mark-up, mark-down, interest, rebate, discount, or other benefit received in connection with any such activities;
- (ii) may buy, sell, issue, deal with or hold, securities or other financial products or instruments as principal acting in its own interests, the interests of its affiliates or for its other clients;
- (iii) may trade in the same or opposite direction to the transactions undertaken, including based upon information in its possession that is not available to the Company;
- (iv) may provide the same or similar services to other clients including competitors of the Company;
- (v) may be granted creditors' rights by the Company which it may exercise.



The Company may use an affiliate of the Depositary to execute foreign exchange, spot or swap transactions for the account of the Company. In such instances the affiliate shall be acting in a principal capacity and not as a broker, agent or fiduciary of the Company. The affiliate will seek to profit from these transactions and is entitled to retain and not disclose any profit to the Company. The affiliate shall enter into such transactions on the terms and conditions agreed with the Company.

Where cash belonging to the Company is deposited with an affiliate being a bank, a potential conflict arises in relation to the interest (if any) which the affiliate may pay or charge to such account and the fees or other benefits which it may derive from holding such cash as banker and not as trustee. The Manager may also be a client or counterparty of the Depositary or its affiliates.

Up-to-date information on the Depositary, its duties, any conflicts that may arise, the safe-keeping functions delegated by the depositary, the list of delegates and sub-delegates and any conflicts of interest that may arise from such a delegation will be made available to Shareholders on request.

Due to the operations which are or may be undertaken by the Manager, the Investment Manager, the Administrator, the Depositary, the Distributors and the Directors and their respective holding companies, subsidiaries and affiliates (each an “interested party”), conflicts of interest may arise.

Potential conflicts of interest, may including the following:

- (a) entering into any financial, banking or other transactions or arrangements with one another or with the Company including, without limitation, investment by the Company in securities of any interested party, or investment by any interested party in any company or body any of whose investments form part of the assets of the Company, or be interested in any such contracts or transactions;
- (b) investing in and dealing in Shares relating to any Fund, and shares, securities, assets or any property of the kind included in the property of the Company for their respective individual accounts or for the account of a third party; and
- (c) dealing as agent, principal or counterparty in the sale or purchase of securities and other investments (including foreign exchange, FDI and stocklending/repurchase transactions) to or from the Company.

In addition, the Manager, the Investment Managers, the Administrator, the Depositary, the Distributors and the Directors may provide similar services to others provided that the services they provide to the Company are not impaired thereby. An interested party may acquire or dispose of any investment notwithstanding that the same or similar investments may be owned by or for the account of or otherwise connected with the Company. Furthermore, an interested party may acquire, hold or dispose of investments notwithstanding that such investments had been acquired or disposed of by or on behalf of the Company by virtue of a transaction effected by the Company in which the interested party was concerned provided that the acquisition or disposal by an interested party of such investments is effected on normal commercial terms as if negotiated on an arm’s length basis and the investments held by the Company are acquired in the best interests of the Shareholders.

Dealings will be deemed to have been effected on normal commercial terms negotiated at arm's length and in the best interests of Shareholders if: (1) a certified valuation of a transaction by a person approved by the Depositary (or by the Directors in the case of a transaction involving the Depositary or its affiliates) as independent and competent is obtained; or (2) the transaction is executed on best terms on an organised investment exchange in accordance with the rules of such exchange; or (3) where (1) and (2) are not practical, the transaction is executed on terms which the Depositary (or the Directors in the case of a transaction involving the Depositary or its affiliates) is satisfied are at arm’s length and in the best interests of Shareholders.

The Manager and/or its affiliates may invest, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets that may also be purchased or sold by the Company. Neither the Manager nor any of its affiliates is under any obligation to offer investment opportunities of which any of them becomes aware to the Company or to account to the Company in respect of (or share with the Company or inform the Company of) any such transaction or any benefit received by any of them from any such transaction.

The Manager will ensure that investments are fairly allocated between the Company and other investment funds or accounts managed by the Manager.

In the event that a conflict of interest does arise, the Directors will endeavour to ensure that any such conflict is resolved fairly and in the best interests of the Shareholders.

## SUBSCRIPTIONS, TRANSFERS AND REDEMPTIONS

### Subscriptions

The Directors shall, before the Initial Offer of Shares in any Fund, determine the terms on which such Shares will be issued, details of which will be as set out in the applicable Supplement. The Directors may decide to create within each Fund different share classes (each a “**Class of Shares**”) as more fully described below and in the relevant Supplement.

All Classes of Shares relating to the same Fund will be commonly invested in accordance with such Fund’s investment objective but may differ with regard to the currency in which their Net Asset Value per Share is designated, fee structure, minimum holding requirement, dividend policy, investor eligibility criteria or other particular feature(s) as the Directors shall decide.

A separate Net Asset Value per Share will be calculated for each issued Class of Shares in relation to each Fund. The different features of each Class of Shares available relating to a Fund are described in detail in the relevant Supplement to the Prospectus.

The Company reserves the right to offer only one or several Classes of Shares for purchase by investors in any particular jurisdiction in order to comply with local law, custom or business practice. The Company also reserves the right to adopt different standards applicable to certain classes of investors or transactions in respect of the purchase of a particular Class of Shares.

After the relevant Closing Date for each Fund or Class of Shares, the Company may offer Shares in each Fund on each Subscription Date at an issue price equal to the Net Asset Value per Share of the relevant Class of Shares applicable to the relevant Subscription Date. During a period of continuous net subscriptions, a charge may be added, at the discretion of the Manager, to the purchase price per Share, to cover the charges, duties and other costs involved in purchasing investments in the underlying investments of the relevant Fund. The charge is intended to protect existing and continuing Shareholders against the dilution of the value of their investment on account of these charges.

In addition, the Directors may in their absolute discretion charge a subscription fee, payable to the Manager/Distributor/Sales Agent, as applicable, of up to 5% of the amount subscribed.

Where the amount subscribed for Shares is not equivalent to an exact number of Shares, fractions of Shares may be issued.

The procedure for subscribing for Shares, the Minimum Subscription amount applicable and details of any subscription charges for each Fund will be as set out in the applicable Supplement. Subscriptions for Shares made via secure electronic means may be accepted at the discretion of the Directors.

Before subscribing for Shares, an applicant who is not an Irish Resident or who is an Exempt Irish Resident will be required to complete a declaration in a form prescribed by the Revenue Commissioners of Ireland (the “**Revenue Commissioners**”). Such declaration (a “**Relevant Declaration**”) will be included in the application form, which is available from the relevant Sales Agent or Distributor, the Administrator or the Manager.

Each Shareholder must notify the Administrator in writing of any change in the information contained in the application form and furnish the Administrator with whatever additional documents relating to such change as it may request.

Measures aimed at the prevention of money laundering may require an applicant to provide verification of identity and various other matters to the Administrator.

The Administrator, working in conjunction with the designated anti-money laundering reporting officer of the Company, will notify applicants if additional proof of identity is required. By way of example, an individual may be required to produce a copy of a passport or identification card together with evidence of the applicant's address, such as a utility bill or bank statement. In the case of corporate applicants, this may require production of a certified copy of the certificate of incorporation (and any change of name), bye-laws, memorandum and articles of association (or equivalent), and the names and addresses of all directors and beneficial owners. The Administrator may request a new subscription form, new information or new representations from existing investors. Investors should note that failure to accede to such request may result in its Shares being compulsorily redeemed.

Shares will not be issued, and no subscription monies will be accepted, until such time as the Administrator has received and is satisfied with all the information and documentation, including all anti-money laundering documentation, required to verify the identity of the applicant. In addition, Shares will not be issued unless the equivalent of the full subscription price is paid into the assets of the Company within a reasonable time. This may result in Shares being issued on a Subscription Date subsequent to the Subscription Date on which an applicant initially wished to have Shares issued to him. It is further acknowledged that the Directors, the Company, the Manager, the Distributors and the Administrator shall be held harmless by the applicant against any loss arising as a result of the failure to process the subscription if such information as has been requested by the Administrator has not been received by the Administrator from the applicant. In addition, the Administrator will not pay out redemption proceeds unless it is in receipt of the relevant investor's original application form and any other documentation required by the Administrator to verify the identity of the redeeming investor, including all original anti-money laundering documentation, as applicable.

Typically, Shares will be issued upon: (i) the fulfilment of the conditions for acceptable subscriptions to the satisfaction of the Administrator, and (ii) receipt of cleared funds by the Company within the relevant cut-off time specified in the applicable Supplement. Failure by the Company to receive cleared funds within the relevant cut-off time may result in the cancellation of the relevant subscription. Any gains or losses incurred by the Company as a result of the cancellation of the Shares shall be for the account of the relevant Fund.

Investors will be required to agree to indemnify and hold harmless the Company, the Directors, the Manager, the Distributors, the Administrator and the Depositary for any losses, costs or expenses incurred by them as a result of the failure or default of an investor to transmit subscription monies in immediately available funds to the account of the Company within the time specified in the applicable Supplement.

Shares will be issued in registered form. A contract note, which will constitute a written confirmation of ownership of the Shares to which it relates, will be sent to each successful applicant within five Fund Business Days, or such other time as specified in the relevant Fund Supplement, of the relevant Subscription Date on which the application is being processed. The contract note will detail the number of Shares to which it relates, the Class of Shares to which it relates, the Fund to which it relates and the price at which the Shares have been issued. The Directors may, in their absolute discretion and provided always that the Company's Constitution so permit, issue share certificates in respect of any shares issued. Shareholders will not be entered onto the register of Shareholders if they initially subscribe for less than the Minimum Subscription (or such other amount as the Directors have in their absolute discretion determined).

The Directors may, in their absolute discretion, reject any application for Shares in full or in part. Amounts paid to the Company in respect of subscription applications which are rejected (or, in the case of applications which are not accepted in full, the balance of the amount paid) will be returned to the applicant at his/her own risk and expense without interest.

### **Staggered Listings of Share Classes**

The launch and listing of various Classes of Shares within a Fund may occur at different times and, therefore, at the time of the launch of given Classes of Shares, the pool of assets to which a given Class of Shares relates may have commenced operations. Where relevant, further information in this regard will be available in the interim and annual reports of the Fund which are sent to Shareholders and which will be made available to potential investors upon request.

### **Transfers**

A Shareholder may, subject to the agreement of the Company and/or the Manager, transfer all or any of his Shares by an instrument in writing in the usual or common form or in any other form as the Manager may approve. The transferor shall be deemed to remain the holder of any Shares that it proposes to transfer until the name of the transferee is entered in the Company's register of members in respect of those Shares. In respect of the Shares, each transferee will be required to provide the same information, representations and warranties to the Company and the Administrator as are required from any applicant for Shares.

The Company and the Administrator will be required to account for tax on the value of the Shares transferred at the applicable rate unless it has received from the transferor a declaration in the prescribed form confirming that the Shareholder transferring its Shares is not an Irish Resident or is an Exempt Irish Resident. The Company and the Administrator reserve the right to redeem such number of Shares held by a transferor as may be necessary to discharge

the tax liability arising. The Company and the Administrator reserve the right to refuse to register a transfer of Shares until it receives a declaration as to the transferee's status and residency in the form prescribed by the Revenue Commissioners.

### **Redemptions**

After the relevant Closing Date for each Fund or Class of Shares, the Company may accept requests for redemptions on each Redemption Date at a price equal to the Net Asset Value per Share of the relevant Fund or relevant Class of Shares applicable to the relevant Redemption Date. A redemption fee of up to 2% of the Net Asset Value of the Shares being redeemed may be charged by the Manager or the relevant Distributor/Sales Agent. During any period of net redemptions necessitating the selling of the assets of a Fund, the redemption price per Share may be reduced, at the discretion of the Manager, by a charge to cover the charges, duties and other costs involved in redeeming investments in the underlying property of the relevant Fund. The charge is intended to protect existing and continuing Shareholders against the dilution of the value of their investment on account of these charges, duties and other costs.

The procedure for redeeming Shares and details of any redemption charges will be as set out in the applicable Supplement.

Requests for the redemption of Shares should be sent directly to the Administrator. Redemption requests may be sent by post or facsimile as set out in the applicable Supplement but redemption proceeds will not be remitted until the Administrator has received the original application form used for the initial subscription and any relevant anti-money laundering documentation. In addition, the Administrator may refuse to process a redemption request until proper information has been provided. Redemptions requests made via secure electronic means may be accepted at the discretion of the Directors.

The Company and the Administrator will be required to withhold tax on redemption monies at the applicable rate unless it has received from the Shareholder a declaration as to status and residency in the form prescribed by the Revenue Commissioners confirming that the Shareholder is not an Irish Resident or is an Exempt Irish Resident in respect of whom it is necessary to deduct tax.

### **Conversion of Shares**

Unless otherwise provided for in the relevant Supplement, with the consent of the Manager, a Shareholder may convert Shares of one Fund into Shares of another Fund on giving three days' notice, or such other time as specified in the relevant Fund Supplement to the Administrator in such form as the Administrator may require. The conversion is effected by arranging for the redemption of Shares of one Fund, and if appropriate, converting the redemption proceeds into the currency of another Fund, and subscribing for the Shares of the other Fund with the proceeds of the currency conversion. No conversion fee will be levied. During the period between the determination of the Net Asset Value applicable to the Shares being redeemed and the subscription for Shares, the Shareholder will not be the owner of, or be eligible to receive dividends with respect to, either the Shares which have been redeemed or the Shares being acquired.

Conversion will take place in accordance with the following formula:

$$NSH = \frac{OSH \times RP \times FX}{SP}$$

where:-

NSH = the number of Shares which will be issued in the new Fund;

OSH = the number of the Shares to be converted;

RP = the Net Asset Value of the Shares to be converted after adjusting for the redemption fee, if any;

FX = is the actual rate of exchange on that Fund Business Day in respect of the reference currency of the original Fund and the reference currency of the new Fund;

SP = the issue price of Shares in the new Fund on that Fund Business Day after adjusting for the subscription fee, if any.

If NSH is not a whole number of Shares the Administrator reserves the right to issue fractional Shares in the new Fund or to return the surplus arising to the Shareholder seeking to convert the Shares.

A Shareholder is not required to submit a new application form for the purchase of Shares in connection with a conversion.

### **Deferral of Redemptions**

Where total requests for redemption on any Redemption Date for a Fund, exceed at least 10% of the total number of Participating Shares in the applicable Fund or at least 10% of the Net Asset Value of the applicable Fund, the Manager may, in its absolute discretion, limit the number of Participating Shares that can be redeemed on any one Redemption Date, to 10% of the total number of Participating Shares in the applicable Fund or, to 10% of the Net Asset Value of the applicable Fund. In this event, the limitation will apply pro rata so that all Shareholders wishing to have their Shares redeemed on that Redemption Date redeem the same proportion of such Shares, and Shares not redeemed will be carried forward for redemption on the next Redemption Date and all following Redemption Dates (in relation to which the Company will carry out the same procedure as described herein) until the original request has been satisfied in full. If requests for redemption are so carried forward, the Administrator will inform the Shareholders affected. In this event, the Company shall reduce pro rata any requests for redemption on that Redemption Date and shall treat the redemption requests as if they were received on each subsequent Redemption Date until all the Shares to which the original request related have been redeemed.

### **In Specie Redemption**

Redemption in specie may be permitted at the discretion of the Manager subject always to the consent of the redeeming Shareholder. Asset allocation is subject to the approval of the Depositary. A determination to provide redemption in specie may be solely at the discretion of the Manager where the redeeming Shareholder requests redemption of a number of Shares that represents 5% or more of the Net Asset Value of the relevant Fund, on such day. In this event, the Manager may, without the consent of the relevant Shareholder utilising the discretion of the Company. The Manager and/or the Company will, if so requested by the redeeming Shareholder, sell the assets on behalf of the Shareholder and pay to the Shareholders the net proceeds of the sale of the relevant Shares. Asset allocation in respect of such redemption in specie is subject to the approval of the Depositary.

### **Compulsory Redemptions**

The Manager may with the prior approval of the Administrator, compulsorily redeem or transfer any holding of Shares if it comes to the Manager's attention that those Shares are being held directly or beneficially by any person who is not entitled to apply for Shares as described more fully in the section headed "Investor Restrictions" below and as provided for in the section entitled "Selling Restrictions" on page (ii). The Manager also reserves the right to effect the compulsory redemption of all Shares held by a Shareholder as specified in the applicable Supplement. In addition, the circumstances (and manner) in which the Company may effect compulsory redemption of Shares in a Fund will be set out in the applicable Supplement. Prior to any compulsory redemption of Shares, the Administrator will notify the Shareholders in writing and allow such Shareholder thirty days to purchase additional Shares to meet this minimum holding requirement.

However, without prejudice to the foregoing, the Company may, where the Directors believe it is in the best interests of the Company or the Shareholders in a particular Fund, effect redemption of all of the issued Shares in a Fund.

See also section entitled "Termination of a Fund" on page 63.

### **Umbrella Cash Accounts**

In connection with the processing of subscriptions, redemptions, distributions or other relevant payments to or from investors or Shareholders in accordance with the Constitution, the Company may establish or operate one or more umbrella fund cash accounts in different currencies, opened in its name. No investment or trading will be effected on behalf of the Company or any of its Funds in respect of the cash balances on such accounts. Any balances on such

accounts shall belong to the Company or the relevant Fund and are not held on trust on behalf of any investors or Shareholders or any other persons.

Cash subscriptions received in advance of the relevant Subscription Date will be held as an asset of the relevant Fund in cash in an umbrella fund cash account until the relevant Subscription Date, at which time the Shares will be issued and the investor will become a Shareholder in the relevant Fund. In respect of such subscription proceeds received in advance of the relevant Subscription Date and until such time as the Shares have been issued to the investor, in the event of the Company or the relevant Fund becoming insolvent, the investor will rank as a general unsecured creditor of the Company or relevant Fund in respect of such subscription proceeds.

Should the Company be unable to issue Shares to an investor, who has paid the requisite subscription amount to the Company, but has yet to provide the Company or the Administrator with all requisite information or documentation in order to verify the investor's identity, the Manager and the Depositary will ensure the return of such subscription proceeds to the relevant investor within five working days from when the requisite subscription amount was received.

The Company may temporarily borrow an amount equal to a subscription, subject to a Fund's borrowing limits, and invest the amount borrowed in accordance with the investment objective and policies of the Fund. Once the required subscription monies have been received, the Company will use this to repay the borrowings. In the event of any delay in the settlement of the investor's subscription monies, the Company reserves the right to charge that Shareholder for any interest or other costs incurred by the Company as a result of this borrowing. If the Shareholder fails to reimburse the Company for those charges, the Company will have the right to sell all or part of the investor's holdings of Shares in the Fund in order to meet those charges and/or to pursue that Shareholder for such charges.

In respect of a dividend declared and owing to a Shareholder that is unable to be paid for any reason whatsoever, such as, for example, if the relevant Shareholder has not provided the requisite information or documentation to the Company or the Administrator, such dividend amount will be held as an asset of the relevant Fund in cash in an umbrella fund cash account until such time as the reason for the Company or the Administrator being unable to pay the dividend amount to the relevant Shareholder has been addressed, at which point the Company or the Administrator shall pay the dividend amount to the Shareholder. In this regard, the relevant Shareholder should seek to promptly address the reason for the Company or the Administrator being unable to pay the dividend amount to the relevant Shareholder. In respect of such dividend amounts that are unable to be paid and until such time as such dividend amount has been paid to the Shareholder, in the event of the Company or the relevant Fund becoming insolvent, the Shareholder will rank as a general unsecured creditor of the Company or relevant Fund in respect of such a dividend amount.

In respect of a redemption request, the Company or the Administrator may refuse to remit the redemption proceeds until such time as the Shareholder has provided the requisite information or documentation to the Company or the Administrator, as requested by the Company or the Administrator from time to time. In such circumstances, the Administrator will process the redemption request received by the Shareholder, at which point in time the Shareholder will no longer be considered a Shareholder of the relevant Fund and the proceeds of that redemption shall be held as an asset of the relevant Fund in cash in an umbrella fund cash account until such time as the Company or the Administrator has received all requisite information or documentation and has verified the Shareholder's identity to its satisfaction, following which the redemption proceeds will be released. In this regard, the relevant Shareholder should seek to promptly address the reason for the Company or the Administrator being unable to pay the redemption proceeds to the relevant Shareholder. In respect of such redemption proceeds that are unable to be paid and until such time as the redemption proceeds have been released to the investor, in the event of the Company or the relevant Fund becoming insolvent, the investor will rank as a general unsecured creditor of the Company or relevant Fund in respect of such redemption proceeds.

### **Suspension of Subscriptions, Transfers, Conversions and Redemptions**

Subscriptions, transfers, conversions and redemptions for any Fund will be suspended for as long as the calculation of the Net Asset Value of that Fund is suspended as more fully described in the section headed "Suspension of Valuation" on page 43.

Any applications for subscriptions, transfers, conversions and redemptions for a Fund will be considered on the first Subscription Date or Redemption Date, as applicable, following the termination of a suspension.

### **Investor Restrictions**

Potential investors should note that restrictions apply regarding the types of persons to whom Shares may be issued and transferred for the purpose of ensuring that no Shares are held by any person or persons:

- (i) in breach of the law or requirements of any country or governmental authority, or
- (ii) in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other person or persons, connected or not, or any other circumstance appearing to the Manager and the Administrator to be relevant) where, in the opinion of the Manager and the Administrator, such holding might result in taxation, legal, pecuniary, regulatory or material administrative disadvantage to the Manager, the Company or its Shareholders as a whole.

### **Abusive Trading Practices**

Excessive, short-term (or market timing) or other abusive trading practices may disrupt portfolio management strategies and harm Fund performance. To minimise harm to a Fund and its Shareholders, the Manager or the Administrator reserves the right to reject any subscription (including any transfer) from any investor whom it believes has a history of abusive trading or whose trading, in its judgment, has been or may be disruptive to a Fund. In making this judgment, the Manager or the Administrator may consider trading done in multiple accounts under common ownership or control.

### **Anti-Money Laundering Procedures**

Measures aimed at the prevention of money laundering and terrorist financing require a detailed verification of the investor's identity and, where applicable, the beneficial owner on a risk sensitive basis. These measures also require the identification of a politically exposed person ("PEP"), an individual who is or has, at any time in the preceding year, been entrusted with a prominent public function, and investors who are immediate family members of PEPs, or persons known to be close associates of such persons.

Depending on the circumstances of each application, a detailed verification might not be required where for example, the application is made through a relevant third party as such term is defined in the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 (as amended). This exception will only apply if the relevant third party referred above is located within a country recognised in Ireland as having equivalent anti-money laundering and counter terrorist financing regulations and satisfies other applicable conditions such as providing a letter of undertaking confirming that it has carried out the appropriate verification checks on the investor and will retain such information in accordance with the required timeframe and will provide such information on request to the Company and/ or the Manager.

The details above under the heading "Subscriptions" are given by way of example only and in that regard the Administrator and the Company and/ or the Manager each reserve the right to request any such information as is necessary at the time of, application for Shares in a Fund to verify the identity of an investor and where applicable the beneficial owner of an investor pursuant to the Beneficial Ownership Regulations 2019 (SI 110 of 2019) or as otherwise required. In particular, the Administrator and the Company and/ or the Manager each reserve the right to carry out additional procedures in relation to both new and existing investors who are/become classed as PEPs. Verification of the investor's identity is required to take place before the establishment of the business relationship. In any event, evidence of identity is required for all investors as soon as is reasonably practicable after the initial contact. In the event of delay or failure by an investor or applicant to produce any information required for verification purposes, the Administrator or the Company and/ or the Manager will refuse to accept the application and subscription monies and/ or return all subscription monies or compulsorily repurchase such Shareholder's Shares and/ or payment of repurchase proceeds may be delayed (no repurchase proceeds will be paid if the Shareholder fails to produce such information). None of the Company, the Directors, the Manager, or the Administrator shall be liable to the subscriber or Shareholder where an application for Shares is not processed or where Shares are compulsorily repurchased or where payment of repurchase proceeds is delayed in such circumstances. If an application is rejected, the Administrator will return application monies or the balance thereof in accordance with any applicable laws to the account from which it was paid at the cost and risk of the applicant. For the avoidance of doubt, redemption proceeds will not be remitted until the Administrator has received the original application form used for the initial subscription and any relevant anti-money laundering documentation.

The Administrator and the Company and/ or the Manager, reserve the right to obtain any additional information from investors so that it can monitor the ongoing business relationship with such investors.



The Administrator and the Company and/ or the Manager, also reserve the right to obtain any additional information from investors to keep its customer due diligence records up to date.

Any natural person who ultimately owns or controls 25% plus one share or an ownership interest in the entity shall inform the Administrator thereof. The percentage of 25% plus one share or an ownership interest of more than 25% are considered as an indication of direct or indirect ownership or control, which means that a natural person may also be considered as a beneficial owner of a corporate entity even if the 25% threshold of ownership or control in that corporate entity is not met by them.

### **Data Protection**

Prospective investors should note that by completing the application form they are providing personal information to the Administrator, Company, Manager, or any of their duly appointed delegates, which may constitute personal data within the meaning of Data Protection Law. This personal data will be kept only for as long as necessary and used for the purposes of client identification, administration, updating the Company's records for fee billing, to monitor and record calls and electronic communications for quality, business analysis, training, investigation and fraud prevention purposes, for crime detection, prevention, investigation and prosecution and to enforce or defend the Company's, the Manager's, the Administrator's, the Depositary's, any Distributor's or the auditors' rights directly or through third parties to whom the Company, the Manager, the Administrator, the Depositary, any Distributor or the auditors delegate(s) such rights or responsibilities, statistical analysis, market research, and to comply with any applicable legal or regulatory requirements, such as anti-money laundering checks and related actions which the Company, the Manager, the Administrator, the Depositary, any Distributor or the auditors consider(s) necessary to meet any legal obligations. The Company, the Manager, the Administrator, the Depositary, the Distributors and the auditors will retain your personal information for the duration of your investment in the Company and for as long as required for the Company, the Manager, the Administrator, the Depositary, the Distributors and the auditors to perform the services or perform investigations in relation to same depending on whether additional legal/regulatory obligations mandate that the Company, the Manager, the Administrator, the Depositary, the Distributors and the auditors retain(s) your personal information. Data may be disclosed to third parties including regulatory bodies, tax authorities in accordance with the CRS and any other tax reporting obligations under legislation or regulation, delegates, advisers and service providers of the Company and their or the Company's duly authorised agents and any of their respective related, associated or affiliated companies wherever located (including outside the EEA) for the purposes specified. Investors have the following rights in respect of their personal data kept by the Company, the Manager, the Administrator, the Depositary, the Distributors or the auditors: the right to access their personal information, the right to rectify their personal information, the right to restrict the use of their personal information, the right to request that their personal information is erased, the right to object to processing of their personal information and the right to data portability (in certain specific circumstances as set out in more detail in the application form).

## **VALUATION**

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### **Net Asset Value**

The Net Asset Value of each Fund or of each Class of Shares, as the case may be, will be calculated by the Administrator at the Valuation Point on each Valuation Date in accordance with the principles more fully described in the section headed "Valuation Principles" below.

The Net Asset Value of each Fund is, as at any Valuation Point, the aggregate value of the assets attributable to each Fund (including, without limitation, any unamortised expenses) less the aggregate liabilities attributable to each Fund (including, without limitation, its accrued expenses and such amount in respect of contingent or projected expenses as the Manager considers fair and reasonable). The Net Asset Value per Share in each Fund will be calculated by dividing the Net Asset Value of such Fund by the number of Shares in issue in respect of that Fund.

Where a Fund is made up of more than one Class of Shares, the Net Asset Value of each Class of Shares will be calculated by determining that part of the Net Asset Value of each Fund attributable to each such Class of Shares and dividing this value by the number of Shares of that Class of Shares in issue to give the Net Asset Value per Share.

### **Allocation of Assets and Liabilities**

The Constitution requires the Directors to establish separate Funds in the following manner:

- (a) the proceeds from the issue of each Share shall be applied in the books and records of the Fund established for that Share, and the assets less the liabilities plus income less expenditure attributable thereto shall be applied to such Fund subject to the provisions of the Constitution;
- (b) where any asset is derived from another asset (whether cash or otherwise), the derived asset shall be applied to the same Fund as the assets from which it was derived and on each revaluation of an asset the increase or diminution in value shall be applied to the relevant Fund;
- (c) in the case of any asset which the Directors do not consider as attributable to a particular Fund, the Directors shall have discretion, subject to the approval of the Depositary, to determine the basis upon which any such asset shall be allocated between Funds and the Directors shall have the power at any time, subject to the approval of the Depositary, to vary such basis provided that the approval of the Depositary shall not be required in any such case where the asset is allocated between all Funds pro rata to their net asset values at the time when the allocation is made;
- (d) the Directors shall have the discretion, subject to the approval of the Depositary, to determine the basis upon which any liability (which, without limitation, may include all operating expenses of the Company such as stamp duties, taxes, brokerage or other expenses of acquiring and disposing of investments, the fees and expenses of the auditors and legal advisers, the costs of printing and distributing reports, accounts and any prospectus, publishing prices and any relevant registration fees etc, as further described in the Fees and Expenses section below.) shall be allocated between Funds (including conditions as to the subsequent re-allocation thereof if circumstances so permit) and shall have the power at any time and from time to time to vary such basis, provided that the approval of the Depositary shall not be required in any such case where a liability is allocated between the Funds pro rata to their Net Asset Values; and
- (e) subject to the approval of the Depositary, the Directors may transfer any assets to and from Funds if, as a result of a creditor proceeding against certain of the assets of the Company or otherwise, a liability would be borne in a different manner from that in which it would have been borne under paragraph (d) above or in any similar circumstances.

### **Valuation Principles**

The Net Asset Values for each Class of Shares shall be determined separately by reference to the Fund appertaining to that Class of Shares and to each such determination the following provisions shall apply:

- (1) The Net Asset Value of each Fund shall be determined and shall be equal to the value as at the relevant Valuation Point of all the assets, less all the liabilities, of that Fund.
- (2) The assets of a Fund shall be deemed to include:
  - (a) subscription monies receivable for Participating Shares allocated, all cash in hand, on loan or on deposit, or on call including any interest accrued thereon;
  - (b) all bills, demand notes, certificates of deposit, promissory notes and accounts receivable;
  - (c) all bonds, forward currency transactions, time notes, shares, stock, convertibles, units of or participation in collectives investment schemes, debentures, debentures stock, subscription rights, warrants, futures contracts, options contracts, swap contracts, fixed rate securities, floating rate securities in respect of which the return and/or redemption amount is calculated by reference to any index, price or rate, financial instruments and other investments and securities owned or contracted for other than rights and securities issued by it;
  - (d) all stock and cash dividends and cash distributions which the Directors consider will be received by the Company in respect of the Fund but which have not yet been received by it but have been declared payable to stockholders of record on a date before or on the day as of which the Net Asset Value is being determined;
  - (e) all interest accrued on any interest-bearing securities forming part of the Fund; to the extent that the same is included or reflected in the principal value of such security;
  - (f) all other investments of the Fund;
  - (g) the establishment expenses incurred in establishing the Fund and the cost of issuing and distributing Participating Shares of the Fund insofar as the same have not been written off;
  - (h) all prepaid expenses relating to that Fund and a proportion of any prepaid expenses relating to the Company generally, such prepaid expenses to be valued and defined from time to time by the Directors; and
  - (i) all other assets of the Fund of every kind and nature.
- (3) Subject to the Act any expense or liability of the Company may be amortised over such period as the Directors (with the approval of the Depositary) may determine (and the Directors may at any time and from time to time determine with the approval of the Depositary to lengthen or shorten any such period), and the unamortised amount thereof at any time shall also be deemed to be an asset of the Company.
- (4) Assets shall be valued as follows:
  - (a) Deposits shall be valued at their principal amount plus accrued interest from the date on which the same was acquired or made;
  - (b) Save as otherwise herein provided investments or assets listed, quoted or dealt in on a Recognised Market shall be valued at the Valuation Point in each case being the official closing price on the Recognised Market on which these assets are traded or admitted for trading (being the Recognised Market which is the sole or in the opinion of the Manager the principal Recognised Market on which the investment in question is listed, quoted or dealt in). If, in the sole opinion of the Manager, the dealing price (which will be the last traded price) for the assets, calculated as at the Valuation Point is not representative of the value of the assets, the value will be the probable realisation value, estimated with care and in good faith by such competent person as may be appointed by the Manager and approved for the purpose by the Depositary;

- (c) Exchange traded futures and options contracts (including index futures) shall be valued at the settlement price as determined by the market in question. If such market price is not available, the value shall be the probable realisation value estimated by an independent party approved for the purpose by the Depositary;
- (d) Off-exchange derivative contracts shall be valued in accordance with the FDI valuation provisions set out at Appendix I.
- (e) Forward foreign exchange contracts shall be valued by reference to the price at which a new forward contract of the same size and maturity could be undertaken. As foreign exchange hedging may be utilised for the benefit of a particular Class of Share within a Fund, its costs and related liabilities and/or benefits shall be for the account of that Class of Shares only. Accordingly, such costs and related liabilities and/or benefits will be reflected in the Net Asset Value per Share of Shares of any such class;
- (f) At any time when dealing prices are not available in respect of assets listed, quoted or dealt in on a Recognised Market in each case on the Recognised Market on which these assets are traded or admitted for trading (being the Recognised Market which is the sole or in the opinion of the Manager the principal Recognised Market on which the investment in question is listed, quoted or dealt in), the value of the assets will be the probable realisation value estimated with care and in good faith by such competent person as may be appointed by the Manager and approved for the purpose by the Depositary;
- (g) Any investments or assets not listed, quoted or dealt in on a Recognised Market shall, be valued at the probable realisation value as determined with care and in good faith by such competent persons as may be appointed by the Manager and approved for the purpose by the Depositary;
- (h) Securities listed or traded on a Recognised Market but acquired or traded at a premium or at a discount outside or off the relevant market may be valued, taking into account the level of premium or discount at the date of the valuation. The Depositary must ensure that the adoption of such a procedure is justifiable in the context of establishing the probable realisation value of the security;
- (i) Cash shall be valued at face value (together with accrued interest to the relevant Valuation Point) unless, in the opinion of the Directors, any adjustment should be made to reflect the value thereof in the context of currency, marketability, dealing costs and/or such other considerations as are deemed relevant;
- (j) The value of units or shares or other similar participation in any Collective Investment Scheme shall be valued at the latest bid prices or the last available Net Asset Value as published by the Collective Investment Scheme;
- (k)
  - (a) The Directors may at their discretion in relation to any particular Fund which is a money market type fund, value any investment with a known residual maturity of fifteen months or less using the amortised cost method of valuation whereby the investment is valued at its acquisition cost adjusted for amortisation of premium or accretion of discount on the investment. The Directors or their delegate shall review or cause a review to take place of deviations between the amortised method of valuation and the market value of investments, in accordance with the requirements of the Central Bank.
  - (b) The Directors may value floating rate instruments using the amortised cost method of valuation where such floating rate instruments
    - (i) have an annual or shorter reset date; and
    - (ii) are determined by the Directors to have a market value that approximates the amortised cost valuation and;

(iii) have a residual value of two years or less or, in the case of high credit quality instruments having a residual maturity of between two and five years to ensure that the valuation produced does not vary significantly from the true market value.

(c) The Directors may, at their discretion, in relation to any particular Fund which is not a money market type Fund but which invests in money market type instruments, value bonds, interest rate swaps, commercial paper, floating rate notes or similar instruments on the basis of amortised cost provided that each such security being valued using the amortised cost basis of valuation shall have a residual maturity not exceeding 6 months;

- (l) Notwithstanding the forgoing the Manager may permit some other method of valuation to be used for any particular asset if they consider it necessary, such other method to be approved by the Depositary. Any such rationale/ methodology used shall be clearly documented;
- (m) The value of an asset may be adjusted by the Manager where such an adjustment is considered necessary to reflect the fair value in the context of currency, marketability, dealing costs and/ or such other considerations which are deemed relevant; and
- (n) Currencies or values in currencies other than the Base Currency of a particular Fund shall unless the Directors otherwise determine be converted or translated at the rate which the Manager after consulting with, or in accordance with, the method approved by the Depositary may consider appropriate having regard (inter alia) to any premium or discount which may be relevant and to costs of exchange into the Base Currency of that Fund.

### **Suspension of Valuation**

The Directors may at any time temporarily suspend the calculation of the Net Asset Value of the Company or any Fund during:

- (a) any period when any of the principal markets or stock exchanges on which a substantial part of the investments of the relevant Fund are quoted is closed, other than for ordinary holidays, or during which dealings thereon are restricted or suspended;
- (b) any period when, as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility and power of the Directors, disposal or valuation of a substantial part of the investments of the relevant Fund is not reasonably practicable without this being seriously detrimental to the interests of the Shareholders in the relevant Fund or if in the opinion of the Directors, the Net Asset Value of the relevant Fund cannot be fairly calculated; or
- (c) any breakdown in the means of communication normally employed in determining the value of the investments of the relevant Fund or when for any reason the current prices on any market of a substantial part of the investments of the relevant Fund cannot be promptly and accurately ascertained.

Any such suspension will be notified to the Central Bank immediately and, where possible, all reasonable steps will be taken to bring any period of suspension to an end as soon as possible.

### **Publication of the Net Asset Value**

The Net Asset Value per Share of each Fund as calculated for each Valuation Point will be published on a timely basis consistent with the valuation of that Fund in media (newspaper or internet or other means) as the Directors will determine prior to the launch date of that Fund, detailed in the applicable Supplement. The Net Asset Value per Share will also be available from the Administrator. Such information is published for information only; it is not an invitation to subscribe for, redeem or convert Shares at that Net Asset Value.

## **FEES AND EXPENSES**

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### **Management Fee**

Under the provisions of the Management Agreement, each Fund or Class of Shares may pay the Manager a fee in respect of its duties as manager and investment manager of that Fund or Class of Shares. Details of any such fees will be as set out in the applicable Supplement.

### **Investment Management Fee**

Under the provisions of an Investment Management Agreement where relevant, each Fund or Class of Shares may pay an Investment Manager a fee in respect of its duties as Investment Manager of that Fund or Class of Shares. Details of any such Investment Manager appointment and fees will be as set out in the applicable Supplement.

### **Administration Fee**

Under the provisions of the Administration Agreement, each Fund or Class of Shares may pay the Administrator a fee in respect of its duties as Administrator of that Fund or Class of Shares. Details of any such fees will be as set out in the applicable Supplement.

### **Depository Fee**

Under the provisions of the Depository Agreement, each Fund or Class of Shares may pay the Depository a fee in respect of its duties as Depository of that Fund or Class of Shares. These duties include performance by the Depository of global custody services, depository services and such other related services for the Company as may be agreed from time to time. Details of any such fees will be as set out in the applicable Supplement. Any fees of a sub-custodian will be paid by the Depository at normal commercial rates and may be charged to the relevant Fund.

### **Distributors Fee**

Under the provisions of the Distribution Agreement, each Fund or Class of Shares may pay to a Distributor, or Distributors as applicable, a fee in respect of its/their duties as distributor of that Fund or Class of Shares. Details of any such fees will be as set out in the applicable Supplement.

### **Administration of Service Provider Fee Payments**

The Prospectus and relevant Supplement for a Fund disclose the level of fees that will be incurred by a Fund and to whom they are ultimately due (including the Manager and other service providers to the Company and/or a Fund). Shareholders should note that the administrative process relating to ensuring the disclosed fee is ultimately received by the entity to whom it is due may vary depending on what is deemed to be the most operationally efficient process taking into account the features of the relevant Fund. For example, in circumstances where a fee is disclosed as being payable to the Manager with an obligation for the Manager to pay a disclosed fee to a particular service provider(s) out of that same fee, the Fund might instruct the administrator to deduct the relevant service provider(s) fee from the fee payable to the Manager (i.e. pay the Manager its fee net of such service provider fees) and directly execute payment of the fees payable to the relevant service provider(s) rather than pay the gross fee to the Manager with an obligation for it to make the onward payment to the relevant service provider(s).

### **Directors' Remuneration**

The Directors are entitled to such annual fee that is consistent with market rates and which is not expected to exceed €40,000 per annum per Director without the approval of the Board of Directors (with each Director abstaining on any resolution relating to that Director's remuneration). Such directors' fees shall be paid out of the assets of the Funds, unless stated otherwise in the relevant Supplement. The Directors will be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or general meetings of the Company or in connection with the business of the Company. The Directors may grant special remuneration to any Director who, being called upon, shall perform any special or extra services to or at the request of the Company.

## **Establishment Expenses**

The fees and expenses incurred in connection with the establishment of the Company and the initial Fund, the preparation and publication of this Prospectus, and all legal costs and out-of-pocket expenses related thereto did not exceed €50,000. All of the establishment expenses were borne by the initial Funds of the Company. The initial Funds were allocated such portion of the establishment expenses as the Directors considered to be fair in the circumstances.

Details of the establishment expenses relating to Funds created in the future, if any, will be set out in the applicable Supplement. For the avoidance of doubt, therefore, the amount of establishment expenses set out above, namely €50,000, may be exceeded with the creation of subsequent Funds.

## **Other Expenses**

The Company will also pay the following costs and expenses:

- (i) all out-of-pocket expenses payable to the Manager, the Administrator and the Depositary (including VAT thereon). Such out-of-pocket expenses may include transaction charges provided that they are charged at normal commercial rates. Expenses incurred in relation to more than one Fund will be applied pro-rata across the relevant Funds;
- (ii) all stamp duty (other than any payable by an applicant for Shares or by a Shareholder) or other tax or duty which may be levied or payable from time to time on or in respect of the Company or on creation or issue of Shares or arising in any other circumstance;
- (iii) all fiscal and purchase or fiscal and sale charges arising on any acquisition or disposal of investments;
- (iv) all expenses incurred in relation to the registration of any investments into and transfer of any investments out of the name of the Company or its nominees or the holding of any investment or the custody of investments and/or any Prospectus or title thereto (including bank charges, insurance of documents of title against loss in shipment, transit or otherwise);
- (v) all expenses incurred in the collection of income of the Company;
- (vi) all costs and expenses of and incidental to preparing resolutions of Shareholders for the purpose of securing that the Company conforms to legislation coming into force after the date of the incorporation of the Company (including costs and expenses incurred in the holding of a meeting of Shareholders, where necessary);
- (vii) all taxation payable in respect of the holding of or dealings with or income from the Company relating to the Company's property and in respect of allocation and distribution of income to Shareholders other than tax of Shareholders or tax withheld on account of Shareholders' tax liability;
- (viii) all commissions, stamp duty, value added tax and other costs and expenses of or incidental to any acquisition, holding, realisation or other dealing in investments, foreign exchange options, financial futures, contracts for differences or any other derivative instruments or the provision of cover or margin therefore or in respect thereof or in connection therewith;
- (ix) all stationery, printing and postage costs in connection with the preparation and distribution of cheques, warrants, tax certificates, statements, accounts and reports made, issued or despatched pursuant to the Constitution;
- (x) the fees and expenses in relation to auditors, asset valuation, risk and financial data services providers, tax and legal advisers and other professional advisers of the Company;
- (xi) all fees and expenses in connection with the marketing and advertising of the Company, including translation costs and all costs associated with the foreign registration of funds;
- (xii) any fees payable by the Company to any regulatory authority in any other country or territory, the costs and expenses (including legal, accountancy and other professional charges such as translation and printing costs)

incurred in meeting on a continuing basis the notification, registration and other requirements of each such regulatory authority, and any fees and expenses of representatives or facilities agents in any such other country or territory;

- (xiii) all fees and costs relating to the listing or de-listing of Shares in the Company on any stock exchange;
- (xiv) all fees and costs relating to liquidations, mergers, schemes of reconstruction and amalgamation (to the extent it has not been agreed that such expenses should be borne by other parties) under which the Company acquires investments;
- (xv) fees in respect of company secretarial services;
- (xvi) due diligence costs and expenses incurred by the Manager or its agent in carrying out its regulatory oversight of the fund(s);
- (xvii) Director insurance and payroll services costs;
- (xviii) expenses associated with fund static data such as LEI and ISIN generation and maintenance costs;
- (xix) the costs and expenses of preparing, printing, translating, publishing and distributing prospectuses, supplements, Key Investor Information Documents, annual and semi-annual reports and other documents to current and prospective Shareholders;
- (xx) costs of complying with regulatory and regulatory reporting requirements (such as EMIR and SFTR reporting) and tax reporting requirements (such as FATCA and AEOI/CRS);
- (xxi) costs associated with investor Share register maintenance, beneficial ownership register and facilitating investor reporting requirements;
- (xxii) such other costs and expenses (including non-recurring and extraordinary costs and expenses) as may arise from time to time, which have been deemed by the Directors as necessary or appropriate for the continued operation of the Company or of any Fund; and
- (xxiii) all other costs and expenses incurred by the Company and any of its appointees which are permitted by the Constitution.

The foregoing expenses will be properly vouched for or, if not vouched for, shall be charged to the Company at normal commercial rates.

The Manager and the Company may agree from time to time that certain of the costs and expenses set out above may be discharged by the Manager or UBS AG, London Branch and not the Company.



## TAXATION

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The following definitions apply throughout this taxation section unless the context requires otherwise:

**“Exempt Irish Investor”**

means:

- a pension scheme which is an exempt approved scheme within the meaning of section 774 of the Taxes Act, or a retirement annuity contract or a trust scheme to which section 784 or 785 of the Taxes Act applies which has made a Relevant Declaration which is in the possession of the Company prior to the occurrence of a chargeable event;
- a company carrying on a life business, within the meaning of section 706 of the Taxes Act which has made a Relevant Declaration which is in the possession of the Company prior to the occurrence of a chargeable event;
- an investment undertaking within the meaning of section 739B of the Taxes Act which has made a Relevant Declaration which is in the possession of the Company prior to the occurrence of a chargeable event;
- a special investment scheme within the meaning of section 737 of the Taxes Act which has made a Relevant Declaration which is in the possession of the Company prior to the occurrence of a chargeable event;
- a unit trust, to which section 731(5)(a) of the Taxes Act applies which has made a Relevant Declaration which is in the possession of the Company prior to the occurrence of a chargeable event;
- a charity being a person referred to in section 739D(6)(f)(i) of the Taxes Act which has made a Relevant Declaration which is in the possession of the Company prior to the occurrence of a chargeable event;
- a qualifying management company within the meaning of section 734(1) of the Taxes Act which has made a Relevant Declaration which is in the possession of the Company prior to the occurrence of a chargeable event;
- a person exempt from income tax and capital gains tax by virtue of section 784A(2) of the Taxes Act, where the units held are assets of an approved retirement fund or an approved minimum retirement fund and the “qualifying fund manager” (within the meaning of section 784A of the Taxes Act) has made a Relevant Declaration which is in the possession of the Company prior to the occurrence of a chargeable event;
- a person exempt from income tax and capital gains tax by virtue of section 787I of the Taxes Act where the units held are assets of a Personal Retirement Savings Account (within

the meaning of Chapter 2A of Part 30 of the Taxes Act) and the PRSA Administrator (within the meaning of Chapter 2A) has made a Relevant Declaration which is in the possession of the Company prior to the occurrence of a chargeable event;

- a credit union within the meaning of section 2 of the Credit Union Act 1997 which has made a Relevant Declaration which is in the possession of the Company prior to the occurrence of a chargeable event;
- the National Asset Management Agency which has made a declaration to that effect to the Company;
- the National Treasury Management Agency or a fund investment vehicle (within the meaning of section 37 of the National Treasury Management Agency (Amendment) Act 2014) of which the Minister for Finance is the sole beneficial owner, or the State acting through the National Treasury Management Agency, and the National Treasury Management Agency has made a declaration to that effect to the Company;
- a Qualifying Company that has made a declaration to that effect to the Company and has supplied details of its corporation tax reference number to the Company;
- a company in respect of its investment in a money market fund within the meaning of Regulation (EC) No 2423/2001 of the European Central Bank of 22/11/2001, where such company is within the charge to corporation tax in accordance with section 739G(2) in respect of payments made to it and has made a declaration to that effect to the Company and has supplied details of its corporation tax reference number to the Company;
- an investment limited partnership within the meaning of section 739J of the Taxes Act which has made a Relevant Declaration which is in the possession of the Company prior to the occurrence of a chargeable event;
- any other Irish Resident or persons who are Ordinarily Resident in Ireland who may be permitted to own Shares under taxation legislation or by written practice or concession of the Revenue Commissioners without giving rise to a charge to tax in the Company or jeopardising tax exemptions associated with the Company giving rise to a charge to tax in the Company; or
- an Intermediary acting on behalf of persons who are neither Irish Resident nor Ordinarily Resident in Ireland for tax purposes or an Intermediary acting on behalf of Irish Resident persons listed above which has made a Relevant Declaration which is in the possession of the Company prior to the occurrence of a chargeable event.

**“Ordinarily Resident in Ireland”**

means an individual who has been Resident in Ireland for three consecutive tax years with effect from the commencement of the fourth tax year save that an individual who has been Ordinarily Resident in Ireland will continue to be Ordinarily Resident in Ireland until the commencement of the fourth consecutive tax year in which he/she is not Resident in Ireland.

**“Qualifying Company”**

means a qualifying company within the meaning of section 110 of the Taxes Act.

**“Recognised Clearing System”**

means any of the following clearing systems:

- (i) Central Moneymarkets Office;
- (ii) Clearstream Banking SA;
- (iii) Clearstream Banking AG;
- (iv) CREST;
- (v) Depository Trust Company of New York;
- (vi) Euroclear;
- (vii) Monte Titoli SPA;
- (viii) Netherlands Centraal Instituut voor Giraal Effectenverkeer BV;
- (ix) National Securities Clearing System;
- (x) Sicom SA;
- (xi) SIS Sega Inter-settle AG;
- (xii) The Canadian Depository for Securities Ltd;
- (xiii) VPC AB (Sweden);
- (xiv) Deutsche Bank AG, Depository and Clearing System;
- (xv) Japan Securities Depository Center (JASDEC);
- (xvi) BNY Mellon Central Securities Depository SA/NV (BNY Mellon CSD);
- (xvii) Hong Kong Securities Clearing Company Limited; and
- (xviii) Any other system for clearing securities which is designated by the Revenue Commissioners as a recognised clearing system.

**“Relevant Declaration”**

means the declaration relevant to the Shareholder as set out in Schedule 2B of the Taxes Act.

**“Relevant Period”**

means a period of 8 years beginning with the acquisition of a share by a Shareholder and each subsequent period of 8 years beginning immediately after the preceding Relevant Period for as long as the Shareholder holds that share.

**“Resident in Ireland”**

means any person resident in Ireland for the purposes of Irish tax. The following is a summary of how different categories of persons/ entities may be treated as resident in Ireland for this purpose.

*Company*

A company will be resident in Ireland if its central management and control is exercised in Ireland irrespective of where it is incorporated. For Ireland to be treated as the location for central management and control this typically means that Ireland is the location where all fundamental policy decisions of the company are made. This is unless it is regarded as resident in another territory and not in Ireland under the terms of a double tax treaty in effect with Ireland.

A company incorporated in Ireland after 1 January 2015 will be regarded for all purposes of Irish tax legislation as being resident in Ireland unless it is regarded for the purposes of a double tax treaty in effect with Ireland as being resident in that other tax treaty territory and not in Ireland.

A company incorporated in Ireland prior to 1 January 2015 will be similarly treated for the purposes of ascertaining tax residency after 1 January 2020 or if earlier, from the date of a major change of ownership of the company where there is a major change in the nature or conduct of the business of the company within the relevant period. Relevant period for this purpose means a period of 5 years from 1 January 2015 or the date of change of ownership, whichever is later. Otherwise, a company incorporated in Ireland prior to 1 January 2015 will be regarded as being resident in Ireland unless it is a 'relevant company' and it either carries on a trade in Ireland or it is related to a company that carries on a trade in Ireland or, if pursuant to the terms of a double taxation treaty between Ireland and another territory, the company is regarded as resident in a territory other than Ireland and as not resident in Ireland. A relevant company is a company:

- (a) that is under the "control", directly or indirectly, of a person or persons who is or are:
  - resident for the purposes of tax, in either an EU member state or in a territory with which Ireland has a double taxation treaty (a "treaty territory") (together a "relevant territory") under the law of that relevant territory, and
  - not under the control, directly or indirectly, of a person who is, or persons who are, not so resident; or
- (b) that is, or is related to, a company the principal class of shares of which is substantially and regularly traded on one or more recognised stock exchanges in a relevant territory or territories.

It should be noted that the determination of a company's residence for tax purposes can be complex in certain cases and declarants are referred to the specific legislative provisions which are contained in section 23A of the Taxes Act.

#### *Individual*

An individual will be regarded as being resident in the Ireland for the purposes of Irish tax if for a particular tax year he or she

- (a) is present in Ireland for 183 days or more in that tax year;
- or
- (b) 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 tax year. Presence in Ireland by

an individual of less than 30 days in any tax year will not be reckoned for the purpose of applying this two-year test.

Presence in Ireland for a day means the personal presence of an individual at any point during that day.

#### *Trust*

A trust will generally be Irish resident where all of the trustees are resident in Ireland.

#### **“Taxes Act” or “TCA”**

means the Taxes Consolidation Act 1997 of Ireland as amended.

**The taxation of income and capital gains of the Company and of the Shareholders is subject to the fiscal laws and practices of Ireland, of the countries in which the Company invests and of the jurisdictions in which Shareholders are resident or otherwise subject to tax.**

**The following summary of certain relevant taxation provisions is based on current law and practice and does not constitute legal or tax advice. It does not purport to deal with all the tax consequences applicable to the Company or to 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, converting or otherwise disposing of the Shares under the laws of their country of incorporation, establishment, citizenship, residence or domicile, and in the light of their particular circumstances.**

Potential investors and Shareholders should note that the statements on taxation which are set out below are based on advice which has been received by the Directors regarding the law and practice in force in the relevant jurisdiction as at the date of this Prospectus. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made in the Company will endure indefinitely (and tax law may change with retrospective effect).

#### **Taxation outside of Ireland**

The income and gains of the Company from its securities and assets may suffer withholding tax of the territory where such income and gains arise, which may not be reclaimable in those territories. The Company, in certain circumstances, may not be able to benefit from the applicable reduced rates of withholding tax provided in double taxation agreements between Ireland and such territories. This is because a number of Ireland’s double taxation agreements, where applied by territories on a strict basis, are available only to persons who are liable to tax in Ireland. The transactions of the Company will not be liable to Irish tax if all transactions contemplated are exempt as described below. If this position changes in the future and the application of a lower withholding tax rate results in a repayment to the Company, the Net Asset Value of the relevant Fund will not be restated and the benefit will be allocated to the existing Shareholders rateably at the time of repayment.

#### **DAC6 – Disclosure requirements for reportable cross-border tax arrangements**

On 25 June 2018, Council Directive (EU) 2018/822 (“DAC6”) entered into force introducing rules regarding the mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements (“RCBAs”). DAC6 is intended to provide the tax authorities of EU member states with comprehensive and relevant information about potentially aggressive tax-planning arrangements with the aim that this information will enable the authorities to react promptly against harmful tax practices and close loopholes by enacting legislation or by undertaking adequate risk assessments and carrying out tax audits.

The DAC6 obligations apply from 1 July 2020, but may require reporting of arrangements implemented between 25 June 2018 and 30 June 2020. The Directive generally requires EU intermediaries to report to their local tax authorities information about RCBAs, including details of the arrangement as well as identification information about the involved intermediaries and relevant taxpayers, i.e. the persons to whom the RCBA is made available. Subsequently, the local tax authorities exchange the information with the tax authorities of other EU member states. As such, the Company

may be legally required to file information that is within its knowledge, possession or control on any RCBA to the respective tax authorities. This legislation is capable of applying to arrangements that do not necessarily constitute aggressive tax planning.

### **Taxation in Ireland**

The Directors have been advised that on the basis that the Company is resident in Ireland for taxation purposes the Irish taxation position of the Company and the Shareholders is as set out below.

### **Taxation of the Company**

On the basis that the Company is an investment undertaking as defined in section 739B of the Taxes Act under current law and practice, it will not be subject to Irish tax on its income or gains. Tax can arise on the happening of a chargeable event.

#### *Chargeable events*

Chargeable events include;

- the payment of a distribution;
- the redemption, encashment, repurchase, cancellation or transfer of Shares;
- the appropriation or cancellation of Shares for the purposes of meeting the tax arising on a transfer of Shares; and
- the ending of a Relevant Period.

However, the following events are not chargeable events;

- any transaction in relation to or in respect of Shares held in a Recognised Clearing System;
- an exchange on an arm's length basis with the Company of Shares representing one Fund for another Fund of the Company where no payment is made to the Shareholder;
- an exchange on an arm's length basis with the Company of Shares in the Company for other Shares in the Company where no payment is made to the Shareholder;
- the transfer by a Shareholder of entitlement to a Share where the transfer is between spouses or civil partners, (subject to certain conditions this exemption may also apply to transfers between former spouses or civil partners); the transferee spouse or civil partner is treated as having acquired the Share at their original cost to the transferring spouse or civil partner; or
- a cancellation of Shares arising on a "scheme of reconstruction or amalgamation" (within the meaning of section 739H(1)) of the Taxes Act) or a "scheme of amalgamation" (within the meaning of 739HA(1) of the Taxes Act) of the Company or other investment undertaking(s), subject to certain conditions being fulfilled.

A chargeable event will not give rise to an obligation for the Company to account for the appropriate tax if:

- (i) the chargeable event occurs solely on account of an exchange of Shares arising on a scheme of amalgamation within the meaning of Section 739D (8C) of the Taxes Act, subject to certain conditions being fulfilled;
- (ii) the chargeable event occurs solely on account of an exchange of Shares arising on a scheme of migration and amalgamation within the meaning of Section 739D (8D) of the Taxes Act, subject to certain conditions being fulfilled; or
- (iii) the chargeable event occurs solely on account of a scheme of migration within the meaning of Section 739D (8E) of the Taxes Act, subject to certain conditions being fulfilled.

### ***Exemption from Irish tax arising on chargeable events***

The Company will not be subject to Irish tax on gains arising on chargeable events where;

- in the case of Shareholders who are Resident in Ireland or Ordinarily Resident in Ireland, they are Exempt Irish Investors; or
- in the case of Shareholders who are neither Resident in Ireland nor Ordinarily Resident in Ireland, each Shareholder has made a Relevant Declaration to the Company prior to the chargeable event and the Company has no reason to believe that the Relevant Declaration is incorrect or no longer correct. In the absence of such a Relevant Declaration the Company will be obliged to deduct income tax at the rate described below on the happening of a chargeable event notwithstanding that a Shareholder is not an Irish Resident.

### ***Relevant Declarations/ Equivalent Measures***

In certain circumstances, investment undertakings are not required to obtain Relevant Declarations from Shareholders who are neither Irish Resident nor Irish Ordinarily Resident where the investment undertaking is not actively marketed to Irish investors and the Revenue Commissioners have given the investment undertaking the appropriate approval. In such circumstances, a chargeable event will not arise if at the time of the chargeable event appropriate equivalent measures have been put in place by the Company to ensure that Shareholders in the Company are neither Irish Resident nor Irish Ordinarily Resident and the Company has received approval from the Revenue Commissioners to this effect and the approval has not been withdrawn.

### ***Tax payable***

Where none of the relieving provisions outlined above have application, the Company is liable to account for Irish income tax on gains arising on chargeable events as follows;

- (a) where the chargeable event relates to a unit held by a Shareholder that is a company and that company has made a declaration to the Company that it is a company and that declaration contains the Irish corporation tax reference number with respect to the company, Irish tax is payable at a rate of 25%;
- (b) where (a) above does not apply, Irish tax is payable at the rate of 41%.

Where the value of the Shares held by non-exempt Irish Shareholders is less than 10% of the value of the total Shares of the Company, the Company will not be obliged to deduct tax on the ending of a Relevant Period, provided they elect to report certain information to the Revenue Commissioners and the Shareholder. In such circumstances, the Shareholder will have to account for the appropriate tax arising on the happening of the chargeable event on a self-assessment basis. In the case of shares held in a Recognised Clearing System, the Shareholders may have to account for the appropriate tax arising at the end of a Relevant Period on a self-assessment basis.

To the extent that any tax is paid on a chargeable event that occurs solely as a consequence of the ending of a Relevant Period such tax will be allowed as a credit or paid to the Shareholder on the happening of a subsequent chargeable event in accordance with the provisions of section 739E of the Taxes Act.

Should an excess payment of appropriate tax arise on the redemption of Shares as a result of tax paid on an earlier deemed chargeable event, the Company, on election, is not obliged to process the refund arising on behalf of a relevant Shareholder provided the value of the Shares held by non-exempt Irish Shareholders does not exceed 15% of the total value of the Shares in the Company. Instead the Shareholder should seek such a repayment directly from the Revenue Commissioners. It is also permitted for the Company to make an irrevocable election to value the Shares on 30 June or 31 December immediately prior to the end of the Relevant Period, rather than on the date of the end of the Relevant Period itself.

In the case of a chargeable event arising as a result of a transfer of Shares or the ending of a Relevant Period or any other chargeable event arising that does not give rise to a payment to be made to the Shareholder, the Company is entitled to cancel or appropriate sufficient Shares of the Shareholder to meet the tax liability. In the case of chargeable

events other than a chargeable event arising on a transfer or the ending of a Relevant Period, any tax arising is deducted from the payments (distribution/repurchase payments/cancellation/ redemption payments) to the Shareholders.

### ***Dividend withholding tax***

Distributions paid by the Company are not subject to Irish dividend withholding tax pursuant to section 172A(1)(b) of the Taxes Act, provided that the Company continues to be a collective investment undertaking as defined in section 172A(1)(a) of the Taxes Act (which definition includes an investment undertaking within the meaning of section 739B of the Taxes Act).

Dividends received by the Company from investment in Irish equities may be subject to Irish dividend withholding tax at the standard rate of income tax (currently 20%). However, where the Company makes an appropriate declaration pursuant to paragraph 6, Schedule 2A of the Taxes Act to the payer that it is a collective investment undertaking within the meaning of section 172A(1)(a) of the Taxes Act (which definition includes an investment undertaking within the meaning of section 739B of the Taxes Act) beneficially entitled to the dividends, it will be entitled to receive such dividends without deduction of tax.

### ***Stamp Duty***

No stamp duty or other tax is payable in Ireland on the issue, subscription, holding, switching, redemption or transfer of Shares in the Company. Where any subscription for or redemption of Shares is satisfied by the in specie transfer of Irish securities or other Irish property, Irish stamp duty may arise on the transfer of such securities or property.

Generally, no Irish stamp duty will be payable by the Company on the conveyance or transfer of stock or marketable securities provided that the stock or marketable securities in question have not been issued by a company incorporated in or registered in Ireland and provided the conveyance or transfer does not relate to any immovable property situated in Ireland or any right over or interest in such property or to any stocks or marketable securities of a company (other than a company which is an investment undertaking within the meaning of section 739B of the Taxes Act or a Qualifying Company) which is registered in Ireland. Irish stamp duty applies at the rate of 1% of the consideration (or market value if higher) on the acquisition of Irish stocks and marketable securities by the Company.

## **Taxation of Shareholders in Ireland**

### **Interpretation**

For the purpose of determining the Irish tax liability of any Shareholder, payments made by the Company to a Shareholder who holds Shares which are held in a Recognised Clearing System, will be deemed to be payments from which tax has not been deducted. Where shares are held in a Recognised Clearing System the obligation falls on the shareholders to self account for any tax arising on a chargeable event.

### **Corporate Shareholder who is Resident in Ireland**

The Irish tax position of a corporate Shareholder who is Resident in Ireland will depend on whether the Shareholder holds the Shares in connection with a trade or whether they are held as an investment:

#### ***Shares held as stock in trade***

Corporate Shareholders who are Resident in Ireland and who hold the Shares in connection with a trade or who are Qualifying Companies will be taxable on any income or gains (grossed up for any tax deducted) earned in connection with those Shares as part of the profits of that trade (currently at a rate of 12.5%) or as profits of its business as a Qualifying Company, as the case may be, (currently at a rate of 25 percent). Such Shareholders will be entitled to a set off against corporation tax payable for any tax deducted by the Company against the corporation tax otherwise assessable upon it.

#### ***Shares held as an investment***



The tax position of a corporate Shareholder whose Shares are not held as part of a share dealing trade will depend on whether or not tax is withheld by the Company:

- ***Tax withheld by the Company***

Corporate Shareholders who are Resident in Ireland who receive payments in respect of Shares from which tax has been deducted will not be subject to further Irish tax on the payments received. Tax will be deducted by the Company at a rate of 25 per cent. However, where the Shares are not denominated in Euro, such Shareholders may also be liable to corporation tax on foreign currency gains upon the cancellation, redemption, repurchase or transfer of Shares.

- ***Tax not withheld by the Company***

Corporate Shareholders who are Resident in Ireland who receive payments in respect of Shares from which tax has not been deducted will be chargeable to tax under Case IV of Schedule D. Accordingly a 25 per cent. rate of corporation tax applies. However where the payment is in respect of the cancellation, redemption, repurchase or transfer of Shares or the ending of a Relevant Period, such payment shall be reduced by the amount of the consideration in money or money's worth given by the Shareholder for the acquisition of the Shares. In addition, where the Shares are not denominated in Euro, such Shareholders may also be liable to corporation tax on foreign currency gains upon the cancellation, redemption, repurchase or transfer of Shares.

### **Non-Corporate Shareholders who are Resident or Ordinarily Resident in Ireland**

The tax position of a non-corporate Shareholder will depend on whether tax is withheld by the Company:

- ***Tax withheld by the Company***

Non-Corporate Shareholders who are Resident in Ireland or Ordinarily Resident in Ireland and who are not an Exempt Irish Investor will not be subject to further Irish tax on income from their Shares or gains made on the disposal of their Shares where tax has been deducted by the Company on payments received. The Company will deduct Irish income tax on gains arising on chargeable events at a rate of 41%.

Where the Shares are not denominated in Euro, such Shareholders may also be liable to capital gains tax on foreign currency gains upon the cancellation, redemption, repurchase or transfer of Shares.

- ***Tax not withheld by the Company***

Any Shareholder who is Resident in Ireland or Ordinarily Resident in Ireland and receives a distribution or receives a gain on encashment, redemption, cancellation or transfer from which tax has not been deducted may be liable to income tax on the amount of such distribution or gain.

Where a non-corporate Shareholder who is Resident in Ireland or Ordinarily Resident in Ireland receives a payment in respect of Shares from which tax has not been deducted, the payment will be taxable at 41%, provided the payment is correctly disclosed in the non-corporate Shareholder's tax return for the relevant year of assessment.

However, where the payment is in respect of the cancellation, redemption, repurchase or transfer of Shares or the ending of a Relevant Period, such payment shall be reduced by the amount of the consideration in money or money's worth given by the Shareholder for the acquisition of the Shares. Also, where the Shares are not denominated in Euro, such Shareholders may also be liable to capital gains tax on foreign currency gains upon such cancellation, redemption, repurchase or transfer.

### **Shareholders who are not Irish Resident**

A Shareholder who is not an Irish Resident and who has made a Relevant Declaration in respect of which the Company is not in possession of any information which would reasonably suggest that the information contained therein is no longer materially correct, or where the Company has put in place appropriate equivalent measures to ensure that

Shareholders in the Company are not Irish Resident and the Company has received the appropriate approval from the Revenue Commissioners, will not be liable to Irish tax in respect of distributions on its Shares or gains made on the disposal of its Shares whether by means of a redemption, repurchase, cancellation, encashment or transfer.

However, if the Shares are held in connection with a trade or business carried on in Ireland by the Shareholder through a branch or agency any income or profits would be within the charge to corporation tax and accordingly where the Shares are not denominated in Euro, such Shareholders may also be liable to corporation tax on foreign currency gains upon the cancellation, redemption, repurchase or transfer of Shares.

**Where a Relevant Declaration has not been made to the Company or where approval from the Irish Revenue Commissioners in relation to appropriate equivalent measures referred to above has not been obtained, tax will arise on the happening of a chargeable event regardless of the fact that the Shareholder is not Irish Resident. In such circumstances, the Company will be liable to account for tax arising on chargeable events as described at “Tax payable” above.**

### **Refunds of Tax withheld**

Where tax is withheld by the Company on the basis that no Relevant Declaration has been filed with the Company by the Shareholder except in certain circumstances specified in the Taxes Act (including provisions relating to incapacitated persons), Irish legislation provides for a refund of tax only to corporate Shareholders within the charge to corporation tax.

### ***Capital Acquisitions Tax***

The disposal of Shares may be subject to Irish gift or inheritance tax (Capital Acquisitions Tax). However, under current law and practice and on the basis that the Company qualifies as an investment undertaking under Section 739B of the Taxes Act, where a Share is comprised in a gift or inheritance, it will be exempt under section 75 of the Capital Acquisitions Tax Consolidation Act 2003 from Irish gift or inheritance tax (capital acquisitions tax, currently 33 per cent.) provided:

- (a) the Shares are comprised in the gift or inheritance at the date of the gift or inheritance and at the valuation date;
- (b) at the date of the disposition the disponent is neither domiciled in Ireland nor Ordinarily Resident in Ireland; and
- (c) at the date of the gift or inheritance the donee or successor is neither domiciled in Ireland nor Ordinarily Resident in Ireland.

For the purposes of Irish capital acquisitions tax only, a non-Irish domiciled person will not be treated as Resident in Ireland or Ordinarily Resident in Ireland except where that person has been resident in Ireland for 5 consecutive years of assessment immediately preceding the year of assessment in which the date of the gift or inheritance falls.

### **Shareholder Reporting**

The Company is required to provide certain information in relation to certain Irish Resident Shareholders to the Revenue Commissioners in accordance with Section 891C of the Taxes Act and the Return of Values (Investment Undertakings) Regulations 2013.

The information to be provided to the Revenue Commissioners includes:

- (a) the name, registered address, contact details and tax reference number of the Company;
- (b) the name, address, tax reference number and date of birth (if applicable) of Shareholders; and
- (c) the investment number and the value of the investment.

## **Automatic Exchange of Information for Tax Purposes**

Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU) (“**DAC2**”). DAC2 provides for the implementation among Member States (and certain third countries that have entered into information exchange agreements) of the automatic exchange of information in respect of various categories of income and capital and broadly encompasses the regime known as the Common Reporting Standard (“**CRS**”) proposed by the OECD as a new global standard for the automatic exchange of information between tax authorities in participating jurisdictions.

Under the CRS, governments of participating jurisdictions (currently more than 90 jurisdictions) are required to collect detailed information to be shared with other jurisdictions annually.

CRS is implemented in Ireland pursuant to the Returns of Certain Information by Reporting Financial Institutions Regulations 2015, S.I. 583 of 2015, made under Section 891F of the Taxes Act.

DAC2 is implemented in Ireland pursuant to the Mandatory Automatic Exchange of Information in the Field of Taxation Regulations of 2015, S.I. No. 609 of 2015 made under Section 891G of the Taxes Act.

Pursuant to these Regulations, the Company will be required to obtain and report to the Revenue Commissioners annually certain financial account and other information for all new and existing non-Irish and non-US accountholders in respect of their Shares. The returns must be submitted by 30 June annually. The information will include amongst other things, details of the name, address, taxpayer identification number (“**TIN**”), place of residence and, in the case of accountholders who are individuals, the date and place of birth, together with details relating to payments made to accountholders and their holdings. This information may be shared with tax authorities in other Member States (and in certain third countries subject to the terms of Information Exchange Agreements entered into with those countries) and jurisdictions which implement the CRS.

## **FATCA Implementation in Ireland**

The obligations of the Company under FATCA are covered by the provisions of the Ireland/US Intergovernmental Agreement (“**IGA**”) and the Financial Accounts Reporting (United States of America) Regulations 2014 as amended (the “**Regulations**”). Under the IGA and the Regulations, any Irish financial institutions as defined in the Regulations are required to report annually to the Revenue Commissioners details of its US accountholders including the name, address and taxpayer identification number and certain other details. Such institutions are also required to update their account on-boarding procedures in order to easily identify US new accountholders and report this information to the Revenue Commissioners. The Company, in conjunction with assistance from its service providers where necessary, will endeavour to ensure that it satisfies any obligations imposed on it under the IGA and the Regulations.

The Company's ability to satisfy its obligations under the IGA and the Regulations will depend on each Shareholder in the Company providing the Company with any information, including information concerning the direct or indirect owners of such Shareholders, that the Company determines is necessary to satisfy such obligations. Each Shareholder will agree in its application form to provide such information upon request from the Company.

If the Company fails to satisfy its obligations under the IGA and the Regulations, it may, in certain circumstances, become subject to a 30% withholding tax on certain US source payments to the Company that may not be refundable.

Potential investors should consult their advisers regarding the application of the withholding rules and the information that may be required to be provided and disclosed to the Company and in certain circumstances to the US Internal Revenue System.

## **MATERIAL CONTRACTS**

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The following contracts, being contracts entered into in the ordinary course of business, have been entered into since the incorporation of the Company and are, or may be, material:

### **The Management Agreement**

The Company has appointed the Manager under the terms of the Management Agreement to provide management services, investment management services and general administration services to the Company.

The Management Agreement provides, *inter alia*, that:

- (i) the appointment of the Manager shall continue and remain in force unless and until terminated upon either party (a) going into liquidation, or (b) committing a material breach of the agreement or (c) following the appointment of a receiver/examiner, or by (d) either party giving to the other three months' notice in writing;
- (ii) the Company shall indemnify and hold harmless the Manager against all claims and demands (including costs and expenses arising therefrom or incidental thereto) which may be made against the Manager in respect of any loss or damage sustained or suffered or alleged to have been sustained or suffered by any third party as a result of or in the course of the discharge of the Manager's obligations under the agreement otherwise than by reason of the negligence or wilful default or bad faith of the Manager as aforesaid; and
- (iii) the Manager is entitled to payment of fees for its services and reimbursement of expenses, as more fully described in the sections headed "Fees and Expenses - Management Fee" and "Fees and Expenses – Other Expenses" on page 44.

### **The Administration Agreement**

The Company and the Manager have appointed the Administrator under the terms of the Administration Agreement dated 29 July 2016 to carry on the general administration and accounting of the Company and to act as registrar and transfer agent to the Company.

The Administration Agreement provides, *inter alia*, that:-

- (i) either party may terminate the appointment of the Administrator upon the expiration of not less than 90 days' notice in writing to the other party;
- (ii) the Company and the Manager undertake to hold harmless and indemnify the Administrator out of the assets of the Company on its own behalf and on behalf of its permitted delegates, servants and agents against all actions, proceedings and claims (including claims of any person purporting to be the beneficial owner of any part of the Investments or Shares) and against all costs, demands and expenses (including legal and professional expenses) arising therefrom which may be brought against, suffered or incurred by the Administrator, its permitted delegates, servants or agents in the performance or non-performance of its obligations and duties under the Administration Agreement and from and against all taxes on profits or gains of the Company which may be assessed upon or become payable by the Administrator or its permitted delegates, servants or agents provided that such indemnity shall not be given where the Administrator its delegates, servants or agents is or are guilty of negligence, fraud, bad faith, wilful default or recklessness in the performance or non-performance of its duties under the Administration Agreement; and
- (iii) the Administrator is entitled to payment of fees for its services and reimbursement of expenses, as more fully described in the section headed "Fees and Expenses - Administration Fee" on page 44.

### **The Depositary Agreement**

The Company has appointed the Depositary under the terms of the Depositary Agreement to act as Depositary of the Company's assets.

The Depositary Agreement provides, *inter alia*, that:

- (i) the appointment of the Depositary shall continue for an initial period of 6 months and thereafter may be terminated by either of the parties hereto on giving 90 days' prior written notice to the other party hereto, unless mutually agreed by the parties to terminate the Agreement on earlier notice;
- (ii) the Company agrees undertakes to hold harmless and indemnify the Depositary, out of the assets of the relevant Fund, against all actions, proceedings and claims (including claims of any person purporting to be the beneficial owner of any part of the Assets) and against all costs, demands and expenses (including reasonable legal and professional expenses) arising therefrom which may be brought against, suffered or incurred by the Depositary by reason of the performance of the Depositary's duties under the terms of this Agreement save where any such actions, proceedings, claims, costs, demands or expenses occur where the Depositary is liable pursuant to the Depositary Agreement;
- (iii) the Depositary is entitled to payment of fees for its services and reimbursement of expenses, as more fully described in the section headed "Fees and Expenses - Depositary Fee" on page 44.

### **The Distribution Agreement**

The Company and the Manager have appointed each of UBS AG, London Branch and UBS Europe SE to act as distributors of the Shares of the Company under the following material terms:

- (i) the appointment of the Distributors shall continue and remain in force unless and until terminated upon any party (a) having a liquidator, receiver or analogous official appointed over its assets or (b) committing a material breach of the agreement which is left un-remedied within thirty days or (c) if the other parties become technically insolvent, or (d) by any party giving to the other three months' notice in writing;
- (ii) the Company and Manager shall indemnify and hold harmless each Distributor against all actions, proceedings, claims, demands, liabilities, losses, damages, costs and expenses (including legal and professional fees and expenses arising therefrom or incidental thereto) which may be made or brought against or directly suffered or incurred by each Distributor arising out of or in connection with the performance by the relevant Distributor of its duties under the Distribution Agreement other than due to the negligence, wilful default, bad faith or fraud of or by the relevant Distributor in the performance of its duties under the Distribution Agreement or by any sub-distributors appointed by it.
- (iii) each Distributor is entitled to payment of fees for its services and reimbursement of expenses, as more fully described in the sections headed "Fees and Expenses – Distributors Fee" on page 44.

## GENERAL INFORMATION

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### Share Capital

The Company was incorporated in Ireland as a public limited company on 11 September 2006 with registered number 426254 under the Act. It has an initial authorised capital of 1,000,000,002 divided into 1,000,000,000 Participating Shares of no par value and 2 Subscriber Shares of €1.00 each. As only Participating Shares can represent an interest in a Fund, the Subscriber Shares have no entitlement or interest in such a Fund.

### Constitution

Clause 3 of the Constitution provides, inter alia, that the sole object of the Company is the collective investment in either or both transferable securities and other liquid financial assets, referred to in Regulation 68 of the Principal Regulations of capital raised from the public, and which operates on the principle of risk spreading.

The Constitution contain provisions to the following effect:

(a) Issue of Shares

The Directors are authorised to exercise all the powers of the Company to offer, allot or otherwise deal with or dispose of “relevant securities” within the meaning of Section 1021 of the Act up to an amount equal to the authorised but as yet unissued share capital of the Company.

The price at which Shares shall be issued shall be determined by reference to the Net Asset Value of the relevant Fund calculated as at the relevant Valuation Point.

The Directors may, with the prior approval of the Central Bank, establish new Funds. The Directors have the power to issue different Classes of Shares in each Fund in accordance with the requirements of the Central Bank.

(b) Rights of Subscriber Shares

As the Subscriber Shares are not Participating Shares (and as such do not represent any interest in a Fund) they do not entitle the holders thereof to participate in the dividends of any Fund.

Each holder of Subscriber Shares is entitled to attend and vote at any general meeting provided that any holder of Subscriber Shares shall not be entitled to vote at any such general meeting at any time that Participating Shares in issue are held by Shareholders forming all or part of the quorum of such general meeting. In the event of a winding-up or dissolution of the Company, the Subscriber Shares have the entitlements referred to under the section headed “Winding Up” below.

(c) Variation of Rights

The rights attached to any Class of Shares may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of 75 per cent. of the issued Shares of that Class of Shares 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 Constitution relating to general meetings shall apply to every such separate general meeting but 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 of Shares in question (except where there are less than two Shareholders in any class, when the quorum shall be one person). Any holder of Shares of the Class of Shares in question present in person or by proxy may demand a poll.

(d) Voting Rights of Shares

Subject to disenfranchisement in the event of non-compliance with any notice requiring disclosure of the beneficial ownership of Shares, the Constitution provide that on a show of hands at a general meeting of the Company, at a meeting of holders of Shares in a particular Fund or at a meeting of holders of Shares of a

particular class, every holder of Shares present in person or by proxy shall have one vote and on a poll every holder of Shares who is present in person or by proxy shall have one vote in respect of each whole Share held by him. On a poll, every Shareholder entitled to vote shall have one vote for each euro (or where Shares are held in a currency other than euro, the equivalent in such other currency) rounded up or down to the nearest euro to the aggregate Net Asset Value of each Participating and Subscriber Shares held by him provided that for these purposes the applicable exchange rate for non-euro denominated Shares and the Net Asset Value are determined as at the Valuation Point immediately preceding the taking of a poll.

(e) Change in Share Capital

The Company may from time to time by ordinary resolution increase its capital, consolidate and divide its Shares into shares of larger amount or subdivide its Shares into shares of smaller amount or cancel any Shares not taken or agreed to be taken by any person. The Company may by special resolution from time to time reduce its share capital in any way permitted by law.

(f) Directors' Interests

A Director may hold any other office or place of profit under the Company in conjunction with his office of Director on such terms as to tenure of office, and otherwise as the Directors may determine.

No Director or intending Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company or in which the Company is interested, in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established. A Director who is in any way, whether directly or indirectly, interested in such a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest if his interest then exists, or in any other case at the first meeting of the Directors after he becomes so interested. A general notice given by a Director to the effect that he is a member of a specified company, society or firm and is to be regarded as interested in all transactions with such company, society or firm shall be a sufficient declaration of interest, and after such general notice it shall not be necessary to give any special notice relating to any subsequent transaction with such company or firm, provided that either the notice is given at a meeting of the Directors or the Director giving the notice takes reasonable steps to secure that it is brought up and read at the next meeting of the Directors after it is given.

Any Director may act by himself or through his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

Any Director may continue to be or become a director, managing director, manager or other officer or member of any company promoted by the Company or in which the Company may be interested, and no such Director shall be accountable for any remuneration or other benefits received by him as a director, managing director, manager, or other officer or member of any such other company. The Directors may exercise the voting power conferred by the shares in any other company held or owned by the Company or exercisable by them as directors of such other company, in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of the directors, managing directors, managers or other officers of such company, or voting or providing for the payment of remuneration to directors, managing directors, managers or other officers of such company).

(g) Borrowing Powers

Subject to the Principal Regulations, the Directors may exercise all of the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property and assets both present and future and uncalled capital or any part thereof, provided that the Company may not borrow more than 10% of its Net Asset Value and provided further that such borrowings are on a temporary basis.

The Company may acquire foreign currency by means of a "back-to-back" loan. The Directors shall ensure that where the Company has foreign currency borrowings which exceed the value of a back-to-back deposits

that the excess is treated as borrowings for the purpose of Regulation 103 of the Principal Regulations and of Regulation 14 of the Central Bank UCITS Regulations.

(h) Retirement of Directors

The Directors shall not be required to retire by rotation or by virtue of their attaining a certain age.

(i) Transfer of Shares

All transfers of Shares shall be effected by transfer in writing in any usual or common form or in any other form approved by the Directors but need not be under seal.

The Directors may decline to register any transfer of Shares in respect of which the Company has a lien or where the transfer would be in breach of the law or requirements mentioned in the Prospectus or the applicable Supplement. The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine provided always that such registration shall not be suspended for more than 30 days in any year.

The Directors may decline to recognise any transfer of Shares unless the instrument of transfer is deposited at the Company's registered office or such other place as the Directors may reasonably require and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and the instrument of transfer relates to Shares of one Class of Shares only.

(j) Dividends

The Constitution permit the Directors to declare on the Shares or on any Class of Shares such dividends, including interim dividends, as appear to the Directors to be justified. The Directors may, with the sanction of the Company in a general meeting, satisfy any dividend due to holders of the Shares, in whole or in part, by distributing to them in specie any of the assets of the Company and, in particular, any investments to which the Company is entitled provided that, where the share capital is divided into different Classes of Shares, any such distributions to the holders of one Class of Shares shall not materially prejudice the interests of the holders of the other Classes of Shares. Alternatively, if a holder does not wish to receive a dividend by way of in specie distribution, it may require the Directors to realise such investments necessary in order to effect the relevant distribution. Where the Company agrees to sell the assets, if requested by the Shareholder, the cost of such sale can be charged to the redeeming Shareholder.

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

(k) Redemption of Shares

If it shall come to the notice of the Directors that any Shares are owned directly or beneficially by any person in breach of any law or requirement of any country or governmental authority or by virtue of which such person is not qualified to hold such Shares or who belongs, or may belong to, or is comprised in, or may be comprised in, a class of persons designated by the Directors as above, the Directors may give notice to such person requiring him to transfer such Shares to a person who is qualified or entitled to own the same or to give a request in writing for the redemption of such Shares in accordance with paragraph (i) above. If any person upon whom such a notice is served does not within 30 days after such notice transfer his Shares to a person qualified to own the same or establish to the satisfaction of the Directors (whose judgement shall be final and binding) that he is qualified entitled and permitted to own the Shares he shall be deemed upon the expiration of 30 days to have given a request in writing for the redemption of all his Shares.

(l) Winding Up

The Constitution contains provisions to the following effect:

- (i) If the Company shall be wound up, the liquidator shall apply the assets of the Company in such manner and order as he thinks fit in satisfaction of creditors' claims. The liquidator shall in relation to the assets



available for distribution among the members make in the books of the Company such transfers thereof to and from Funds as may be necessary in order that the effective burden of such creditors' claims may be shared between the holders of Shares of different classes in such proportions as the liquidator in his absolute discretion may think equitable provided always that in doing so, the liquidator shall comply with, and be bound by, the segregated liability provisions contained in the Act and in Article 23 of the Constitution.

- (ii) The assets available for distribution among the Shareholders shall then be applied in the following priority:
- (a) first, in the payment to the holders of the Shares of each Class of Shares of a sum in the currency in which that Class of Shares 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 class held by such holders respectively as at the date of commencement to wind up, provided that there are sufficient assets available in the relevant Fund to enable such payments to be made. In the event that, as regards any Class of Shares, there are insufficient assets available in the relevant Fund to enable such payment to be made, recourse shall be had:
    - first, to the assets of the Company not comprised within any of the Funds; and
    - second, to the assets remaining in the Funds for the other Classes of Shares (after payment to the holders of the Shares of the classes to which they relate of the amounts to which they are respectively entitled under this paragraph (a)) pro rata to the total value of such assets remaining within each such Fund;
  - (b) second, in the payment to the holders of the Subscriber Shares of sums up to the nominal amount paid thereon out of the assets of the Company not comprised within any of the Funds remaining after any recourse thereto under paragraph (ii)(a) above. In the event that there are insufficient assets as aforesaid to enable such payment in full to be made, no recourse shall be had to the assets comprised within any of the Funds;
  - (c) third, in the payment to the holders of each Class of Shares of any balance then remaining in the relevant Fund, such payment being made in proportion to the number of Shares of that Class of Shares held; and
  - (d) fourth, in the payment to the holders of the Shares of any balance then remaining and not comprised within any of the Funds, such payment being made in proportion to the number of Shares held.
- (iii) If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court), then the liquidator may, with the authority of a special resolution and any other sanction required by the Act, divide among the members in specie the whole or any part of the assets of the Company, 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 holders of different Classes of Shares. The value of such assets will be the same amount that would be received by a member for settlement in cash. 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 Company may be closed and the Company dissolved, but so that no holder shall be compelled to accept any assets in respect of which there is liability. For the avoidance of doubt, if the special resolution above is passed, each member is entitled to elect on a winding-up whether or not he wishes to receive a distribution in specie or a cash distribution made in accordance with the provisions of paragraph (ii) above. However, in the absence of a member electing to receive a distribution in specie on winding-up, such member shall receive a cash distribution payment in accordance with the provisions of paragraph (ii) above.

#### **Termination of a Fund**

In the event that for any reason the value of the assets in any Fund or of any class(es) of shares has decreased to an amount determined by the Board of Directors from time to time to be the minimum level for such Fund or such class(es) of Shares to be operated in an economically efficient manner, or if a change in the economic or political situation relating to the Fund concerned would, in the reasonable opinion of the Directors, have material adverse consequences on the investments of that Fund, make it impracticable or inadvisable to continue the Company or any Fund, or if certain other conditions as provided for in the Constitution are met, the Directors may, by not less than four, nor more than twelve weeks' notice to all Shareholders of the Company or the relevant Fund, as appropriate, decide to compulsorily redeem all (but not some) the Shares of any or all of the relevant class(es) issued in such Fund at the Net Asset Value per Share (taking into account actual realisation prices of investments and realisation expenses), calculated on the Valuation Date at which such decision shall take effect. The Company shall inform the Shareholders of the Fund or of the class(es) concerned before the compulsory repurchase enters into force. A notice to this effect will indicate the reasons and the procedure of the repurchase. Owners of registered Shares will be notified in writing. Unless it is otherwise decided in the interest of, or to maintain equal treatment between the Shareholders, the Shareholders of the Fund concerned may continue to request the repurchase or conversion of their Shares, free of charge, before the compulsory repurchase coming into force.

In the case of termination of a Fund, the Directors may offer to the Shareholders of such Fund the conversion of their Shares into Shares of another Fund, under terms fixed by the Directors, or the redemption of their Shares for cash at the Net Asset Value per Share (including all estimated expenses and costs relating to the termination) determined on the Valuation Date as described herein.

## **Reports**

The year-end of the Company will be 31 December in each year. The annual report of the Company, incorporating audited financial statements, will be published within four months of the financial year end to which it relates. The financial statements of the Company will be maintained in Euro.

Unaudited interim financial reports for the Company will be made up to the last day of June each year and will be published within two months of the date on which such report is made up.

The annual and interim reports will be sent to the Central Bank upon publication. The audited annual and interim financial statements will be made available by the Company to the Shareholders either at the following website address, [www.lsam.com](http://www.lsam.com), or may be sent to Shareholders by electronic mail or other electronic means of communication, within four and two months respectively after the end of the period to which they relate. Shareholders and prospective investors may also, on request, receive hard copy reports from the Administrator.

## **Inspection of Documents**

Copies of the following documents are available for inspection and may be obtained during normal business hours at the registered office of the Company:

- (i) this Prospectus (and any Supplement attached thereto);
- (ii) the Constitution of the Company and any instrument amending the aforesaid document;
- (iii) the Key Investor Information Documents;
- (iv) the most recently published annual or interim report;
- (v) the Principal Regulations; and
- (vi) the Central Bank UCITS Regulations.

Copies of the documents listed in (i) – (iv) above are available on request free of charge at the registered office of the Company and online at [www.lsam.com](http://www.lsam.com).

## APPENDICES

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### APPENDIX I

#### Use of Financial Derivative Instruments

##### Permitted FDIs

Each Fund may invest in FDIs provided that:

- (i) the relevant reference items or indices, consist of one or more of the following:
  - instruments referred to in Regulation 8(2) of Central Bank UCITS Regulations including financial instruments having one or several characteristics of those assets;
  - financial indices;
  - interest rates;
  - foreign exchange rates; or
  - currencies.
- (ii) the FDIs do not expose a Fund to risks which it could not otherwise assume (e.g., gain exposure to an instrument/issuer/currency to which the Fund cannot have a direct exposure);
- (iii) the FDIs do not cause the Fund to diverge from its investment objectives; and
- (iv) the reference in (i) above to financial indices shall be understood as a reference to indices which fulfil the following criteria and the provisions of the Central Bank UCITS Regulations:
  - (a) they are sufficiently diversified, in that the following criteria are fulfilled:
    - (A) the index is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
    - (B) where the index is composed of assets referred to in Regulation 68(1), its composition is at least diversified in accordance with Regulation 71;
    - (C) where the index is composed of assets other than those referred to in Regulation 68(1), it is diversified in a way which is equivalent to that provided for in Regulation 71; and
    - (D) A Fund will not invest in commodity indices that do not consist of different commodities (as contemplated by applicable ESMA or Central Bank guidance). Sub-categories of the same commodity (for instance, from different regions or markets or derived from the same primary products by an industrialised process) may be considered as being the same commodity for the calculation of the diversification limits. Furthermore, sub-categories of a commodity will not be considered as being the same commodity if they are not highly correlated;
  - (b) they represent an adequate benchmark for the market to which they refer, in that the following criteria are fulfilled:
    - (A) the index has a clear, single objective and the index measures the performance of a representative group of underlyings in a relevant and appropriate way;
    - (B) the index is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers following criteria which are publicly available (however, a Fund will not invest in an index whose rebalancing frequently prevents investors from being able to replicate the index);
    - (C) the universe of the index components and the basis on which they are selected are clear. Where cash management is included as part of an index strategy the Fund will be satisfied that this

does not affect the objective nature of the index calculation method; and

(D) the underlyings are sufficiently liquid, which allows users to replicate the index, if necessary; and

(c) they are published in an appropriate manner, in that the following criteria are fulfilled:

(A) their publication process relies on sound procedures to collect prices and to calculate and to subsequently publish the index value, including pricing procedures for components where a market price is not available; and

(B) material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis. The Fund will not invest in an index for which the full concentration methodology (including replication of the index) is not disclosed by the index provider and is easily accessible and free of charge to investors and prospective investors.

A Fund will not invest in indices created and calculated on the request of one, or a very limited number of, market participants and according to the specifications of those market participants.

Unless otherwise stated in a Supplement for a Fund, indices in which a Fund invests will have a rebalancing frequency of between one month and one year. It is not expected that the rebalancing frequency of any index in which a Fund invests will have an impact on the transaction costs associated with the Fund as any rebalancing is not expected to require any higher frequency of position turnover in the Fund than would otherwise be the case were the relevant index to be static.

A Fund may invest in FDI, the underlyings of which may be one or more indices. These indices may make use of the increased diversification limits for eligible indices set out in the Principal Regulations (namely 20%/35% of the index).

Where a Fund intends to make use of the increased limit set out in Regulation 71(2) (namely 35% of the index), the exceptional market conditions which justify such investment will be disclosed in the relevant Supplement.

Where the composition of assets which are used as underlyings by FDIs does not fulfil the criteria set out in (a), (b) or (c) above, those FDIs shall, where they comply with the criteria set out in Regulation 68(1)(g), be regarded as FDI on a combination of the assets referred to in Regulation 68(1)(g)(i), excluding financial indices.

FDIs must be dealt in on a Recognised Market, but notwithstanding this, each Fund may invest in OTC Derivatives, including those subject to common clearing, provided that:

- (i) the counterparty is a credit institution referred to in Regulation 7(a) – (c) of the Central Bank UCITS Regulations or an investment firm, authorised in accordance with the Markets in Financial Instruments Directive in an EEA Member State, or is an entity subject to regulation as a Consolidated Supervised Entity (“CSE”) by the United States SEC;
- (ii) in the case of a counterparty which is not a credit institution, the counterparty has a minimum credit rating of A-2 or equivalent, or is deemed by the Fund to have an implied rating of A-2 or equivalent. Alternatively, an unrated counterparty will be acceptable where the Fund is indemnified or guaranteed against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A-2 or equivalent;
- (iii) risk exposure to the counterparty does not exceed the limits set out Regulation 70(1)(c). In this regard, the Fund shall calculate the exposure using the positive mark-to-market value of the OTC Derivative contract with that counterparty. The Fund may net the derivative positions with the same counterparty, provided that the Fund is able to legally enforce netting arrangements with the counterparty. Netting is only permissible with respect to OTC Derivative instruments with the same counterparty and not in relation to any other exposures the Fund may have with the same counterparty;
- (iv) the Fund is satisfied that the counterparty will value the OTC Derivative with reasonable accuracy and on a reliable basis and that the OTC Derivative can be sold, liquidated or closed by an offsetting transaction at fair

value at any time at the request of the Fund; and

- (v) the Fund must subject its 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. The valuation arrangements and procedures must be adequate and proportionate to the nature and complexity of the OTC Derivative concerned and shall be adequately documented. Reliable and verifiable valuation shall be understood as a reference to a valuation, by the Fund, corresponding to fair value which does not rely on market quotations by the counterparty and which fulfils the following criteria:
  - (a) the basis for the valuation is either a reliable up-to-date market value of the instrument or, if such a value is not available, a pricing model using an adequate recognised methodology;
  - (b) 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 the Fund is able to check it; or
    - (B) a unit within the Fund that is independent from the department in charge of managing the assets and which is adequately equipped for such purpose.

Risk exposure to an OTC Derivative counterparty may be reduced where the counterparty will provide the relevant Fund with collateral. The Fund may disregard the counterparty risk on condition that the value of the collateral, valued at market price and taking into account appropriate discounts, exceeds the value of the amount exposed to risk at any given time.

Collateral passed to an OTC Derivative counterparty by or on behalf of the Fund must be taken into account in calculating exposure of the Fund to counterparty risk as referred to in Regulation 70(1)(c). See “Collateral Policy” section in this Appendix I for further details. Collateral passed may be taken into account on a net basis only if the Fund is able to legally enforce netting arrangements with this counterparty.

Unless otherwise provided for in the Supplement for a Fund, the OTC Derivative counterparty shall not have any discretion over the composition or management of the relevant Fund’s investment portfolio or over the underlying of the FDIs.

The Fund must calculate issuer concentration limits as referred to in Regulation 70 on the basis of the underlying exposure created through the use of FDI pursuant to the commitment approach.

The risk exposures to a counterparty arising from OTC Derivatives and efficient portfolio management techniques must be combined when calculating the OTC counterparty limit as referred to in the Principal Regulations.

The Fund must calculate exposure arising from initial margin posted to and variation margin receivable from a broker relating to exchange-traded or OTC Derivatives, which is not protected by client money rules or other similar arrangements to protect the Fund against the insolvency of the broker, within the OTC Derivative counterparty limit as referred to in Regulation 70(1)(c).

The calculation of issuer concentration limits as referred to in Regulation 70 must take account of any net exposure to a counterparty generated through a stock lending or repurchase agreement. Net exposure refers to the amount receivable by the Fund less any collateral provided to the Fund. Exposures created through the reinvestment of collateral must also be taken into account in the issuer concentration calculations.

When calculating exposures for the purposes of Regulation 70, the Fund must establish whether its exposure is to an OTC counterparty, a broker or a clearing house.

Position exposure to the underlying assets of FDIs, including embedded FDIs 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 Appendix II. When calculating issuer-concentration risk, the FDI (including embedded FDI) must be looked through in determining the resultant position exposure. This position exposure must be taken into account in the issuer concentration calculations. It must be calculated using the commitment approach when appropriate

or the maximum potential loss as a result of default by the issuer if more conservative. It must also be calculated by the Fund, regardless of whether it uses Value at Risk for global exposure purposes.

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 Principal Regulations.

A transferable security or money market instrument embedding FDI shall be understood as a reference to financial instruments which fulfil the criteria for transferable securities or money market instruments set out in the Central Bank UCITS 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 host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, and therefore vary in a way similar to a stand-alone derivative;
- (b) its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract;
- (c) it has a significant impact on the risk profile and pricing of the transferable security or money market instrument.

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 to be a separate financial instrument.

#### *Cover Requirements*

The Fund must, at any given time, be capable of meeting all its payment and delivery obligations incurred by transactions involving FDI.

Monitoring of FDI transactions to ensure they are adequately covered must form part of the risk management process of the Fund.

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:

- (i) in the case of FDI which automatically, or at the discretion of the Fund, are cash settled, the Fund must hold, at all times, liquid assets which are sufficient to cover the exposure;
- (ii) in the case of FDI which require physical delivery of the underlying asset, the asset must be held at all times by the Fund. Alternatively the Fund may cover the exposure with sufficient liquid assets where:
  - the underlying asset consists of highly liquid fixed income securities; and/or
  - the Fund considers that the exposure can be adequately covered without the need to hold the underlying assets, the specific FDI is addressed in the risk management process, which is described under "Risk Management" below, and details are provided in the Prospectus.

#### *Collateral Policy*

In the context of efficient portfolio management techniques and/or the use of FDI for hedging or investment purposes and/or SFT arrangements, collateral may be received from a counterparty for the benefit of the relevant Fund or posted to a counterparty by or on behalf of the relevant Fund. Any receipt or posting of collateral by the Fund will be conducted in accordance with the requirements of the Central Bank and the terms of the Company's collateral policy outlined below.

The types of collateral acceptable for a Fund shall include but not be limited to: (i) cash; (ii) government or other public securities; (iii) certificates of deposit issued by relevant institutions; (iv) bonds/commercial paper issued by relevant institutions or by non-bank issuers; and (v) equity securities traded on certain stock exchanges.

### *Collateral – Received by the Fund*

Collateral posted by a counterparty for the benefit of a Fund may be taken into account as reducing the exposure to such counterparty. The Fund will require receipt of the necessary level of collateral so as to ensure counterparty exposure limits set out in the Principal Regulations are not breached. Counterparty risk may be reduced by an amount equivalent to the value of the collateral received after taking into account appropriate discounts.

The Company or its delegate will liaise with the Depositary (and/or any other collateral management service provider as may be appointed from time to time) in order to manage all aspects of the counterparty collateral process. Risks linked to the management of collateral, such as operational and legal risks, shall be identified, managed and mitigated by the Manager's risk management process. If the relevant Fund receives collateral for at least 30% of its Net Asset Value it will put in place an appropriate stress testing policy to ensure regular stress tests are carried out under normal and exceptional liquidity conditions to enable the relevant Fund to assess the liquidity risk attached to the collateral. The liquidity stress testing policy will at least prescribe the following:

- (i) Design of stress test scenario analysis including calibration, certification and sensitivity analysis;
- (ii) Empirical approach to impact assessment, including back-testing of liquidity risk estimates;
- (iii) Reporting frequency and limit/loss tolerance thresholds; and
- (iv) Mitigation actions to reduce loss including haircut policy and gap risk protection.

All assets received by the relevant Fund in the context of stocklending/repurchase transactions shall be considered as collateral and must comply with the terms of the Company's collateral policy.

### *Non-Cash Collateral*

Non-Cash collateral received must, at all times, meet with the following criteria:

(i) Liquidity: Collateral received other than cash should be highly liquid and traded on a regulated 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 74 of the Principal Regulations.

(ii) 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.

(iii) Issuer credit quality: Collateral received should be of high quality.

(iv) 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.

(v) Diversification (asset concentration): Collateral should be sufficiently diversified in terms of country, markets and issuers in accordance with Schedule 3 of the Central Bank UCITS Regulations. When the Fund is exposed to different counterparties, the different baskets of collateral should be aggregated to calculate the relevant exposure limit to a single issuer. A Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a Member State, local authority, third country or public international body drawn from the list of issuers. Such Fund will receive securities from at least 6 different issues, but securities from any single issue will not account for more than 30% of the Fund's Net Asset Value and the Fund can accept more than 20% of its Net Asset Value as collateral from those entities listed at Part 2.12 of Appendix II. In accordance with the Central Bank UCITS Regulations, invested cash collateral 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 a related entity.

(vi) Immediately available: Collateral received should be capable of being fully enforced by the Fund at any time without reference to or approval from the counterparty.

(vii) Safe-keeping: Collateral received on a title transfer basis will be held by the Depositary or its agent. Where the Fund receives collateral on any basis other than a title transfer basis, the collateral can be held by a third party depositary which is subject to prudential supervision and unrelated and unconnected to the provider of the collateral.

(viii) Haircuts: The Company (or its delegate), on behalf of the Fund, shall apply suitably conservative haircuts or

discounts to the market value of assets being received as collateral where appropriate on the basis of an assessment of the characteristics of the assets such as the credit standing or the price volatility, as well as the outcome of any stress tests performed as referred to above. The Company has determined that generally if issuer or issue credit quality of the collateral is not of a very high quality or the collateral carries a significant level of price volatility, a conservative haircut must be applied in accordance with the Company's haircut policy. However, the application of such a haircut will be determined on a case by case basis. The Company, in its discretion, may accept certain collateral with more conservative, less conservative or no haircuts applied in accordance with its haircut policy.

Non-cash collateral cannot be sold, pledged or re-invested.

#### *Cash Collateral*

Cash collateral received by a Fund may not be invested other than in the following:

- (i) deposits with relevant institutions;
- (ii) high-quality government bonds;
- (iii) reverse repurchase agreements provided the transactions are with credit institutions subject to prudential supervision and the Fund is able to recall at any time the full amount of cash on an accrued basis;
- (iv) short-term money market funds as defined in the ESMA Guidelines on a Common Definition of European Money Market Funds (ref CESR/10-049).

Any re-investment of cash collateral shall be diversified in accordance with the requirements of the Central Bank. Re-invested cash collateral exposes the Funds to certain risks such as the risk of a failure or default of the issuer of the relevant security in which the cash collateral has been invested. Investors should consult the section of the Prospectus entitled "General Risk Factors" for information on counterparty risk.

#### *Collateral – Posted by the Fund*

Collateral posted to a counterparty by or on behalf of the Fund must be taken into account when calculating counterparty risk exposure. Collateral posted to a counterparty and collateral received by such counterparty may be taken into account on a net basis provided the Fund is able to legally enforce netting arrangements with the counterparty.

For the purpose of providing margin or collateral in respect of transactions in techniques and instruments, the Fund may transfer, mortgage, pledge, charge or encumber any assets or cash forming part of the Fund in accordance with normal market practice and the requirements outlined in the Central Bank UCITS Regulations.

#### *Risk Management*

- (i) The Company employs a risk management process to enable it to accurately measure, monitor and manage the risks attached to FDI positions.
- (ii) The Company has provided the Central Bank with details of its risk management process vis-à-vis its FDI activity including information in relation to methods for estimating risks.

The Company must submit a report to the Central Bank on its FDI positions on an annual basis. The Company must, at the request of the Central Bank, provide this report at any time.

The use of FDIs involves certain special risks, including (1) dependence on the ability to predict movements in the prices of securities being hedged and movements in interest rates, (2) imperfect correlation between the hedging instruments and the securities or market sectors being hedged, (3) the fact that skills needed to use these instruments are different from those needed to select a Fund's securities and (4) the possible absence of a liquid market for any particular instrument at any particular time.

The Company will, upon 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 risk and yield



characteristics of the main categories of investments.

#### *Currency Transactions*

Each Fund may employ techniques and instruments that are intended to provide protection against exchange rate risks in the context of the management of its assets and liabilities (i.e., currency hedging) by gaining an exposure to one or more foreign currencies or otherwise altering the currency exposure characteristics of securities held by the relevant Fund (i.e., active currency positions). While not the intention, over-hedged or under-hedged positions may arise due to factors outside of the control of the Manager or Investment Manager provided that the level of the share class currency exposure hedged does not exceed 105 per cent. of the Net Asset Value of a Class. The positions will be reviewed on a daily basis to ensure that over-hedged positions do not exceed 105 per cent. and any over-hedged positions materially in excess of 100 per cent. will not be carried forward. Furthermore, the Company will ensure that under-hedged share class positions do not fall short of 95 per cent. of the portion of the Net Asset Value of the relevant Class of Shares which is to be hedged and shall keep any such under-hedged position under review so as to ensure it is not carried forward from month to month. While the Company may attempt to hedge against currency exposure at a Class level, there can be no guarantee that the value of a Class will not be affected by fluctuations in the value of the Base Currency relative to the currency of the Class. Any costs related to such hedging shall be borne separately by the relevant Class. All gains/losses which may be made by any Class of a Fund as a result of such hedging transactions shall accrue to the relevant Class of Shares. The use of Class hedging strategies may substantially limit holders of Shares in the relevant Class from benefiting if the Class currency falls against the Base Currency and/or the currency in which the assets of a Fund are denominated. To the extent that the hedging is successful, the performance of the Class is likely to move in line with the performance of the Base Currency Class. Each Fund may implement currency hedging strategies by using spot and forward foreign exchange contracts and currency futures, options and swap contracts.

## APPENDIX II

### Investment and Borrowing Restrictions

<b>1</b>	<b>Permitted Investments</b>
	Investments of a UCITS are confined to:
<b>1.1</b>	Transferable securities and money market instruments 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.
<b>1.2</b>	Recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described above) within a year.
<b>1.3</b>	Money market instruments, as defined in the Central Bank UCITS Regulations, other than those dealt on a regulated market.
<b>1.4</b>	Units of UCITS.
<b>1.5</b>	Units of AIFs.
<b>1.6</b>	Deposits with credit institutions as prescribed in the Central Bank UCITS Regulations.
<b>1.7</b>	Financial derivative instruments as prescribed in the Central Bank UCITS Regulations.
<b>2</b>	<b>Investment Restrictions</b>
<b>2.1</b>	A UCITS may invest no more than 10% of net assets in transferable securities and money market instruments other than those referred to in paragraph 1.
<b>2.2</b>	A UCITS may invest no more than 10% of net assets in recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described in paragraph 1.1) within a year. This restriction will not apply in relation to investment by the UCITS in certain US securities known as Rule 144A securities provided that: <ul style="list-style-type: none"> <li>- the securities are issued with an undertaking to register with the US Securities and Exchanges Commission within one year of issue; and</li> <li>- the securities are not illiquid securities i.e. they may be realised by the UCITS within seven days at the price, or approximately at the price, at which they are valued by the UCITS.</li> </ul>
<b>2.3</b>	A UCITS may invest no more than 10% of net assets in transferable securities or money market instruments issued by the same body provided that the total value of transferable securities and money market instruments held in the issuing bodies in each of which it invests more than 5% is less than 40%.
<b>2.4</b>	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 public 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.
<b>2.5</b>	The limit of 10% (in 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.
<b>2.6</b>	The transferable securities and money market instruments referred to in 2.4. and 2.5 shall not be taken into account for the purpose of applying the limit of 40% referred to in 2.3.
<b>2.7</b>	A UCITS may not invest more than 20% of net assets in deposits made with the same credit institution.
	Deposits with any one credit institution, other than

	<ul style="list-style-type: none"> <li>• a credit institution authorised in the EEA (European Union Member States, Norway, Iceland, Liechtenstein);</li> <li>• a credit institution authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, United States); or</li> <li>• a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand held as ancillary liquidity, must not exceed 10% of net assets.</li> </ul> <p>This limit may be raised to 20% in the case of deposits made with the trustee/Depository.</p>
2.8	<p>The risk exposure of a UCITS to a counterparty to an OTC derivative may not exceed 5% of net assets.</p> <p>This limit is raised to 10% in the case of a credit institution authorised in the EEA; a credit institution authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988; or a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand</p>
2.9	<p>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:</p> <ul style="list-style-type: none"> <li>- investments in transferable securities or money market instruments;</li> <li>- deposits, and/or</li> <li>- risk exposures arising from OTC derivatives transactions.</li> </ul>
2.10	<p>The limits referred to in 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.</p>
2.11	<p>Group companies are regarded as a single issuer for the purposes of 2.3, 2.4, 2.5, 2.7, 2.8 and 2.9. However, a limit of 20% of net assets may be applied to investment in transferable securities and money market instruments within the same group.</p>
2.12	<p>A UCITS 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.</p> <p>The individual issuers must be listed in the prospectus and may be drawn from the following list: OECD Governments (provided the issues are of investment grade), Government of the People’s Republic of China, Government of Brazil (provided the issues are of investment grade), Government of India (provided the issues are of investment grade), Government of Singapore, European Investment Bank, European Bank for Reconstruction and Development, International Finance Corporation, International Monetary Fund, Euratom, The Asian Development Bank, European Central Bank, Council of Europe, Eurofima, African Development Bank, International Bank for Reconstruction and Development (The World Bank), The Inter American Development Bank, European Union, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Government National Mortgage Association (Ginnie Mae), Student Loan Marketing Association (Sallie Mae), Federal Home Loan Bank, Federal Farm Credit Bank, Tennessee Valley Authority, Straight A Funding LLC, Export-Import Bank.</p> <p>The UCITS must hold securities from at least 6 different issues, with securities from any one issue not exceeding 30% of net assets.</p>
<b>3</b>	<b>Investment in Collective Investment Schemes (“CIS”)</b>
3.1	<p>A UCITS may not invest more than 20% of net assets in any one CIS.</p>
3.2	<p>Investment in non-UCITS may not, in aggregate, exceed 30% of net assets.</p>
3.3	<p>The CIS are prohibited from investing more than 10 per cent of net assets in other CIS.</p>

3.4	When a UCITS invests in the units of other CIS that are managed, directly or by delegation, by the UCITS management company or by any other company with which the UCITS 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 UCITS investment in the units of such other CIS.
3.5	Where a commission (including a rebated commission) is received by the UCITS manager/investment manager/investment adviser by virtue of an investment in the units of another CIS, this commission must be paid into the property of the UCITS.
4	<b>Index Tracking UCITS</b>
4.1	A UCITS 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 UCITS 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 4.1 may be raised to 35%, and applied to a single issuer, where this is justified by exceptional market conditions.
5	<b>General Provisions</b>
5.1	An investment company, 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	<p>A UCITS may acquire no more than:</p> <ul style="list-style-type: none"> <li>(i) 10% of the non-voting shares of any single issuing body;</li> <li>(ii) 10% of the debt securities of any single issuing body;</li> <li>(iii) 25% of the units of any single CIS;</li> <li>(iv) 10% of the money market instruments of any single issuing body.</li> </ul> <p>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.</p>
5.3	<p>5.1 and 5.2 shall not be applicable to:</p> <ul style="list-style-type: none"> <li>(i) transferable securities and money market instruments issued or guaranteed by a Member State or its local authorities;</li> <li>(ii) transferable securities and money market instruments issued or guaranteed by a non-Member State;</li> <li>(iii) transferable securities and money market instruments issued by public international bodies of which one or more Member States are members;</li> <li>(iv) shares held by a UCITS 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 UCITS 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 2.3 to 2.11, 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.</li> <li>(v) Shares held by an investment company or investment companies 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.</li> </ul>
5.4	UCITS 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 UCITS to derogate from the provisions of 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 UCITS, or as a result of the exercise of subscription rights, the UCITS 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, 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: <ul style="list-style-type: none"> <li>- transferable securities;</li> <li>- money market instruments;</li> <li>- units of CIS; or</li> <li>- financial derivative instruments.</li> </ul>
5.8	A UCITS may hold ancillary liquid assets.
<b>6</b>	<b>Financial Derivative Instruments ('FDIs')</b>
6.1	The UCITS global exposure (as prescribed in the Central Bank UCITS Regulations) 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. (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	UCITS may invest in FDIs dealt in over-the-counter (OTC) provided that <ul style="list-style-type: none"> <li>- The counterparties to over-the-counter transactions (OTCs) are institutions subject to prudential supervision and belonging to categories approved by the Central Bank.</li> </ul>
6.4	Investment in FDIs are subject to the conditions and limits laid down by the Central Bank.

### **Borrowing and Lending Powers**

A Fund may only borrow amounts which in the aggregate do not exceed 10% of the net assets of the Fund. Such borrowings may only be made on a temporary basis.

In order to secure such borrowings referred to above, the Company may mortgage, pledge, or charge any of its assets.

The Company may acquire foreign currency by means of a "back-to-back" loan. The Directors shall ensure that where the Company has foreign currency borrowings which exceed the value of a back-to-back deposit that the excess is treated as borrowings for the purpose of Regulation 103 of the Principal Regulations and of Regulation 14 of the Central Bank UCITS Regulations.

Without prejudice to the powers of the Company to invest in transferable securities, the Company may not lend or act as guarantor on behalf of third parties.

## APPENDIX III

### LIST OF RECOGNISED MARKETS

The following is a list of regulated stock exchanges and markets which operate regularly and are recognised and open to the public in which the assets of each Fund may be invested from time to time and is set out in accordance with the Central Bank's requirements. With the exception of permitted investments in unlisted securities, the Company's investments will be restricted to securities listed or traded on exchanges and markets listed below:

#### Stock Exchanges

(a) All stock exchanges in a Member State of the European Union:

- Austria
- Belgium
- Bulgaria
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden

(b) All stock exchanges in the remaining Member States of the European Economic Area (EEA):

- Norway
- Iceland
- Liechtenstein

(c) A stock exchange located in any of the following countries:

- Australia
- Canada
- Japan
- Hong Kong
- New Zealand
- Switzerland
- United Kingdom
- USA

(d) Any of the following stock exchanges:

- Argentina - Bolsa de Comercio de Buenos Aires, Bolsa de Comercio de Cordoba, Bolsa de Comercio de Rosario and La Plaxa Stock Exchange
- Bahrain - Bahrain Stock Exchange
- Bangladesh - Dhaka Stock Exchange and Chittagong Stock Exchange
- Bermuda - Bermuda Stock Exchange
- Botswana - Botswana Stock Exchange
- Brazil - Bolsa de Valores de Sao Paulo and Bolsa de Valores de Rio de Janeiro
- Chile - Bolsa de Comercio de Santiago and Bolsa Electronica de Chile
- China - Shanghai Securities Exchange and Shenzhen Stock Exchange
- Colombia - Bolsa de Bogota, Bolsa de Medellin and Bolsa de Occidente
- Croatia - Zagreb Stock Exchange
- Egypt - Alexandria Stock Exchange and Cairo Stock Exchange
- Ghana - Ghana Stock Exchange
- India - Mumbai Stock Exchange, Delhi Stock Exchange, Bangalore Stock Exchange and the National Stock Exchange of India
- Indonesia - Jakarta Stock Exchange and Surabaya Stock Exchange
- Israel - Tel-Aviv Stock Exchange
- Jordan - Amman Financial Market

Kazakhstan	- Central Asian Stock Exchange and Kazakhstan Stock Exchange
Kenya	- Nairobi Stock Exchange
Lebanon	- Beirut Stock Exchange
Malaysia	- Kuala Lumpur Stock Exchange
Mauritius	- Stock Exchange of Mauritius
Mexico	- Bolsa Mexicana de Valores
Morocco	- Societe de la Bourse des Valeurs de Casablanca
Namibia	- Namibian Stock Exchange
Nigeria	- Nigerian Stock Exchange
Oman	- Muscat Stock Exchange
Pakistan	- Islamabad Stock Exchange and Lahore Stock Exchange
Palestine	- Nablis Stock Exchange
Peru	- Bolsa de Valores de Lima
Philippines	- Philippine Stock Exchange
Qatar	- Doha Stock Exchange
Russia	- Moscow Exchange (solely in relation to equity securities that are traded on level 1 or level 2 of the relevant exchange)
Singapore	- Singapore Stock Exchange
South Africa	- Johannesburg Stock Exchange
South Korea	- Korea Stock Exchange and KOSDAQ Market
Sri Lanka	- Colombo Stock Exchange
Taiwan	- Taipei Stock Exchange Corporation
Thailand	- Stock Exchange of Thailand
Tunisia	- Bourse des Valeurs Mobilieres de Tunis
Turkey	- Istanbul Stock Exchange
Ukraine	- Ukrainian Stock Exchange
Uruguay	- Bolsa de Valores de Montevideo
Venezuela	- Caracas Stock Exchange, Maracaibo Stock Exchange and Venezuela Electronic Stock Exchange
Zimbabwe	- Zimbabwe Stock Exchange
Zambia	- Lusaka Stock Exchange

## Markets

Any of the following markets:

- MICEX (equity securities that are traded on level 1 or level 2 only);
- RTS1 (equity securities that are traded on level 1 or level 2 only);
- RTS2 (equity securities that are traded on level 1 or level 2 only);
- the market organised by the International Securities Market Association;
- the market conducted by the “listed money market institutions”, as described in the Financial Conduct Authority publication “The Investment Business Interim Prudential Sourcebook” which replaces the “Grey Paper” as amended from time to time;
- AIM - the Alternative Investment Market in the UK, regulated and operated by the London Stock Exchange;
- The over-the-counter market in Japan regulated by the Securities Dealers Association of Japan;
- NASDAQ in the United States;
- the market in US government securities conducted by primary dealers regulated by the Federal Reserve Bank of New York;
- 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 SEC 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; and
- SESDAQ (the second tier of the Singapore Stock Exchange);
- all derivatives exchanges on which permitted financial derivative instruments may be listed or traded:

- in a Member State of the European Union
- in a Member State of the European Economic Area (European Union, Norway, Iceland and Liechtenstein);
- in the United Kingdom;

- |                          |   |
|--------------------------|---|
| United States of America | <ul style="list-style-type: none"> <li>- Chicago Board of Trade</li> <li>- Chicago Board Options Exchange</li> <li>- Chicago Mercantile Exchange</li> <li>- Eurex US</li> <li>- New York Futures Exchange</li> <li>- New York Board of Trade</li> <li>- New York Mercantile Exchange</li> </ul> |
|--------------------------|---|

- |           |   |
|-----------|---|
| Hong Kong | <ul style="list-style-type: none"> <li>- the Hong Kong Future Exchange</li> </ul> |
|-----------|---|

- |           |   |
|-----------|---|
| Singapore | <ul style="list-style-type: none"> <li>- Singapore International Monetary Exchange</li> <li>- Singapore Commodity Exchange</li> </ul> |
|-----------|---|

Tokyo International Financial Futures Exchange

- |             |  |
|-------------|--|
| New Zealand | <ul style="list-style-type: none"> <li>- New Zealand Futures and Options Exchange</li> </ul> |
|-------------|--|

These exchanges and markets are listed in accordance with the regulatory criteria defined in the Central Bank UCITS Regulations.

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**APPENDIX IV**

**List of Sub-Custodians**



The Depositary has delegated those safekeeping duties set out in Article 22(5)(a) of the UCITS Directive to State Street Bank and Trust Company with registered office at Copley Place 100, Huntington Avenue, Boston, Massachusetts 02116, USA, whom it has appointed as its global sub-custodian.

At the date of this prospectus State Street Bank and Trust Company as global sub-custodian has appointed local sub-custodians within the State Street Global Custody Network as listed below. This list may be updated from time to time and is available upon request in writing from the Depositary.

<b>MARKET</b>	<b>SUBCUSTODIAN</b>
<b>Albania</b>	Raiffeisen Bank sh.a.
<b>Australia</b>	The Hongkong and Shanghai Banking Corporation Limited
<b>Austria</b>	Deutsche Bank AG
	UniCredit Bank Austria AG
<b>Bahrain</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Bangladesh</b>	Standard Chartered Bank
<b>Belgium</b>	Deutsche Bank AG, Netherlands (operating through its Amsterdam branch with support from its Brussels branch)
<b>Benin</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Bermuda</b>	HSBC Bank Bermuda Limited
<b>Federation of Bosnia and Herzegovina</b>	UniCredit Bank d.d.
<b>Botswana</b>	Standard Chartered Bank Botswana Limited
<b>Brazil</b>	Citibank, N.A.
<b>Bulgaria</b>	Citibank Europe plc, Bulgaria Branch
	UniCredit Bulbank AD
<b>Burkina Faso</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Canada</b>	State Street Trust Company Canada
<b>Chile</b>	Banco Itaú Chile S.A.
<b>People's Republic of China</b>	HSBC Bank (China) Company Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
	China Construction Bank Corporation (for A-share market only)
	Citibank N.A. (for Shanghai – Hong Kong Stock Connect market only)
	The Hongkong and Shanghai Banking Corporation Limited (for Shanghai – Hong Kong Stock Connect market only)
	Standard Chartered Bank (Hong Kong) Limited (for Shanghai – Hong Kong Stock Connect market)

<b>MARKET</b>	<b>SUBCUSTODIAN</b>
<b>Colombia</b>	Cititrust Colombia S.A. Sociedad Fiduciaria
<b>Costa Rica</b>	Banco BCT S.A.
<b>Croatia</b>	Privredna Banka Zagreb d.d.
	Zagrebacka Banka d.d.
<b>Cyprus</b>	BNP Paribas Securities Services, S.C.A., Greece (operating through its Athens branch)
<b>Czech Republic</b>	Československá obchodní banka, a.s.
	UniCredit Bank Czech Republic and Slovakia, a.s.
<b>Denmark</b>	Nordea Bank AB (publ), Sweden (operating through its subsidiary, Nordea Bank Danmark A/S)
	Skandinaviska Enskilda Banken AB (publ), Sweden (operating through its Copenhagen branch)
<b>Egypt</b>	HSBC Bank Egypt S.A.E. (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Estonia</b>	AS SEB Pank
<b>Finland</b>	Nordea Bank AB (publ), Sweden (operating through its subsidiary, Nordea Bank Finland Plc.)
	Skandinaviska Enskilda Banken AB (publ), Sweden (operating through its Helsinki branch)
<b>France</b>	Deutsche Bank AG, Netherlands (operating through its Amsterdam branch with support from its Paris branch)
<b>Republic of Georgia</b>	JSC Bank of Georgia
<b>Germany</b>	State Street Bank GmbH
	Deutsche Bank AG
<b>Ghana</b>	Standard Chartered Bank Ghana Limited
<b>Greece</b>	BNP Paribas Securities Services, S.C.A.
<b>Guinea-Bissau</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Hong Kong</b>	Standard Chartered Bank (Hong Kong) Limited
<b>Hungary</b>	Citibank Europe plc Magyarországi Fióktelepe
	UniCredit Bank Hungary Zrt.
<b>Iceland</b>	Landsbankinn hf.
<b>India</b>	Deutsche Bank AG
	The Hongkong and Shanghai Banking Corporation Limited
<b>Indonesia</b>	Deutsche Bank AG
<b>Ireland</b>	State Street Bank and Trust Company, United Kingdom branch
<b>Israel</b>	Bank Hapoalim B.M.
<b>Italy</b>	Deutsche Bank S.p.A.

<b>MARKET</b>	<b>SUBCUSTODIAN</b>
<b>Ivory Coast</b>	Standard Chartered Bank Côte d'Ivoire S.A.
<b>Japan</b>	Mizuho Bank, Limited
	The Hongkong and Shanghai Banking Corporation Limited
<b>Jordan</b>	Standard Chartered Bank
<b>Kazakhstan</b>	JSC Citibank Kazakhstan
<b>Kenya</b>	Standard Chartered Bank Kenya Limited
<b>Republic of Korea</b>	Deutsche Bank AG
	The Hongkong and Shanghai Banking Corporation Limited
<b>Kuwait</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Latvia</b>	AS SEB banka
<b>Lebanon</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Lithuania</b>	AB SEB bankas
<b>Malawi</b>	Standard Bank Limited
<b>Malaysia</b>	Deutsche Bank (Malaysia) Berhad
	Standard Chartered Bank Malaysia Berhad
<b>Mali</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Mauritius</b>	The Hongkong and Shanghai Banking Corporation Limited
<b>Mexico</b>	Banco Nacional de México, S.A.
<b>Morocco</b>	Citibank Maghreb
<b>Namibia</b>	Standard Bank Namibia Limited
<b>Netherlands</b>	Deutsche Bank AG
<b>New Zealand</b>	The Hongkong and Shanghai Banking Corporation Limited
<b>Niger</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Nigeria</b>	Stanbic IBTC Bank Plc.
<b>Norway</b>	Nordea Bank AB (publ), Sweden (operating through its subsidiary, Nordea Bank Norge ASA)
	Skandinaviska Enskilda Banken AB (publ), Sweden (operating through its Oslo branch)
<b>Oman</b>	HSBC Bank Oman S.A.O.G. (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Pakistan</b>	Deutsche Bank AG

<b>MARKET</b>	<b>SUBCUSTODIAN</b>
<b>Panama</b>	Citibank, N.A.
<b>Peru</b>	Citibank del Perú, S.A.
<b>Philippines</b>	Deutsche Bank AG
<b>Poland</b>	Bank Handlowy w Warszawie S.A.
	Bank Polska Kasa Opieki S.A
<b>Portugal</b>	Deutsche Bank AG, Netherlands (operating through its Amsterdam branch with support from its Lisbon branch)
<b>Puerto Rico</b>	Citibank N.A.
<b>Qatar</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Romania</b>	Citibank Europe plc, Dublin – Romania Branch
<b>Russia</b>	Limited Liability Company Deutsche Bank
<b>Saudi Arabia</b>	HSBC Saudi Arabia Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Senegal</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Serbia</b>	UniCredit Bank Serbia JSC
<b>Singapore</b>	Citibank N.A.
	United Overseas Bank Limited
<b>Slovak Republic</b>	UniCredit Bank Czech Republic and Slovakia, a.s.
<b>Slovenia</b>	UniCredit Banka Slovenija d.d.
<b>South Africa</b>	FirstRand Bank Limited
	Standard Bank of South Africa Limited
<b>Spain</b>	Deutsche Bank S.A.E.
<b>Sri Lanka</b>	The Hongkong and Shanghai Banking Corporation Limited
<b>Republic of Srpska</b>	UniCredit Bank d.d.
<b>Swaziland</b>	Standard Bank Swaziland Limited
<b>Sweden</b>	Nordea Bank AB (publ)
	Skandinaviska Enskilda Banken AB (publ)
<b>Switzerland</b>	Credit Suisse AG
	UBS Switzerland AG
<b>Taiwan - R.O.C.</b>	Deutsche Bank AG
	Standard Chartered Bank (Taiwan) Limited
<b>Tanzania</b>	Standard Chartered Bank (Tanzania) Limited
<b>Thailand</b>	Standard Chartered Bank (Thai) Public Company Limited

<b>MARKET</b>	<b>SUBCUSTODIAN</b>
<b>Togo</b>	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
<b>Tunisia</b>	Banque Internationale Arabe de Tunisie
<b>Turkey</b>	Citibank, A.Ş.
	Deutsche Bank A.Ş.
<b>Uganda</b>	Standard Chartered Bank Uganda Limited
<b>Ukraine</b>	PJSC Citibank
<b>United Arab Emirates Dubai Financial Market</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>United Arab Emirates Dubai International Financial Center</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>United Arab Emirates Abu Dhabi</b>	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>United Kingdom</b>	State Street Bank and Trust Company, United Kingdom branch
<b>Uruguay</b>	Banco Itaú Uruguay S.A.
<b>Vietnam</b>	HSBC Bank (Vietnam) Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
<b>Zambia</b>	Standard Chartered Bank Zambia Plc.
<b>Zimbabwe</b>	Stanbic Bank Zimbabwe Limited (as delegate of Standard Bank of South Africa Limited)

**LSAM SF 3 p.l.c.  
(the “Company”)**

**An open-ended investment company with variable capital incorporated in Ireland with registered number 426254 established as an umbrella fund with segregated liability between sub-funds.**

**ADDENDUM TO THE PROSPECTUS**

**This document (the “Addendum”) is supplemental to, forms part of, and should be read in conjunction with, the Prospectus issued by the Company dated 5 March 2021 and any supplement issued in connection with any of the Company’s funds (the “Prospectus”).**

The Directors of the Company, whose names appear on page (iv) of the Prospectus, accept responsibility for the information contained in the Prospectus and this Addendum. 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 the Prospectus and this Addendum is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

**The information contained in this Addendum should be read in the context of, and together with, the information contained in the Prospectus** and distribution of this Addendum is not authorised unless accompanied by or supplied in conjunction with a copy of the Prospectus.

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

**1. DIRECTORY**

The list of service providers within the directory section of the prospectus will be updated to include details of the new Investment Manager:

***“Investment Manager***

*UBS Asset Management (UK) Ltd  
5 Broadgate  
London,  
EC2M 2QS  
England”*

**2. DEFINITIONS**

The definition of ‘Investment Manager’ within the Definitions section of the Prospectus will be deleted and replaced by the following:

*“**Investment Manager**” means (i) in relation to the Company and the asset portfolio of the Funds; UBS Asset Management (UK) Ltd or any other person or persons for the time being duly appointed investment manager of the Company or the asset portfolio of the Funds in addition or in succession to UBS Asset Management (UK) Ltd as may be described in the applicable Supplement; and (ii) in relation to a Fund, other than the investment management of the asset portfolio of that Fund; such person or persons from time to time appointed by the Manager and/or the Company to provide investment management services to a Fund, as described in the applicable Supplement;*

The following definition of ‘Investment Management Agreement’ shall be included within the Definitions section of the Prospectus immediately following the definition of ‘Investment Manager’:

*“**Investment Management Agreement**” means the agreement dated 3 October, 2022 (and any subsequent amendments thereto) entered into between the Manager, UBS Asset Management (UK) Ltd and the Company;”*

### **3. MANAGEMENT AND ADMINISTRATION**

The following new section entitled ‘The Investment Manager’ will be added within the section entitled ‘MANAGEMENT AND ADMINISTRATION’ in the prospectus:

***“The Investment Manager***

*The Investment Manager of the Company and the asset portfolio of the Funds is UBS Asset Management (UK) Ltd, unless otherwise specifically stated in the Supplement for the relevant Fund.*

*The Investment Manager is part of UBS Asset Management, a business division of UBS AG. UBS AG is one of the world’s leading financial firms, which also include one of the world’s largest wealth managers, a premier investment bank and securities firm, and one of the world’s leading asset managers.*

*The Investment Manager is regulated by the UK Financial Conduct Authority.*

*Details of any sub-investment manager appointed by the Investment Manager will be provided to Shareholders on request and will be disclosed in the Supplement for the relevant Fund and the periodic reports issued by the Company.”*

### **4. MATERIAL CONTRACTS**

The following new section entitled ‘The Investment Management Agreement’ will be added within the section entitled ‘MATERIAL CONTRACTS’ in the prospectus:

*“The Investment Management Agreement*

*Pursuant to the terms of the Investment Management Agreement, the Manager has appointed UBS Asset Management (UK) Ltd to provide discretionary investment management services in respect*

*of the asset portfolio and swap agreements of each relevant Fund, as further described in the applicable Supplements.*

*The Investment Management Agreement provides that the appointment of the Investment Manager will continue unless and until terminated by the Manager or the Investment Manager giving to the other not less than 90 days' written notice although in certain circumstances the Investment Management Agreement may be terminated forthwith by notice in writing by either party to the other. The Investment Management Agreement contains certain indemnities in favour of the Investment Manager which are restricted to exclude matters resulting from the fraud, bad faith, wilful default or negligence of the Investment Manager in the performance or non-performance of its obligations and duties under the Investment Management Agreement.*

*The Investment Management Agreement contains limited recourse provisions under which the Investment Manager's recourse against the Manager in respect of any claims arising under or in relation to the Investment Management Agreement is expressed to be limited to the assets of the Manager and any claims the Manager has in relation to the relevant Fund to which such claims relate, and the Investment Manager will have no recourse to any other assets of the Company or any other Fund in respect of any such claims. If following the realisation of all of the assets of the Manager and any claims the Manager has in relation to the relevant Fund and the application of such realisation proceeds in payment of all claims relating to the relevant Fund (if any) and all other liabilities (if any) of the Company ranking pari passu with or senior to such claims which have recourse to the assets of the Manager, the claims are not paid in full, (a) the amount outstanding in respect of such claims will be automatically extinguished, (b) the Investment Manager will have no further right of payment in respect thereof and (c) the Investment Manager will not be able to petition for the winding-up of the Manager, the Company or the termination of any other Fund as a consequence of any such shortfall provided however that (a) and (b) above shall not apply to any assets of the Fund payable to the Manager that may be subsequently held or recouped by the Fund."*

**10 October, 2022**



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## **LSAM SF 3 plc**

**(the “Company”)**

**An open-ended investment company with variable capital  
incorporated in Ireland with registered number 426254  
established as an umbrella fund with segregated liability between  
sub-funds.**

## **FS Exponential China**

**(the “Fund”)**

## **SUPPLEMENT TO PROSPECTUS**

**2 June 2022**

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**McCann FitzGerald LLP**  
Riverside One  
Sir John Rogerson’s Quay  
Dublin 2  
Ireland

The Fund is a sub-fund of LSAM SF 3 plc, an umbrella investment company with variable capital established pursuant to the Principal Regulations as an umbrella fund with segregated liability between sub-funds.

A description of LSAM SF 3 plc, its management and administration, taxation and risk factors is contained in the Prospectus.

**This Supplement relates to the FS Exponential China and forms part of the Prospectus.**

There are currently four other sub-funds in the Company, namely:

- VPV Wachstum Fund;
- UBS Autocall Fund;
- Euro Protect; and
- VPV Chance Plus.

**The information contained in this Supplement should be read in the context of, and together with, the information contained in the Prospectus, and distribution of this Supplement is not authorised unless accompanied by or supplied in conjunction with a copy of the Prospectus.**

**The Fund will principally invest in structured financial derivative instruments for investment purposes and for the purposes of hedging. While the prudent use of such derivatives can be beneficial, derivatives also involve risks different from, and in certain cases, greater than, the risks presented by more traditional investments. Structured derivative transactions are complex and may involve a high degree of loss.**

**The Fund is not capital protected. Potential investors should note that the Fund is subject to market fluctuations and that there can be no assurance that any appreciation in value will occur. The value of investments and the Net Asset Value of the Fund can go down as well as up and an investor may not get back the amount invested. An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

The Directors of the Company, whose names appear on page (iv) of the Prospectus, accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Unless otherwise stated, all capitalised terms shall have the same meaning herein as in the Prospectus.

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## Definitions

The following definitions apply throughout this Supplement unless the context requires otherwise:-

<b>“Base Currency”</b>	means USD;
<b>“Business Day”</b>	means a day (other than a Saturday, Sunday, public holiday or bank holiday) on which the Administrator is open for business in Ireland and where commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and Dublin;
<b>“Central Bank”</b>	means the Central Bank of Ireland or any successor thereto;
<b>“Closing Date”</b>	means the closing date of the Initial Offer, expected to occur at the close of business (Dublin time) on 30 November 2022, or such earlier or later date as the Directors may in their absolute discretion in accordance with the requirements of the Central Bank;
<b>“Component”</b>	means an Index or other eligible asset permitted pursuant to the Principal Regulations and the Central Bank UCITS Regulations (which is in accordance with the investment objective, investment policy and investment strategy set out herein) and selected by the Investment Manager to the Investment Basket to form part of the Investment Basket;
<b>“Distributor”</b>	has the meaning set out in the Prospectus;
<b>“Effective Date”</b>	means the date on which the Company, in relation to the Fund, and the Swap Counterparty first enter into a Swap Agreement;
<b>“Eligible CIS”</b>	means units/shares in UCITS, including ETFs, the investments of which are not inconsistent with the investment exposure of the Fund, including the parameters set out in the "Investment in Collective Investment Schemes" section below);
<b>“Fund”</b>	means FS Exponential China;
<b>“Hurdle Rate”</b>	means the minimum rate of return used to calculate any applicable Performance Fee in respect of a Share Class, as disclosed in the section headed “Performance Fee” below;
<b>“Index”</b>	means a financial index capable of being invested in by a UCITS pursuant to the

	Principal Regulations and the Central Bank UCITS Regulations (in accordance with the investment objective, investment policy and investment strategy set out herein), and selected as a Component and/or the underlying asset for any Component by the Investment Manager to the Investment Basket;
<b>“Initial Offer”</b>	means the initial offer of Shares in the Fund which will commence at 9.00 a.m. (Dublin time) on 3 June 2022 and closes on the Closing Date or such earlier or later date as the Directors may in their absolute discretion determine and notify to the Central Bank;
<b>“Interim Fee Payments”</b>	means the payments made by the Swap Counterparty to the Fund in order for the Fund to finance the service provider fees, as described in the section headed “Service Provider Fees” below;
<b>“Investment Manager to the Investment Basket”</b>	means FERI (Schweiz) AG, the investment manager to the Fund with discretionary power over the Investment Basket;
<b>“Investment Basket”</b>	means the portfolio of Components to which the Fund has investment exposure at any time through one or more Swap Agreements as more fully described herein;
<b>“Manager”</b>	means Lantern Structured Asset Management Limited;
<b>“Minimum Holding”</b>	means the minimum holding amount that must be held by an investor, details of which are described in the section headed “Subscriptions” below;
<b>“Minimum Initial Subscription”</b>	means the minimum amount that must be subscribed for by an investor, details of which are described in the section headed “Subscriptions” below;
<b>“Minimum Ongoing Subscription”</b>	means the minimum amount that must be subscribed for by an investor in respect of any subsequent investments in the Fund, details of which are described in the section headed “Subscriptions” below;
<b>“Prospectus”</b>	means the prospectus of the Company dated 5 March 2021 and all relevant supplements, addenda and revisions thereto;
<b>“Redemption Date”</b>	means each Valuation Date;
<b>“Seed Investors”</b>	means those Shareholders who subscribe to the SA1 Share Class prior to the Net Asset

	Value of the SA1 Share Class exceeding USD 50 million, as so confirmed by the Investment Manager to the Investment Basket in advance of subscription;
<b>“SFDR”</b>	means Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector;
<b>“Shares”</b>	means the Shares of the Fund;
<b>“Share Classes”</b>	means the classes of Shares of the Fund;
<b>“Stock Connect”</b>	means, collectively the Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect;
<b>“Subscription Date”</b>	means each Valuation Date;
<b>“Supplement”</b>	means this supplement;
<b>“Swap Agreement”</b>	means a swap transaction entered into between the Company, in respect of the Fund, and the Swap Counterparty;
<b>“Swap Counterparty”</b>	means UBS AG, London Branch;
<b>“Valuation Date”</b>	means a day (other than a Saturday, Sunday, public holiday or bank holiday) on which (I) commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, Dublin, (II) shares can be traded through Stock Connect, and (III) the Shanghai and Shenzhen Stock Exchanges are scheduled to be open for trading for their respective regular trading sessions, or such other date as the Directors and Swap Counterparty shall agree as determined in accordance with the terms of the Swap Agreements; and
<b>“Valuation Point”</b>	means 10.30 p.m. (Dublin time) on each Valuation Date.

## The Fund

This Supplement is issued in connection with the offer of Shares of FS Exponential China.

There are three Share Classes available for the Fund and offered through this Supplement, as follows:

Share Class	Currency of denomination	Investor Type
SA1	USD	Seed Investors
XA1	USD	Investors with whom the Investment Manager to the Investment Basket has a pre-existing investment mandate for which that investor separately pays the Investment Manager to the Investment Basket, or an affiliate thereof, a fee for such service
IA1	USD	All investors who do not otherwise meet the eligibility criteria for SA1 and/or XA1 Share Classes

The Directors of the Company may create new Share Classes from time to time, provided that the creation of any such new Share Classes is notified in advance to and approved by the Central Bank. A separate pool of assets will not be maintained for each of the Share Classes.

### Profile of a Typical Investor

The Fund is suitable for investors seeking capital appreciation with a medium to long term investment horizon and who are prepared to accept a medium-high level of volatility.

### Investment Objective

The investment objective of the Fund is capital appreciation.

### Investment Policy

The Fund is actively managed and will achieve the investment objective by obtaining exposure via the Investment Basket outlined herein. To achieve the investment objective, the Fund shall invest all or substantially all of the net proceeds of any issue of Shares in some or all of the following:

- (i) one or more Swap Agreement(s) with the Swap Counterparty providing exposure to the Investment Basket; and
- (ii) a portfolio of Transferable Securities and Collective Investment Schemes, or other eligible assets listed or traded on a Recognised Market or other eligible assets permitted pursuant to the Principal Regulations and/or the Central Bank UCITS Regulations (each such instrument is an “**Eligible Asset**” and the portfolio is the “**Asset Portfolio**”). These will consist of some or all of equities and equity-related securities (such as American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)) and Eligible CIS. Any of the foregoing may be issued or arranged by a member of the UBS AG Group. It is not intended that the Asset Portfolio will have any sectoral or geographical focus, however, Shareholders should note that the Asset Portfolio may have over 20% exposure to emerging markets. The Asset Portfolio will consist at least

90% of equities and equity-related securities. Such direct investment by the Fund in Eligible Assets is termed “**Direct Investment**”.

It is intended that the Fund will always invest in the Swap Agreements ((i) above) and in Eligible Assets which will form the Asset Portfolio (consisting of the assets outlined in (ii) above) through Direct Investment. The Fund will invest at least 51% of the Net Asset Value of the Fund in equities held as Eligible Assets through Direct Investment that are not shares of Eligible CIS and that are listed or traded on a "regulated market" as defined in Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.

For the purposes of Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (the “**Taxonomy Regulation**”), the investments underlying the Fund do not take into account the EU criteria for environmentally sustainable economic activities.

### **Asset Portfolio – managed by the Manager**

The Asset Portfolio containing the Eligible Assets is managed by the Manager who has discretion to select and invest in a diversified basket of Eligible Assets.

The Eligible Assets constituting the Asset Portfolio will meet the asset eligibility requirements of the Principal Regulations and/or the Central Bank UCITS Regulations and the Manager will ensure that the Asset Portfolio respects the concentration limits and investment restrictions provided for in the Principal Regulations and/or the Central Bank UCITS Regulations. Additionally, the Manager will consider the liquidity of Eligible Assets, basket diversification levels (in accordance with the requirements of the Principal Regulations and/or the Central Bank UCITS Regulations) and corporate action impact as part of the investment allocation process. As part of the selection process the Manager will contemplate global equity markets with a view to ensuring diversification and liquidity is maintained in the Asset Portfolio, while also considering the market capitalisation where relevant of each Eligible Asset in advance of making an allocation. As outlined above, it is not intended that the Eligible Assets selected will have any particular sectoral or geographical focus. As outlined in the section headed “Operation of Swap Agreements and Collateral” below, where the Fund invests in Eligible Assets through Direct Investment, the Fund will enter into one or more Swap Agreements with the Swap Counterparty to exchange the price performance and income received in relation to the Eligible Assets for the return of the Investment Basket. In this instance, the Fund will have neither net market nor credit exposure to the Eligible Assets, except in the event of a default on the part of the Swap Counterparty.

As a result of its activities in relation to the management of the Asset Portfolio, the Manager will also be required, and have the authority on behalf of the Fund, to instruct an increase or decrease of notional amount in the relevant Swap Agreements. It is expected that the amount of the Fund invested in the Asset Portfolio will typically over the long term be within the range of 70% to 95% of the Fund's Net Asset Value – however, there may be periods of time when the amount invested in the Asset Portfolio is outside of this range.

### **Investment Strategy**

The Fund will enter into one or more Swap Agreements (which may include funded or unfunded total return swaps) giving exposure to the Investment Basket. The Fund will not invest directly in the Investment Basket. Instead, the Fund's exposure to the Investment Basket (details of the composition and selection process for which are outlined below in the section headed “Investment Basket – managed by the Investment Manager to the Investment Basket”) is entirely synthetic and is obtained through the Swap Agreement(s).

### **Investment Basket - managed by the Investment Manager to the Investment Basket**

The Investment Manager to the Investment Basket will determine the composition of the Investment Basket in accordance with its perception of the relevant markets, risks inherent therein and perceived opportunities. In making such determinations, the Investment Manager to the Investment Basket will be always cognisant of the Fund's investment objective of capital appreciation.



The Investment Basket as determined by the Investment Manager to the Investment Basket shall provide exposure to some or all of the following asset classes and related instruments:

- (i) Equities of companies incorporated in, listed on a stock exchange established in, whose principal operations are in or which have significant operations in China (including Hong Kong and Macau);
- (ii) an Index or Indices (all UCITS eligible per definition of “Index” herein) comprising shares of Chinese companies traded on Chinese stock exchanges such as Shenzhen, Hong Kong or Shanghai Stock Exchanges (“**Chinese Shares**”) and related equity Index futures.

#### Investment Basket – investment guidelines

The Investment Manager to the Investment Basket will follow the investment guidelines in determining the composition of the Investment Basket:

The aggregate gross exposure to equities may vary between 0% and 200% of the Investment Basket. As described above, at any point in time this exposure could include shares of companies listed on Chinese markets. The equities may be selected without sector, or capitalization constraint on the basis of fundamental and quantitative analysis. Derivative instruments such as future contracts with equities or equity indices as underlying assets may also be included in the Investment Basket.

The Fund may have a long or short exposure to any of the Components within the Investment Basket excluding currency instruments which can be used for FX hedging purposes. The maximum aggregate short exposure to equities (or equity indices) is 100% and the anticipated maximum of the ratio of the absolute value of short positions to the exposure to long positions is 100%.

The long and short exposures will be acquired synthetically through the use of derivative instruments (via the instruments described in the “Use of Financial Derivative Instruments” section in the Prospectus).

As the Components may be denominated in a currency other than the Base Currency this may give rise to foreign exchange currency exposures within the Investment Basket. Accordingly, the Fund may gain exposure (via the instruments described in the “Use of Financial Derivative Instruments” section in the Prospectus, such as synthetic foreign exchange forwards) to currency hedging arrangements within the relevant Swap Agreements as an efficient portfolio management (“**EPM**”) technique and to hedge foreign exchange risk arising within the Investment Basket. Further details relating to the currency hedging arrangements that the Fund gains exposure to via the Swap Agreements are included under the sections entitled “Use of Derivatives” and “Permitted FDIs” in the Prospectus and “Foreign currency risk” herein.

Additionally the fund may at times have a Base Currency cash balance exposure due to subscription and/or redemption activity.

#### Investment Basket - Use of Indices

A Component selected by the Investment Manager to the Investment Basket to be included in the Investment Basket may be an Index or an asset referencing an Index. Each Index will be a UCITS eligible index and will be used as an efficient method of gaining an exposure to the markets and asset classes representing the relevant market.

Each Index will be administered by a known index provider such as FTSE , MSCI or Hang Seng and will represent a standard benchmark for their respective market.

Examples of such Indices are:

- an Index representing the top 300 most liquid stocks within China;
- an Index representing the largest 50 companies in China according to market capitalization;
- an Index representing the leading companies in the technology and science sector in China;

- an Index representing 100 large and midcap companies in the Chinese market and providing exposure to innovative and highly growing companies in the technology sector.

It is not possible to comprehensively list the actual Indices to which exposure to the relevant market may be taken as they may not have, as of the date of this Supplement, been selected and they may change from time to time. A list of the Indices which the Fund takes exposure to for investment purposes will be included in the annual financial statements of the Company. In addition, a list of the Indices which the Fund may take exposure to for investment purposes, their classification, their rebalancing frequencies and the markets which they are representing will be provided to Shareholders of the Fund by the Manager on request. Should the weighting of any particular entity in an Index exceed the permitted limits in the Principal Regulations, the relevant Index will be monitored to determine whether the change is of a temporary nature. If it is determined that it is not a temporary change likely to revert to within the permitted limits, the relevant Component will be removed from the basket of Components forming the Investment Basket.

#### Role of the Investment Manager to the Investment Basket

The Investment Manager to the Investment Basket has been appointed by the Manager as an investment manager to the Fund with discretionary power to determine the Investment Basket. As such, the Investment Manager to the Investment Basket has the discretion to determine and manage the Investment Basket (at all times in accordance with the investment objective and investment policy of the Fund) as follows:

- (a) identify and select a Component or a combination of Components identified as being appropriate for the Fund;
- (b) introduce one or more new Components into the Investment Basket;
- (c) allocate and change the proportion of the Investment Basket allocated to a Component or combination of Components. Allocations to Components are based on research into the historical and projected risk of any underlying assets, return scenarios, correlations between underlying assets and returns of the projected investments; and
- (d) remove one or more existing Components from the Investment Basket.

Each Component is to be selected by the Investment Manager to the Investment Basket on the basis of the most attractive reward for the perceived risk, whilst targeting the Investment Objective and in consideration of the overall risk of the existing positions in the Fund.

The investment process implemented by the Investment Manager to the Investment Basket to determine the portfolio of Components within the Investment Basket can be described as follows:

The Investment Manager to the Investment Basket maintains an investment portfolio that is continuously managed and updated as the basis for the selection of Components. Out of this portfolio, a pre-selection of Components is made based on the Investment Manager to the Investment Basket's proprietary quantitative screening process using valuation models and analysis tools to reduce the investment universe to a conviction list of stocks. Particular focus is given to leading or highly disruptive companies (viewed by the Investment Manager to the Investment Basket as companies in sectors such as artificial intelligence, virtual reality and big data processing and automation) which the Investment Manager to the Investment Basket considers, having assessed a range of data sources including, but not limited, to Bloomberg, research from investment banks and the Investment Manager to the Investment Basket's own network of contacts in China, Chinese financial data platforms and public research papers obtained from Chinese brokers, as being valued attractively in terms of financial strength, market positioning, business model and management, with the selection being made on the basis of this fundamental analysis. In a second step, technical indicators, such as analysis of statistical trends from historic trading activity, are then used in considering the suitability of a company in light of the existing portfolio. The Investment Manager to the Investment Basket then selects the most appropriate Components having given due consideration to the current market situation (interest rate environment, economic stage or similar). This process is applied continuously on a daily basis, in order to determine if a rebalance of the Investment Basket is required, for example identifying the potential removal or addition of a particular stock.

The Investment Manager to the Investment Basket will, in addition to the application of such daily process, on a weekly basis determine the Components, and the proportion of the Investment Basket allocated to each Component. Under normal market conditions, the Investment Manager to the Investment Basket will aim to minimise the turnover of the Components in the Investment Basket. However, more frequent changes may also occur if considered necessary by the Investment Manager to the Investment Basket, in consultation with the Manager and the Swap Counterparty.

The Investment Manager to the Investment Basket regularly monitors investment risk parameters of Components and the Fund's aggregate portfolio in an effort to maximize risk-adjusted appreciation. The emphasis in the portfolio management and portfolio construction process of the Investment Manager to the Investment Basket is on seeking to identify opportunities that it believes have superior risk/reward parameters while maintaining overall portfolio diversification and liquidity.

The Investment Manager to the Investment Basket has overall responsibility for the exposures of the Fund (and ultimately the exposure of investors in the Fund), whereas the selection by the Manager of the assets within the Asset Portfolio will not result in a net market or credit exposure for the Fund or investors in the Fund, except in the event of a default of the Swap Counterparty. The Manager is responsible for the risk management function as it relates to the Fund, in accordance with the delegation model. The Investment Manager to the Investment Basket will still have responsibility to monitor investment risk as part of its function.

### **Sustainability Risk Integration and Impact on Returns**

Although the Fund does not promote environmental or social characteristics for the purposes of SFDR, the Investment Manager to the Investment Basket may integrate sustainability risks and opportunities in determining the portfolio of Components comprised within the Investment Basket.

The Manager does not currently consider the principal adverse impacts of investment decisions with respect to the Asset Portfolio. At present, the Manager does not believe there is a sufficiently standardised industry approach to SFDR compliance, and plans to monitor the situation as it develops.

In determining the portfolio of Components, the Investment Manager to the Investment Basket takes into account all appropriate risks including where relevant sustainability risk (i.e. environmental, social or governance events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the investment) when selecting appropriate Components and the Investment Basket may include Indices which provide exposure to equities selected according to a set of social or environmental criteria.

A sustainability risk could materialise as the occurrence of an environmental, social or governance event or condition causing material negative impact on the value of equities within a particular Component, thus negatively affecting the returns of the Investment Basket.

### **Operation of Swap Agreements and Collateral**

The Fund will receive the return of the Investment Basket through the Swap Agreements (which may be fully funded swaps or unfunded total return swaps).

In the case of a fully funded swap, the Fund will transfer the notional amount to the Swap Counterparty and the Swap Counterparty will return the notional amount on the maturity date together with the return of the Investment Basket. In the case of an unfunded total return swap, in the form of index swaps and/or equity swaps, the Fund will swap the return of the Asset Portfolio (as such term is defined herein) in exchange for the return of the Investment Basket. In other words, where the Fund invests in Eligible Assets held in the Asset Portfolio through Direct Investment, the Fund will enter into one or more unfunded total return swaps with the Swap Counterparty to exchange the price performance and income received in relation to the Eligible Assets held in the Asset Portfolio for the return of the Investment Basket. Accordingly, the net performance of the Fund will not be impacted by the performance of the Eligible Assets held in the Asset Portfolio. The Fund may use unfunded total return swaps in order to achieve the Investment Objective whereby the Fund makes or receives periodical payments to or from the counterparty based on a set rate agreed between the parties in return for receiving or paying the

performance of an underlying asset. An example of such total return swaps would include the Fund entering into (a) an equity total return swap whereby the Fund swaps out the performance of the Asset Portfolio in return for a fixed or floating interest rate agreed between the parties and (b), in turn via a total return swap the Fund swaps out the fixed or floating interest rate received by it in return for receiving the performance of the Investment Basket.

On the Effective Date, being on or about the Closing Date, the Company, in relation to the Fund, will enter into one or more Swap Agreements with the Swap Counterparty. The term of the initial Swap Agreements will be 3 years, extendable upon written agreement between the parties. The Swap Counterparty may terminate the Swap Agreements early by giving not less than 365 calendar days' notice to the Company. When the initial, or (if relevant) subsequent, Swap Agreements terminate early in accordance with its terms, the Fund may be terminated. The Swap Agreements will be valued in accordance with the FDI valuation provisions at Appendix I of the Prospectus. The Swap Counterparty will provide on each Valuation Date a trading price at which the Fund can increase or decrease the Swap Agreements' notional amount to permit the necessary adjustments upon the issue and redemption of Shares. The value of the Swap Agreement will take into account the Fund service provider costs as more fully described in the "Fees and Expenses" section below as well as transaction costs in gaining exposure to the Investment Basket, if any. The Swap pricing will be negotiated at least every 3 years between the Fund and the Swap Counterparty but is subject to periodical review. When the initial, or (if relevant) subsequent, Swap Agreements mature, the Company (acting solely in respect of the Fund) will seek to enter into new Swap Agreements on similar terms with the Swap Counterparty subject to the consent of the Directors and the Swap Counterparty. If the Company (acting solely in respect of the Fund) and Swap Counterparty are unable to agree the terms of a new Swap Agreement or the Swap Agreement is terminated in accordance with its terms, the Directors will determine the course of action available to the Fund in the best interests of Shareholders (which may include a decision to terminate the Fund). Should the Directors determine that the Fund continues in circumstances where no Swap Agreement is in place, Shareholders will be notified in advance and the Supplement will be updated accordingly.

The Swap Counterparty will provide collateral to the Fund, where required, so that the Fund's risk exposure to the Swap Counterparty is reduced to the extent required by the Central Bank. The Fund's net exposure to the Swap Counterparty will not exceed 10% of the Net Asset Value of the Fund. Collateral means assets delivered pursuant to the relevant arrangements under the Swap Agreements and which constitute acceptable collateral in accordance with the requirements of the Central Bank.

For the avoidance of doubt, the role of the Swap Counterparty in respect of the Fund's investment exposure only involves implementing the set of rules within the Swap Agreement, and this set of rules is agreed in advance with the Manager and does not allow the exercise of any discretion by the Swap Counterparty.

### **Investment and Borrowing Restrictions**

The Fund is subject to the investment and borrowing restrictions as set out in Appendix I of the Prospectus and as provided for in the Central Bank UCITS Regulations.

Any leverage created through the use of derivatives will be measured using the commitment approach. The commitment approach calculates leverage by measuring the market values of the underlying exposures of the derivative instruments referred to above. The Fund's global exposure will at all times be less than 100% of Net Asset Value as measured using the commitment approach.

### **Investment in Collective Investment Schemes**

The Fund may gain exposure to Eligible CIS by way of a Direct Investment of an Eligible Asset for the Asset Portfolio. The Fund may not invest in, or have an exposure at any time to, more than 10% of Net Asset Value in total across all Eligible CIS.

The maximum level of management fees that may be charged by the Eligible CIS to which the Fund gains exposure is 3.5% of the net asset value of the Eligible CIS. The Eligible CIS to which the Fund may gain exposure will be in accordance with the Central Bank's rules, will be authorised as UCITS and will be regulated as such by their home state regulator.

## **Securities Financing Transactions**

The maximum proportion of the Fund's total assets that can be subject to total return swaps is 100%. The expected proportion of the Fund's total assets that can be subject to total return swaps should be in the range of 0% and 95%. The assets underlying the total return swaps will be those instruments and eligible assets described in the section headed "Investment Basket– managed by the Investment Manager to the Investment Basket" above, or the constituents of the Asset Portfolio. For further information please see section entitled 'Securities Financing Transactions' in the Prospectus.

## **Stock Connect**

Stock Connect is a cross-boundary investment channel that connects the Shanghai and Shenzhen Stock Exchange with the Hong Kong Stock Exchange. The aim of Stock Connect is for foreign investors to achieve stock market access to the People's Republic of China ("PRC") via Hong Kong.

The Shanghai-Hong Kong Stock Connect comprises a Northbound Shanghai Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shanghai Trading Link, Hong Kong and overseas investors, through their Hong Kong brokers, sub-custodians and a securities trading service company established by the Stock Exchange of Hong Kong ("SEHK"), may be able to trade eligible Chinese Shares listed on the Shanghai Stock Exchange ("SSE Securities") by routing orders to the Shanghai Stock Exchange. Under the Southbound Hong Kong Trading Link under Shanghai-Hong Kong Stock Connect, investors in the PRC will be able to trade certain stocks listed on the SEHK.

The Shenzhen-Hong Kong Stock Connect comprises a Northbound Shenzhen Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shenzhen Trading Link, Hong Kong and overseas investors, through their Hong Kong brokers, sub-custodians and a securities trading service company established by SEHK, may be able to trade eligible Chinese Shares listed on the Shenzhen Stock Exchange ("SZSE Securities") by routing orders to the Shenzhen Stock Exchange. Under the Southbound Hong Kong Trading Link under Shenzhen-Hong Kong Stock Connect, investors in PRC will be able to trade certain stocks listed on the SEHK.

## **Risk Factors**

**Investors' attention is drawn to the risk factors set out in the Prospectus and to the following additional risk factors.**

**Market fluctuations:** Potential investors should note that the investments of the Fund are subject to market fluctuations and that there can be no assurance that any appreciation in value will occur. The value of investments and the income from them, and therefore the value of, and income from the Shares, can go down as well as up and an investor may not get back the amount invested.

The Fund will be exposed to the investment risk arising from the Investment Basket underlying the Swap Agreements. In such circumstances, the Fund is therefore exposed to the risks inherent to investments in Chinese equity markets.

**No dividends:** Any cash flows made under the Components, such as any coupon or dividend payments, are reinvested in the Investment Basket, and the Fund does not pay any distributions or dividends.

**Interest rates:** the Fund will earn an interest return on unallocated cash within the Investment Basket. Interest rates may be below zero. In such circumstances, the Fund may incur a negative return on the allocation of the Investment Basket to such cash exposure.

**Investment horizon:** The Fund is expected to produce returns over the medium to long term, and accordingly investors should consider the Fund to be a medium to long term investment.

**Foreign currency risk:** the Components may be denominated in a currency other than the Base Currency. The Fund may decide to hedge some or all of the foreign exchange exposure caused by the Fund's investment strategy. The Investment Manager to the Investment Basket may include, within the relevant Swap Agreements, currency hedging arrangements to hedge some foreign exchange risk caused by the strategy of the Fund. The performance of the Fund may be affected by the Investment Manager to the Investment Basket's ability to manage the Fund's foreign exchange positions and hedging arrangements efficiently.

**Counterparty Risk:** the Fund is exposed to the risk that the Swap Counterparty may default on its obligations to perform under the Swap Agreements. Investor returns may potentially be adversely affected in the event of such a default occurring. In assessing this risk, investors should recognise the protection offered by the regulatory requirement that the net exposure to the Swap Counterparty should not exceed 10% of the Net Asset Value of the Fund. In circumstances where the gross exposure (i.e. the Fund's counterparty credit risk amount before taking into account the value of collateral received from the counterparty) exceeds 10% of Net Asset Value of the Fund, it is intended that the Swap Counterparty will provide collateral to the Fund so that the Fund's net risk exposure to the Swap Counterparty is reduced below 10%.

**Reliance on Investment Manager to the Investment Basket:** the Fund's performance will to a large extent be dependent on the judgement and abilities of the Investment Manager to the Investment Basket in selecting and monitoring the performance of any Components. There is no assurance that the Investment Manager to the Investment Basket will be successful in doing so. Furthermore, the end of service, death, incapacity or retirement of any key personnel of the Investment Manager to the Investment Basket may adversely affect the performance of the Fund.

**Use of Indices:** The index administrator of any Index is under no obligation to continue the calculation, publication and dissemination of the Index. Should the Index cease to exist, this may have a negative impact on the return on any notional investment in such Index. Any error in the publication of the level of any Index may also have a negative impact on the return of any notional investment in such Index.

**Use of Derivatives – Swap Agreements:** the Swap Agreements are structured derivative transactions. While the prudent use of such derivatives can be beneficial, derivatives also involve risks different from, and in certain cases, greater than, the risks presented by more traditional investments. Structured derivative transactions are complex and may involve a high degree of loss. The aim of the Swap Agreements is to deliver the Fund's investment objective.

Swap Agreements are privately negotiated over-the-counter derivative products in which two parties agree to exchange payment streams that may be calculated in relation to a rate, index, instrument, or certain securities and a particular “notional amount.” Swaps may be subject to various types of risks, including market risk, liquidity risk and the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty. The prices of financial derivative instruments can be volatile. The valuation of any Swap Agreements will depend on multiple factors, including factors which may not be directly observable (e.g. implied volatility). There may be wide variations in these valuations depending on the market circumstances and the swap counterparty.

In addition, under the terms of the Swap Agreements, where the Swap Counterparty is (a) prevented, hindered or impaired from conducting one or more of its activity/activities in a commercially reasonable manner in connection with the establishment, maintenance, adjustment or termination of any transaction(s) in order to fully hedge its exposure in respect of the Investment Basket and any of the Components (for example, where relevant markets are closed or suspended); and/or (b) prevented, hindered or impaired from performing one or more of its obligation(s) in a commercially reasonable manner, under the terms of the relevant Swap Agreements, the Swap Counterparty may, in accordance with the terms of the Swap Agreement, elect to: (i) adjust the terms of the Swap Agreements; and/or (ii) delay payment to the Fund under the terms of the Swap Agreements (in each of (i) and (ii) with the prior agreement of the Fund and/or the Manager); and/or (iii) terminate the Swap Agreements.

The risk of illiquidity arises also in the case of over-the-counter financial derivative transactions. There is no regulated market in such contracts and the bid and offer prices will be established solely by dealers in these contracts. Liquidity risk also exists when a particular instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid, as is the case with many privately negotiated derivatives, it may not be possible to initiate a transaction or liquidate a position at an advantageous price.

**Legal Risk:** the application of a law or regulation that has not been anticipated or that arises because the Swap Agreements are not legally enforceable or documented correctly could result in a loss to the Fund.

**Early Termination Risk:** The Directors may decide to terminate the Fund where (i) the Net Asset Value is less than USD 75 million (or its foreign currency equivalent). The Fund will be terminated where (i) the relevant Swap Agreements mature and the Directors are unable to agree similar terms with the Swap Counterparty, or (ii) the Swap Agreements are terminated in accordance with their terms. This may result in Shareholders receiving redemption proceeds less than the amount subscribed.

**Conflicts:** UBS AG or related group entities will perform numerous roles including that of Manager, Promoter, Global Distributor(s) and Swap Counterparty. UBS AG or related group entities will act as calculation agent of the Swap Agreements. UBS AG and/or related group entities will earn remuneration for the services provided to the Fund and acting as Swap Counterparty as further described in the section "Fees and Expenses" below. Please refer to the “Conflicts of Interest” section of the Prospectus and risk factors contained therein for further detail on conflicts of interest.

**Indirect Costs:** Each Swap Agreement will take account of various transaction and related costs, including the costs borne by the Swap Counterparty to hedge risks it takes under the Swap Agreement. Some of these fees and costs may be due to UBS AG or related group entities. The Fund will transact with the Swap Counterparty at Swap prices net of such costs. Consequently the Fund will indirectly bear such Component costs and Swap Agreement costs.

**Sustainability Risk:** In determining the portfolio of Components, the Investment Manager to the Investment Basket takes into account all relevant risks including sustainability risk within the meaning of SFDR (i.e. environmental, social or governance events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the investment) when selecting appropriate Indices and the Investment Basket may include Indices which provide exposure to equities selected according to a set of social or environmental criteria. Sustainability risks can affect all known types of risk (for example, market risk, liquidity risk, counterparty risk and operational risk), and as a factor, contribute to the materiality of these risk types. A sustainability risk could materialise as the occurrence of an environmental, social or governance event or condition causing material negative impact on the value of equities within a particular Index, thus negatively affecting the returns of the Investment Basket. Given the investment objective and policy of the Fund, neither the Manager nor the

Investment Manager to the Investment Basket consider the adverse impact of investment decisions on sustainability factors as it is believed focusing on the selection of investment opportunities for the Fund is a more efficient use of resources.

### **Emerging Market Risk**

A portion of the Fund's assets may achieve a synthetic exposure to emerging market countries. The risks involved in investments in these markets are likely to exceed the risks of investment in more developed markets. This higher degree of risk may be associated with:

- (a) the adverse effect on investment sentiment that could result from military conflict, civil commotion, nationalisation of foreign-held assets or other unfavourable political developments;
- (b) the difficulty of obtaining an accurate view of a company's prospects where accounting standards are such that those prospects are not fairly reflected by published accounts or where disclosure and regulatory standards are less stringent or where the market is subject to a lower level of monitoring and regulation;
- (c) the difficulty of selling, or selling at a fair price, securities in which an efficient market is not made;
- (d) potential difficulties in obtaining prompt settlement, cost efficient custodial services, or the possibility that a local currency might cease to be readily convertible into any major freely-negotiable trading currency; and
- (e) the risks associated with registering, transferring and safekeeping securities in markets which do not have developed settlement and custody systems. The legislative framework in emerging market countries for the purchase and sale of investments and in relation to the beneficial interests in those investments may be relatively new and untested and there can be no assurance regarding how the courts or agencies of such countries will react to questions arising from the Fund's exposure to investments in such countries and arrangements contemplated in relation thereto.

Laws, orders, rules, regulations and other legislation currently regulating investment may be altered, in whole or in part, and a court or other authority of an emerging market country may interpret any relevant or existing legislation in such a way that the investment contemplated is rendered illegal, null or void, retroactively or otherwise or in such a way that an investment to which the Fund has a synthetic exposure is adversely affected.

Legislation regarding companies in emerging market countries, specifically those laws in respect of fiduciary responsibility of administrators and disclosure may be in a state of evolution and may be of a considerably less stringent nature than corresponding laws in more developed countries.

The Fund's investments could be adversely affected by the introduction of, or delays in, or refusal to grant any such consent for the repatriation of funds or by any official intervention affecting the process of settlement transactions. Economic or political conditions can lead to the revocation or variation of a consent granted prior to an investment being made in any particular country or to the imposition of new restrictions.

The Fund's performance may also be affected by the social, political, and economic conditions within China. China's securities markets have less regulation and are substantially smaller, less liquid and more volatile than the more developed securities markets of other countries, and hence are more susceptible to manipulation, insider trading, and other market abuses. As with all transition countries, China's ability to develop and sustain a credible legal, regulatory, monetary and socioeconomic system could influence the course of outside investment. China has yet to develop comprehensive securities, corporate, or commercial laws; and its market is relatively new and undeveloped. Government policies have recently contributed to economic growth and prosperity in China, but such policies could be altered or discontinued at any time. Changes in government policy and slower economic growth may restrict or adversely affect a Fund's investments or returns. In addition, the Fund may invest in Chinese Shares listed and traded on the Shanghai Stock Exchange or Shenzhen Stock Exchange through the Shanghai-Hong Kong or Shenzhen – Hong Kong Stock Connect links, as described above under the section headed "Stock Connect".



## **Performance Fee Risk**

Performance Fees are calculated based on the Net Asset Value of the relevant Share Class and no Shareholder level equalisation is undertaken. This may result in inequalities between Shareholders in a relevant Share Class in relation to the payment of Performance Fees (with some Shareholders in a Share Class paying disproportionately higher performance fees in certain circumstances). Because there is no Shareholder level equalisation, the methodology may, in certain circumstances, result in certain Shareholders being charged a Performance Fee in circumstances where the Net Asset Value per Share of their Shares has not increased over the relevant calculation period as a whole.

## **Risks Associated with the Use of Stock Connect**

Although the Fund will not be directly exposed to Chinese Shares, there are a number of restrictions that apply to Stock Connect trading that could affect the Fund's investments and returns via its synthetic exposure to Indices comprising Chinese Shares:

*Suspension Risk* - the SEHK, Shenzhen and Shanghai Stock Exchange ("SSE") reserve the right to suspend trading if necessary for ensuring an orderly and fair market and managing risks prudently which could adversely affect the Funds ability to access the PRC market.

*Differences in Trading Day* - investors should be aware that the Stock Connect will only operate on days when both PRC and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. The Fund may, therefore, be subject to a risk of price fluctuations in Chinese Shares in respect of the period during which Stock Connect is not trading.

*Clearing and Settlement Risk* - the Hong Kong Securities Clearing Company Limited ("HKSCC") and China Securities Depository and Clearing Corporation Limited ("ChinaClear") have established clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. ChinaClear has established a risk management framework and measures that are approved and supervised by the China Securities Regulatory Commission. The chances of ChinaClear default are considered to be remote. Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC will 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 Fund may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

*Regulatory Risk* - the current regulations relating to Stock Connect have been subject to little regulatory and judicial interpretation and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that the Stock Connect will not be abolished. The Fund may be adversely affected as a result of these changes.

*Legal/Beneficial Ownership* - where shares are purchased through Stock Connect, the Fund would only have a contractual claim against HKSCC for the rights and interests in such shares. The Fund does not have any proprietary rights. Technically, as the PRC legal system does not recognise the concept of beneficial ownership, the PRC authorities recognise HKSCC as the legal owner of such shares and not the Fund. Because Stock Connect is in its early stages, additional developments are likely. It is unclear whether or how such developments may affect a Fund's investments or returns. Additionally, the application and interpretation of the laws and regulations of Hong Kong and the PRC are uncertain, as are the rules, policies and guidelines published or applied by relevant regulators and exchanges in respect of the Stock Connect program. These may have a negative impact on the Fund's investments and returns.

*Operational Risk* - the Stock Connect provides a new channel for investors from Hong Kong and overseas to access the PRC's stock market directly. Market participants are able to participate in this programme subject to meeting certain information technology capacity, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. Market participants may need to address issues arising from these differences (as well as the fact that the securities regime and legal systems of the PRC and Hong Kong differ significantly) on an ongoing basis.

## Dividend Policy

The Fund will pursue an accumulation policy and will not make any distributions of dividends. In the event that the Directors determine to make any distributions of dividends in respect of the Fund, full details will be provided in an updated Supplement and Shareholders will be notified in advance.

## Taxation

Any change in the Fund's tax status or in taxation legislation could affect the value of the investments held by the Fund and could affect the return to investors. Potential investors and Shareholders should note that the statements on taxation, which are set out in the Prospectus are based on advice which has been received by the Directors regarding the law and practice in force in the relevant jurisdiction as at the date of the Prospectus. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made in the Fund will endure indefinitely. The attention of potential investors is drawn to the tax risk associated with investing in the Fund. See sections headed 'Taxation' on page 36 in the Prospectus.

## Subscriptions

Shares may be subscribed for during the Initial Offer at an initial offer price (the "**Initial Offer Price**") as follows:

Share Class	Currency of denomination	Initial Offer Price
IA1	USD	1000
SA1	USD	1000
XA1	USD	1000

Unless otherwise determined by the Directors and agreed with by the Administrator, all subscriptions must be received in the relevant class currency for the particular Share Class. Should the Directors and the Administrator agree to accept subscriptions for a particular Share Class in a currency other than the class currency for such Share Class, the relevant subscriptions will be converted to the relevant class currency for that Share Class at the prevailing exchange rate. Such applications will not be processed until cleared funds are confirmed by the Administrator. Any delay will be at the expense of the relevant Shareholder.

The Directors of the Company may resolve not to launch the Fund in the event that insufficient applications for subscriptions into the Fund are received at the end of the Initial Offer period. As at the date of this Supplement, the Directors believe that an amount of USD 75 Million (or its foreign currency equivalent) or less may be insufficient to make launching the Fund operationally/commercially viable. However, the Directors reserve the right in their sole discretion to select such lesser or greater amount as they wish in making any such decision not to launch the Fund and potential Shareholders should subscribe during the Initial Offer period understanding that there is a risk that the Fund will not launch. In this case, investors will be immediately informed and any subscriptions paid to the Fund will be returned to them as soon as practicable after the Closing Date.

During the Initial Offer, investors must complete the application form available from the Administrator and send it to the Administrator by post or electronic means acceptable to the Administrator. The completed signed application form along with the relevant documents (supporting documentation in relation to money laundering prevention checks) must be received by the Administrator no later than 10.00 a.m. Dublin time on the Closing Date, with the originals, where applicable, to be provided as soon as reasonably practicable thereafter. Cleared funds must be received by the Administrator, for the account of the Fund, by no later than close of business (Dublin time) on the third Business Day following the Closing Date. The original signed application form is to be provided to the Administrator once the account has been opened.

The Minimum Initial Subscription amount, the Minimum Ongoing Subscription amount, the maximum subscription fee payable and redemption fee payable are as follows:

<b>Share Class</b>	<b>Minimum Initial Subscription</b>	<b>Minimum Ongoing Subscription</b>	<b>Maximum Subscription Fee*</b>	<b>Redemption Fee**</b>
IA1	USD 500,000	USD 1000	5 %	2%
SA1	USD 3,000,000	USD 1000	5 %	2%
XA1	USD 10,000,000	USD 1000	5 %	2%

\* The maximum subscription fee that may be applied to the monetary amount subscribed for by an investor.

\*\* The redemption fee that may be applied to the monetary amount being redeemed by the Shareholder.

Investors must subscribe for at least the Minimum Initial Subscription both during the Initial Offer and following the Initial Offer in respect of their initial subscription into the Fund. Investors must subscribe for at least the Minimum Ongoing Subscription following the Initial Offer in respect of any subsequent subscriptions into the Fund. The Minimum Holding is one Share. Shareholders must hold Shares equivalent to the Minimum Holding amount at all times. The Company reserves the right, at its sole discretion (including via the Manager pursuant to written procedures and parameters set by the Board), to waive or reduce the Minimum Initial Subscription, Minimum Ongoing Subscription and Minimum Holding requirements.

In calculating the subscription/redemption price for the Fund, the Directors may on any Subscription Date or Redemption Date (as applicable) when there are net subscriptions/redemptions adjust the subscription/redemption price by adding/deducting an anti-dilution levy to cover charges, duties and other costs involved in buying or selling investments in the underlying investments of the Fund.

Following the Closing Date, Shares will be available for subscription at the Net Asset Value of the relevant Share Class for each Subscription Date. Shares will not be issued, and no subscription monies will be accepted, until such time as the Administrator has received and is satisfied with all the information and documentation, including all anti-money laundering documentation, required to verify the identity of the investor. The completed signed application form and the relevant documents (supporting documentation in relation to money laundering prevention checks) must be received by the Administrator no later than 3.00 p.m. (Dublin time) on the Business Day immediately preceding the relevant Valuation Date, with the originals, where applicable, to be provided as soon as reasonably practicable thereafter. Application forms not received by this time shall be held over and applied on the next following Subscription Date, subject to the Manager's discretion to either (a) in exceptional circumstances (which circumstances will be documented by the Manager), accept and process any application form received after 3.00 p.m. (Dublin time) on the Business Day immediately preceding the relevant Valuation Date but before the relevant Valuation Point on that Valuation Date or (b) notify the relevant applicant that the application has been refused. Cleared funds must be received, by the Administrator, for the account of the Fund, by no later than close of business (Dublin time) two Business Days after the relevant Valuation Date. Cleared funds not received by this time may be held over and applied for the next following Subscription Date unless otherwise determined by the Directors.

Where the amount subscribed for Shares is not equivalent to an exact number of Shares, fractions of Shares may be issued rounded to the third decimal place.

### **Redemptions**

Shares will be redeemable at the option of the Shareholder for each Redemption Date except in the circumstances described herein and in the Prospectus. Following the Closing Date, Shares may be redeemed at the Net Asset Value for the relevant Share Class for each Redemption Date, subject to any adjustments set out in the Prospectus and this Supplement. Requests for redemption may be made by post, delivery, fax or electronic means (with the original to follow as soon as is possible, where applicable) acceptable to the Administrator on a completed redemption request form (which is available on request from the Administrator), must include payment details and must be received by no later than 3.00 p.m. Dublin time on the Business Day immediately preceding the relevant Valuation Date. Where a faxed redemption request is received, redemption proceeds will only be settled to the investor's account of record.

Redemption request forms not received by this time shall be held over and applied for the next following Redemption Date subject to the Manager's discretion to, in exceptional circumstances (which circumstances will be documented by the Manager), accept and process any application form received after 3.00 p.m. (Dublin time) on the Business Day immediately preceding the relevant Valuation Date but before the relevant Valuation Point on that Valuation Date.

On a request for redemption of part only of a Shareholder's holding and where such a request would result in the Shareholder holding less than the Minimum Holding the Administrator may deem the request to be a request to redeem all of the Shares held by that Shareholder.

Settlement for redemptions will normally be made by telegraphic transfer or other form of bank transfer to the bank account of the Shareholder specified in the original initial application form up to five Business Days from receipt by the Administrator of the correct documentation and in any event within ten days of the Redemption Date on which the redemption request has been processed and in any event in accordance with the timeframes set down by the Central Bank from time to time. No payments to third parties will be effected. In the event that redemption proceeds are to be paid to an account other than the account specified in the original initial signed application form, redemption proceeds will not be paid until an original hardcopy amendment to the original initial application notifying the Administrator of a change in account details and all other documentation required by the Administrator, have been received. Settlement for redemption is made at the Shareholder's risk.

Redemption proceeds will not be paid where an original hardcopy initial signed application form has not been previously received from the investor. No redemption payment may be made from that holding until any other documentation required by the Administrator, including any documents in connection with anti-money laundering procedures, have been received from the Shareholder and the anti-money laundering procedures have been completed.

A redemption fee of up to 2% of the Net Asset Value of the Shares being redeemed may be charged in accordance with the provisions of the Prospectus and as more fully described in the "Swap Counterparty charges" section below.

### **Publication of Net Asset Value**

The Fund will calculate the Net Asset Value per Share for each Valuation Date which will be published on the internet at [www.lsam.com](http://www.lsam.com).

Shareholders can subscribe for and redeem Shares for each Subscription Date and Redemption Date in accordance with the terms described in this Supplement.

The Net Asset Value per Share (including the Net Asset Value per Share for each relevant Subscription Date and Redemption Date) will also be available from the Administrator.

Such information is published for information only. Publication of the Net Asset Value per Share does not constitute an invitation to subscribe for, redeem or convert Shares at that Net Asset Value.

## FEES AND EXPENSES

### Establishment Expenses

The fees and expenses incurred in connection with the establishment of the Fund, the preparation and publication of the Supplement and all legal costs and out-of-pocket expenses related thereto to be charged to the Fund will not exceed EUR 50,000. Any such expenses, where charged to the Fund, will be charged over a period of up to five years.

The expenses incurred in connection with the establishment of the Company are as set out in the section headed “Fees and Expenses” in the Prospectus. Any funds of the Company which may be established at a later date may, at the absolute discretion of the Directors, be allocated from the Fund such portion of the formation expenses of the Company as the Directors consider to be fair in the circumstances.

### Service Provider Fees

#### *Fees payable to the Manager, Administrator, Depositary*

The Manager will be entitled to a Management Fee of up to 0.49% per annum of the Net Asset Value of the Fund as of the relevant Valuation Date (which fee will accrue daily and will be payable monthly in arrears out of the assets of the Fund). Such fee will be payable by the Fund to the Manager in relation to management services provided to the Fund. The Manager will pay all fees and costs of the Depositary, the Administrator and any out-of-pocket expenses incurred by them. Consequently, the Fund will not directly bear any fees, costs or expenses in relation to the Administrator or Depositary. In circumstances where the Manager fee payable by the Fund, financed via the Interim Fee Payments defined above, is less than the fees and costs payable by the Manager to the Depositary and Administrator, the Manager will bear the shortfall and the Fund or the investors in the Fund will not bear or otherwise incur this shortfall. The Manager reserves the right to recharge some or all of these other costs to the Promoter or to other affiliates of UBS Group AG.

#### *Fees payable to the Investment Manager to the Investment Basket*

The Investment Manager to the Investment Basket will be entitled to fees as outlined in the below table on the Net Asset Value of the relevant Share Classes as of the relevant Valuation Date. The Investment Manager Fee will accrue daily and will be payable monthly in arrears (and pro rata for lesser periods) out of the assets of the Fund.

Share Class	Investment Manager Fee	Performance Fee	Hurdle Rate (based on a 365 day year)
IA1	0.90%	15%	6% per annum
SA1	0.45%	15%	6% per annum
XA1	0.00%	15%	6% per annum

### Performance Fee

In addition to the Investment Manager Fee, the Investment Manager to the Investment Basket will be entitled to a performance fee paid out of the assets of the Fund equal to a percentage of the amount by which the Net Asset Value per Share of the relevant Share Class (before the deduction of the applicable performance fee) exceeds the NAV Target Value of that Share Class (a “**Performance Fee**”) on the last Valuation Date of each Performance Period.

The Performance Fee will be calculated and accrued on each Valuation Date and is payable annually in arrears to the Investment Manager to the Investment Basket as of the end of each Performance Period or, in the case of a redemption, as of the relevant Redemption Date. Each performance period will end on 31 December of each year (a “**Performance Period**”). As each Performance Period for a Share Class will have a minimum duration of twelve months, the first Performance Period for each relevant Share Class will end on 31 December 2023.

In any given Performance Period, the **NAV Target Value** for each Share Class is defined as being equal to the high-water mark (the “**HWM**”) increased by the relevant hurdle rate (“**Hurdle Rate**”) pro rated

for the relevant Performance Period. In calculating the NAV Target Value, adjustments will also be made for subscriptions and redemptions. The HWM is described below and the relevant percentages and Hurdle Rates applicable to each type of Share Class are as indicated in the table above.

The HWM of a Share Class will initially be set at the initial offer price of a Share Class on the creation of that Share Class. The initial HWM will remain unchanged until such time as a Performance Fee crystallises and becomes payable at the end of a Performance Period for the first time. Thereafter, the HWM will be equal to the Net Asset Value per Share of the Share Class on the Valuation Date on which a Performance Fee previously crystallised and became payable. Where the Net Asset Value per Share does not exceed the NAV Target Value on the last Valuation Date of a Performance Period, no Performance Fee is payable for that Performance Period and the HWM remains unchanged from the end of the previous Performance Period.

The Net Asset Value per Share used for subscription or redemption purposes will include a performance fee accrual, where applicable. In the event that a Shareholder redeems during a Performance Period, any Performance Fee accrued up until the time of their redemption will be payable on a pro rata basis. For purpose of the calculation of such Performance Fee, the Hurdle Rate set out in the above table will be applied on a pro rata basis up until the time of redemption during the Performance Period.

The Performance Fee payable at the end of each Performance Period will be equal to the aggregate amount by which the Net Asset Value per Share of the relevant Share Class (before the deduction of the applicable performance fee) exceeds the NAV Target Value of that Share Class on the last Valuation Date of that Performance Period. No Performance Fee will accrue or be paid until the Net Asset Value per Share exceeds the NAV Target Value.

Worked examples can be found in Appendix A hereto, illustrating the manner in which the Performance Fee model will operate.

Performance Fees are payable based on net realised and net unrealised gains and losses as at the end of each Performance Period and, as a result, such fees may be paid on unrealised gains which may subsequently never be realised.

The Performance Fee is calculated based on the Net Asset Value of the relevant Share Class and no Shareholder level equalisation is undertaken. This may result in inequalities between Shareholders in a Share Class in relation to the payment of Performance Fees (with some Shareholders in a Share Class paying disproportionately higher performance fees in certain circumstances). Because there is no Shareholder level equalisation, the methodology may, in certain circumstances, result in certain Shareholders being charged a Performance Fee in circumstances where the Net Asset Value per Share of their Shares has not increased over the relevant calculation period as a whole.

The Performance Fee will be verified annually by the Depositary in advance of payment to the Investment Manager to the Investment Basket and the process is designed to ensure that the calculation of the Performance Fee is not open to the possibility of manipulation. The Investment Manager to the Investment Basket may waive, some or all the Performance Fee accrued in respect of some or all of the assets under management attributable to the relevant Share Class.

#### *Other Fund fees and costs*

Other than the fees payable by the Fund to the Manager, and to the Investment Manager to the Investment Basket disclosed above, and those costs relating to its investment activity disclosed below, the Fund will not incur any costs from Fund service providers or other related Fund costs, such as director fees, costs of registering the Fund for public distribution in various countries, fees and expenses of professional advisers such as the statutory auditor fees, legal advisers, registration and paying agents, regulatory fees, risk management systems, etc. Such costs will be borne by the Manager out of its fee disclosed above. In circumstances where the Manager fee payable by the Fund, financed via the Interim Fee Payments defined above, is less than the fees and costs payable by the Manager to the various third parties, the Manager will bear the shortfall and the Fund or the investors in the Fund will not bear or otherwise incur this shortfall. The Manager reserves the right to recharge some or all of these other costs to the Promoter or to other affiliates of UBS Group AG.

In addition to the fees payable by the Fund to the Manager, to the Investment Manager and to the Investment Basket, as further disclosed below the Fund will be subject to costs relating to its investment activity, including Swap Counterparty charges and Components costs.

### **Swap Counterparty Charges**

The Swap Counterparty will take into account the following factors when determining the price of the Swap Agreements:

- (a) Accrual of service provider fees as described in the section headed “Service Provider Fees” above. These are paid periodically as Interim Fee Payments by the Swap Counterparty to the Fund. The receipt by the Fund of the Interim Fee Payments provides it with monies to pay the service provider fees. Interim Fee Payments do not represent additional charges to the service provider fees mentioned above; and
- (b) Any fees and any transaction costs and charges that normally arise which may include any brokerage costs (such as bid-ask spreads of the Components), any costs associated with foreign currency hedging, index licence fees and other costs of hedging the Swap Agreements (for example normal execution and transaction costs incurred by the Swap Counterparty but exclude the redemption fee). Such costs and charges will be levied at normal commercial rates and are expected to be in the range of 0.78% to 1.05% per annum of the swap notional, plus any bid-ask spreads in the execution of the Investment Basket.

Accordingly, each of the costs mentioned at (a) and (b) above, shall be discharged by the Swap Counterparty out of the swap price it applies. The Fund will transact with the Swap Counterparty at the swap prices net of such costs and consequently the Fund and investors in the Fund will indirectly bear such costs mentioned at (a) and (b) above.

As described on page 17 of this Supplement, the Fund may charge a redemption fee of up to 2%. Such redemption fee represents any hedging unwind costs suffered by the Swap Counterparty for notional reductions of any Swap Agreements due to redemptions by Shareholders. The actual amount charged by the Fund will be paid to the Swap Counterparty. The redemption fee will be applied to the monetary amount being redeemed by the Shareholder. Such hedging unwind costs are reflected through a redemption fee rather than applying a bid-offer spread on the price of any Swap Agreements for notional reductions.

### **Miscellaneous**

The assets of each sub-fund of the Company are segregated from those of the other sub-funds and a creditor of any specific sub-fund shall have recourse only against the assets of that sub-fund.

The Directors may decide to terminate the Fund where the Net Asset Value is less than USD 75 million (or its foreign currency equivalent). Further details regarding termination are set out in the section headed “Termination of a Fund” in the Prospectus.

### **The Investment Manager to the Investment Basket**

Under an investment management agreement dated 2 June 2022, the Manager has appointed FERI (Schweiz) AG as Investment Manager to the Investment Basket, a company incorporated in Switzerland and having its registered office at Tödistrasse 48, 8002 Zurich, Switzerland.

The primary function of the Investment Manager to the Investment Basket relating to the Fund is to identify and allocate, initially and on an on-going basis, the chosen Components in the Investment Basket giving the Fund exposure to the markets it has selected.

The Investment Manager to the Investment Basket will not be involved with the management of the Asset Portfolio.

The investment management agreement appointing the Investment Manager to the Investment Basket

provides, inter alia, that:

- (i) the appointment of the Investment Manager to the Investment Basket shall remain in effect unless terminated with not less than three calendar months prior notice in writing or, in certain circumstances outlined in the investment management agreement, at any time by written notice; and
- (ii) the Investment Manager to the Investment Basket accepts responsibility for loss to the other party to the extent such loss is due to negligence, breach or non-fulfilment of the investment management agreement, wilful default, recklessness or fraud.



## Appendix A – Performance Fee Example

Date	HWM	NAV per unit	Hurdle Rate	NAV Target Value	Excess above Target Value	Performance Fee	Performance Fee per unit		Number of Fund units	Performance Fee accrued to Fund	Performance fee payable
01-Jan	100										
31-Mar	100	104	6.00%	101.479	2.521	15%	0.378		100,000	37,808	37,808
30-Jun	100	102	6.00%	102.975	(0.975)	15%	(0.146)		100,000	-	-
31-Dec	100	108	6.00%	106.000	2.000	15%	0.300		100,000	30,000	30,000
<b>Performance Fee payable as of Performance Period end</b>											<b>30,000</b>

The above example considers the accrual and payment of the Performance Fee under different performance scenarios (note: figures are approximate and rounding has been applied).

The NAV Target Value is calculated by increasing the HWM by the relevant Hurdle Rate by a pro rata amount reflecting the duration of the Performance Period. For example, on 31 March, the NAV Target Value is 101.479 which is approximately the HWM increased by the Hurdle Rate of 6% for 90 days since 1 January (NAV Target Value:  $HWM + HWM * \text{pro rata Hurdle Rate} = 100 + 100 * 6\%/365 * 90 = 101.479$ )

- a) Assuming a Fund launch date of 1 January, the HWM equals NAV per unit and both are 100. As of 31 March, the first scenario above shows positive performance. The NAV per unit at this point is 104. Since the NAV per unit exceeds the NAV Target Value (101.479), a Performance Fee is accrued and it is equal to the excess of NAV per unit above the NAV Target Value ( $104 - 101.479 = 2.521$ ) multiplied by the Performance Fee rate (15%) multiplied by the current number of Units in issue (100,000) resulting in an accrued Performance Fee of approximately USD 37,808.
- b) On 30 June, the second scenario above shows underperformance. In this case, on 30 June, the NAV per unit is at 102. Since the NAV per unit is below the NAV Target Value of 103, no Performance Fee is accrued at this date.
- c) On 31 December, the third scenario above shows Performance Fee crystallisation at the end of the Performance Period: In this case, the NAV per unit is 108. Since the NAV per unit exceeds the NAV Target Value (106), Performance Fee is equal to the excess of NAV per unit above the NAV Target Value ( $108 - 106 = 2$ ) multiplied by the Performance Fee rate (15%) multiplied by the number of Units in issue (100,000) resulting in a Performance Fee of USD 30,000. Since 31 December is the end of the Performance Period, the Performance Fee is crystallised and paid from the sub-fund to the Investment Manager to the Investment Basket.

Following the crystallisation of the Performance Fee at year-end, in the above example the HWM for the following period is set as 107.7 (NAV at period end minus Performance Fee paid, being  $108.0 - 0.30$ ) per unit.

If the Share Class NAV was less than the NAV Target Value as at 31 December, no Performance Fee would be payable in respect of that Share Class.

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## **LSAM SF 3 plc**

**(the “Company”)**

**An open-ended investment company with variable capital  
incorporated in Ireland with registered number 426254  
established as an umbrella fund with segregated liability between  
sub-funds.**

## **VPV Chance Plus**

**(the “Fund”)**

# **SUPPLEMENT TO PROSPECTUS**

**9 November 2023**

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**McCann FitzGerald LLP**  
Riverside One  
Sir John Rogerson’s Quay  
Dublin 2  
SDJM\40862598.23

The Fund is a sub-fund of LSAM SF 3 plc, an umbrella investment company with variable capital established pursuant to the Principal Regulations as an umbrella fund with segregated liability between sub-funds.

A description of LSAM SF 3 plc, its management and administration, taxation and risk factors is contained in the Prospectus.

**This Supplement relates to VPV Chance Plus and forms part of the Prospectus.**

There are currently two other sub-funds in the Company, namely:

- Euro Protect; and
- FS Exponential China.

**The information contained in this Supplement should be read in the context of, and together with, the information contained in the Prospectus, and distribution of this Supplement is not authorised unless accompanied by or supplied in conjunction with a copy of the Prospectus.**

**The Fund will principally invest in structured financial derivative instruments for investment purposes and for the purposes of hedging. While the prudent use of such derivatives can be beneficial, derivatives also involve risks different from, and in certain cases, greater than, the risks presented by more traditional investments. Structured derivative transactions are complex and may involve a high degree of loss.**

**The Fund is not capital protected. Potential investors should note that the Fund is subject to market fluctuations and that there can be no assurance that any appreciation in value will occur. The value of investments and the Net Asset Value of the Fund can go down as well as up and an investor may not get back the amount invested. An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

**The Fund will benefit from a Guarantee provided by the Guarantor on each Monthly Reset Valuation Date.**

The Directors of the Company, whose names appear on page (iv) of the Prospectus, accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Unless otherwise stated, all capitalised terms shall have the same meaning herein as in the Prospectus.

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## Definitions

The following definitions apply throughout this Supplement unless the context requires otherwise:-

<b>“Base Currency”</b>	means EUR;
<b>“Business Day”</b>	means a day (other than a Saturday, Sunday, public holiday or bank holiday) on which the Administrator is open for business in Ireland and where commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and Dublin;
<b>“Central Bank”</b>	means the Central Bank of Ireland or any successor thereto;
<b>“Closing Date”</b>	means 3 August 2021;
<b>“Component”</b>	means an Index or other eligible asset permitted pursuant to the Principal Regulations and the Central Bank UCITS Regulations (which is in accordance with the investment objective, investment policy and investment strategy set out herein) and selected by the Investment Manager to the Investment Basket to form part of the portfolio of Components for the Investment Basket;
<b>“Distributor”</b>	has the meaning set out in the Prospectus;
<b>“Dynamic Portfolio”</b>	means the portfolio consisting of the Investment Basket and Reserve Asset to which the Fund has exposure through one or more Swap Agreements as more particularly described in the section headed “Investment Strategy” below;
<b>“€STR”</b>	means the euro short-term rate reflecting the wholesale euro unsecured overnight borrowing costs of banks located in the Euro area;
<b>“Effective Date”</b>	means 3 August 2021;
<b>“EMU”</b>	means the Economic and Monetary Union;
<b>“Environmental Characteristic”</b>	has the meaning given in the section below headed “Environmental Characteristic”;
<b>“ESG”</b>	means environmental, social and governance characteristics;
<b>“EUR”</b>	means Euro;
<b>“Fund”</b>	means VPV Chance Plus;

<b>“Guarantee”</b>	means the guarantee deed executed between the Company, acting solely in respect of the Fund, and the Guarantor on the Effective Date;
<b>“Guaranteed NAV”</b>	means in relation to any Monthly Reset Valuation Date, the Protected Amount for such Monthly Reset Valuation Date;
<b>“Guarantor”</b>	means UBS AG, London Branch;
<b>“Index”</b>	means a financial index capable of being invested in by a UCITS pursuant to the Principal Regulations and the Central Bank UCITS Regulations (in accordance with the investment objective, investment policy and investment strategy set out herein), and selected as a Component and/or the underlying asset for any Component by the Investment Manager to the Investment Basket;
<b>“Initial Offer”</b>	means the initial offer of Shares in the Fund which commenced on 30 July 2021 and closed on the Closing Date;
<b>“Initial Term”</b>	means the initial term of the Guarantee which is 3 years from the Effective Date as described in more detail in the section headed “Guarantee” below;
<b>“Interim Fee Payments”</b>	means the payments made by the Swap Counterparty to the Fund in order for the Fund to finance the service provider fees, as described in the section headed “Service Provider Fees” below;
<b>“Investment Basket”</b>	means the portfolio of Components to which the Fund has investment exposure at any time through one or more Swap Agreements as more fully described herein;
<b>“Investment Manager to the Investment Basket”</b>	means Allianz Global Investors GmbH, the sub-investment manager to the Fund with discretionary power over the Investment Basket;
<b>“Manager”</b>	means UBS Fund Management (Ireland) Limited;
<b>“Minimum Holding”</b>	means the minimum holding amount that must be held by an investor, details of which are described in the section headed “Subscriptions” below;
<b>“Minimum Initial Subscription”</b>	means the minimum amount that must be subscribed for by an investor, details of which are described in the section headed “Subscriptions” below;

<b>“Minimum Ongoing Subscription”</b>	means the minimum amount that must be subscribed for by an investor in respect of any subsequent investments in the Fund, details of which are described in the section headed “Subscriptions” below;
<b>“Monthly Protected Percentage Amount”</b>	means 80%;
<b>“Monthly Reset Valuation Date”</b>	means the first Valuation Date of each calendar month from and excluding the Effective Date up to and including the day on which the final swap agreements are terminated;
<b>“PAB Regulation”</b>	means EU Commission Delegated Regulation 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks;
<b>“Paris Agreement”</b>	means Council Decision (EU) 2016/1841 of 5 October 2016 on the conclusion, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change;
<b>“Prospectus”</b>	means the prospectus of the Company dated 5 March 2021 and all relevant supplements, addenda and revisions thereto;
<b>“Protected Amount”</b>	<p>means (i) in relation to the first Monthly Reset Valuation Date, 80% of the initial offer price per share of the Class IA (EUR) Shares and (ii) in relation to any Monthly Reset Valuation Date thereafter, the Monthly Protected Percentage Amount multiplied by the higher of (a) the Net Asset Value per Share on the immediately preceding Monthly Reset Valuation Date (b) the immediately preceding Protected Amount.</p> <p>As the Protected Amount is re-assessed at the start of every month on the relevant Monthly Reset Valuation Date based on the Net Asset Value per Share on such date, if the Net Asset Value per Share decreases, as compared against the Net Asset Value on the Monthly Reset Valuation Dates of the preceding months, the level of the Protection Amount on such Monthly Reset Valuation Date shall decrease accordingly;</p>
<b>“Redemption Date”</b>	means each Valuation Date;

<b>“Reserve Asset”</b>	the Reserve Asset represents a notional exposure to a EUR denominated interest rate linked to €STR minus a spread;
<b>“SFDR”</b>	means Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector;
<b>“Shares”</b>	means the Shares of the Fund;
<b>“Share Classes”</b>	means the classes of Shares of the Fund;
<b>“Sub-Distributor”</b>	means VPV Lebensversicherungs-AG;
<b>“Subscription Date”</b>	means each Valuation Date;
<b>“Supplement”</b>	means this supplement;
<b>“Swap Agreement”</b>	means a swap transaction entered into between the Company, in respect of the Fund, and the Swap Counterparty;
<b>“Swap Counterparty”</b>	means UBS AG, London Branch;
<b>“Valuation Date”</b>	means a day (other than a Saturday, Sunday, public holiday or bank holiday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Dublin, London, Frankfurt and TARGET, and which is a day on which Eurex and New York Stock Exchange are scheduled to be open for trading for their respective regular trading session or such other date as the Directors and Swap Counterparty shall agree as determined in accordance with the terms of the Swap Agreements; and
<b>“Valuation Point”</b>	means 10.30 p.m. (Dublin time) on each Valuation Date.



## The Fund

This Supplement is issued in connection with the offer of Shares of VPV Chance Plus.

There is one Share Class available for the Fund and offered through this Supplement, as follows:

Share Class	Currency of denomination
IA1 (EUR)	EUR

The Directors of the Company may create new Share Classes from time to time, provided that the creation of any such new Share Classes is notified in advance to and approved by the Central Bank. A separate pool of assets will not be maintained for each of the Share Classes.

### Profile of a Typical Investor

The Fund may be suitable for investors seeking capital appreciation with a medium to long term investment horizon in addition to investors seeking to invest in a fund which promotes environmental and/or social characteristics and who are prepared to accept a medium-high level of volatility.

### Investment Objective

The investment objective of the Fund is capital appreciation.

### Investment Policy

The Investment Manager and the Investment Manager to the Investment Basket each categorise this Fund as a sustainability focused fund. The Fund promotes an environmental characteristic and is categorised in accordance with Article 8(1) of the Sustainable Finance Disclosure Regulation (“SFDR”).

The Fund is actively managed and will achieve the investment objective by obtaining exposure via the Dynamic Portfolio outlined herein. To achieve the investment objective, the Fund shall invest all or substantially all of the net proceeds of any issue of Shares in some or all of the following:

- (i) one or more Swap Agreement(s) with the Swap Counterparty providing exposure to the Dynamic Portfolio; in determining the composition of the Investment Basket, and hence the Dynamic Portfolio, the Investment Manager to the Investment Basket acts in accordance with the Environmental Characteristic where applicable as part of the Fund’s commitment to promoting climate change mitigation; and
- (ii) a portfolio of Transferable Securities, or other eligible assets listed or traded on a Recognised Market or other eligible assets permitted pursuant to the Principal Regulations and/or the Central Bank UCITS Regulations (each such instrument is an “Eligible Asset” and the portfolio is the “Asset Portfolio”). These will consist of some or all of equities and equity-related securities (such as American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)). Any of the foregoing may be issued or arranged by a member of the UBS AG Group. It is not intended that the Asset Portfolio will have any sectoral or geographical focus, however, Shareholders should note that the Asset Portfolio may have over 20% exposure to emerging markets. The Asset Portfolio will consist at least 90% of equities and equity-related securities. Such direct investment by the Fund in Eligible Assets is termed “Direct Investment”.

It is intended that the Fund will always invest in the Swap Agreements ((i) above). The Fund may, following a determination by the Investment Manager, also invest in Eligible Assets which will form the Asset Portfolio (consisting of the assets outlined in (ii) above) through Direct Investment.

The Fund’s size will determine if and when the Fund will invest in the Asset Portfolio ((ii) above), doing so when the Investment Manager concludes that the Fund’s Net Asset Value has reached a level which makes such investment operationally and economically efficient. It is not anticipated that such efficiencies would be achieved before the Net Asset Value reaches 10 million Euro.

## **Asset Portfolio – managed by the Investment Manager**

The Asset Portfolio containing the Eligible Assets is managed by the Investment Manager who has discretion to select and invest in a diversified basket of Eligible Assets.

The Eligible Assets constituting the Asset Portfolio will meet the asset eligibility requirements of the Principal Regulations and/or the Central Bank UCITS Regulations and the Investment Manager will ensure that the Asset Portfolio respects the concentration limits and investment restrictions provided for in the Principal Regulations and/or the Central Bank UCITS Regulations. Additionally, the Investment Manager will consider the liquidity of Eligible Assets, basket diversification levels (in accordance with the requirements of the Principal Regulations and/or the Central Bank UCITS Regulations) and corporate action impact as part of the investment allocation process. As part of the selection process the Investment Manager will contemplate global equity markets with a view to ensuring diversification and liquidity is maintained in the Asset Portfolio, while also considering the market capitalisation where relevant of each Eligible Asset in advance of making an allocation. As outlined in the section headed “Operation of Swap Agreements and Collateral” below, where the Fund invests in Eligible Assets through Direct Investment, the Fund will enter into one or more Swap Agreements with the Swap Counterparty to exchange the price performance and income received in relation to the Eligible Assets for the return of the Dynamic Portfolio. In this instance, the Fund will have neither net market nor credit exposure to the Eligible Assets, except in the event of a default on the part of the Swap Counterparty.

As a result of its activities in relation to the management of the Asset Portfolio, the Investment Manager will also be required, and have the authority on behalf of the Fund, to instruct an increase or decrease of notional amount in the relevant Swap Agreements. It is expected that the amount of the Fund invested in the Asset Portfolio will typically over the long term be within the range of 70% to 95% of the Fund's Net Asset Value – however, there may be periods of time when the amount invested in the Asset Portfolio is outside of this range, including periods when the Investment Manager has determined not to invest in the Asset Portfolio in the circumstances further outlined in the “Investment Policy” section above (i.e. where the Fund's Net Asset Value is not at a level where it is operationally and economically efficient to invest in the Asset Portfolio).

## **Investment Strategy**

The investment strategy will deliver the return of a Dynamic Portfolio. The Net Asset Value of the Fund will reflect the return of the Dynamic Portfolio, calculated in EUR.

The Fund will enter into one or more Swap Agreements (which may include funded or unfunded total return swaps) giving exposure to the Dynamic Portfolio. The Fund will not invest directly in the Dynamic Portfolio (or the Investment Basket which comprises the Dynamic Portfolio). Instead, the Fund's exposure to the Dynamic Portfolio is entirely synthetic and is obtained through the Swap Agreement(s).

The Dynamic Portfolio is a rules-based algorithm based on a strategy developed by the Investment Manager to the Investment Basket. The algorithm is known as dynamic proportion protection technique (“**DPPT**”) and is a recognised industry standard.

The algorithm seeks to participate in rising equity and/or fixed income markets and on each Monthly Reset Valuation Date the algorithm ensures that 100% of the Dynamic Portfolio is allocated to the Investment Basket. The algorithm also includes a protection feature which ensures that on each Monthly Reset Valuation Date, the Net Asset Value per Share will be equal to at least 80% of the Net Asset Value per Share on the immediately preceding Monthly Reset Valuation Date (i.e. the Protected Amount will be maintained). To provide such protection, in exceptional circumstances (such as, for example, a large downward movement in equity market) the DPPT algorithm may dynamically allocate a proportion or all of the Dynamic Portfolio to the Reserve Asset in order to maintain the Protected Amount, taking into account the constraint of protecting the relevant Protected Amount on any Monthly Reset Valuation Date.

In addition the Company, on behalf of the Fund, has executed a guarantee deed with the Guarantor whereby the Guarantor guarantees that shareholders who redeem at a given Monthly Reset Valuation Date will receive a redemption amount, before any applicable charges and tax, which will be at least equal to the Protected Amount.

The Reserve Asset represents a notional exposure to a EUR denominated interest rate linked to the prevailing €STR rate minus a spread.

### **Environmental Characteristic**

In accordance with its commitment to the promotion of an environmental characteristic and the integration of sustainability risks into the investment decision making process, when defining the investment universe for the Investment Basket, the Investment Manager to the Investment Basket will employ a rules-based algorithm to provide the Fund with exposure to the Investment Basket which allocates capital towards Indices that qualify as EU Paris-Aligned Benchmarks (“**PAB**”), as defined within the PAB Regulation. The PAB Regulation provides a robust framework for Index providers which seek to align their portfolios with the Paris Agreement and its goals of limiting the rise in global temperatures to less than 2 degrees Celsius over pre-industrial era temperatures and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius. By allocating capital towards more sustainable solutions such as PABs, wherein the constituents comprised within the indices are selected to ensure that they collectively keep a decarbonisation trajectory in line with the goals of the Paris Agreement, the Fund will seek to promote climate change mitigation (the “**Environmental Characteristic**”).

The potential maximum allocation of the Investment Basket to the Paris-Aligned Benchmarks which promote climate change mitigation, is 100%, though the anticipated exposure is expected to be between 70 – 100%.

**Further information about the Environmental Characteristic promoted by the Fund, is available at Annex I to this Supplement as prescribed by SFDR.**

### **Investment Basket - managed by the Investment Manager to the Investment Basket**

The Investment Manager to the Investment Basket will determine the composition of the Investment Basket in accordance with its perception of the relevant markets, risks inherent therein and perceived opportunities. In making such determinations, the Investment Manager to the Investment Basket will be always cognisant of the Fund’s investment objective, Investment Policy and the Environmental Characteristic.

The Investment Basket as determined by the Investment Manager to the Investment Basket shall provide exposure to some or all of the following asset classes and related instruments:

- |                            |      |   |
|----------------------------|------|---|
| Equity asset class:        | (i)  | Equities of companies, with no sectoral focus, which are listed or traded on Recognised Markets and are located in developed markets and/or emerging markets (each including but not limited to markets in America, Europe and Asia); |
|                            | (ii) | Equity Indices and equity Index futures.  |
| Interest rate asset class: |      | Sovereign bond futures;   |
| Currency asset class:      | (i)  | FX forwards;  |
|                            | (ii) | Foreign currency positions.   |

The investment process implemented by the Investment Manager to the Investment Basket to determine the portfolio of Components is outlined at the section headed “Role of the Investment Manager to the Investment Basket” below.

#### Investment Basket – investment guidelines

The Investment Manager to the Investment Basket will follow the investment guidelines and the Environmental Characteristic in determining the composition of the Investment Basket:

- |                     |   |
|---------------------|---|
| Equity asset class: | The exposure to equities may vary between 0% and 100% of the Investment Basket at the time of determining or rebalancing the composition of the Investment Basket. As described above, at any point in time this exposure |
|---------------------|---|

could include shares of companies listed on global markets. The equities may be selected without sector, region or capitalization constraint on the basis of a fundamental financial analysis. Derivative instruments such as future contracts with equities or equity indices as underlying assets also fall within the equity asset class. The anticipated maximum value of these positions is 100% of the Net Asset Value.

Interest rate asset class: The exposure to sovereign issuers may vary between 0% and 100% of the Investment Basket at the time of determining or rebalancing the composition of the Investment Basket. At a particular time, such exposure may include sovereign bond futures. The anticipated maximum value of these positions is 100% of the Net Asset Value.

Currency asset class: The net exposure to currencies outside the Euro area may vary between 0% and 100% of the Investment Basket. This exposure could include shares denominated in foreign currencies other than EUR, financial futures instruments, foreign currencies, FX forwards or any financial Indices.

The Fund may only have a long exposure to any of the Components within the Investment Basket excluding currency instruments which can be used for FX hedging purposes.

As the Components may be denominated in a currency other than the Base Currency this may give rise to foreign exchange currency exposures within the Investment Basket. Accordingly, the Fund may gain exposure (via the instruments described in the “Use of Financial Derivative Instruments” section in the Prospectus, such as synthetic foreign exchange forwards) to currency hedging arrangements within the relevant Swap Agreements as an efficient portfolio management (“EPM”) technique and to hedge foreign exchange risk arising within the Investment Basket. Further details relating to the currency hedging arrangements that the Fund gains exposure to via the Swap Agreements are included under the sections entitled “Use of Derivatives” and “Permitted FDIs” in the Prospectus and “Foreign currency risk” herein.

#### Investment Basket - Use of Indices

A Component selected by the Investment Manager to the Investment Basket to be included in the Investment Basket may be an Index or an asset referencing an Index. Each Index will be a UCITS eligible index and will be used as an efficient method of gaining an exposure to the markets and asset classes representing the relevant market.

Each Index will be administered by a known index provider such as S&P, STOXX, Markit, Bloomberg, FTSE or MSCI and will represent a benchmark for their respective market.

Examples of such Indices are:

- an Index representing the top 50 or top 100 largest and most liquid stocks within Europe or the Eurozone;
- an Index representing large and midcap companies in the EMU market and providing exposure to companies with high environmental, social and governance performance relative to their sector peers;
- an Index representing the top 500 or top 1000 largest and most liquid stocks listed in the United States;
- an Index representing large and midcap companies in the US market and providing exposure to companies with high environmental, social and governance performance relative to their sector peers;
- an Index representing the top 100 or top 300 largest and most liquid stocks listed in the United Kingdom;
- an Index representing the majority of the largest developed and emerging market stocks listed in Asia, excluding Japan;

- an Index representing large and midcap securities across 10 developed markets in the EMU, designed to support investors seeking to reduce their exposure to transition and physical climate risks and who wish to pursue opportunities arising from the transition to a lower-carbon economy whilst aligning with the goals of the Paris Agreement;
- an Index representing large and mid-cap securities of the U.S. equity markets, designed to support investors seeking to reduce their exposure to transition and physical climate risks and who wish to pursue opportunities arising from the transition to a lower-carbon economy whilst aligning with the goals of the Paris Agreement;
- an Index representing large and mid-cap securities of the Canada equity markets, designed to support investors seeking to reduce their exposure to transition and physical climate risks and who wish to pursue opportunities arising from the transition to a lower-carbon economy whilst aligning with the goals of the Paris Agreement; and
- an Index representing large and mid-cap securities of the Switzerland equity markets, designed to support investors seeking to reduce their exposure to transition and physical climate risks and who wish to pursue opportunities arising from the transition to a lower-carbon economy whilst aligning with the goals of the Paris Agreement.

It is not possible to comprehensively list the actual Indices to which exposure to the relevant market may be taken as they may not have, as of the date of this Supplement, been selected and they may change from time to time. A list of the Indices which the Fund takes exposure to for investment purposes will be included in the annual financial statements of the Company. In addition, a list of the Indices which the Fund may take exposure to for investment purposes, their classification, their rebalancing frequencies and the markets which they are representing will be provided to Shareholders of the Fund by the Manager on request. Should the weighting of any particular entity in an Index exceed the permitted limits in the Principal Regulations, the relevant Index will be monitored to determine whether the change is of a temporary nature. If it is determined that it is not a temporary change likely to revert to within the permitted limits, the relevant Component will be removed from the basket of Components forming the Investment Basket.

*Role of the Investment Manager to the Investment Basket*

The Investment Manager to the Investment Basket has been appointed by the Manager as an investment manager to the Fund with discretionary power to determine the Investment Basket. As such, the Investment Manager to the Investment Basket has the discretion to determine and manage the Investment Basket (at all times in accordance with the investment objective, the Environmental Characteristic and Investment Policy of the Fund) as follows:

- (a) identify and select a Component or a combination of Components identified as being appropriate for the Fund;
- (b) introduce one or more new Components into the Investment Basket;
- (c) allocate and change the proportion of the Investment Basket allocated to a Component or combination of Components. Allocations to Components are sized based on research into the historical and projected risk of any underlying assets, return scenarios, correlations between underlying assets and returns of the projected investments. Such allocations attempt to reduce coincident levels of risk among the Components; and
- (d) remove one or more existing Components from the Investment Basket.

Each Component is to be selected by the Investment Manager to the Investment Basket on the basis of the most attractive reward for the perceived risk, whilst targeting the Investment Objective and in consideration of the overall risk of the existing positions in the Fund and the Environmental Characteristic.

The investment process implemented by the Investment Manager to the Investment Basket to determine the portfolio of Components within the Investment Basket has 2 stages:

**Strategic Asset Allocation:** The strategic allocation is made by the Investment Manager to the Investment Basket by determining long term exposures to the different asset classes (equity, interest rate and

currency,) within different geographic areas (United States, Europe, Asia and any emerging market) in accordance with the investment guidelines and the Environmental Characteristic above. In seeking to achieve the investment objective, the strategic allocation is intended to remain consistent over time although it may change depending on the Investment Manager to the Investment Basket's long term view of predicted performance of the asset classes.

The Investment Manager to the Investment Basket will also consider longer term market cycles to seek a balance between what might traditionally be perceived as more "risky" asset classes and those that are perceived more as "defensive" asset classes so as to manage the volatility of the Investment Basket. The Investment Manager to the Investment Basket follows a pro-cyclical strategy, i.e. seek to take advantage of the fact that markets exhibit trends most of the time. This means buying into upward trends and selling out of downward trending markets, however, if an asset class is experiencing an excessive upward trend, the Investment Manager to the Investment Basket may reduce any overweight exposure in that asset class.

Tactical Asset Allocation: Depending on the market views of the Investment Manager to the Investment Basket, based on systematic analysis that captures medium term trends and a fundamental analysis on the different asset classes and geographic regions, the Investment Manager to the Investment Basket may initiate over or underweights of certain asset classes or geographic regions relative to their respective weight in the strategic allocation. In doing so, the Investment Manager to the Investment Basket anticipates asset return and correlation in order to adapt the strategic allocations to short and medium term issues. Through the use of fundamental analysis, the Investment Manager to the Investment Basket seeks to better identify turning points in the markets (i.e. when markets are at perceived peak of trending upwards or perceived trough if trending downwards), enabling them to tactically adjust the Investment Basket's asset allocation. This analysis allows them to respond quickly to influences that are likely to affect markets, such as changes in central bank policy or geopolitical developments as well as changes to market sentiment and valuations. The systematic element of the analysis seeks to take advantage of the fact that markets exhibit trends most of the time. The result is that the Investment Manager to the Investment Basket will seek to buy into upward trends and sell out of downward trends. If however, an asset class is experiencing what the Investment Manager to the Investment Basket considers is an excessive upwards trend, they will reduce the overweight in that asset class. Conversely, if they consider it is an excessive downward trend, they will reduce the underweight in that asset class.

The Investment Manager to the Investment Basket will on a monthly basis determine the Components, and the proportion of the Investment Basket allocated to each Component. However, more frequent changes may also occur if considered necessary by the Investment Manager to the Investment Basket, in consultation with the Manager and the Swap Counterparty.

The Investment Manager to the Investment Basket regularly monitors investment risk parameters of Components and the Fund's aggregate portfolio in an effort to maximize risk-adjusted appreciation. The emphasis in the portfolio management and portfolio construction process of the Investment Manager to the Investment Basket is on seeking to identify opportunities that it believes have superior risk/reward parameters while maintaining overall portfolio diversification and liquidity.

Under normal market conditions, the Investment Manager to the Investment Basket will aim to minimise the turnover of the Components in the Investment Basket. However, more frequent changes may also occur if considered necessary by the Investment Manager to the Investment Basket.

The Investment Manager to the Investment Basket has overall responsibility for the exposures of the Fund (and ultimately the exposure of investors in the Fund), whereas the selection by the Investment Manager of the assets within the Asset Portfolio will not result in a net market or credit exposure for the Fund or investors in the Fund, except in the event of a default of the Swap Counterparty. The Manager is responsible for the risk management function as it relates to the Fund, in accordance with the delegation model. The Investment Manager to the Investment Basket and the Investment Manager will still have responsibility to monitor investment risk as part of their functions.

### **Sustainability Risk Integration and Impact on Returns**

In addition to seeking to achieve its investment objective, the Fund integrates sustainability risks into the investment process and does so by employing a binding exclusion policy in addition to allocating towards Indices that employ certain screening processes, each as further described below:

#### *Exclusion Policies*

In selecting Eligible Assets for inclusion in the Asset Portfolio, the Investment Manager will apply an exclusion process in respect of such investments. This process seeks to preclude investment in Eligible Assets which are deemed to have less favourable ESG profiles as compared to industry peers in addition to excluding those Eligible Assets deemed to be in contravention of certain value-based, climate change-based and ESG controversy criteria.

Value-based exclusions include companies involved in the following activities: alcohol, gambling, tobacco, civilian firearms, nuclear power, conventional and controversial weapons. Climate-change exclusions include companies involved in the following activities: extraction and production of thermal coal/unconventional oil and gas, fossil fuel/nuclear/thermal coal based power generation, oil and gas downstream activities.

In respect of the above criteria, the requisite level of “involvement” in these controversial areas shall be determined by reference to a framework designed to define significant involvement in controversial activities with a view to ensuring that underlying funds or companies with significant involvement in any proscribed activity are precluded from investment. For example, “involvement” with alcohol is assessed by excluding any fund or company deriving a certain percentage of its revenue from the production of alcohol-related products. Further detail in respect of the exclusion policy and the involvement criteria is available from the Manager upon request.

The exclusion list will be applied such that approximately half of the investible universe of Eligible Assets is excluded for selection in the Asset Portfolio.

#### *Screening Processes*

To form part of the Investment Basket, and to ensure that the underlying Indices qualify as Paris-Aligned Benchmarks, the underlying Indices must be screened by the index provider against environmental, social or governance criteria to ensure that only those companies that have favourable ESG profiles as compared to industry peers are selected for investment. Any determination of eligibility by the Investment Manager to the Investment Basket will depend on the classification of the Index as a Paris-Aligned Benchmark and the underlying Index providers’ publication and assessment of various sustainability factors, including, for example, the following:

- ESG Rating

research and analysis regarding the extent to which companies manage ESG risks and opportunities may result in the Index provider issuing a company an ESG rating, used to indicate how well a company manages key ESG issues relative to industry peers;

- ESG Controversies

assessment of controversies concerning negative ESG impact of company operations, products and services. Such framework may be designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact;

- ESG Business Involvement Screening Research

such research may enable institutional investors to manage ESG standards and restrictions reliably and efficiently;

- Climate Change Metrics

such metrics may be designed to support those seeking to achieve a range of objectives, including measuring and reporting on climate risk exposure, implementing low carbon and fossil fuel-free strategies, and factoring in climate change research. It may also provide carbon emissions, fossil fuel exposure, environmental impact (i.e., clean technology) data and screens, as well as climate-related risk exposure and management assessment on companies such as low carbon transition scores and categories.

In determining the portfolio of Components, the Investment Manager to the Investment Basket takes into account all appropriate risks including where relevant sustainability risk (i.e. environmental, social or governance events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the investment) when selecting appropriate Indices and the Investment Basket may include Indices which provide exposure to equities selected according to a set of social or environmental criteria.

A sustainability risk could materialise as the occurrence of an environmental, social or governance event or condition causing material negative impact on the value of equities within a particular Index, thus negatively affecting the returns of the Investment Basket.

### **Allocation between Investment Basket and Reserve Asset**

The return of the Fund is generated by the Dynamic Portfolio via the Swap Agreements. This return is derived from the performance of both the Investment Basket and the Reserve Asset which in aggregate make up the performance of the Dynamic Portfolio before fees. Although the Dynamic Portfolio will be entirely exposed to the Investment Basket on each Monthly Reset Valuation Date, the Dynamic Portfolio may be exposed to the Reserve Asset on a temporary basis in order to maintain the Protected Amount. Following each Monthly Reset Valuation Date, the allocation of exposure within the Dynamic Portfolio between Investment Basket and Reserve Asset is determined by the DPPT algorithm as implemented by the Swap Counterparty, however, any allocation to the Reserve Asset is expected to be on a temporary basis and utilised only as a protection feature. Further information can be found below in the section headed 'Dynamic Portfolio Protection Feature'.

The maximum exposure of the Dynamic Portfolio to each of the Investment Basket and the Reserve Asset is 100% (ignoring fees). Where exposure to the Investment Basket is 0%, the Fund will be 100% exposed to the Reserve Asset. Where exposure to the Reserve Asset is 0%, the Fund will be 100% exposed to the Investment Basket.

If for any reason e.g. market movements, the exposure of 100% is exceeded, the Dynamic Portfolio's exposure to the Investment Basket will be reduced, via the exposure limits specified within the algorithm, to below the 100% maximum exposure permitted by the algorithm, as soon as practicable taking due account of the best interests of the shareholders of the Fund.

### **Dynamic Portfolio Protection Feature**

The Dynamic Portfolio includes a protection feature which is delivered via an exposure to the Swap Agreements.

The effect of the protection feature is to ensure that the Net Asset Value per Share of the Fund on any Monthly Reset Valuation Date is at least equal to the Protected Amount (i.e. pursuant to the terms of the Swap Agreements and Guarantee, the economic effect is that the Fund will be entitled to the difference between the Net Asset Value per Share of the Fund and the Protected Amount on any Monthly Reset Valuation Date).

The protection mechanism is embedded within the Dynamic Portfolio where it forms part of the algorithm that allocates between the Reserve Asset and Investment Basket. The allocation to the Investment Basket may change on a daily basis, however, any allocation to the Reserve Asset is expected to be temporary in nature, the effect of which is to ensure that the Net Asset Value per Share of the Fund on any Monthly Reset Valuation Date is at least equal to the Protected Amount. If, as a result of a downward market movement, the performance of the Investment Basket is negative and falls below a prescribed floor which is determined within the algorithm in order to ensure the Protected Amount is maintained, the allocation to the Investment Basket will be reduced while the allocation the Reserve



Asset will be temporarily increased. Where the performance of the Investment Basket is positive and rises above a certain level which is determined in accordance with calculations performed within the algorithm designed to ensure the Protected Amount is maintained the allocation may be increased subject to certain limitations while the allocation to the Reserve Asset will be decreased accordingly.

The Protected Amount can change from one Monthly Reset Valuation Date to another. Shareholders should also note that in circumstances where the Fund's Net Asset Value continues to decrease, it is likely that the Protected Amount will also decrease from one Monthly Reset Valuation Date to the next.

As the Protected Amount is re-assessed at the start of every month on the relevant Monthly Reset Valuation Date based on the Net Asset Value per Share on such date, if the Net Asset Value per Share decreases, as compared against the Net Asset Value on the Monthly Reset Valuation Dates of the preceding months, the level of the Protection Amount on such Monthly Reset Valuation Date shall decrease accordingly.

### **Guarantee**

The initial guarantee deed was executed on the Closing Date by the Company on behalf of the Fund and the Guarantor and is legally enforceable as between the parties. In addition to the protection feature provided for within the Dynamic Portfolio (as outlined above), the Guarantor guarantees that the Net Asset Value per Share on each Monthly Reset Valuation Date will be not less than the Guaranteed NAV.

In the event that the Net Asset Value per Share on a Monthly Reset Valuation Date is below the Guaranteed NAV, the Guarantor will pay to the Fund the difference between these two amounts, multiplied by the number of outstanding shares on that date.

Where an investor redeems on any Valuation Date which is not a Monthly Reset Valuation Date, the investor will receive the prevailing NAV per Share of the Fund as determined by the algorithm (outlined above). This may be less than the amount subscribed. The Guarantee applies only on the relevant Monthly Reset Valuation Date.

The term of the Guarantee is 3 years from the Effective Date but in case the Fund may be compulsorily repurchased in certain circumstances as described under "Compulsory Redemptions" in the Prospectus or in case the Fund terminates due a termination of the Swap Agreements then the Guarantee will terminate as well. Shares that will be repurchased upon such event will still be able to benefit from the Guaranteed NAV on the date of such compulsory redemption and/or Fund termination date even if such date is not a Monthly Reset Valuation Date. The Guarantee may also be extended subject to agreement between the Company and the Guarantor.

The Guarantee does not give any assurance as to the future solvency of the Guarantor itself and the performance of the Guarantee is dependent on the solvency of the Guarantor.

**The Fund's exposure to the Dynamic Portfolio may benefit from such protection feature and guarantee. However, investors should be aware that as the relevant Protected Amount can decrease from one Monthly Reset Valuation Date to the next Monthly Reset Valuation Date, the Guaranteed NAV can also decrease accordingly. Investors' attention is drawn to the risk factor entitled "Protection feature and Guarantee" which is set out at page 14.**

### **Operation of Swap Agreements and Collateral**

The Fund will receive the return of the Dynamic Portfolio through the Swap Agreements. In the case of a fully funded swap, the Fund will transfer the notional amount to the Swap Counterparty and the Swap Counterparty will return the notional amount on the maturity date together with the return of the Dynamic Portfolio. In the case of an unfunded total return swap, the Fund will swap the return of the Asset Portfolio (as such term is defined herein) in exchange for the return of the Dynamic Portfolio. In other words, where the Fund invests in Eligible Assets held in the Asset Portfolio through Direct Investment, the Fund will enter into one or more unfunded total return swaps with the Swap Counterparty to exchange the price performance and income received in relation to the Eligible Assets held in the Asset Portfolio for the return of the Dynamic Portfolio. Accordingly, the net performance of the Fund will not be impacted by the performance of the Eligible Assets held in the Asset Portfolio.

On the Effective Date, the Company, in relation to the Fund, entered into two Swap Agreements with the Swap Counterparty. The term of the initial Swap Agreements is 3 years, extendable upon written agreement between the parties. The Swap Counterparty may terminate the Swap Agreements early by giving not less than 365 calendar days' notice to the Company. When the initial, or (if relevant) subsequent, Swap Agreements terminate early in accordance with its terms, the Fund may be terminated. The Swap Agreements will be valued in accordance with the FDI valuation provisions at Appendix I of the Prospectus. The Swap Counterparty will provide on each Valuation Date a trading price at which the Fund can increase or decrease the Swap Agreements' notional amount to permit the necessary adjustments upon the issue and redemption of Shares. The value of the Swap Agreement will take into account the Fund service provider costs as more fully described in the "Fees and Expenses" section below as well as transaction costs in gaining exposure to the Dynamic Portfolio, if any. The Swap pricing will be negotiated at least every 3 years between the Fund and the Swap Counterparty but is subject to periodical review. When the initial, or (if relevant) subsequent, Swap Agreements mature, the Company (acting solely in respect of the Fund) will seek to enter into new Swap Agreements on similar terms with the Swap Counterparty subject to the consent of the Directors and the Swap Counterparty. If the Company (acting solely in respect of the Fund) and Swap Counterparty are unable to agree the terms of a new Swap Agreement or the Swap Agreement is terminated in accordance with its terms, the Directors will determine the course of action available to the Fund in the best interests of Shareholders (which may include a decision to terminate the Fund). Should the Directors determine that the Fund continues in circumstances where no Swap Agreement is in place, Shareholders will be notified in advance and the Supplement will be updated accordingly.

The Swap Counterparty will provide collateral to the Fund, where required, so that the Fund's risk exposure to the Swap Counterparty is reduced to the extent required by the Central Bank. The Fund's net exposure to the Swap Counterparty will not exceed 10% of the Net Asset Value of the Fund. Collateral means assets delivered pursuant to the relevant arrangements under the Swap Agreements and which constitute acceptable collateral in accordance with the requirements of the Central Bank.

For the avoidance of doubt, the role of the Swap Counterparty in respect of the Fund's investment exposure only involves implementing the set of rules within the Swap Agreement, and this set of rules is agreed in advance with the Investment Manager and does not allow the exercise of any discretion by the Swap Counterparty.

### **Investment and Borrowing Restrictions**

The Fund is subject to the investment and borrowing restrictions as set out in Appendix I of the Prospectus and as provided for in the Central Bank UCITS Regulations.

Any leverage created through the use of derivatives will be measured using the commitment approach. The commitment approach calculates leverage by measuring the market values of the underlying exposures of the derivative instruments referred to above. The Fund's global exposure will at all times be less than 100% of Net Asset Value as measured using the commitment approach.

### **Securities Financing Transactions**

The maximum proportion of the Fund's total assets that can be subject to total return swaps is 100%. The expected proportion of the Fund's total assets that can be subject to total return swaps should be in the range of 0% and 95%. The assets underlying the total return swaps will be those instruments and eligible assets described in the section headed "Investment Basket– managed by the Investment Manager to the Investment Basket" above, or the constituents of the Asset Portfolio. For further information please see section entitled 'Securities Financing Transactions' in the Prospectus.

## **Risk Factors**

**Investors' attention is drawn to the risk factors set out in the Prospectus and to the following additional risk factors.**

**Market fluctuations:** Potential investors should note that the investments of the Fund are subject to market fluctuations and that there can be no assurance that any appreciation in value will occur. The value of investments and the income from them, and therefore the value of, and income from the Shares, can go down as well as up and an investor may not get back the amount invested.

The Fund will be exposed to the investment risk arising from the Dynamic Portfolio and the Investment Basket underlying the Swap Agreements. In such circumstances, the Fund is therefore exposed to the risks inherent to investments in global equity and fixed income markets.

**Protection feature and Guarantee:** Investors should be aware that the Fund does not have a capital protection feature and as such the full amount subscribed is at risk. However, shareholders may benefit from certain contractual protections under the Swap Agreements and Guarantee as more fully described in the sections headed "Dynamic Portfolio Protection Feature" and "Guarantee".

The payment if any by the Guarantor under the Guarantee is dependent on the ability of the Guarantor to meet its obligations and is subject to the terms of the Guarantee. Where the Guarantee and/or the protection feature is no longer contractually achieved (i.e. discontinued) or differs from that which is described within this Supplement, Shareholders will be notified in advance and the Supplement will be updated accordingly.

**No dividends:** Any cash flows made under the Components, such as any coupon or dividend payments, are reinvested in the Investment Basket, and the Fund does not pay any distributions or dividends.

**Interest rates:** the Fund will earn an interest return on the allocation of the Dynamic Portfolio to synthetic cash exposure (i.e. the Reserve Asset). Interest rates may be below zero. In such circumstances, the Fund may incur a negative return on the allocation of the Dynamic Portfolio to synthetic cash exposure (i.e. the Reserve Asset).

**Investment horizon:** The Fund is expected to produce returns over the medium to long term, and accordingly investors should consider the Fund to be a medium to long term investment.

**Foreign currency risk:** the Components may be denominated in a currency other than the Base Currency. The Fund may decide to hedge some or all of the foreign exchange exposure caused by the Fund's investment strategy. The Investment Manager to the Investment Basket may include, within the relevant Swap Agreements, currency hedging arrangements to hedge some foreign exchange risk caused by the strategy of the Fund. The performance of the Fund may be affected by the Investment Manager to the Investment Basket's ability to manage the Fund's foreign exchange positions and hedging arrangements efficiently.

**Counterparty Risk:** the Fund is exposed to the risk that the Swap Counterparty may default on its obligations to perform under the Swap Agreements. Investor returns may potentially be adversely affected in the event of such a default occurring. In assessing this risk, investors should recognise the protection offered by the regulatory requirement that the net exposure to the Swap Counterparty should not exceed 10% of the Net Asset Value of the Fund. In circumstances where the gross exposure (i.e. the Fund's counterparty credit risk amount before taking into account the value of collateral received from the counterparty) exceeds 10% of Net Asset Value of the Fund, it is intended that the Swap Counterparty will provide collateral to the Fund so that the Fund's net risk exposure to the Swap Counterparty is reduced below 10%.

**Reliance on Investment Manager to the Investment Basket:** the Fund's performance will to a large extent be dependent on the judgement and abilities of the Investment Manager to the Investment Basket in selecting and monitoring the performance of any Components. There is no assurance that the Investment Manager to the Investment Basket will be successful in doing so. Furthermore, the end of service, death, incapacity or retirement of any key personnel of the Investment Manager to the Investment Basket may adversely affect the performance of the Fund.

**Use of Indices:** The index provider or administrator of any Index is under no obligation to continue the calculation, publication and dissemination of the Index. Should the Index cease to exist, this may have a negative impact on the return on any notional investment in such Index. Any error in the publication of the level of any Index may also have a negative impact on the return of any notional investment in such Index.

**Use of Derivatives – Swap Agreements:** the Swap Agreements are structured derivative transactions. While the prudent use of such derivatives can be beneficial, derivatives also involve risks in different from, and in certain cases, greater than, the risks presented by more traditional investments. Structured derivative transactions are complex and may involve a high degree of loss. The aim of the Swap Agreements is to deliver the Fund's investment objective.

Swap Agreements are privately negotiated over-the-counter derivative products in which two parties agree to exchange payment streams that may be calculated in relation to a rate, index, instrument, or certain securities and a particular "notional amount." Swaps may be subject to various types of risks, including market risk, liquidity risk and the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty. The prices of financial derivative instruments can be volatile. The valuation of any Swap Agreements will depend on multiple factors, including factors which may not be directly observable (e.g. implied volatility). There may be wide variations in these valuations depending on the market circumstances and the swap counterparty.

In addition, under the terms of the Swap Agreements, where the Swap Counterparty is (a) prevented, hindered or impaired from conducting one or more of its activity/activities in a commercially reasonable manner in connection with the establishment, maintenance, adjustment or termination of any transaction(s) in order to fully hedge its exposure in respect of the Dynamic Portfolio and any of the Components (for example, where relevant markets are closed or suspended); and/or (b) prevented, hindered or impaired from performing one or more of its obligation(s) in a commercially reasonable manner, under the terms of the relevant Swap Agreements, the Swap Counterparty may, in accordance with the terms of the Swap Agreement, elect to: (i) adjust the terms of the Swap Agreements; and/or (ii) delay payment to the Fund under the terms of the Swap Agreements (in each of (i) and (ii) with the prior agreement of the Fund and/or the Investment Manager); and/or (iii) terminate the Swap Agreements.

The risk of illiquidity arises also in the case of over-the-counter financial derivative transactions. There is no regulated market in such contracts and the bid and offer prices will be established solely by dealers in these contracts. Liquidity risk also exists when a particular instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid, as is the case with many privately negotiated derivatives, it may not be possible to initiate a transaction or liquidate a position at an advantageous price.

**Algorithmic Risk:** an algorithm is used within the Swap Agreements to determine the level of exposure of the Fund to the Investment Basket, subject to the constraint of achieving the Protected Amount. The performance of the Fund may be significantly different to the performance of the Investment Basket.

**Legal Risk:** the application of a law or regulation that has not been anticipated or that arises because the Swap Agreements are not legally enforceable or documented correctly could result in a loss to the Fund.

**Early Termination Risk:** The Directors may decide to terminate the Fund where (i) the Net Asset Value is less than EUR 75 million (or its foreign currency equivalent). The Fund will be terminated where (i) the relevant Swap Agreements mature and the Directors are unable to agree similar terms with the Swap Counterparty, or (ii) the Swap Agreements are terminated in accordance with their terms. This may result in Shareholders receiving redemption proceeds less than the amount subscribed.

**Risk Factors Relating to Emerging Markets:** Particular Components of the Dynamic Portfolio may give rise to the following issues associated with investment in emerging markets which require consideration of matters not usually associated with investing in securities of issuers in developed capital markets. Emerging markets may present different economic and political conditions from those in western markets, and less social, political and economic stability. The absence, until relatively recently, of any move towards capital markets structures or to a free market economy mean that exposure to emerging markets is more risky than investing in western markets.

The Net Asset Value of the Fund may be affected by uncertainties such as political or diplomatic developments, social instability and religious differences, changes in government policies, taxation and interest rates, currency conversion and repatriation and other political and economic developments in law or regulations in emerging markets, in particular, the risks of expropriation, nationalisation, confiscation or other taking of assets, debt moratoria and/or debt defaults and changes in legislation relating to the level of foreign ownership in certain sectors of the economy.

There are also other risks associated with exposure to emerging markets. Such risks include a potentially low level of investor protection; poor or opaque corporate governance; legislative risk (that laws may be changed with retrospective and/or immediate effect); and political risk (that the interpretation or method of enforcement of laws may be changed with a consequent and adverse effect on the Net Asset Value of the Fund).

In particular, it should be appreciated that the legislation, regulations, foreign exchange controls, and tax laws applicable to holders of emerging market countries securities, and their interpretation and application by the relevant authorities, is evolving and may change in the future, and that political or economic change and instability may be more likely to occur and have greater effect on the economics and markets of emerging countries. Adverse government policies, taxation, restrictions on foreign investment and on currency convertibility and repatriation, currency fluctuations and other expropriation, nationalisation or other confiscation could also result in a loss to the Fund.

By comparison with more developed securities markets, most emerging countries securities markets are comparatively small, less liquid and more volatile. In addition settlement, clearing and registration procedures may be under-developed enhancing the risks of error, fraud and/or default. Furthermore, the legal infrastructure and accounting, auditing and reporting standards in emerging markets may not provide the same degree of investor information or protection as would generally apply to major markets.

The emerging markets to which the Fund will be exposed are less regulated than many of the world's leading securities markets. In addition, market practices in relation to settlement of securities transactions and custody of assets in such countries can provide increased risk to the Fund.

The Fund may be exposed to markets where custodial and/or settlement systems are not fully developed.

Accounting, auditing requirements and financial reporting standards in emerging market jurisdictions may differ from those generally accepted in the international capital markets and consequently information available to investors in developed capital markets is not always obtainable in respect of companies in such markets.

The Fund may be exposed to securities denominated in foreign currencies. The Net Asset Value of the Fund and its income may be affected by fluctuations in currency rates and exchange control regulations.

**Conflicts:** UBS AG or related group entities will perform numerous roles including that of Manager, Promoter, Global Distributor(s) and Swap Counterparty. UBS AG or related group entities will act as calculation agent of the Swap Agreements. UBS AG and/or related group entities will earn remuneration for the services provided to the Fund and acting as Swap Counterparty as further described in the section "Fees and Expenses" below. Please refer to the "Conflicts of Interest" section of the Prospectus and risk factors contained therein for further detail on conflicts of interest.

**Indirect Costs:** Each Swap Agreement will take account of various transaction and related costs, including the costs borne by the Swap Counterparty to hedge risks it takes under the Swap Agreement. Some of these fees and costs may be due to UBS AG or related group entities. The Fund will transact with the Swap Counterparty at Swap prices net of such costs. Consequently the Fund will indirectly bear such Component costs and Swap Agreement costs.

**Below Investment Grade Securities Risks:** The Fund may invest in fixed-income securities which are or are deemed to be the equivalent in terms of quality to securities rated as sub-investment grade and accordingly involve greater risk. Such securities are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk to adverse conditions. These securities offer higher returns than bonds with higher

ratings as compensation for holding an obligation of an issuer perceived to be less creditworthy. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and ask prices of such securities may be greater than those prevailing in other securities markets. Changes in economic conditions or developments regarding issuers of sub-investment grade debt securities are more likely to cause price volatility, weaken the capacity of such issuers to make principal and interest payments to a greater extent than for issuers of investments for higher grade debt securities, and may result in issuer default. In addition, the market for lower grade debt securities may be less liquid than for higher grade debt securities.

**Sustainability Risk:** In determining the portfolio of Components, the Investment Manager to the Investment Basket takes into account all relevant risks including sustainability risk within the meaning of SFDR (i.e. environmental, social or governance events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the investment) when selecting appropriate Indices and the Investment Basket may include Indices which provide exposure to equities selected according to a set of social or environmental criteria. Sustainability risks can affect all known types of risk (for example, market risk, liquidity risk, counterparty risk and operational risk), and as a factor, contribute to the materiality of these risk types. A sustainability risk could materialise as the occurrence of an environmental, social or governance event or condition causing material negative impact on the value of equities within a particular Index, thus negatively affecting the returns of the Investment Basket. As the Manager has delegated discretionary investment management decisions to the Investment Manager and the Investment Manager to the Investment Basket, the Manager does not consider the adverse impact of investment decisions on sustainability factors.

## Dividend Policy

The Fund will pursue an accumulation policy and will not make any distributions of dividends. In the event that the Directors determine to make any distributions of dividends in respect of the Fund, full details will be provided in an updated Supplement and Shareholders will be notified in advance.

## Taxation

Any change in the Fund's tax status or in taxation legislation could affect the value of the investments held by the Fund and could affect the return to investors. Potential investors and Shareholders should note that the statements on taxation, which are set out in the Prospectus are based on advice which has been received by the Directors regarding the law and practice in force in the relevant jurisdiction as at the date of the Prospectus. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made in the Fund will endure indefinitely. The attention of potential investors is drawn to the tax risk associated with investing in the Fund. See sections headed 'Taxation' on page 36 in the Prospectus.

## Subscriptions

The Initial Offer in respect of the Shares has now closed.

Unless otherwise determined by the Directors and agreed with by the Administrator, all subscriptions must be received in the relevant class currency for the particular Share Class. Should the Directors and the Administrator agree to accept subscriptions for a particular Share Class in a currency other than the class currency for such Share Class, the relevant subscriptions will be converted to the relevant class currency for that Share Class at the prevailing exchange rate. Such applications will not be processed until cleared funds are confirmed by the Administrator. Any delay will be at the expense of the relevant Shareholder.

Unless otherwise determined by the Directors and agreed with by the Administrator, all subscriptions must be received in the relevant class currency. Should the Directors and the Administrator agree to accept foreign currency subscriptions, such subscriptions will be converted to the class currency for such Share Class at the prevailing exchange rate. Such applications will not be processed until cleared funds are confirmed by the Administrator. Any delay will be at the expense of the relevant Shareholder.

The Minimum Initial Subscription amount, the Minimum Ongoing Subscription amount and the maximum subscription fee payable and redemption fee payable are as follows:

Share Class	Minimum Initial Subscription	Minimum Ongoing Subscription	Maximum Subscription Fee*	Redemption Fee**
IA1 (EUR)	EUR 10,000	EUR 100	2%	2%

\* The maximum subscription fee that may be applied to the monetary amount subscribed for by an investor.

\*\* The redemption fee that may be applied to the monetary amount being redeemed by the Shareholder.

Investors must subscribe for at least the Minimum Initial Subscription in respect of their initial subscription into the Fund. Investors must subscribe for at least the Minimum Ongoing Subscription in respect of any subsequent subscriptions into the Fund. The Minimum Holding is one Share. Shareholders must hold Shares equivalent to the Minimum Holding amount at all times. The Company reserves the right, at its sole discretion, to waive or reduce the Minimum Initial Subscription, Minimum Ongoing Subscription and Minimum Holding requirements.

In calculating the subscription/redemption price for the Fund, the Directors may on any Subscription Date or Redemption Date (as applicable) when there are net subscriptions/redemptions adjust the subscription/redemption price by adding/deducting an anti-dilution levy to cover charges, duties and other costs involved in buying or selling investments in the underlying investments of the Fund.

Following the Closing Date, Shares will be available for subscription at the Net Asset Value for each Subscription Date. Shares will not be issued, and no subscription monies will be accepted, until such time as the Administrator has received and is satisfied with all the information and documentation, including all anti-money laundering documentation, required to verify the identity of the investor. The completed signed application form and the relevant documents (supporting documentation in relation to money laundering prevention checks) must be received by the Administrator no later than 3.00 p.m. (Dublin time) on the Business Day immediately preceding the relevant Valuation Date, with the originals, where applicable, to be provided as soon as reasonably practicable thereafter. Application forms not received by this time shall be held over and applied on the next following Subscription Date, subject to the Manager's discretion to either (a) in exceptional circumstances (which circumstances will be documented by the Manager), accept and process any application form received after 3.00 p.m. (Dublin time) on the Business Day immediately preceding the relevant Valuation Date but before the relevant Valuation Point on that Valuation Date or (b) notify the relevant applicant that the application has been refused. Cleared funds must be received, by the Administrator, for the account of the Fund, by no later than close of business (Dublin time) two Business Days after the relevant Valuation Date. Cleared funds not received by this time may be held over and applied for the next following Subscription Date unless otherwise determined by the Directors.

Where the amount subscribed for Shares is not equivalent to an exact number of Shares, fractions of Shares may be issued rounded to the third decimal place.

### **Redemptions**

Shares will be redeemable at the option of the Shareholder for each Redemption Date except in the circumstances described herein and in the Prospectus. Following the Closing Date, Shares may be redeemed at the Net Asset Value for the relevant Share Class for each Redemption Date, subject to any adjustments set out in the Prospectus and this Supplement. Requests for redemption may be made by post, delivery, fax or electronic means (with the original to follow as soon as is possible, where applicable) acceptable to the Administrator on a completed redemption request form (which is available on request from the Administrator), must include payment details and must be received by no later than 3.00 p.m. Dublin time on the Business Day immediately preceding the relevant Valuation Date. Where a faxed redemption request is received, redemption proceeds will only be settled to the investor's account of record.

Redemption request forms not received by this time shall be held over and applied for the next following Redemption Date subject to the Manager's discretion to, in exceptional circumstances (which circumstances will be documented by the Manager), accept and process any application form received after 3.00 p.m. (Dublin time) on the Business Day immediately preceding the relevant Valuation Date but before the relevant Valuation Point on that Valuation Date.

On a request for redemption of part only of a Shareholder's holding and where such a request would result in the Shareholder holding less than the Minimum Holding the Administrator may deem the request to be a request to redeem all of the Shares held by that Shareholder.

Settlement for redemptions will normally be made by telegraphic transfer or other form of bank transfer to the bank account of the Shareholder specified in the original initial application form up to five Business Days from receipt by the Administrator of the correct documentation and in any event within ten days of the Redemption Date on which the redemption request has been processed and in any event in accordance with the timeframes set down by the Central Bank from time to time. No payments to third parties will be effected. In the event that redemption proceeds are to be paid to an account other than the account specified in the original initial signed application form, redemption proceeds will not be paid until an original hardcopy amendment to the original initial application notifying the Administrator of a change in account details and all other documentation required by the Administrator, have been received. Settlement for redemption is made at the Shareholder's risk.

Redemption proceeds will not be paid where an original hardcopy initial signed application form has not been previously received from the investor. No redemption payment may be made from that holding until any other documentation required by the Administrator, including any documents in connection



with anti-money laundering procedures, have been received from the Shareholder and the anti-money laundering procedures have been completed.

A redemption fee of up to 2% of the Net Asset Value of the Shares being redeemed may be charged in accordance with the provisions of the Prospectus and as more fully described in the “Swap Counterparty charges” section below.

**Publication of Net Asset Value**

The Fund will calculate the Net Asset Value per Share for each Valuation Date which will be published on the internet at [www.lsam.com](http://www.lsam.com).

Shareholders can subscribe for and redeem Shares for each Subscription Date and Redemption Date in accordance with the terms described in this Supplement.

The Net Asset Value per Share (including the Net Asset Value per Share for each relevant Subscription Date and Redemption Date) will also be available from the Administrator.

Such information is published for information only. Publication of the Net Asset Value per Share does not constitute an invitation to subscribe for, redeem or convert Shares at that Net Asset Value.

## **FEES AND EXPENSES**

### **Establishment Expenses**

The fees and expenses incurred in connection with the establishment of the Fund, the preparation and publication of the Supplement and all legal costs and out-of-pocket expenses related thereto to be charged to the Fund will not exceed EUR 50,000. Any such expenses, where charged to the Fund, will be charged over a period of up to five years.

The expenses incurred in connection with the establishment of the Company are as set out in the section headed "Fees and Expenses" in the Prospectus. Any funds of the Company which may be established at a later date may, at the absolute discretion of the Directors, be allocated from the Fund such portion of the formation expenses of the Company as the Directors consider to be fair in the circumstances.

### **Service Provider Fees**

#### *Fees payable to the Manager, Administrator, Depositary*

The Manager will be entitled to a Management Fee of up to 0.80% per annum of the Net Asset Value of the Fund as of the relevant Valuation Date (which fee will accrue daily and will be payable monthly in arrears out of the assets of the Fund). Such fee will be payable by the Fund to the Manager in relation to management services provided to the Fund. The Manager will pay all fees and costs of the Depositary, the Administrator and any out-of-pocket expenses incurred by them. Consequently, the Fund will not directly bear any fees, costs or expenses in relation to the Administrator or Depositary. In circumstances where the Manager fee payable by the Fund, financed via the Interim Fee Payments defined above, is less than the fees and costs payable by the Manager to the Depositary and Administrator, the Manager will bear the shortfall and the Fund or the investors in the Fund will not bear or otherwise incur this shortfall. The Manager reserves the right to recharge some or all of these other costs to the Promoter or to other affiliates of UBS Group AG.

#### *Fees payable to the Investment Manager to the Investment Basket*

The Investment Manager to the Investment Basket will be entitled to a fee of up to 0.45% per annum of the Net Asset Value of the relevant Share Classes as of the relevant Valuation Date. The fees will accrue daily and will be payable monthly in arrears (and pro rata for lesser periods) out of the assets of the Fund.

#### *Fees payable to the Sub-Distributor*

The Sub-Distributor will be entitled to a fee of up to 1.4% per annum of the Net Asset Value of the relevant Share Classes as of the relevant Valuation Date. The fees will accrue daily and will be payable monthly in arrears (and pro rata for lesser periods) out of the assets of the Fund.

#### *Other Fund fees and costs*

Other than the fees payable by the Fund to the Manager, to the Investment Manager, to the Investment Manager to the Investment Basket and to the Sub-Distributor disclosed above, and those costs relating to its investment activity disclosed below, the Fund will not incur any costs from Fund service providers or other related Fund costs, such as director fees, costs of registering the Fund for public distribution in various countries, fees and expenses of professional advisers such as the statutory auditor fees, legal advisers, registration and paying agents, regulatory fees, risk management systems, etc. Such costs will be borne by the Manager out of its fee disclosed above. In circumstances where the Manager fee payable by the Fund, financed via the Interim Fee Payments defined above, is less than the fees and costs payable by the Manager to the various third parties, the Manager will bear the shortfall and the Fund or the investors in the Fund will not bear or otherwise incur this shortfall. The Manager reserves the right to recharge some or all of these other costs to the Promoter or to other affiliates of UBS Group AG.

In addition to the fees payable by the Fund to the Manager, to the Investment Manager, to the Investment Manager to the Investment Basket and to the Sub-Distributor, as further disclosed below, the Fund will be subject to costs relating to its investment activity, including Swap Counterparty charges and Components costs.

### *Fees Payable to the Investment Manager*

The Investment Manager will be entitled to a fee of up to 0.07% per annum of the Net Asset Value of the relevant Share Classes as of the relevant Valuation Date. The fees will accrue daily and will be payable monthly in arrears (and pro rata for lesser periods) out of the assets of the Fund.

### **Swap Counterparty Charges**

The Swap Counterparty will take into account the following factors when determining the price of the Swap Agreements:

- (a) Accrual of service provider fees as described in the section headed “Service Provider Fees” above. These are paid periodically as Interim Fee Payments by the Swap Counterparty to the Fund. The receipt by the Fund of the Interim Fee Payments provides it with monies to pay the service provider fees. Interim Fee Payments do not represent additional charges to the service provider fees mentioned above;
- (b) Any fees and any transaction costs and charges that normally arise which may include any brokerage costs (such as bid-ask spreads of the Components), any costs associated with foreign currency hedging, index licence fees and other costs of hedging the Swap Agreements (for example normal execution and transaction costs incurred by the Swap Counterparty but exclude the redemption fee charges and costs in relation to the protection mechanism mentioned below). Such costs and charges will be levied at normal commercial rates and are expected to be in the range of 0.15% to 0.6% per annum of the swap notional, plus any bid-ask spreads in the execution of the Dynamic Portfolio; and
- (c) Any costs associated with the protection mechanism, which are expected to be up to 1% per annum of the swap notional.

Accordingly, each of the costs mentioned at (a), (b), and (c) above, shall be discharged by the Swap Counterparty out of the swap price it applies. The Fund will transact with the Swap Counterparty at the swap prices net of such costs and consequently the Fund and investors in the Fund will indirectly bear such costs mentioned at (a), (b) and (c) above.

As described on page 19 of this Supplement, the Fund may charge a redemption fee of up to 2%. Such redemption fee represents any hedging unwind costs suffered by the Swap Counterparty for notional reductions of any Swap Agreements due to redemptions by Shareholders. The actual amount charged by the Fund will be paid to the Swap Counterparty. The redemption fee will be applied to the monetary amount being redeemed by the Shareholder. Such hedging unwind costs are reflected through a redemption fee rather than applying a bid-offer spread on the price of any Swap Agreements for notional reductions.

### **Miscellaneous**

The assets of each sub-fund of the Company are segregated from those of the other sub-funds and a creditor of any specific sub-fund shall have recourse only against the assets of that sub-fund.

The Directors may decide to terminate the Fund where the Net Asset Value is less than EUR 75 million (or its foreign currency equivalent). Further details regarding termination are set out in the section headed “Termination of a Fund” in the Prospectus.

The Fund uses €STR for comparison purposes in reporting performance to Shareholders. As at the date of this Supplement, €STR is included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmark Regulation. The Fund shall at all time be actively managed which means that the Investment Manager to the Investment Basket has discretion over the composition of the Fund’s portfolio, subject to the investment objective and policy. For further detail on the use of benchmarks, please see the section headed “References to Benchmarks” in the Prospectus.

### **The Investment Manager to the Investment Basket**

Under an investment management agreement dated 27 July 2021, the Manager has appointed Allianz Global Investors GmbH as Investment Manager to the Investment Basket, a company incorporated in Germany and having its principal place of business in Germany and its registered office at Bockenheimer Landstraße 42-44, 60323 Frankfurt am Main, Germany.

The primary function of the Investment Manager to the Investment Basket relating to the Fund is to identify and allocate, initially and on an on-going basis, the chosen Components in the Investment Basket giving the Fund exposure to the markets it has selected.

The Investment Manager to the Investment Basket will not be involved with the management of the Asset Portfolio.

The investment management agreement appointing the Investment Manager to the Investment Basket provides, inter alia, that:

- (i) the appointment of the Investment Manager to the Investment Basket shall remain in effect unless terminated with not less than three calendar months prior notice in writing or, in certain circumstances outlined in the investment management agreement, at any time by written notice; and
- (ii) the Investment Manager to the Investment Basket accept responsibility for loss to the other party to the extent such loss is due to negligence, breach or non-fulfilment of the investment management agreement, wilful default, recklessness or fraud.

### **Sub-Distributor**

Pursuant to the Sub-Distribution Agreement dated 27 July 2021 (as novated or amended from time to time), the Distributor has appointed the Sub-Distributor, as distributor of the Shares of the Fund. The Sub-Distributor, whose address is Mittlerer Pfad 19, 70499 Stuttgart, Germany, was incorporated in Germany on 27 May 1992.

## Environmental and/or social characteristics

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The EU Taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of environmentally sustainable economic activities. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?

Yes
   No

<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%	<input checked="" type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments

### What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes climate change mitigation by allocating capital towards Indices that qualify as EU Paris-Aligned Benchmarks, as defined within the PAB Regulation.



To promote this characteristic, in determining the composition of the Investment Basket, the Investment Manager to the Investment Basket will select Components (as outlined in the Supplement at the section headed "Investment Basket – managed by the Investment Manager to the Investment Basket" to provide the Fund with exposure to dedicated PABs within the Investment Basket when investing in the following regions:

- Eurozone
- UK
- USA
- Canada
- Switzerland

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

- *What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?*

The Fund utilises the following sustainability indicators to measure attainment of the promoted environmental characteristic:

- % of the Investment Basket that is invested in Paris-Aligned Benchmarks.

- *What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*

*Not applicable*

- *How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?*

*Not applicable*

— *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

— *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details: Not applicable*



*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Does this financial product consider principal adverse impacts on sustainability factors?

Yes, \_\_\_\_\_

No

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund's investment strategy is to obtain exposure to the Dynamic Portfolio, through investment in the Investment Basket, Reserve Asset and Asset Portfolio, as further described within the Supplement.

As part of the Fund's commitment to promoting climate change mitigation, Paris Aligned Benchmarks are expected to represent between 70 – 100% of the Investment Basket exposure.

Both the Investment Basket and Asset Portfolio will also integrate ESG considerations as part of the investment strategy.

(i) in determining the composition of the Investment Basket the Investment Manager to the Investment Basket acts in accordance with the Environmental Characteristic, where applicable. In accordance with its commitment to the promotion of climate change mitigation and the integration of sustainability risks into the investment decision making process via allocation to Paris-Aligned Benchmarks within the Investment Basket, the Investment Manager to the Investment Basket also applies an ESG overlay to its investment decisions, having regard to the following criteria, amongst others:

- sustainability characteristics and risks are considered as part of the investment selection process undertaken by the Investment Manager to the Investment Basket. To form part of the Investment Basket, and to ensure that the underlying Indices qualify as Paris-Aligned Benchmarks, the underlying Indices must be screened by the index provider against environmental, social or governance criteria to ensure that only those companies that have favourable ESG profiles as compared to industry peers are selected for investment. Any determination of eligibility by the Investment Manager to the Investment Basket will depend on the classification of the Index as a Paris-Aligned Benchmark and the underlying Index providers' publication and assessment of various sustainability factors, including, for example, the following:

- ESG Rating

research and analysis regarding the extent to which companies manage ESG risks and opportunities may result in the Index provider issuing a company an ESG rating, used to indicate how well a company manages key ESG issues relative to industry peers.

- ESG Controversies

assessment of controversies concerning negative ESG impact of company operations, products and services. Such framework may be designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact.

- ESG Business Involvement Screening Research

such research may enable institutional investors to manage ESG standards and restrictions reliably and efficiently.

- Climate Change Metrics

such metrics may be designed to support those seeking to achieve a range of objectives, including measuring and reporting on climate risk exposure, implementing low carbon and fossil fuel-free strategies, and factoring in climate change research. It may also provide carbon emissions, fossil fuel exposure, environmental impact (i.e., clean technology) data and screens, as well as climate-related risk exposure and management assessment on companies such as low carbon transition scores and categories.

- (ii) when selecting Eligible Assets for inclusion in the Asset Portfolio, the Investment Manager will apply an exclusion process in respect of such investments. The exclusion process seeks to preclude investment in Eligible Assets which are deemed to have less favourable ESG profiles as compared to industry peers in addition to excluding those Eligible Assets deemed to be in contravention of certain value-based, climate change-based and ESG controversy criteria. Value-based exclusions include companies involved in the following activities: alcohol, gambling, tobacco, civilian firearms, nuclear power, conventional and controversial weapons. Climate-change exclusions include companies involved in the following activities: extraction and production of thermal coal/unconventional oil and gas, fossil fuel/nuclear/thermal coal based power generation, oil and gas downstream activities.

In respect of the above criteria, the requisite level of “involvement” in these controversial areas shall be determined by reference to a framework designed to define significant involvement in controversial activities with a view to ensuring that underlying funds or companies with significant involvement in any proscribed activity are precluded from investment. For example, “involvement” with alcohol is assessed by excluding any fund or company deriving a certain percentage of its revenue from the production of alcohol-related products. Further detail in respect of the exclusion policy and the involvement criteria is available from the Manager upon request.

The exclusion list will be applied such that approximately half of the investible universe of Eligible Assets is excluded for selection in the Asset Portfolio.

- *What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*

As part of the Fund's commitment to promoting climate change mitigation, Paris Aligned Benchmarks will represent between 70 – 100% of the Investment Basket exposure.

- *What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?*

There is no committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy.

- *What is the policy to assess good governance practices of the investee companies?*

As part of the Investment Manager to the Investment Basket's due diligence and oversight in selecting the Indices to which the Fund will be exposed, the Investment Manager to the Investment Basket ensures that Paris-Aligned Benchmarks are selected wherever applicable and available. The providers of the PABs undertake an assessment of good governance practices of the investee companies, ensuring that the underlying companies comprised within the Indices in which the Fund invests continue to follow good governance practices. The ESG ratings analysis (further discussed above) conducted by Index providers may involve an evaluation of each underlying company's corporate governance, taking into consideration the underlying company's ownership and control structures, the composition and effectiveness of its board, the effectiveness of its incentive practices and the integrity of its accounting. Corporate behaviour is also monitored in order to identify any controversies that might have a significant negative impact on the value of an underlying company. Poor governance controls and procedures may negatively impact the ESG rating of a company, as determined by the Index provider, which may see that company deselected for inclusion within an Index to which the Fund is exposed.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



The Investment Manager undertakes a similar analysis when selecting Eligible Assets for inclusion within the Asset Portfolio. Underlying companies which receive a poor rating in respect of their corporate governance procedures will be determined to have a less favourable ESG profile and may accordingly be excluded as an Eligible Asset.

The ESG ratings analysis is conducted on an ongoing basis and, where the governance rating of a company comprised within a Paris-Aligned Benchmark subsequently deteriorates, that company may be removed as an underlying position held within the Paris-Aligned Benchmark, removing the Fund's exposure to such company.



Asset allocation describes the share of investments in specific assets.

## What is the asset allocation planned for this financial product?

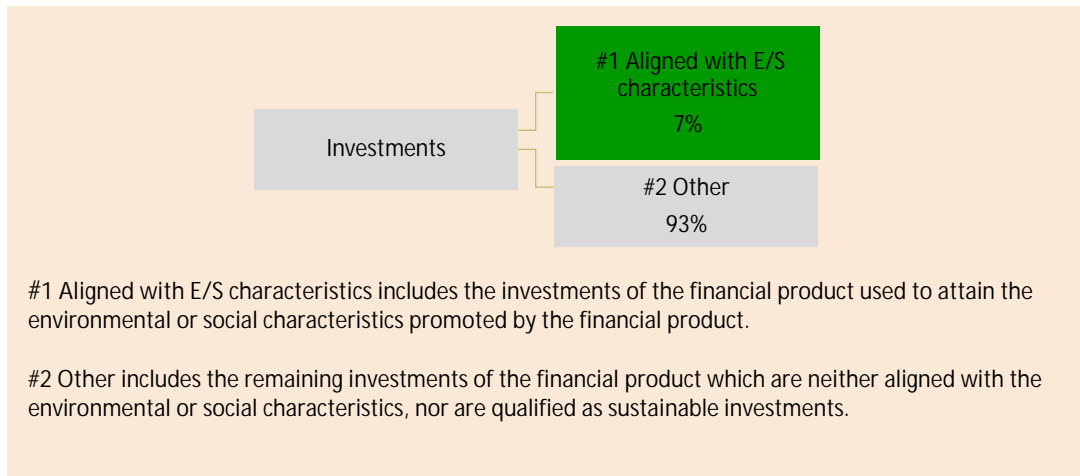
The Asset Portfolio containing the Eligible Assets is managed by the Investment Manager who has discretion to select and invest in a diversified basket of Eligible Assets. It is expected that the amount of the Fund invested in the Asset Portfolio will typically over the long term be within the range of 70% to 95% of the Fund's Net Asset Value. However, there may be periods of time when the amount invested in the Asset Portfolio is outside of this range, including periods when the Investment Manager has determined not to invest in the Asset Portfolio in the circumstances further outlined in the section of the Supplement headed "Investment Policy" (i.e. where the Fund's Net Asset Value is not at a level where it is operationally and economically efficient to invest in the Asset Portfolio).

As discussed above, the environmental characteristic promoted by the Fund is obtained through its exposure to PABs (which are aligned with climate change mitigation), where such Indices are available and applicable, via the Investment Basket.

The return of the Fund's investment strategy is primarily driven by gaining exposure to the Dynamic Portfolio via a rules-based algorithm based on a strategy developed by the Investment Manager to the Investment Basket. Where the Investment Manager to the Investment Basket has determined that suitable and appropriate PABs for investment are available within a given market, the Investment Manager to the Investment Basket will allocate such investments as exposures of the Investment Basket. The maximum exposure of the Fund to the Investment Basket within the Dynamic Portfolio is 100% (depending on the outcome of the algorithm and its allocation to Investment Basket and Reserve Asset) and, accordingly, the potential maximum allocation of the Dynamic Portfolio to the Paris-Aligned Benchmarks which promote climate change mitigation, is 100%, though the anticipated exposure of the Investment Basket to the Paris Aligned Benchmarks is expected to be between 70 – 100%.

Given (as is described in the Supplement) that the algorithm includes a protection feature which has the effect of adjusting the Fund's exposure between the Investment Basket and Reserve Asset based on market indicators/market condition, it is possible that, in accordance with the Fund's investment strategy and in order to mitigate market risk, the algorithm may determine that anything between 0% and 100% of the Fund may at any one time be exposed to either/or the Investment Basket (where PAB exposures are expected) or the Reserve Asset (where PAB exposures are not expected). In circumstances and for the period in which the algorithm has determined that the Fund will temporarily have no exposure to the Investment Basket, the Fund will temporarily have no investment exposure in PABs, however, as the algorithm will allocate entirely to the Investment Basket on each Monthly Reset Valuation Date, over a 12-month rolling period the Fund will have an annual average exposure to the Investment Basket of no less than 10% and so the annual average minimum

proportion of the Fund's assets that is invested in PABs and so used to meet the environmental characteristic promoted by the Fund is shown in the table below:



*How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?*



As described above, the investment strategy of the Fund is to utilise a range of derivatives (the Swap Agreements) to provide exposure to the Dynamic Portfolio, the return of which is made up of the Investment Basket and the Reserve Asset. In turn, the Investment Basket will promote climate-change mitigation by providing exposure to Paris-Aligned Benchmarks as further described above.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable

● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?



Yes:



In fossil gas



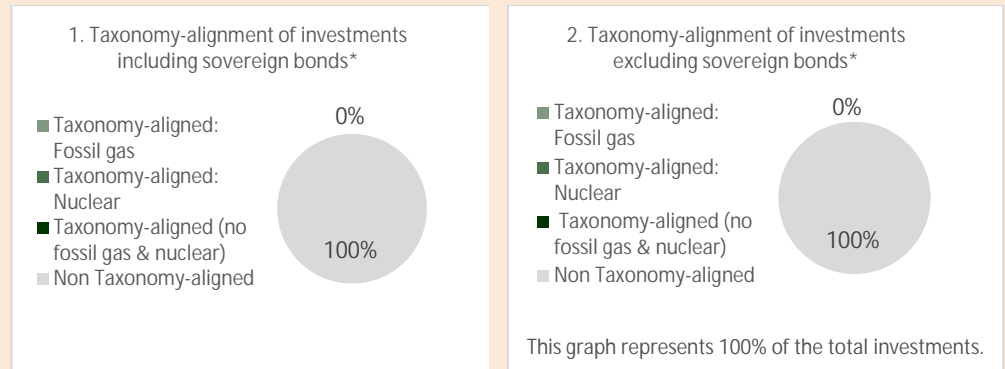
In nuclear energy



No

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective. Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● What is the minimum share of investments in transitional and enabling activities?

Not applicable



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



What is the minimum share of socially sustainable investments?

Not applicable



What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

As discussed above, the algorithm utilised by the Investment Manager to the Investment Basket dynamically allocates between the Investment Basket and Reserve Asset. The Reserve Asset represents a notional exposure to a EUR denominated interest rate linked to the prevailing €STR rate minus a spread and this aspect of the Dynamic Portfolio contains no minimum environmental or social safeguards. The DPPT algorithm adjusts the exposure to the Investment Basket and Reserve Asset, taking into account the constraint of protecting the relevant Protected Amount on any Monthly Reset Valuation Date.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No specific index has been designated as a reference benchmark for the purpose of determining whether the financial product is aligned with the characteristics that it promotes.

- *How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?*  
Not applicable
- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*  
Not applicable
- *How does the designated index differ from a relevant broad market index?*  
Not applicable
- *Where can the methodology used for the calculation of the designated index be found?*  
Not applicable

Where can I find more product specific information online?



More product-specific information can be found on the website: <https://www.fundinfo.com/en/IE-priv>

**LSAM SF 3 p.l.c.  
(the “Company”)**

**An open-ended investment company with variable capital incorporated in Ireland with registered number 426254 established as an umbrella fund with segregated liability between sub-funds.**

**ADDENDUM TO THE SUPPLEMENT**

**This document (the “Addendum”) is supplemental to, forms part of, and should be read in conjunction with, the supplement issued in connection with FS Exponential China, a sub-fund of the Company, dated 2 June 2022 (the “Supplement”).**

The Directors of the Company, whose names appear on page (iv) of the Prospectus, accept responsibility for the information contained in the Prospectus, the Supplement and this Addendum. 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 the Prospectus, the Supplement and this Addendum is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

**The information contained in this Addendum should be read in the context of, and together with, the information contained in the Prospectus and Supplement** and distribution of this Addendum is not authorised unless accompanied by or supplied in conjunction with a copy of the Prospectus and Supplement.

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

**1. DEFINITIONS**

The definition of “Component” within the Definitions section of the Supplement will be deleted in its entirety and replaced by the following:

*“**Component**” means an Index or other eligible asset permitted pursuant to the Principal Regulations and the Central Bank UCITS Regulations (which is in accordance with the investment objective, investment policy and investment strategy set out herein) and selected: (i) by the Investment Manager to the Investment Basket to form part of the Investment Basket; and/or (ii) by the Investment Manager to form part of the Asset Portfolio;*

**2. ASSET PORTFOLIO – MANAGED BY THE MANAGER**

All references to the ‘Manager’ in both the heading and section headed ‘Asset Portfolio – managed by the Manager’ shall be replaced by references to the ‘Investment Manager’.

### **3. INVESTMENT BASKET – MANAGED BY THE INVESTMENT MANAGER TO THE INVESTMENT BASKET**

The last paragraph of the section headed ‘Investment Basket – managed by the Investment Manager to the Investment Basket’ will be updated by replacing reference to the ‘Manager’ in the first sentence with the ‘Investment Manager’, as follows:

*The Investment Manager to the Investment Basket has overall responsibility for the exposures of the Fund (and ultimately the exposure of investors in the Fund), whereas the selection by the Investment Manager of the assets within the Asset Portfolio will not result in a net market or credit exposure for the Fund or investors in the Fund, except in the event of a default of the Swap Counterparty.*

### **4. OPERATION OF SWAP AGREEMENTS AND COLLATERAL**

The last paragraph of the ‘Operation of Swap Agreements and Collateral’ section will be updated by replacing reference to the ‘Manager’ with ‘Investment Manager’.

### **5. RISK FACTORS**

The second last paragraph of the ‘Use of Derivatives – Swap Agreements’ section within the ‘Risk Factors’ section will be updated by replacing reference to the ‘Manager’ in the last sentence with ‘Investment Manager’.

### **6. FEES AND EXPENSES**

A new section set out below will be added to the end of the section headed ‘Service Provider Fees’ within the ‘Fees and Expenses’ section of the Supplement.

*Fees payable to the Investment Manager*

*The Investment Manager will be entitled to a fee of up to 0.065% per annum of the Net Asset Value of the relevant Share Classes as of the relevant Valuation Date. The fees will accrue daily and will be payable monthly in arrears (and pro rata for lesser periods) out of the assets of the Fund.*

The first sentence within the first paragraph in the ‘Other Fund fees and costs’ section under the ‘Fees and Expenses’ section of the Supplement will be updated to add reference to the Investment Manager in the first line, as follows:

*Other than the fees payable by the Fund to the Manager, to the Investment Manager, and to the Investment Manager to the Investment Basket disclosed above, and those costs relating to its investment activity disclosed below, the Fund will not incur any costs from Fund service providers or other related Fund costs, such as director fees, costs of registering the Fund for public distribution in various countries, fees and expenses of professional advisers such as the statutory auditor fees, legal advisers, registration and paying agents, regulatory fees, risk management systems, etc.*

The second paragraph in the 'Other Fund fees and costs' section under the 'Fees and Expenses' section in the Supplement will be updated to add reference to the Investment Manager in the first line, as follows:

*In addition to the fees payable by the Fund to the Manager, to the Investment Manager and to the Investment Manager to the Investment Basket, as further disclosed below, the Fund will be subject to costs relating to its investment activity, including Swap Counterparty charges and Components costs.*

**10 October, 2022**

LSAM SF 3 p.l.c.

(the "Company")

**an open-ended investment company with variable capital incorporated in Ireland with registered number 426254 established as an umbrella fund with segregated liability between sub-funds.**

#### **ADDENDUM TO THE SUPPLEMENT**

**This document (the "Addendum") is supplemental to, forms part of, and should be read in conjunction with, the supplement issued in connection with VPV Chance Plus, a sub-fund of the Company, dated 9 August 2021 (the "Supplement").**

The Directors of the Company, whose names appear on page (iv) of the Prospectus, accept responsibility for the information contained in the Prospectus, the Supplement and this Addendum. 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 the Prospectus, the Supplement and this Addendum is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

**The information contained in this Addendum should be read in the context of, and together with, the information contained in the Prospectus and Supplement** and distribution of this Addendum is not authorised unless accompanied by or supplied in conjunction with a copy of the Prospectus and Supplement.

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

#### **1. FEES PAYABLE TO THE SUB-DISTRIBUTOR**

The first sentence of the section headed "*Fees payable to the Sub-Distributor*" within the '*Service Provider Fees*' section of the Supplement shall be deleted and replaced with the following:

*"The Sub-Distributor will be entitled to a fee of up to 1.4% per annum of the Net Asset Value of the relevant Share Classes as of the relevant Valuation Date."*

**30 September 2022**



**LSAM SF 3 p.l.c.**

**(the “Company”)**

**An open-ended investment company with variable capital incorporated in Ireland with registered number 426254 established as an umbrella fund with segregated liability between sub-funds.**

## **ADDENDUM TO THE SUPPLEMENT**

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The Directors of the Company, whose names appear on page (iv) of the Prospectus, accept responsibility for the information contained in the Prospectus, the Supplement and this Addendum. 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 the Prospectus, the Supplement and this Addendum is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

**The information contained in this Addendum should be read in the context of, and together with, the information contained in the Prospectus and Supplement** and distribution of this Addendum is not authorised unless accompanied by or supplied in conjunction with a copy of the Prospectus and Supplement.

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### **1. DEFINITIONS**

The definition of “Component” within the Definitions section of the Supplement will be deleted in its entirety and replaced by the following:

*“**Component**” means an Index or other eligible asset permitted pursuant to the Principal Regulations and the Central Bank UCITS Regulations (which is in accordance with the investment objective, investment policy and investment strategy set out herein) and selected: (i) by the Investment Manager to the Investment Basket to form part of the portfolio of Components for the Investment Basket; and/or (ii) by the Investment Manager to form part of the Asset Portfolio;*

### **2. INVESTMENT POLICY**

Paragraphs 2 and 3 of the ‘Investment Policy’ section will be updated by replacing reference to the ‘Manager’ with ‘Investment Manager’.

### **3. ASSET PORTFOLIO – MANAGED BY THE MANAGER**

All references to the 'Manager' in both the heading and section headed 'Asset Portfolio – managed by the Manager' shall be replaced by references to the 'Investment Manager'.

### **4. INVESTMENT BASKET – MANAGED BY THE INVESTMENT MANAGER TO THE INVESTMENT BASKET**

The last paragraph of the section headed 'Investment Basket – managed by the Investment Manager to the Investment Basket' will be updated by replacing reference to the 'Manager' in the first sentence with the 'Investment Manager', as follows:

*The Investment Manager to the Investment Basket has overall responsibility for the exposures of the Fund (and ultimately the exposure of investors in the Fund), whereas the selection by the Investment Manager of the assets within the Asset Portfolio will not result in a net market or credit exposure for the Fund or investors in the Fund, except in the event of a default of the Swap Counterparty.*

### **5. OPERATION OF SWAP AGREEMENTS AND COLLATERAL**

The last paragraph of the 'Operation of Swap Agreements and Collateral' section will be updated by replacing reference to the 'Manager' with 'Investment Manager'.

### **6. RISK FACTORS**

The second last paragraph of the 'Use of Derivatives – Swap Agreements' section within the 'Risk Factors' section will be updated by replacing reference to the 'Manager' in the last sentence with 'Investment Manager'.

### **7. FEES AND EXPENSES**

A new section set out below will be added to the end of the section headed 'Service Provider Fees' within the 'Fees and Expenses' section of the Supplement.

*Fees payable to the Investment Manager*

*The Investment Manager will be entitled to a fee of up to 0.07% per annum of the Net Asset Value of the relevant Share Classes as of the relevant Valuation Date. The fees will accrue daily and will be payable monthly in arrears (and pro rata for lesser periods) out of the assets of the Fund.*

The first sentence within the first paragraph in the 'Other Fund fees and costs' section under the 'Fees and Expenses' section of the Supplement will be updated to add reference to the Investment Manager in the first line, as follows:

*Other than the fees payable by the Fund to the Manager, to the Investment Manager, to the Investment Manager to the Investment Basket and to the Sub-Distributor disclosed above, and*

*those costs relating to its investment activity disclosed below, the Fund will not incur any costs from Fund service providers or other related Fund costs, such as director fees, costs of registering the Fund for public distribution in various countries, fees and expenses of professional advisers such as the statutory auditor fees, legal advisers, registration and paying agents, regulatory fees, risk management systems, etc.*

The second paragraph in the 'Other Fund fees and costs' section under the 'Fees and Expenses' section in the Supplement will be updated to add reference to the Investment Manager in the first line, as follows:

*In addition to the fees payable by the Fund to the Manager, to the Investment Manager, to the Investment Manager to the Investment Basket and to the Sub-Distributor, as further disclosed below, the Fund will be subject to costs relating to its investment activity, including Swap Counterparty charges and Components costs.*

**10 October, 2022**

## ADDITIONAL INFORMATION FOR INVESTORS IN GERMANY

### Facilities in Germany

Facilities referred to in Article 92(1) of Directive 2009/65/EC as amended by Directive (EU) 2019/1160

#### Management Company:

UBS Fund Management (Ireland) Limited ( Previously: Lantern Structured Asset Management)  
1st Floor, College Park House, South Frederick Street, Dublin 2, D02 YW57, Ireland

The Prospectus, the Fund's constitutive documents, the Key Information Documents (KIDs), where applicable, as well as financial statements are available for the purpose of inspection and obtaining copies thereof at [www.ubs.com/ETF](http://www.ubs.com/ETF) and in respect of MSCI USA SF Index Fund at [www.ubs.com/funds](http://www.ubs.com/funds).

In accordance with Directive 2019/1160, we hereby confirm that the following tasks are performed electronically and available to all retail investors located in all host member states where a fund managed by UBS Fund Management (Ireland) Limited, acting as management company or AIFM is marketed. In case you would need any assistance or information on the following tasks,

- a) process subscription, repurchase and redemption orders and make other payments to investors relating to the shares/units of a fund managed by UBS Fund Management (Ireland) Limited in accordance with the fund's constitutive documents;
- b) information on how orders referred to in point a) can be made and how repurchase and redemption proceeds are paid;
- c) procedures and arrangements referred to in Article 15 of the Directive 2009/65/EC relating to the investors' exercise of their rights arising from their investment in the UCITS in the Member State where the UCITS is marketed, or handling of information relating to the exercise of their investors' rights arising from your investment in the AIF in the Member State where the AIF is marketed. More information on investor rights can be found here: [UBS Fund Management \(Ireland\) Limited www.ubs.com/manco-fmie](http://www.ubs.com/manco-fmie)

You can contact us through the following email address: [sh-ubsfacilities@ubs.com](mailto:sh-ubsfacilities@ubs.com).

## **2 Price publications and publication of notices to investors (point e of the CBDF)**

The issue and redemption prices, the equity gain (EStG), the equity gain (KStG), the interim profit, the real estate gain and the accumulated deemed distributed income will be published on the following website:

[https://www.ubs.com/de/de/asset\\_management/informationen/steuerrelevante\\_informationen.html](https://www.ubs.com/de/de/asset_management/informationen/steuerrelevante_informationen.html)

Any notices to investors in the Federal Republic of Germany will be sent by post to the investor's address stated in the register of shareholders and will be published on the website of the Management Company (<https://www.ubs.com/ie/en/assetmanagement.html>).

In addition to that, in the cases referred to in section 298 (2) KAGB as well as in the case of any discontinuation of marketing referred to in section 311 (5) or (6) KAGB an additional publication will be made in the Federal Gazette ([www.bundesanzeiger.de](http://www.bundesanzeiger.de))

The Net Asset Value per share of the Sub-Funds (as set out in the table below) and the purchase and redemption prices are available free of charge at the facilities agent. Moreover, issue and redemption prices are published daily on the electronic platform of "fundinfo AG" ([www.fundinfo.com](http://www.fundinfo.com)).

### **3 Taxation**

For questions on the tax impact of an investment in the Company please contact your tax advisor.

### **4 Sub-funds not publicly marketed in Germany**

The following sub-funds of the Company are not registered in Germany according to Section 310 of the German Capital Investment Code (*Kapitalanlagegesetzbuch* – "**KAGB**"):

- **Equity Yield Plus Fund**
- **Euro Protect**

Shares of the above mentioned sub-funds are not allowed to be distributed publicly in Germany.