

## **PROSPECTUS**

**IMPORTANT: IF YOU ARE IN ANY DOUBT AS TO THE CONTENTS OF THIS PROSPECTUS YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR ACCOUNTANT OR OTHER FINANCIAL ADVISER.**

The Directors, whose names appear on page 7, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

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### **SALAR FUND PLC**

(An investment company with variable capital incorporated with limited liability  
in Ireland under registered number 449784)

### **FEROX CAPITAL LLP**

(INVESTMENT MANAGER)

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This Prospectus replaces the prospectus dated 1 September 2016

The Date of this Prospectus is 5, April 2017

## IMPORTANT INFORMATION

Salar Fund plc (the “Fund”) is both authorised and supervised by the Central Bank. The authorisation of the Fund by the Central Bank shall not constitute a warranty as to the performance of the Fund and the Central Bank shall not be liable for the performance or default of the Fund. The authorisation of the Fund is not an endorsement or guarantee of the Fund by the Central Bank and the Central Bank is not responsible for the contents of this Prospectus.

No person has been authorised by the Fund to give any information or make any representations in connection with the offering of Shares other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied on as having been made by the Fund.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Fund to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The creation of further classes of Shares will be effected in accordance with the requirements of the Central Bank.

Applications for Shares will only be considered on the basis of this Prospectus and the latest audited annual report and accounts and, if published after such report, a copy of the latest unaudited semi-annual report. These reports will form part of this Prospectus. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Fund have not changed since the date hereof.

Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares.

The provisions of the Constitution are binding on each of its Shareholders (who are taken to have notice of them).

This Prospectus is based on information, law and practice currently in force in Ireland (which may be subject to change) at the date hereof. The Fund cannot be bound by an out of date Prospectus when it has issued a new Prospectus, and investors should check with Ferox Capital LLP that this is the most recently published Prospectus.

**The value of investments and the income derived there from may fall as well as rise and investors may not recoup the original amount invested in the Fund.**

**As the Fund may be subject to subscription and exchanging charges (which in no event shall exceed 5 per cent for subscriptions) of the Net Asset Value per Share and is as set out in the relevant sections in this Prospectus), the difference at any one time between the sale and repurchase price of Shares in the Fund means that an investment in the Fund should be viewed as a medium to long-term investment.**

**In particular, investors in the Fund should note the additional risk factors associated with investing in emerging markets and below investment grade securities. Accordingly, it is recommended that investment in the Fund should not constitute a substantial proportion of an investor’s portfolio and may not be appropriate for all investors.**

## **United Kingdom**

The Fund is a recognised collective investment scheme for the purposes of Section 264 of the Financial Services and Markets Act 2000 (“FSMA”). Therefore, the Fund may be marketed to the general public in the UK.

In connection with the Fund’s recognition under Section 264 of the FSMA, the Fund will maintain the facilities required of a recognised scheme under the rules contained in the Collective Investment Schemes Sourcebook of the FCA, at the offices of Ferox Capital LLP (the “Investment Manager”). Such facilities will enable, among other things:

- (a) information to be obtained about the Fund’s most recently published share prices;
- (b) any person who has a complaint to make about the operation of the Fund to submit his complaint in writing for transmission to the Fund;
- (c) any person to inspect or obtain copies in English of the Fund’s Constitution (and any amendments), the latest sales prospectus, the latest simplified prospectus or key investor information document and the latest annual and half yearly reports; and
- (d) the reception and redirection of dealing instructions (without reviewing the content) to the specific contact within the management company.

The Prospectus must be read in conjunction with the simplified prospectus or key investor information document. Together these constitute a direct offer financial promotion and a UK investor applying for shares in response only to these documents will not have any right to cancel or withdraw that application under the provisions dealing with cancellation and withdrawal set out in the FCA’s Conduct of Business Sourcebook if such an application is accepted by the Facilities Agent. No rights of cancellation arise when dealing direct with the Fund, the depositary bank or the other paying agents. Cancellation rights are granted in accordance with FCA rules for applications made through regulated intermediaries.

Compensation under the Financial Services Compensation Scheme will generally not be available to UK investors.

Directors have the power under the Constitution to refuse an application for Shares and the acceptance of such application does not confer on investors a right to acquire Shares in respect of any future or subsequent application.

The Fund may make application to register and distribute its Shares in jurisdictions outside Ireland. In the event that such registrations take place, the Fund may appoint or be required to appoint paying agents, representatives, distributors or other agents in the relevant jurisdictions.

The Fund is currently registered for sale in Ireland, the United Kingdom, Spain, Italy, Austria and Germany. The Fund may apply to be registered for sale in additional countries as determined by the Investment Manager.

## **Restrictions on Distribution and Sale of Shares**

The distribution of this Prospectus and the offering of Shares may be restricted in certain jurisdictions. This Prospectus does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorised or the person receiving the offer or solicitation may not lawfully do so. It is the responsibility of any person in possession of this Prospectus and of any person wishing to apply for Shares to inform himself of and to observe all applicable laws and regulations of the countries of his nationality, residence, ordinary residence or domicile.

The Directors may restrict the ownership of Shares by any person, firm or corporation where such ownership would be in breach of any regulatory or legal requirement or may affect the tax status of the Fund. Any person who is holding Shares in contravention of the restrictions set out above or, by virtue of his holding, is in breach of the laws and regulations of any competent jurisdiction or whose holding could, in the opinion of the Directors, cause the Fund or any Shareholder to incur any liability to taxation or to suffer any pecuniary disadvantage which any or all of them might not otherwise have incurred or sustained or otherwise in circumstances which the Directors believe might be prejudicial to the interests of the Shareholders, shall indemnify the Fund, the Investment Manager, the Distributor, the Depositary, the Administrator and Shareholders for any loss suffered by it or them as a result of such person or persons acquiring or holding Shares in the Fund.

The Directors have the power under the Constitution to compulsorily redeem and/or cancel any Shares held or beneficially owned in contravention of the restrictions imposed by them as described herein.

### **United States of America**

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

The Fund will not be registered under the US Investment Company Act of 1940, as amended (the "1940 Act"), and investors will not be entitled to the benefits of such registration. Pursuant to an exemption from registration under the 1940 Act, the Fund may make a private placement of Shares to a limited category of US Persons.

The following statements are required to be made under applicable regulations of the U.S. Commodity Futures Trading Commission (the "CFTC"). As the Fund is a collective investment vehicle that may make transactions in commodity interests, the Fund is considered to be a "commodity pool". The Investment Manager is considered to be a commodity pool operator ("CPO") with respect to the Fund.

Pursuant to CFTC Rule 4.13(a)(3), the Investment Manager is exempt from registration with the CFTC as a CPO. Therefore, unlike a registered CPO, the Investment Manager is not required to deliver a disclosure document and a certified annual report to investors in the Fund. The Investment Manager qualifies for such exemption based on the following criteria: (i) the interests in the Fund are exempt from registration under the 1933 Act, and are offered and sold without marketing to the public in the United States; (ii) the Fund meets the trading limitations of either CFTC Rule 4.13(a)(3)(ii)(A) or (B); (iii) the CPO reasonably believes, at the time the investor makes his investment in the Fund (or at the time the CPO began to rely on Rule 4.13(a)(3)), that each investor in the Fund is (a) an "accredited investor," as defined in Rule 501(a) of Regulation D under the Securities Act, (b) a trust that is not an accredited investor but that was formed by an accredited investor for the benefit of a family member, (c) a "knowledgeable employee," as defined in Rule 3c-5 under the 1940 Act, or (d) a "qualified eligible person," as defined in CFTC Rule 4.7(a)(2)(viii)(A) and (iv) interests in the Fund are not marketed as or in a vehicle for trading in the commodity futures or commodity options markets.

The Shares are suitable only for sophisticated investors who do not require immediate liquidity for their investments, for whom an investment in the Fund does not constitute a complete investment

program and who fully understand and are willing to assume the risks involved in the Fund's investment program. The Fund's investment practices, by their nature, may be considered to involve a substantial degree of risk. Subscribers for Shares must represent that they are acquiring the Shares for investment.

A prospective investor should not subscribe for Shares unless satisfied that he and/or his investment representative has/have asked for and received all information which would enable him or both of them to evaluate the merits and risks of the proposed investment. The Shares are not, and are not expected to be, liquid, except as described in this Prospectus.

The Shares are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under the 1933 Act and applicable state securities laws, pursuant to registration or exemption therefrom. Investors should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time. Each US Person subscribing for Shares must agree that the Directors may reject, accept or condition any proposed transfer, assignment or exchange of those Shares.

The Shares have not been filed with or approved or disapproved by any regulatory authority of the United States or any state thereof, nor has any such regulatory authority passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is unlawful. There will be no public offering of the Shares in the United States.

This Prospectus has been prepared solely for the information of the person to whom it has been delivered by or on behalf of the Fund, and should not be reproduced or used for any other purpose.

Notice to prospective purchasers in Florida: These securities have not been registered under the Florida Securities Act in reliance upon an exemption there from. Any sale made pursuant to such exemption is voidable by a Florida purchaser within three (3) days after the first tender of consideration is made by such purchaser to the issuer, an agent of the issuer or an escrow agent in payment for such securities. However, this right is not available to any purchaser who is a bank, trust company, savings institution, insurance company, securities dealer, investment company (as defined in the 1940 Act), pension or profit-sharing trust or qualified institutional buyer (as defined in Rule 144A under the 1933 Act).

No Shares will be issued to any person, whether or not a US Person, if immediately thereafter, the interests of "Benefit Plan Investors" as defined in regulations issued by the US Department of Labor (i.e., employee benefit plans as defined in Section 3(3) of the US Employee Retirement Income Security Act of 1974, as amended ("ERISA") (whether or not subject to Title I of ERISA), plans described in Section 4975(e)(1) of the US Internal Revenue Code of 1986, as amended (the "IRC"), insurance company general and separate accounts and entities the underlying assets of which include plan assets), would equal or exceed 25 per cent of the value of any Class of Shares (disregarding certain interests held by persons with discretion over (or who provide investment advice with respect to) the assets of the Fund and the affiliates of such persons), so that equity participation by Benefit Plan Investors will not be considered "significant" under US Department of Labor regulations and, as a result, the underlying assets of the Fund will not be deemed "plan assets" for purposes of ERISA. If the assets of the Fund were regarded as "plan assets" of a benefit plan investor that is subject to ERISA or the prohibited transaction rules of the IRC, the Investment Manager would be a "fiduciary" (as defined in ERISA) with respect to such plan and would be subject to the obligations and liabilities imposed on fiduciaries by ERISA and/or the IRC. Moreover, the Fund would be subject to various other requirements of ERISA and/or the IRC. The Fund may require the compulsory redemption of Shares of any Class to ensure that the interest of Benefit Plan Investors does not equal or exceed 25 per cent of the value of that Class of Shares.

## **Other jurisdictions:**

The distribution of this Prospectus and the offering of Shares may be restricted in certain jurisdictions. The above information is for general guidance only, and it is the responsibility of any person or persons in possession of this Prospectus and wishing to make application for Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Shares should inform themselves as to legal requirements also applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

This Prospectus does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.

## **Reliance on this Prospectus**

Statements made in this Prospectus are based on the law and practice in force in Ireland at the date of the Prospectus, which may be subject to change. Neither the delivery of this Prospectus nor the offer, issue or sale of Shares in the Fund shall under any circumstances constitute a representation that the affairs of the Fund have not changed since the date hereof. This Prospectus will be updated by the Fund to take into account any material changes from time to time and any such amendments will be notified in advance to the Central Bank. Any information or representation not contained herein or given or made by any broker, salesperson or other person should be regarded as unauthorised and should accordingly not be relied upon.

Investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or other matters. You should consult your stockbroker, accountant, solicitor, independent financial adviser or other professional adviser.

## **Risk Factors**

Investors should read and consider the section entitled "Risk Factors" before investing in the Fund.

## **Financial Derivative Instruments**

The Fund may engage in transactions in financial derivative instruments ("FDIs") on behalf of the Fund for investment purposes and for the purposes of efficient portfolio management as more particularly disclosed in this Prospectus.

## **Translations**

This Prospectus may also be translated into other languages. Any such translation shall only contain the same information and have the same meaning as the English language Prospectus. To the extent that there is any inconsistency between the English language Prospectus and the Prospectus in another language, the English language Prospectus will prevail, except to the extent (but only to the extent) required by the law of any jurisdiction where the Shares are sold, that in an action based upon disclosure in a Prospectus in a language other than English, the language of the Prospectus on which such action is based shall prevail.

## DIRECTORY

### Salar Fund plc

#### Directors

Nicholas Curtis  
Yvonne Connolly  
Teddy Otto

#### Depository

BNP Paribas Securities Services, Dublin  
Branch  
Trinity Point  
10/11 Leinster Street South  
Dublin D02 EF85  
Ireland

#### Registered Office

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3 George's Dock  
IFSC  
Dublin D01 X5X0  
Ireland

#### Auditor

Ernst & Young LLP  
Ernst & Young Building  
Harcourt Centre  
Harcourt Street  
Dublin 2  
Ireland

#### Investment Manager and Distributor

Ferox Capital LLP  
66 St James's Street  
London SW1A 1NE  
England

#### Legal Advisers as to Irish Law

Dechert  
3 George's Dock  
IFSC  
Dublin D01 X5X0  
Ireland

#### Administrator

BNP Paribas Fund Administration Services  
(Ireland) Limited  
Trinity Point  
10/11 Leinster Street South  
Dublin D02 EF85

#### Company Secretary

Dechert Secretarial Limited  
3 George's Dock  
IFSC  
Dublin D01 X5X0  
Ireland

#### Legal Advisers as to UK and US Law

Dechert LLP  
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London  
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## CONTENTS

DEFINITIONS .....	9
PRINCIPAL FEATURES .....	15
DIRECTORS.....	24
INVESTMENT MANAGER AND DISTRIBUTOR .....	25
ADMINISTRATOR .....	26
DEPOSITARY.....	27
AUDITOR.....	28
SUBSCRIPTIONS .....	28
REDEMPTIONS .....	33
EXCHANGING BETWEEN CLASSES .....	35
VALUATION.....	36
FEES AND EXPENSES .....	41
TAXATION .....	46
RISK FACTORS .....	58
CONFLICTS OF INTEREST .....	70
USE OF DEALING COMMISSIONS.....	71
GENERAL INFORMATION.....	71
APPENDIX 1 DEFINITION OF U.S. PERSON AND U.S. REPORTABLE PERSON .....	83
APPENDIX 2 INVESTMENT AND BORROWING POWERS.....	86
APPENDIX 3 STOCK EXCHANGES AND REGULATED MARKETS .....	92
APPENDIX 4 FINANCIAL DERIVATIVE INSTRUMENTS AND EFFICIENT PORTFOLIO MANAGEMENT.....	95
APPENDIX 5 GOVERNMENT AND PUBLIC SECURITIES.....	100
APPENDIX 6 LIST OF SUB-CUSTODIANS.....	101

## DEFINITIONS

“Accumulation Shares”	Shares in respect of which income is accumulated and added to the capital property of the Fund.
“Administrator”	BNP Paribas Fund Administration Services (Ireland) Limited or such other person as may be appointed from time to time in accordance with the requirements of the Central Bank to provide administration services to the Fund.
“Administration Agreement”	the agreement dated 31 August 2016 between the Fund and the Administrator as may be amended from time to time.
“Application Form”	the written application form, obtainable from the Administrator, to be completed by subscribers for Shares as prescribed by the Fund from time to time.
“Auditor”	Ernst & Young LLP.
“Benchmark Return”	the benchmark return for the purposes of the Performance Fee as described on page 44.
“Business Day”	any day on which banks are open for business in Dublin and London and/or such other place or places and such other day or days as the Directors may determine and notify to Shareholders in advance.
“Calculation Period”	a calculation period as defined on page 41.
“Central Bank”	the Central Bank of Ireland or any successor regulatory authority with responsibility for the authorisation and supervision of the Fund.
“Central Bank UCITS Regulations”	the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment Transferable Securities) Regulations 2015 as may be amended or consolidated from time to time.
“Class”	a class of Shares in the Fund.
“Class A Shares”	Class A1 Euro Shares (Accumulation), Class A1 US\$ Shares (Accumulation), Class A1 Sterling Shares (Accumulation), Class A1 US\$ Non-Voting Shares (Accumulation), Class A2 Euro Shares (Accumulation), Class A2 US\$ Shares (Accumulation) and Class A2 Sterling Shares (Accumulation);
“Class B Shares”	Class B Euro Shares (Accumulation), Class B US\$ Shares (Accumulation) and Class B Sterling Shares (Accumulation);
“Class C Shares”	Class C1 Euro Shares (Distribution – non income), Class C1 US\$ Shares (Distribution – non income), Class C1 Sterling Shares (Distribution – non income), Class C1 Euro Shares (Distribution – income), Class C1 US\$ Shares (Distribution –

	income), Class C1 Sterling Shares (Distribution – income), Class C2 Euro Shares (Distribution – non income), Class C2 US\$ Shares (Distribution – non income), Class C2 Sterling Shares (Distribution – non income), Class C2 Euro Shares (Distribution – income), Class C2 US\$ Shares (Distribution – income) and Class C2 Sterling Shares (Distribution – income);
“Class D Shares”	Class D US\$ Shares (Accumulation);
“Class E Shares”	Class E1 Euro Shares (Accumulation), Class E1 US\$ Shares (Accumulation), Class E1 Sterling Shares (Accumulation), Class E1 Euro Shares (Distribution – income), Class E1 US\$ Shares (Distribution – income), Class E1 Sterling Shares (Distribution – income), Class E2 Euro Shares (Accumulation), Class E2 US\$ Shares (Accumulation), Class E2 Sterling Shares (Accumulation), Class E2 Euro Shares (Distribution –income) , Class E2 US\$ Shares (Distribution – income), Class E2 Sterling Shares (Distribution –income), Class E3 Euro Shares (Accumulation), Class E3 US\$ Shares (Accumulation), Class E3 Sterling Shares (Accumulation), Class E3 Euro Shares (Distribution –income), Class E3 US\$ Shares (Distribution – income) and Class E3 Sterling Shares (Distribution –income).
“Class Account”	a separate Class account as defined on page 36.
“Constitution”	the memorandum and articles of association of the Fund.
“Dealing Day”	each Business Day or such other day or days as may be determined by the Directors (provided that there is at least two Dealing Days in each calendar month carried out at regular intervals) and notified in advance to Shareholders.
“Dealing Deadline”	5.30 pm (Dublin time) two Business Days prior to the relevant Dealing Day or such other time as the Directors may determine and notify to Shareholders in advance, provided always that the Dealing Deadline is no later than the Valuation Point.
“Depositary”	BNP Paribas Securities Services, Dublin Branch, the depositary to the Fund or such other person as may be appointed in accordance with the requirements of the Central Bank.
“Depositary Agreement”	the agreement dated 31 August 2016 between the Fund and the Depositary as may be amended from time to time.
“Directors”	the members of the board of directors of the Fund for the time being and any duly constituted committee thereof and any successors to such members as may be appointed from time to time.

“Duties and Charges”	all stamp and other duties, taxes, governmental charges, brokerage, bank charges, foreign exchange spreads, interest, custodian or sub-custodian charges (relating to sales and purchases), transfer fees, registration fees and other duties and charges whether in connection with the original acquisition or increase of the assets of the Fund or the creation, issue, sale, conversion or repurchase of Shares or the sale or purchase of investments or in respect of certificates or otherwise which may have become or may be payable in respect of or prior to or in connection with or arising out of or upon the occasion of the transaction or dealing in respect of which such duties and charges are payable which, for the avoidance of doubt, includes, when calculating subscription and redemption prices, any provision for spreads (to take into account the difference between the price at which assets were valued for the purposes of calculating the Net Asset Value and the price at which assets were bought as a result of subscription and sold as a result of a redemption) but shall not include any commission payable to agents on sales and purchases of Shares or any commission, taxes, charges or costs which may have been taken into account in ascertaining the Net Asset Value of Shares in the Fund.
“EEA State”	the European Economic Area States (European Union Member States, Norway, Iceland and Liechtenstein).
“Equalisation Credit”	an equalisation credit as defined on page 43.
“FATCA” or “Foreign Account Tax Compliance Act”	means sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, and any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of these Sections of the Code.
“FCA”	Financial Conduct Authority of the United Kingdom.
“Fund”	Salar Fund plc.
“Fund Cash Account”	an account maintained at the level of the Fund.
“Ineligible Applicant”	any person to whom a transfer of Shares (legally or beneficially) or by whom a holding of Shares (legally or beneficially) would or, in the opinion of the Directors, might: <p>a) be in breach of any law (or regulation by a competent authority) of any country or territory by virtue of which the person in question is not qualified to hold such Shares; or</p>

- b) require the Fund or the Investment Manager to be registered under any law or regulation whether as an investment fund or otherwise, or cause the Fund to be required to comply with any registration requirements in respect of any of its Shares, whether in the United States of America or any other jurisdiction; or
- c) cause the Fund, its Shareholders or the Investment Manager some legal, regulatory, taxation, pecuniary or material administrative disadvantage which the Fund, its Shareholders or the Investment Manager might not otherwise have incurred or suffered.

“IFRS”	the International Financial Reporting Standard.
“Initial Price”	the initial price payable for a Share.
“Investment Manager” and “Distributor”	Ferox Capital LLP.
“Investment Management Fee”	the investment management fee payable by the Fund to the Investment Manager with respect to the Class A Shares, the Class C Shares and the Class D Shares.
“Institutional Investor(s)”	banks and other financial sector professionals of the financial sector, insurance and reinsurance companies, social security institutions and pension funds, industrial, commercial and financial group companies, who subscribe on their own behalf, and the structures which such Institutional Investors put into place for the management of their own assets; credit institutions and financial sector professionals investing in their own name but on behalf of Institutional Investors; collective investment schemes; other financial sector professionals investing in their own name but on behalf of their clients on the basis of a discretionary management mandate; holding companies or similar entities, whose shareholders are Institutional Investors; and holding companies or similar entities, which as a result of their structure, activity and substance constitute Institutional Investors in its own right.
“Ireland”	the Republic of Ireland.
“Legislation”	the Central Bank UCITS Regulations, the UCITS Directive, the UCITS Regulations and the UCITS Rules or any of the foregoing as the context so requires.
“Management Shares”	ordinary shares of (i) par value US\$0.01 in the Fund issued as US\$ Management Shares (Accumulation), (ii) par value €0.01 in the Fund issued as Euro Management Shares (Accumulation) and (iii) par value £0.01 in the Fund issued as Sterling Management Shares (Accumulation).
“Member”	a Shareholder or a person who is registered as the holder of one or more non-participating Shares.

“Member State”	the member states of the European Union.
“Money Market Instruments”	instruments normally dealt in on the money markets which are liquid, have a value which can be accurately determined at any time and include, but are not limited to, government debt, commercial paper, bankers acceptances, certificates of deposit and other short term debt securities as ancillary liquid assets, and which are further described in the UCITS Rules.
“Net Asset Value” or “NAV”	the value of the Fund or a Class, as the case may be, determined in accordance with the Constitution.
“Net Asset Value per Share” or “NAV per Share”	the Net Asset Value of the relevant Class Account divided by the number of Shares of the relevant Class in issue or deemed to be in issue;
“Non-United States Person”	(a) a natural person who is not a resident of the United States, (b) a partnership, corporation or other entity, other than an entity organised principally for passive investment, organised under the laws of a non-US jurisdiction and which has its principal place of business in a non-US jurisdiction, (c) an estate or trust, the income of which is not subject to United States income tax regardless of source, (d) an entity organised principally for passive investment such as a pool, investment company or other similar entity, provided that units of participation in the entity held by persons who do not qualify as Non-United States Persons or otherwise as qualified eligible persons represent in the aggregate less than 10 per cent of the beneficial interest in the entity and that such entity was not formed principally for the purpose of facilitating investment by persons which do not qualify as Non-United States Persons in a commodity pool with respect to which the commodity pool operator is exempt from certain requirements of Part 4 of the Commodity Futures Trading Commission’s regulations by virtue of its participants being Non-United States Persons, and (e) a pension plan for employees, officers or principals of an entity organised and with its principal place of business outside the United States.
“Non-Voting Shares”	the Shares of the Fund that are not Voting Shares.
“OECD”	the Organisation for Economic Co-operation and Development.
“Paying Agent”	any paying agent as may be appointed by the Fund.
“Qualified Holder”	an investor or Shareholder who is not an Ineligible Applicant.
“Qualifying Shares”	Shares in respect of which income is distributed periodically to Shareholders.
“Recognised Exchange”	the stock exchanges or regulated markets set out in Appendix 3.

“Redemption Price”	the price per Share at which Shares are redeemed, calculated in the manner described on page 33.
“Salar Fund Limited”	a company incorporated with limited liability under the laws of the Cayman Islands under registration number 152160 and with Ferox Capital Management LP acting as its investment manager. Ferox Capital LLP is the general partner of Ferox Capital Management LP. Salar Fund Limited is registered as a regulated mutual fund under section 4(3) of the Cayman Islands Mutual Funds Law (2003 Revision).
“Share” or “Shares”	any Class of Shares in the Fund as the context requires. The Classes currently in issue are as set out on page 18 to 22 of this Prospectus. Further Classes may be created in accordance with the requirements of the Central Bank.
“Shareholder”	a holder of Shares in the Fund.
“Subscription Price”	the price per Share at which Shares can be subscribed as calculated in the manner described on page 32.
“Threshold Net Asset Value per Share”	as described on page 44.
“UCITS”	an undertaking for collective investment in transferable securities established pursuant to the UCITS Directive.
“UCITS Directive”	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 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directives 2009/65/EC as regards depositary functions, remuneration policies and sanctions and as may be further amended from time to time and including any supplementing European Commission delegated regulations in force from time to time.
“UCITS Regulations”	the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 as amended by the European Union (Undertakings for Collective Investment in Transferable Securities) (Amendment) Regulations 2016 as may be further amended, supplemented, consolidated or otherwise modified from time to time.
“UCITS Rules”	the Central Bank UCITS Regulations and any guidance or Q&A document issued by the Central Bank from time to time pursuant to the Central Bank UCITS Regulations; or any document published by the Central Bank which sets down all of the conditions which the Central Bank imposes on UCITS, their management companies and depositaries.

“U.S. Person”	a “United States Person” within the meaning of the Code, as defined in Appendix 1 herein.
“U.S. Reportable Account”	a Financial Account held by a U.S. Reportable Person.
“U.S. Reportable Person”	means (i) a “U.S. Taxpayer” who is not an Excluded U.S. Taxpayer or (ii) a Passive U.S. Controlled Foreign Entity. See Appendix I for a complete definition of U.S. Reportable Person, Excluded U.S. Taxpayer, and Passive U.S. Controlled Foreign Entity.
“U.S. Taxpayer”	means a “U.S. Person as defined in Appendix 1 herein.
“Valuation Point”	10.45pm (Dublin time) on the Business Day immediately preceding the relevant Dealing Day.
“Voting Shares”	the Shares (other than Class A1 US\$ Non-Voting Shares) having the right to vote in accordance with the Constitution and as set out herein.
“1933 Act”	the US Securities Act of 1933, as amended.
“1940 Act”	the US Investment Company Act of 1940, as amended.

In this Prospectus the words and expressions set out in the first column above shall have the meanings set opposite them unless the context requires otherwise. All references to “Euro” and “€” are to the unit of the European single currency, all references to “US Dollar” and “US\$” are to the currency of the United States and all references to “Sterling” and “£” are to the currency of the United Kingdom.

## **PRINCIPAL FEATURES**

### The Fund

The Fund was incorporated in Ireland on 27 November 2007 as an investment company with variable capital with limited liability under registration number 449784. The Fund is authorised by the Central Bank as a UCITS pursuant to the UCITS Regulations.

The base currency of the Fund is US Dollars.

The Investment Manager generally seeks to hedge the foreign currency exposure of the Fund to currencies other than the base currency through the use of spot and forward foreign exchange contracts or other methods of reducing exposure to currency fluctuations.

Where currency hedging takes place at Class level, the performance of the hedged Class may move in line with the performance of the underlying assets. Currency hedging at Class level may limit holders of Shares of a Class denominated in a currency other than the base currency of the Fund from benefiting if the currency of the denomination of that Class falls against the base currency of the Fund.

The Investment Manager does not intend to have under-hedged or over-hedged positions, however, due to market movements and factors outside the control of the Investment Manager, under-hedged and over-hedged positions may arise from time to time. All such transactions will be clearly attributable to a specific Share Class and currency exposures of different Share

Classes will not be combined or offset. The Investment Manager will endeavour to limit hedging to the extent of the relevant hedged Share Class currency exposure and shall monitor such hedging on at least a monthly basis to ensure that such hedging shall not exceed 105 per cent of the Net Asset Value of the relevant hedged Share Class and shall review hedged positions in excess of 105 per cent of the Net Asset Value of the relevant hedged Share Class to ensure that they are not carried forward from month to month. In the event that the hedging in respect of a hedged Share Class exceeds 105 per cent of the Net Asset Value of the relevant hedged Share Class due to market movements or redemptions of Shares, the Investment Manager shall reduce such hedging appropriately as soon as possible thereafter.

The costs and gains/losses arising as a result of hedging currency will accrue solely to the relevant hedged Share Class.

### Investment Objective and Approach

#### Investment Objective

The Fund's investment objective is to generate capital growth, whilst seeking to preserve capital, through a variety of risk/reward strategies generally in the convertible bond markets. The Fund targets absolute returns and aims to achieve returns which exceed the Benchmark Return.

There can be no assurance that the Fund will achieve its investment objective.

#### Investment Approach

The Investment Manager will seek to achieve the investment objective of the Fund by investing primarily in, listed and unlisted convertible bonds, listed and unlisted convertible preference shares, listed and unlisted equities (in any market including emerging markets), debt securities (which may be below investment grade and be either fixed or floating and government or corporate) and currencies. Debt securities will be deemed to be below investment grade, if they have a rating BB+ and/or lower by Standard & Poor's, or an equivalent rating by any of the other principal rating agencies or by Moody's.

There are no limits to the extent that investments in emerging markets or below investment-grade debt exposure might be made, if deemed appropriate by the Investment Manager. The Fund may also invest no more than 10 per cent in aggregate of its Net Asset Value in other collective investment schemes having similar investment objectives and policies to the Fund and exchange traded funds. The Fund may, but is not obliged to, use FDI for investment or efficient portfolio management purposes based on these securities including, without limitation, equity index and bond options (listed and over the counter) including asset swapped convertible option transactions ("ASCOTs"), currency forward exchange contracts and non-deliverable forward contracts, bond futures, over the counter ("OTC") credit default swaps and total return swaps, warrants, contracts for difference and interest rate futures. FDIs may be exchange-traded or OTC. The Fund may also retain amounts in cash or cash equivalents (which shall include, but shall not be limited to, short-term fixed income securities including commercial paper (i.e. investment grade short-term paper issued by credit institutions) and money market obligations such as short and medium-term treasury bills and treasury notes (both fixed and floating rate), certificates of deposit and bankers' acceptances) pending re-investment, or for use as collateral, arising from the Fund's use of FDIs if this is considered appropriate to the investment objective.

An ASCOT is a call option that allows the holder to acquire a convertible bond. It is generally used to separate a convertible bond into its major two components – namely (1) a corporate bond and (2) a call option to acquire stock. The bond component is bought by those looking for certainty of income. Call options to acquire stock are bought by those who are seeking capital appreciation for a known initial risk. The capital appreciation can occur in two ways – (1) the

underlying share rises, driving the convertible bond price higher than the exercise price of the option and/or (2) via an improvement in the perceived credit quality of the issuer of the bond moving the convertible bond price above the strike price. If the convertible bond price declines for whatever reason, the losses to the holder of the ASCOT is limited to the value of the ASCOT, which is usually a very small percentage of the price of the overall convertible bond. This provides the ASCOT investor with a more volatile return but with the advantage of both a smaller initial capital allocation and a more limited loss potential relative to buying the convertible bond outright.

The Investment Manager generally takes long positions that the Investment Manager has identified as undervalued in a portfolio of convertible bonds, convertible preferred shares and convertible bond options. A convertible bond is a bond that gives the holder the right to "convert" or exchange the par amount of the bond for common shares of the issuer at some fixed ratio during a particular period. The Investment Manager may take short positions that the Investment Manager has identified as overvalued provided that the aggregate value of all such short sales does not exceed 20 per cent of Net Asset Value. It is intended that the Fund will be managed to operate in normal circumstances within a range of net 100 % long exposure and net 10% short exposure.

The risks attached to the use of FDIs by the Fund are set out in the sections headed "Risks Associated with Financial Derivative Instruments".

Short positions may only be achieved through the use of FDIs. For details on the use of FDIs, see the Section headed "Financial Derivative Instruments" at Appendix 4 below.

Any leverage, including any leverage employed as a result of taking short positions, will be done in conjunction with strict risk/reward criteria to provide returns with quantifiable and tolerable risk, will be compliant with the UCITS Regulations and will not exceed the Net Asset Value of the Fund.

The Recognised Exchanges in which the Fund may invest are set out in Appendix 3. These stock exchanges and markets are listed in accordance with the requirements of the Central Bank, it being noted that the Central Bank does not issue a list of approved exchanges or markets.

The Investment Manager generally seeks to hedge the foreign currency exposure of the Fund to currencies other than the base currency through the use of spot and forward foreign exchange contracts or other methods of reducing exposure to currency fluctuations. However, the Investment Manager does not currently take speculative positions in currencies. Any hedging employed by the Fund may include, but is not limited to, the use of short equity swaps to hedge out the delta exposure on long convertible bond positions.

Any alteration to the investment objectives or a material alteration to the investment policies of the Fund at any time will be subject to the prior approval in writing of a majority of the Shareholders of the Fund, or, if a general meeting of the Shareholders of such Fund is convened, by a majority of the votes cast at such meeting. Shareholders will be given at least 14 calendar days' advance notice of the implementation of any alteration in the investment objectives or material amendment of the investment policies of the Fund to enable them to redeem their Shares prior to such implementation.

#### Profile of Typical Investor

An investment in the Fund is suitable for investors seeking capital appreciation and that are prepared to accept a moderate level of volatility. Investors should be prepared to maintain a long-term investment in the Fund.

## Classes of Shares

Several Classes of Share may be issued in respect of the Fund, distinguished, inter alia, by their criteria for subscription, fee structure, currency and dividend policy. The Classes of Shares currently available for the Fund are set out below.

Further Classes may be created in accordance with the requirements of the Central Bank.

Other Classes may be available in the Fund, details of which will be set out in a separate supplement to the Prospectus (each a "Share Class Supplement"). Copies of any Share Class Supplements can be obtained from the Investment Manager.

<b>Class</b>	<b>Class Currency</b>	<b>Investment Management Fee (as a percentage of the NAV per Share)</b>	<b>Performance Fee (as a percentage appreciation of the NAV per Share above the Threshold Net Asset Value per Share)</b>	<b>Initial Offer Price</b>	<b>Minimum Initial Investment</b>	<b>Minimum Holding</b>
<b>Class A1 Euro Shares (Accumulation)</b>	Euro	1%	10%	N/A	€250,000	€1,000
<b>Class A1 US\$ Shares (Accumulation)</b>	US\$	1%	10%	US\$100	US\$250,000	US\$1,000
<b>Class A1 Sterling Shares (Accumulation)</b>	Sterling	1%	10%	£100	£250,000	£1,000
<b>Class A1 US\$ Non-Voting Shares (Accumulation)</b>	US\$	1%	10%	US\$100	US\$250,000	US\$1,000
<b>Class A2 Euro Shares (Accumulation)</b>	Euro	1.5%	10%	€100	€250,000	€1,000
<b>Class A2 US\$ Shares (Accumulation)</b>	US\$	1.5%	10%	US\$100	US\$250,000	US\$1,000
<b>Class A2 Sterling Shares (Accumulation)</b>	Sterling	1.5%	10%	£100	£250,000	£1,000
<b>Class B Euro Shares (Accumulation)</b>	Euro	N/A	N/A	€100	€250,000	€1,000
<b>Class B US\$ Shares (Accumulation)</b>	US\$	N/A	N/A	US\$100	US\$250,000	US\$1,000
<b>Class B Sterling Shares (Accumulation)</b>	Sterling	N/A	N/A	£100	£250,000	£1,000
<b>Class C1 Euro Shares (Distribution - non income)</b>	Euro	1%	10%	€100	€250,000	€1,000
<b>Class C1 US\$ Shares (Distribution - non income)</b>	US\$	1%	10%	US\$100	US\$250,000	US\$1,000

<b>Class C1 Sterling Shares (Distribution - non income)</b>	Sterling	1%	10%	£100	£250,000	£1,000
<b>Class C1 Euro Shares (Distribution - income)</b>	Euro	1%	10%	€100	€250,000	€1,000
<b>Class C1 US\$ Shares (Distribution - income)</b>	US\$	1%	10%	US\$100	US\$250,000	US\$1,000
<b>Class C1 Sterling Shares (Distribution - income)</b>	Sterling	1%	10%	£100	£250,000	£1,000
<b>Class C2 Euro Shares (Distribution - non income)</b>	Euro	1.5%	10%	€100	€250,000	€1,000
<b>Class C2 US\$ Shares (Distribution - non income)</b>	US\$	1.5%	10%	US\$100	US\$250,000	US\$1,000
<b>Class C2 Sterling Shares (Distribution - non income)</b>	Sterling	1.5%	10%	£100	£250,000	£1,000
<b>Class C2 Euro Shares (Distribution - income)</b>	Euro	1.5%	10%	€100	€250,000	€1,000
<b>Class C2 US\$ Shares (Distribution - income)</b>	US\$	1.5%	10%	US\$100	US\$250,000	US\$1,000
<b>Class C2 Sterling Shares (Distribution - income)</b>	Sterling	1.5%	10%	£100	£250,000	£1,000
<b>Class D US\$ Shares (Accumulation)</b>	US\$	0.09%	10%	US\$100	US\$200,000,000	US\$200,000,000
<b>Class E1 Euro Shares (Accumulation)*</b>	Euro	1%	10%	€100	€1,000,000	€1,000
<b>Class E1 US\$ Shares (Accumulation)*</b>	US\$	1%	10%	US\$100	US\$1,000,000	US\$1,000
<b>Class E1 Sterling Shares (Accumulation)*</b>	Sterling	1%	10%	£100	£1,000,000	£1,000
<b>Class E1 Euro Shares (Distribution - income)*</b>	Euro	1%	10%	€100	€1,000,000	€1,000
<b>Class E1 US\$ Shares (Distribution - income)*</b>	US\$	1%	10%	US\$100	US\$1,000,000	US\$1,000
<b>Class E1 Sterling Shares (Distribution - income)*</b>	Sterling	1%	10%	£100	£1,000,000	£1,000

<b>Class E2 Euro Shares (Accumulation)</b>	Euro	1.5%	10%	€100	€250,000	€1,000
<b>Class E2 US\$ Shares (Accumulation)</b>	US\$	1.5%	10%	US\$100	US\$250,000	US\$1,000
<b>Class E2 Sterling Shares (Accumulation)</b>	Sterling	1.5%	10%	£100	£250,000	£1,000
<b>Class E2 Euro Shares (Distribution - income)</b>	Euro	1.5%	10%	€100	€250,000	€1,000
<b>Class E2 US\$ Shares (Distribution - income)</b>	US\$	1.5%	10%	US\$100	US\$250,000	US\$1,000
<b>Class E2 Sterling Shares (Distribution - income)</b>	Sterling	1.5%	10%	£100	£250,000	£1,000
<b>Class E3 Euro Shares (Accumulation)</b>	Euro	2%	10%	€100	€10,000	€1,000
<b>Class E3 US\$ Shares (Accumulation)</b>	US\$	2%	10%	US\$100	US\$10,000	US\$1,000
<b>Class E3 Sterling Shares (Accumulation)</b>	Sterling	2%	10%	£100	£10,000	£1,000
<b>Class E3 Euro Shares (Distribution - income)</b>	Euro	2%	10%	€100	€10,000	€1,000
<b>Class E3 US\$ Shares (Distribution - income)</b>	US\$	2%	10%	US\$100	US\$10,000	US\$1,000
<b>Class E3 Sterling Shares (Distribution - income)</b>	Sterling	2%	10%	£100	£10,000	£1,000
<b>Euro Management Shares (Accumulation)</b>	Euro	N/A	N/A	€100	Such amount as the Directors may determine.	€1,000
<b>US\$ Management Shares (Accumulation)</b>	US\$	N/A	N/A	US\$100	Such amount as the Directors may determine.	US\$1,000
<b>Sterling Management Shares (Accumulation)</b>	Sterling	N/A	N/A	£100	Such amount as the Directors may determine.	£1,000

\*With effect from 6, April 2017, initial investment in Class E1 Shares is only available to Institutional Investors.

Detailed information in respect of the Investment Management Fee and Performance Fee methodology operating in respect of the relevant Share Class is set out in the section entitled "Performance Fee – Class A Shares, Class C Shares, Class D Shares and Class E Shares".

### United Kingdom Taxation

Each Class of Share in the Fund is likely to constitute an "offshore fund" for UK taxation purposes (as defined in section 40A of the Finance Act 2008). The Directors will determine whether any Class of Share should be a "reporting fund" within the meaning of Part 3 of The Offshore Funds (Tax) Regulations 2009 and shall apply for "reporting fund" status for any such Class of Share so determined.

HM Revenue and Customs under Regulation 55(1) (a) of the Offshore Funds (Tax) Regulations 2009 have accepted the following share classes into the reporting fund regime with effect from 1 January 2010.

Class C1 Euro Shares (Distribution – non income)  
Class C1 US\$ Shares (Distribution – non income)  
Class C1 Sterling Shares (Distribution – non income)

Class C1 Euro Shares (Distribution - income)  
Class C1 US\$ Shares (Distribution - income)  
Class C1 Sterling Shares (Distribution - income)

Class C2 Euro Shares (Distribution – non income)  
Class C2 US\$ Shares (Distribution – non income)  
Class C2 Sterling Shares (Distribution – non income)

Class C2 Euro Shares (Distribution - income)  
Class C2 US\$ Shares (Distribution - income)  
Class C2 Sterling Shares (Distribution - income)

Class E1 Sterling Shares (Accumulation)  
Class E2 Sterling Shares (Accumulation)  
Class E3 Sterling Shares (Accumulation)

Euro Management Shares (Accumulation)  
US\$ Management Shares (Accumulation)  
Sterling Management Shares (Accumulation)

The Directors may apply for "reporting fund" status for some of the following Classes:

Class E1 Euro Shares (Distribution – income)  
Class E1 US\$ Shares (Distribution – income)  
Class E1 Sterling Shares (Distribution – income)

Class E2 Euro Shares (Distribution – income)  
Class E2 US\$ Shares (Distribution – income)  
Class E2 Sterling Shares (Distribution – income)

Class E3 Euro Shares (Distribution – income)  
Class E3 US\$ Shares (Distribution – income)  
Class E3 Sterling Shares (Distribution – income)

There can be no guarantee that "reporting fund" status is granted in respect of a particular Class of Shares, or that "reporting fund" status will continue to be maintained.

For further details on the consequences of the application of the UK offshore funds regime and the implications of being a "reporting fund", please see the Taxation section.

### Management Shares

Euro Management Shares (Accumulation)  
US\$ Management Shares (Accumulation)  
Sterling Management Shares (Accumulation)

### Minimum Investment and Minimum Holding

The minimum investment amount and minimum holding amount of each Share Class is set out above in the section entitled "Classes of Shares".

The Directors may, in their discretion, waive the minimum amounts above either generally or in relation to any specific subscription.

### Investment Restrictions

Investment of the assets of the Fund must comply with the UCITS Regulations. The investment and borrowing restrictions applying to the Fund are set out in Appendix 2. The Directors may impose further restrictions in respect of the Fund. With the exception of permitted investments in unlisted securities or in units of open-ended collective investment schemes, investments in transferable securities will be made on Recognised Exchanges. The Fund may also hold ancillary liquid assets.

### Changes to the UCITS Regulations

It is intended that the Fund shall have the power (subject to the prior approval of the Central Bank and any applicable restrictions imposed by any exchange on which the Shares are listed) to avail itself of any change in the investment and borrowing restrictions specified in the UCITS Regulations which would permit investment by the Fund in securities, FDIs or in any other forms of investment in which investment is at the date of this Prospectus restricted or prohibited under the UCITS Regulations which, for the avoidance of doubt, shall include any change that might permit direct shorting. The Fund intends to make use of the powers available to it pursuant to the UCITS Regulations and the UCITS Directive. The Fund will give Shareholders at least 14 calendar days' prior written notice of its intention to avail itself of any change which is material in nature.

### Use of Financial Derivative Instruments

The Fund may use FDIs for direct investment purposes and/or for efficient portfolio management. The Fund will use FDIs for such investment purposes as is deemed to be of benefit to the Fund for example, increasing the yield, generating additional returns or altering the risk exposure for the Fund, gaining more efficient exposure to a selected stock, protecting the portfolio against possible unfavourable movements in the values of stocks held, managing the Fund's interest rate, duration, country and credit exposures or for active currency strategies in order to enhance returns. Details of some of the strategies that may be employed through the use of FDIs are set out in Appendix 4. The global exposure of the Fund relating to FDIs will not exceed the Fund's total Net Asset Value and therefore leverage will be limited to 100 per cent of the Net Asset Value of the Fund. This leverage limit is inclusive of short sales positions.

## Reports and Financial Statements

The Fund's accounting period will end on 31 December in each year.

The Fund will prepare an annual report and audited annual accounts within four months of the financial period to which they relate i.e. by 30 April of each year. Copies of the unaudited half yearly reports (made up to 30 June in each year) will be prepared within two months of the end of the half year period to which they relate i.e. by 31 August of each year.

Copies of the latest annual audited financial statements and half yearly reports will be circulated to Shareholders.

## Dividend Policy

Shares are available either as income Class distribution Shares ("Qualifying Shares"), non-income Class distribution Shares or accumulation Shares. Qualifying Shares will pay dividends in the manner set out below. Accumulation Shares and non-income Class distribution Shares will not pay dividends.

The Directors intend to declare dividends in respect of the Qualifying Shares in respect of some or all of the net income arising from the assets attributable to such Shares. Dividends are normally expected to be distributed bi-annually, or at such other times determined by the Directors, in accordance with the provisions of the Prospectus and Constitution.

The Constitution empowers the Directors to declare dividends, subject to their discretion, in respect of any Qualifying Shares in the Fund out of the net income of the Fund subject to certain adjustments. To the extent that a dividend may be declared, it will be paid in compliance with any applicable laws.

With respect to the classes of Shares that have reporting fund status, the Fund operates a policy known as "income equalisation". Income equalisation is accrued income included in the price of such Shares purchased and redeemed during the accounting year. The Subscription Price of such Shares is deemed to include an equalisation payment calculated by reference to the accrued income of the Fund and the first distribution in respect of any such Share will include a payment of capital usually equal to the amount of such equalisation payment. The Redemption Price of each such Share will also include an equalisation payment in respect of the accrued income of the Fund up to the date of redemption. Income equalisation is accounted for as a finance cost in the profit and loss account.

To the extent that any dividend is declared, it will be paid in compliance with applicable laws. Any distribution of income for Shares that is unclaimed for a period of six years after having become due for payment shall be forfeited and shall revert to the Fund.

Any failure to supply the Fund or the Administrator with any documentation requested by them for anti-money laundering purposes may result in a delay in the settlement of any dividend payments. In such circumstances, any sums payable by way of dividends to Shareholders shall remain an asset of the Fund until such time as the Administrator is satisfied that its anti-money laundering procedures have been fully complied with, following which such dividend will be paid out.

Investors should note that any dividend income being paid out by a Fund and held in the Fund Cash Account shall remain an asset of the Fund until such time as the income is released to the investor and that during this time the investor will rank as a general unsecured creditor of the Fund.

## DIRECTORS

### Directors Functions

The Directors are responsible for the overall management and control of the Fund in accordance with the Constitution. The Directors will review the operations of the Fund at regular meetings and will meet at least quarterly. The Directors have delegated certain of their duties to the Administrator and the Investment Manager and have appointed a Depositary.

The Central Bank UCITS Regulations introduce the concept of the responsible person, being the party responsible for compliance with the relevant requirements of the Central Bank UCITS Regulations on behalf of a particular Irish authorised UCITS. As the Fund has not designated a management company, the Directors collectively (as opposed to any director or other officer individually) assume the role of the responsible person for the Fund and any relevant references in this Prospectus to the Directors shall be construed accordingly, as appropriate.

### Directors of the Fund

#### **Nicholas Curtis**

Nicholas Curtis is currently a non-executive director of Ferox Capital Management Limited – the managing member of the Investment Manager and previously held the role of Chief Operating Officer and Chief Financial Officer. He joined JPMorgan in 1979 working in a variety of roles in the Operations and Technology group. In 1995 he became the Global Head - Equity Derivatives Operations - one of the teams that he supported was the European Convertibles desk, headed by Jeremy Herrmann. He left in 2000 to join the Investment Manager. He qualified as a Chartered Accountant with KPMG in 1979. He graduated from Manchester University with an Honours degree in Management Sciences.

#### **Yvonne Connolly**

Yvonne Connolly is a Principal with Carne Global Financial Services Limited (“Carne”), a provider of governance solutions to asset managers, appointed in November 2010, and has twenty years’ experience in financial services. Her specialist areas are corporate governance, product development and fund administration. Yvonne has assisted investment managers and service providers with various aspects of change management and operational development. She also serves as a director for Irish management companies.

Prior to joining Carne, Yvonne worked as an independent consultant to a number of the large service providers in Dublin for the period 2009 to 2010. From 2004 to 2009, Yvonne was Managing Director of Enowine, a family wine business. In addition she was Head of Operational Development at State Street International Ireland (formerly Deutsche Bank) from 1993 to 2004. She was a member of the senior management team reporting to the CEO and a key contributor to the overall strategy and direction of the business. She was also a director of a number of investment companies.

Yvonne trained as a chartered accountant with KPMG specialising in corporate taxation. She is a Fellow of the Institute of Chartered Accountants. She holds a Professional Diploma in Accounting from Dublin City University and a Bachelor of Education degree from St. Patrick's College of Education Dublin.

#### **Teddy Otto**

Teddy Otto is a Principal of Carne. He joined Carne in July 2007 and specialises mainly in product development, fund establishment governance and risk. Prior to joining Carne, he was

employed by the Allianz/Dresdner Bank group in Ireland for six years from 2001 to 2007. During this time, he acted as Head of Fund Operations, Head of Product Management and was appointed as a director of Allianz Global Investors' Irish management company and a range of Irish and Cayman domiciled investment companies. He had previously held senior positions in the areas of market data and custody at Deutsche International (Ireland) Limited (from 1997 to 2001) and worked in the investment banking division of Deutsche Bank, Frankfurt (from 1995 to 1997). Prior to that, he was employed with Bankgesellschaft Berlin where he worked in finance/treasury following his completion of a graduate trainee program. He holds a degree in business administration from Technische Universität Berlin.

For the purposes of this Prospectus, the address of each of the Directors is the registered office of the Fund.

The Secretary of the Fund is Dechert Secretarial Limited.

### **INVESTMENT MANAGER AND DISTRIBUTOR**

The Fund has appointed Ferox Capital LLP as investment manager, promoter and distributor. The Investment Manager is authorised and regulated by the FCA and was incorporated as a limited liability partnership in England on 19 October 2009.

Prior to this date, the Investment Manager was Ferox Capital Management Limited which was originally regulated by the Investment Management Regulatory Organisation. The Financial Services Authority (FSA) took responsibility on 1 December 2001. The FCA registration was taken over by Ferox Capital LLP on 1 June 2010 when the Investment Manager was restructured into a limited liability partnership.

The Investment Manager is controlled by Jeremy Herrmann.

The principal investment professional with respect to the management of the Fund is:

#### **Rupert Mathews**

Rupert Mathews is a founder of the Investment Manager. Rupert graduated from Bristol University in 1993 and joined JP Morgan Securities Limited in the Equity Derivatives division in the summer of 1994. In autumn 1996 he joined the convertible bond team headed by Jeremy Herrmann, focussing on proprietary trading. Rupert left to co-found the Investment Manager in June 2000.

Additional professionals with respect to the management of the Fund are:

#### **Jeremy Herrmann**

Jeremy Herrmann is a founder of the Investment Manager and the Chief Executive Officer and Chief Investment Officer of Ferox Capital LLP. Prior to founding the Investment Manager, Jeremy had eight years' experience in convertible bonds. He initially joined the convertible bond desk at Lehman Brothers International Europe during autumn 1992 after graduating from Bristol University and was appointed a Director in 1995. He joined JP Morgan Securities Limited in 1996 to establish a European convertible bond business. From 1997 onwards he focused primarily on proprietary trading. By spring 2000 he had built up a team of 8 people with a primary and secondary convertible bond franchise. He left to co-found the Investment Manager in June 2000.

#### **Alexander Warren**

Alexander Warren is a founder of the Investment Manager. Alexander graduated from Bristol University and joined Lehman Brothers International Europe in autumn 1994 as a market-maker

in European convertible bonds. In summer 1996 Alexander joined JP Morgan Securities Limited to assist Jeremy Herrmann in establishing the European convertible bond business focussing on proprietary trading. He left to co-found the Investment Manager in June 2000.

### **Liam O'Byrne**

Liam O'Byrne is responsible for technical issues relating to convertible bonds, liaising with corporates, looking at corporate special situations and equity derivatives.

Liam joined the Investment Manager in May 2003 following a period at BlueCrest Capital in London on an equity special situations and equity derivatives desk. Prior to this Liam worked for the equity derivatives group at JP Morgan in London from 1995 to 2002, first as an equity derivatives analyst then as a derivatives marketer. Subsequently Liam moved into equity merger arbitrage ending up as an equity special situations analyst / marketer. Liam graduated from Cambridge University with a degree in Mathematics in 1995.

### **Paul Sansome**

Paul Sansome joined the Investment Manager in April 2001 shortly after it was founded. Prior to that, he was at JP Morgan since October 1998. He has been active in the convertible business since 1987 when he started the convertible sales operation at Merrill Lynch. From 1989, he principally focused on raising capital for both companies both in equity and equity-linked form. He has been actively involved in major transactions such as privatisations, flotations, equity-linked transactions and complex equity issues. He has experience that spans most markets and most sectors, all of which gained at "bulge bracket" firms (Merrill Lynch, UBS, JP Morgan). He graduated from Cambridge University in 1985 where he was awarded an MA.

### **David Persaud**

David Persaud joined the Investment Manager in 2008 following a ten year period at JP Morgan London. At JP Morgan David ran the EMEA Convertible Sales and Trading desk, holding the position of Managing Director and overseeing the banks convertible desk. Prior to this he spent two years at BZW on the Convertible Bond desk. David graduated from Bristol University in 1994 with a BSc in Economics and Politics.

The Investment Manager (and/or its partners, employees, related entities and connected persons) may subscribe directly or indirectly for Shares (and/or Management Shares) and may invest a proportion of the Performance Fee directly or indirectly back into the Fund by the acquisition of Shares (and/or Management Shares). The level of such investment in the Fund may depend upon the fees payable to the Investment Manager and may fluctuate over time.

The Fund has authorised the Investment Manager to disclose information relating to the Fund's portfolio to investors in the Fund subject to such investors agreeing not to disclose such information to any third party.

## **ADMINISTRATOR**

BNP Paribas Fund Administration Services (Ireland) Limited will serve as the administrator of the Fund pursuant to the Administration Agreement.

The Administrator was incorporated in Ireland as a private limited company on 13 March 1998 with registered number 487406 to provide administration services to collective investment schemes and is authorised by the Central Bank. The Administrator is engaged in the provision of fund administration, accounting, registration, transfer agency and related shareholder services to collective investment schemes and investment funds.

The Administrator subject to the terms and conditions of the Administration Agreement and subject to the overall supervision of the Directors, will be responsible for administration of the Fund's affairs including calculating the Net Asset Value and the Net Asset Value per Share and the preparation of the accounts of the Fund and will also be responsible for processing subscription and redemption applications and transfer instructions received by the Fund in respect of Shares; acting as registrar and transfer agent in respect of Shares and preparing and distributing annual reports to Shareholders.

The Administrator is a service provider to the Fund and does not have any responsibility or authority to make investment decisions, nor render investment advice, with respect to the assets of the Fund. The Administrator has no responsibility for monitoring compliance by the Fund or the Investment Manager with any investment policies or restrictions to which they are subject. The Administrator accepts no responsibility or liability for any losses suffered by the Fund as a result of any breach of such policies or restrictions by the Fund or the Investment Manager.

## **DEPOSITARY**

BNP Paribas Securities Services, Dublin Branch has been appointed by the Fund to act as depositary of all of the assets of the Fund under the terms of the Depositary Agreement.

The Depositary is a branch of BNP Paribas Securities Services SCA, a company incorporated in France as a Partnership Limited by Shares and is authorised by the ACP (Autorité de Contrôle Prudentiel) and supervised by the AMF (Autorité des Marchés Financiers), whose head office is at 3 rue d'Antin, 75002 Paris, France.

The Depositary has its principal place of business at Trinity Point, 10-11 Leinster Street South, Dublin 2, Ireland and is authorised and regulated by the Central Bank.

The Depositary acts as the depositary of the Fund and, in doing so, shall comply with the provisions of the Legislation and the terms of the Depositary Agreement. In this capacity, the Depositary's duties include among others, the following:

- (a) ensuring that the Fund's cash flows are properly monitored, and that all cash of the Fund has been booked in cash accounts opened in the name of the Fund or in the name of the Depositary, acting on behalf of the Fund with a regulated bank;
- (b) safekeeping the assets of the Fund, which includes: (a) holding in custody all financial instruments that can be registered in a financial instrument account opened in the Depositary's books and all financial instruments that can be physically delivered to the Depositary; and b) for other assets, verifying ownership of such assets and the maintenance of a record accordingly (the "Safekeeping Function");
- (c) ensuring that the sale, issue, re-purchase, redemption and cancellation of Shares are carried out in accordance with the UCITS Regulations, Prospectus and the Constitution;
- (d) ensuring that the value of the Shares is calculated in accordance with the UCITS Regulations, Prospectus and the Constitution;
- (e) carrying out the instructions of the Fund, unless they conflict with the Legislation, the Prospectus and the Constitution;

- (f) ensuring that in transactions involving each Fund's assets any consideration is remitted to the Fund within time limits which are acceptable market practice in the context of the particular transaction; and
- (g) ensuring that the Fund's income is applied in accordance with the UCITS Regulations, Prospectus and the Constitution.

Subject to certain conditions, the Depositary may delegate its duty to safe-keep financial instruments and its duty to verify the ownership of, and the maintenance of a record of, other assets to third parties in accordance with the UCITS Regulations. Notwithstanding the foregoing, the Depositary will not delegate its oversight and cash monitoring duties to any third party. The Depositary's liability for the loss of a financial instrument shall not be affected by any delegation of its safekeeping duties. The Depositary will exercise all due skill, care and diligence in the selection and the appointment of its delegates and will continue to exercise all due skill, care and diligence in the periodic review and ongoing monitoring of any delegate and of the arrangements of the delegate in respect of the matters delegated.

To enable the Fund to meet its investment objectives, the Depositary may appoint certain entities as its delegates for the purposes of providing sub-custodial functions in countries where the Depositary does not have a direct local presence. Conflicts of interest may arise in circumstances where, including without limitation, the Fund maintains other business relationships with any of the Depositary's delegates or the delegate's sub-delegates, where the Fund's assets may include an investment or property held by the delegate or sub-delegate or managed by the delegate or sub-delegate, where the delegate or its sub-delegate has a holding in financial instruments purchased or sold by the delegate or sub-delegate on behalf of the Fund, where a delegate or sub-delegate may have a relationship with another party that may conflict with the delegate's or sub-delegate's duties to the Fund and the Fund's interests. The list of delegates appointed by the Depositary and sub-delegates appointed by the delegate, as of the date of this Prospectus are set forth in Appendix 6.

The information in this section will be kept up to date and is available to Shareholders upon request.

## **AUDITOR**

The auditor of the Fund is Ernst & Young LLP.

## **SUBSCRIPTIONS**

### Initial Offer Period

There shall be an initial offer period in respect of the following Classes of Shares (all other Classes of Share are in issue):-

Class C1	Euro Shares (Distribution – non income)
Class C2	US\$ Shares (Distribution – non income)
Class C2	Euro Shares (Distribution – non income)

The initial offer period for the Class C1 Euro Shares (Distribution – non income), Class C2 Euro Shares (Distribution – non income) and the Class C2 US\$ Shares (Distribution – non income) opened on 16 October 2009 and will close upon the earlier of: (i) the first investment by a Shareholder in such Class; or (ii) at 5.00 p.m. (Dublin time) on 1 October 2017.

The initial offer period for the Class E2 Euro Shares (Distribution – income), Class E2 US\$ Shares (Distribution – income), Class E2 Sterling Shares (Distribution – income), Class E3 Euro

Shares (Distribution – income), Class E3US\$ Shares (Distribution – income) and Class E3 Sterling Shares (Distribution – income) opened on 20 June 2013 and will close upon the earlier of: (i) the first investment by a Shareholder in such Class; or (ii) at 5.00 p.m. (Dublin time) on 1 October 2017.

The initial offer price for shares denominated in Euro, US Dollars and Sterling shall be €100, US\$100 and £100 respectively.

The Directors may extend or shorten the initial offer period for each of the Classes of Shares described above at their discretion in accordance with the requirements of the Central Bank.

### Subsequent Subscriptions

Following the close of the initial offer period in respect of a particular Class, Shares of the relevant Class will be available for subscription at the Subscription Price on each Dealing Day on a forward pricing basis. A subscriber may also be required to pay an additional amount as an Equalisation Credit.

The Directors are authorised from time to time to resolve to close any Class of Shares to new subscriptions on such basis and on such terms as the Directors may in their absolute discretion determine.

### Procedure

Applications for Shares during the initial offer period or the relevant Class may be made by sending a fully completed and signed original Application Form or, if a US Person, the relevant US Persons Application Form, the Administrator by recognised courier delivery service (with a copy by facsimile or attachment to an e-mail) or such other electronic means (including applications via fax or email) as the Directors and the Administrator shall have approved, so as to be received by the Administrator, no later than the close of the initial offer period or the relevant class. Cleared funds in respect of the subscription monies must be received by the Administrator by 5.00 p.m. (Irish Time) four Business Days after the close of the initial offer period or the relevant Class (or within such other periods as may be permitted by the Directors). If the relevant Application Form is not received by these times, the application will be held over until the first Dealing Day after the close of the initial offer period (in respect of a particular Class) and, after receipt of the Application Form and cleared funds in respect of subscription monies, Shares will then be issued at the Subscription Price, three Business Days after the relevant Dealing Day (or within such other periods as may be permitted by the Directors).

Thereafter, initial subscriptions may be made by way of fully completed and signed original Application Form or, if a US Person, the relevant US Persons Application Form, sent to the Administrator by recognised courier delivery service (with a copy by facsimile or attachment to an e-mail) or such other electronic means (including applications via fax or email) as the Directors and the Administrator shall approve, so as to be received by the Administrator, no later than the Dealing Deadline. Shareholders wishing to apply for additional Shares must send their completed Application Form by mail (with a copy by facsimile or attachment on an e-mail) or such other electronic means (including applications via fax or email) as the Directors and the Administrator shall have approved, to the Administrator. Applications accepted prior to the Dealing Deadline for any particular Dealing Day will be processed on that Dealing Day. Any applications received after the Dealing Deadline for a particular Dealing Day will be processed on the following Dealing Day unless the Directors in their absolute discretion otherwise determine to accept one or more applications received after the Dealing Deadline for processing on that Dealing Day provided that such application(s) have been received prior to the Valuation Point for that particular Dealing Day. Payment in respect of subscriptions for Shares must be received by 5.00 p.m. (Irish Time) three

Business Days after the relevant Dealing Day (or within such other periods as may be permitted by the Directors).

If payment in full in cleared funds in respect of a subscription has not been received by the relevant time, the Fund may (and in the event of non-clearance of funds, shall) cancel the allotment and/or charge the applicant for any loss suffered by the Fund in relation to the delay or non-clearance. In addition, the Fund will have the right to sell or redeem all or part of the applicant's holding of Shares in the Fund in order to meet those charges.

Investors will be unsecured creditors of the Fund with respect to the amount subscribed and held by the Fund until such Shares are issued, and will not benefit from any appreciation in the NAV of the Fund or any other shareholders' rights until such time as Shares are issued. In the event of the insolvency of the Fund, there is no guarantee that the Fund will have sufficient funds to pay unsecured creditors in full.

Fractions of Shares to two decimal places will be issued if necessary. Interest on subscription monies will accrue to the Fund.

The Fund reserves the right to reject any application in whole or part at its absolute discretion, in which event the amount paid on application or the balance thereof (as the case may be) will be returned (without interest) as soon as practicable in Euro, Sterling or US Dollar at the risk and cost of the applicant.

The Administrator will issue a written confirmation to successful applicants confirming acceptance of their application. Once completed applications have been received by the Administrator, they are irrevocable.

Shares will not be issued until receipt of notification that an applicant's funds have been cleared in the full amount of the subscription.

The following forms of communication are acceptable to the Fund for submitting subscription, redemption, transfer or other instructions (such as change of address) to the Administrator:

Facsimile Transmission – On facsimile number + 353 1 865 0174; OR,

As an attachment to an E-mail – to [feroxinvestordealing@bnpparibas.com](mailto:feroxinvestordealing@bnpparibas.com)  
AND,

Mail – Mailing the original via courier to the Investor Relations Group of the Administrator at:

Salar Fund plc  
c/o BNP Paribas Fund Administration Services (Ireland) Limited  
Trinity Point  
10/11 Leinster Street South  
Dublin D02 EF85  
Ireland

Notwithstanding the method of communication, the Fund and/or the Administrator reserve the right to ask for the production of original documents or other information to authenticate the communication. In the case of mis-receipt or corruption of any message, the Investor will be required to re-send the documents. Facsimiles or emails sent to the Fund or the Administrator shall only be effective when actually acknowledged by the Fund or the Administrator. In the event that no acknowledgement is received from the Administrator within five (5) days of submission of the request, the investor should contact the Administrator on telephone number + 353 1 636 7300 to confirm receipt by the Administrator of the request. The investor must use the form document

provided by the Fund in respect of the subscription, redemption or transfer; unless such condition is waived by the Fund and/or the Administrator and messages sent via email must contain a duly signed document as an attachment.

### Ineligible Applicants

The Application Form requires each prospective applicant for Shares to represent and warrant to the Fund that, among other things, it is not an Ineligible Applicant.

In particular, the Shares may not be offered, issued or transferred to any person in circumstances, which, in the opinion of the Directors, might result in the Fund incurring any liability to taxation or suffering any other pecuniary disadvantage which the Fund might not otherwise incur or suffer, or would result in the Fund being required to register under any applicable US securities laws.

Shares may generally not be issued or transferred to any US Person, except that the Directors may authorise the issue or transfer of Shares to or for the account of a US Person provided that:

- (A) such US Person certifies that it is an “accredited investor” and a “qualified purchaser”, in each case as defined under applicable US federal securities laws;
- (B) such issue or transfer does not result in a violation of the 1933 Act or the securities laws of any of the states of the United States;
- (C) such issue or transfer will not require the Fund to register under the US Investment Company Act of 1940 or to file a prospectus with the US Commodity Futures Trading Commission or the US National Futures Association pursuant to regulations under the US Commodity Exchange Act (“CEA”);
- (D) such issue or transfer will not cause any assets of the Fund to be “plan assets” for the purposes of Part 4 of Title 1 of the US Employee Retirement Income Security Act of 1974 (“ERISA”); and
- (E) such issue or transfer will not result in any adverse regulatory or tax consequences to the Fund or its Shareholders as a whole.

Each applicant for, and transferee of, Shares who is a US Person will be required to provide such representations, warranties or documentation as may be required by the Directors to ensure that these requirements are met prior to the issue or the registration of any transfer of Shares. If the transferee is not already a Shareholder, it will be required to complete the appropriate Application Form.

### Form of Shares

All the Shares will be registered Shares and will only be issued in bookstock form, meaning that a Shareholder’s entitlement will be evidenced by an entry in the Fund’s register of Shareholders, as maintained by the Administrator, and not by a share certificate.

### Suspension

The Directors may declare a suspension of the issue of Shares in certain circumstances as described under “Suspension of Valuation of Assets” on page 40 and 41. No Shares will be issued during any such period of suspension.

### Subscription Price

The Subscription Price per Share of each Class shall be ascertained by:

- (A) determining the Net Asset Value attributable to the Shares of each Class in the Fund calculated as at the Valuation Point for the Dealing Day and adding thereto such sum as the Directors may consider represents an appropriate figure for Duties and Charges;
- (B) dividing the amount calculated under (A) above by the number of Shares of such Class of the Fund in issue at the relevant Valuation Point; and
- (C) adding thereto such amount as may be necessary to round the resulting amount to such number of decimal places as the Directors may determine.

### Anti-Money Laundering

Measures aimed at the prevention of money laundering will require an applicant for Shares to verify their identity and source of funds to the Administrator. Amendments to a Shareholders details and payment instructions will only be effected on receipt of original documentation.

By way of example an individual may be required to produce a copy of a passport or identification card duly certified by a public authority such as a notary public, the police or the ambassador in his country of residence, together with two items evidencing his address such as a utility bill or bank statement. In the case of corporate applicants this will require production of a certified copy of the Certificate of Incorporation (and any change of name) and of the memorandum and articles of association (or equivalent), and of the names and residential and business addresses of all directors and beneficial owners.

The details given above are by way of example only and the Administrator will request such information and documentation as it considers is necessary to verify the identity and source of funds of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Administrator may refuse to accept the application and the subscription monies relating thereto or may refuse to settle a redemption request until proper information has been provided. Investors should note specifically that where redemption proceeds are requested to be remitted to an account which is not in the name of the investor, the Administrator reserves the right to request such information as may be reasonably necessary in order to verify the identity of the investor and the owner of the account to which the redemption proceeds will be paid. The redemption proceeds will not be paid to a third party account if the investor and/or owner of the account fail to provide such information.

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

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

In the event of failure by an investor or applicant to provide documentation required to complete the verification process, within a reasonable period of time after subscription, the Administrator on behalf of the Fund and the Directors may each terminate the relationship with such Shareholder and redeem the Shareholder's Shares. Where such failure to provide the requisite documentation is related to, but not limited to a suspicion of money-laundering, the Administrator on behalf of the Fund and the Directors may not be able to return said monies to the relevant former Shareholder until such time as such concerns are addressed.

## **REDEMPTIONS**

Shares will be redeemable at the option of the Shareholder on any Dealing Day. Shareholders should send a completed redemption request in the form available from the Administrator to be received by the Administrator no later than the Dealing Deadline, or such lesser period as the Directors may in any particular case determine, before the relevant Dealing Day, failing which the redemption request will be held over until the next following Dealing Day and Shares will be redeemed at the relevant Redemption Price applicable on that Dealing Day.

Redemption requests may be sent by facsimile or as an attachment to an email. No redemption payment may be made until all documentation required by the Fund (including any documentation in connection with anti-money laundering procedures and the Application Form (in the form of a signed original or as may have been received by the Administrator by such other electronic means (including by fax or email) as the Directors and the Administrator shall have approved) and the anti-money laundering procedures have been completed. Notwithstanding the above, redeeming Shareholders will cease to be Shareholders, with respect to the redeemed Shares, and will be unsecured creditors of the Fund from the relevant redemption date. Any unpaid redemptions and distributions, including blocked redemptions or distributions, will be unsecured creditors of the Fund, and will not benefit from any appreciation in the NAV of the Fund or any shareholder rights. In the event of the insolvency of the Fund, there is no guarantee that the Fund will have sufficient funds to pay unsecured creditors in full. Redeeming Shareholders and Shareholders entitled to distributions should ensure that any outstanding documentation and information is provided to the Administrator promptly. Failure to do so is at the Shareholder's own risk.

A request for a partial redemption of Shares will be refused, or the holding redeemed in its entirety, if, as a result of such partial redemption, the Net Asset Value of the Shares retained by the Shareholder would be less than the minimum holding.

A redemption request, once given, is irrevocable save with the consent of the Directors (which may be withheld in their discretion).

### Redemption Price

The Redemption Price per Share shall be ascertained by:

- (A) determining the Net Asset Value attributable to the relevant Class of Share as at the Valuation Point for the relevant Dealing Day and deducting therefrom such sums as the Directors may consider represents an appropriate provision for Duties and Charges;
- (B) dividing the amount calculated under (A) above by the number of Shares of the relevant Class of the Fund in issue at the relevant Valuation Point; and
- (C) deducting therefrom such amount as may be necessary to round the resulting sum to the nearest number of decimal places.

A redeeming Shareholder may also receive additional redemption proceeds if an Equalisation Credit paid at the time of subscription has not been fully applied.

### Settlement

Payment of redemption proceeds will be made as soon as practicable after the relevant Dealing Day and save in exceptional circumstances within 3 Business Days. Payment will be made in the currency of denomination of the Shares being redeemed by direct transfer in accordance with instructions given by the redeeming Shareholder to the Administrator and at the Shareholder's risk and expense.

### Redemption in Specie

Redemption may, at the discretion of the Directors (and subject to the approval of the Shareholder requesting redemption of Shares) be effected in specie by the appropriation of assets of the Fund of the relevant value in satisfaction of the Redemption Price provided that:

- (A) a redemption request is completed and delivered to the Administrator as required by this Prospectus;
- (B) the Investment Manager is satisfied that the terms of any exchange would not be such as would be materially prejudicial to the interests of the continuing Shareholders, and elects that instead of the Shares being redeemed for cash, the redemption shall be satisfied in specie by the transfer to the Shareholder of assets of the Fund provided that the value thereof shall not exceed the amount which otherwise would have been payable on a cash redemption and provided that the transfer of investments is approved by the Depositary. Such value may be reduced by such amount as the Directors may consider represents any Duties and Charges to be paid to the Fund as a result of the direct transfer by the Fund of the Investments or increased by such amount as the Directors may consider represents any appropriate provision for Duties and Charges which would have been incurred by the Fund in the disposition of the assets to be transferred. The shortfall (if any) between the value of the assets transferred on a redemption in specie and the redemption proceeds which would have been payable on a cash redemption shall be satisfied in cash. Any decline in the value of the assets to be transferred in settlement of a redemption between the relevant Dealing Day and the day on which Investments are delivered to the redeeming Shareholders shall be borne by the redeeming Shareholders; and
- (C) if a redeeming Shareholder requests redemption of a number of Shares that represents 5 per cent or more of the Net Asset Value of the Fund, the Directors may in their sole discretion redeem the Shares in specie and in such circumstances the Fund will, if requested by the redeeming Shareholder, sell the Investments on behalf of the Shareholder (the cost of the sale being charged to the Shareholder).

If the discretion conferred upon the Directors above is exercised, the Directors (or the Administrators acting on their behalf) shall notify the Depositary and shall supply to the Depositary particulars of the assets to be transferred and any amount of cash to be paid to the Shareholder.

### Suspension

The Directors may declare a suspension of the redemption of Shares in certain circumstances as described under "Suspension of Valuation of Assets" on page 40 and 41. No Shares will be redeemed during any such period of suspension.

### Compulsory Redemptions

The Directors have the right to require the compulsory redemption of all or part of the Shares held by or for the benefit of a Shareholder at any time, including, without limitation, if the Directors determine that the Shares are held by or for the benefit of any Shareholder who is or becomes an Ineligible Applicant as described under "Subscriptions". The Fund also reserves the right to require compulsory redemption of all Shares held by a Shareholder if the Net Asset Value of the Shares held by the Shareholder is less than the minimum holding. Where the Net Asset Value of the Shares held by a Shareholder is less than the minimum holding and the Fund decides to exercise its right to compulsorily redeem, the Fund will notify the Shareholder in writing and allow such Shareholder 30 calendar days to purchase additional Shares to meet the minimum holding requirement.

### Deferred Redemptions

The Directors may defer redemptions at a particular Dealing Day to the next Dealing Day where the requested redemptions exceed 10 per cent of the Fund's Net Asset Value. The Directors will ensure the consistent treatment of all Shareholders who have sought to redeem Shares at any Dealing Day at which redemptions are deferred. The Directors will pro-rate all such redemption requests to the stated level (i.e. 10 per cent of the Fund's Net Asset Value) and will defer the remainder until the next Dealing Day.

The Directors currently expect not to exercise such power to defer redemptions except to the extent that they consider that existing Shareholders would otherwise be materially prejudiced or that such exercise is necessary to comply with applicable law or regulation.

### Anti-Money Laundering

Investors should note that the Directors may refuse to settle a redemption request if it is not accompanied by such additional information as they, or the Administrator on their behalf, may reasonably require. This power may, without limitation to the generality of the foregoing, be exercised where proper information has not been provided for money laundering verification purposes as described under "Subscriptions".

## **EXCHANGING BETWEEN CLASSES**

Except when issues and redemptions of Shares have been suspended in the circumstances described under "Suspension of Valuation of Assets", holders of Shares may request an exchange of some or all of their Shares in one Class ("the Original Class") to Shares in another Class (other than Class B Shares or Management Shares) (the "New Class"). Such exchanges can only take place, if following the exchange, the Shareholder's holding in the New Class will satisfy the criteria and applicable minimum holding requirements of that Class.

Shareholders should send a completed exchange request in the form available from the Administrator to be received by the Administrator prior to the earlier of the Dealing Deadline for redemptions in the Original Class and the Dealing Deadline for subscriptions in the New Class. Any applications received after such time will be dealt with on the next Dealing Day, unless the Directors in their absolute discretion otherwise determine. Exchange requests will only be accepted where cleared funds and completed documents are in place from original subscriptions.

Fractions of Shares to two decimal places may be issued by the Fund on exchange where the value of Shares exchanged from the Original Class are not sufficient to purchase an integral number of Shares in the New Class and any balances representing entitlements of less than a fraction of a Share to two decimal places will be retained by the Fund in order to discharge administration costs.

An exchange request, once given, is irrevocable save with the consent of the Directors (which may be withheld in their discretion) or in the event of a suspension of calculation of the Net Asset Value of the Fund in respect of which the exchange requests are made.

The number of Shares of the New Class to be issued will be calculated in accordance with the following formula:

$$S = \frac{(R \times NAV \times ER)}{SP}$$

where

S is the number of Shares of the New Class to be allotted.

R is the number of Shares in the Original Class to be redeemed.

NAV is the Net Asset Value per Share of the Original Class at the Valuation Point on the relevant Dealing Day.

ER is the currency exchange factor (if any) as determined by the Administrator as representing the effective rate of exchange of settlement on the relevant Dealing Day applicable to the transfer of assets between the Funds where the base currencies are different or, where the base currencies are the same, ER = 1.

SP is the Net Asset Value per Share of the New Class at the Valuation Point on the relevant Dealing Day.

No exchange charge will be payable. Holders of Non-Voting Shares are entitled to exchange their entire holdings as described under "Rights of Non-Voting Shares" below.

## VALUATION

The Net Asset Value of the Fund and the Net Asset Value per Share of each Class of Shares is determined by the Administrator as at the close of business on each Valuation Point of each Dealing Day or at such other times as the Directors may determine. The Net Asset Value of the Fund will be expressed in the currency of the respective Class and will be equal to the value of its total assets less its total liabilities. The Net Asset Value will be rounded to two decimal places.

In respect of each Class of Shares, a separate Class account (a "Class Account") will be established in the books of the Fund. An amount equal to the proceeds of issue of each Share will be credited to the relevant Class Account. Any increase or decrease in the Net Asset Value of the portfolio of assets of the Fund attributable to the Shares (disregarding for these purposes any increases in the Net Asset Value due to new subscriptions or decreases due to redemptions or any designated Class adjustments (as defined below)) will be allocated to the relevant Class Account based on the previous relative Net Asset Value (before accrual for any Performance Fees) of each such Class Account. There will then be allocated to each Class Account the "designated Class Adjustments" being those costs, pre-paid expenses, losses, dividends, profits, gains and income which the Directors determine in their sole discretion relate to a single Class. The costs and any benefit of hedging the foreign currency exposure of the assets attributable to currencies other than the base currency from the US Dollar into currencies other than the base currency will be allocated solely to the relevant Class of Shares in the relevant denomination.

Assets will be valued in accordance with the following principles:

- (A) any security which is listed or quoted on any securities exchange and regularly traded thereon will be valued at its last traded price on the relevant Valuation Day or, if no trades occurred on such day, at the closing bid price if held long by the Fund and at the closing offer price if sold short by the Fund, as at the relevant Valuation Day, as adjusted in such manner as the Directors, in their sole discretion, think fit, having regard to the size of the holding, and where prices are available on more than one exchange or system for a particular security the price will be the last traded price or closing bid or offer price, as the case may be, on the exchange which constitutes the main market for such security or the one which the Directors in their sole discretion determine provides the fairest criteria in ascribing a value to such security. Investments listed or traded on a Recognised Exchange, but acquired or traded at a premium or at a discount outside or off the relevant exchange or market may be valued taking into account the level of premium or discount at the Valuation Point provided that the Depository) shall be satisfied that the adoption of such a procedure is justifiable in the context of establishing the probable realisation value of the security;.
- (B) any security (including a convertible bond option) which is not listed or quoted on any securities exchange or if, being so listed or quoted, is not regularly traded thereon or in respect of which no prices as described above are available, will be valued at its probable realisation value estimated with care and in good faith by the Directors, a competent person appointed by the Directors and approved for that purpose by the Depository or any other means provided the value is approved by the Depository;
- (C) investments, other than securities, which are dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution. If the settlement price is not available, the value shall be the probable realisation value estimated with care and in good faith by (i) the Directors or the Investment Manager or (ii) a competent person firm or corporation selected by the Directors and approved for the purpose by the Depository or (iii) any other means provided that the value is approved by a competent person (such competent person having been appointed by the Directors and approved for such purpose by the Depository) provided that where such investments are dealt in or traded on more than one market, the Directors may determine at their discretion which market shall prevail;
- (D) investments, other than securities, which are dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution. If the settlement price is not available, the value shall be the probable realisation value estimated with care and in good faith by (i) the Directors or the Investment Manager or (ii) a competent person firm or corporation selected by the Directors and approved for the purpose by the Depository or (iii) any other means provided that the value is approved by a competent person (such competent person having been appointed by the Directors and approved for such purpose by the Depository) provided that where such investments are dealt in or traded on more than one market, the Directors may determine at their discretion which market shall prevail;
- (E) the value of any OTC FDI shall be:
1. the quotation from the counterparty provided that such quotation is provided on a daily basis and verified at least weekly by a person

independent of the counterparty and who is approved for the purpose by the Depositary; or

2. the value of any OTC shall be a quotation from the counterparty or an alternative valuation calculated by the Fund or an independent pricing vendor (which may be a party related to but independent of the counterparty which does not rely on the same pricing models employed by the counterparty) provided that where a counterparty valuation is used, it must be provided on a daily basis and approved or verified at least on a weekly basis by a party independent of the counterparty, which may be the Investment Manager (approved for the purpose by the Depositary);

where an alternative valuation is used (i.e. a valuation that is provided by a competent person appointed by the Directors and approved for that purpose by the Depositary or a valuation by any other means provided that the value is approved by the Depositary), the valuation principles employed must follow best international practice established by bodies such as IOSCO (International Organisation for Securities Commission) and AIMA (the Alternative Investment Management Association) and any such valuation shall be reconciled to that of the counterparty on a weekly basis;

- (F) forward foreign exchange and interest rate swap contracts shall be valued in accordance with paragraph (E) above or, alternatively, by reference to freely available market quotations. If the latter option is used there is no requirement to have such prices independently verified or reconciled to the counterparty valuation;
- (G) forward foreign exchange contracts shall be valued in the same manner as FDI contracts which are not traded in a regulated market or by reference to the price at the Valuation Point at which a new forward contract of the same size and maturity could be undertaken;
- (H) cash on hand or on deposit will be valued at their cost plus accrued interest;
- (I) notwithstanding paragraph (A) above units in collective investment schemes shall be valued at the latest available net asset value per unit or bid price as published by the relevant collective investment scheme or, if listed or traded on a Recognised Exchange, in accordance with (A) above.
- (J) the Directors may, with the approval of the Depositary, adjust the value of any investment if having regard to its currency, marketability, applicable interest rates, anticipated rates of dividend, maturity, liquidity or any other relevant considerations, they consider that such adjustment is required to reflect the fair value thereof.
- (K) any value (whether of an investment or cash) otherwise than in US Dollars will be converted into US Dollars at the rate (whether official or otherwise) which the Directors in their absolute discretion deem applicable as at the close of business on the relevant Valuation Day, having regard, among other things, to any premium or discount which they consider may be relevant and to costs of exchange.
- (L) where investments have been agreed to be purchased or sold but such purchase or sale has not been completed, such investments shall be included or excluded and the gross purchase or net sale consideration excluded or included as the case may require as if such purchase or sale had been duly completed;

- (M) there shall be added to the assets of the Fund any actual or estimated amount of any taxation of a capital nature which may be recoverable by the Fund;
- (N) there shall be added to the assets of the Fund a sum representing any interest, dividends or other income accrued but not received and a sum representing unamortised expenses;
- (O) there shall be added to the assets of the Fund the total amount (whether actual or estimated by the Directors or their delegate) of any claims for repayment of any taxation levied on income or capital gains including claims in respect of double taxation relief; and
- (P) where notice of the redemption of Shares has been received by the Fund with respect to a Dealing Day and the cancellation of such Shares has not been completed, the Shares to be redeemed shall be deemed not to be in issue at the Valuation Point and the value of the assets of the Fund shall be deemed to be reduced by the amount payable upon such redemption;
- (Q) there shall be deducted from the assets of the Fund:
  1. the total amount of any actual or estimated liabilities properly payable out of the assets of the Fund including any and all outstanding borrowings of the Fund interest, fees and expenses payable on such borrowings and any estimated liability for tax and such amount in respect of contingent or projected expenses as the Directors consider fair and reasonable as of the relevant Valuation Point;
  2. such sum in respect of tax (if any) on income or capital gains realised on the investments of the Fund as in the estimate of the Directors will become payable;
  3. the amount (if any) of any distribution declared but not distributed in respect thereof;
  4. the remuneration of the Administrator, the Depositary, the Investment Manager, any Distributor and any other providers of services to the Fund accrued but remaining unpaid together with a sum equal to the value added tax chargeable thereon (if any);
  5. (the total amount (whether actual or estimated by the Directors) of any other liabilities properly payable out of the assets of the Fund (including all establishment, operational and ongoing administrative fees, costs and expenses) as of the relevant Valuation Point;
  6. an amount as of the relevant Valuation Point representing the projected liability of the Fund in respect of costs and expenses to be incurred by the Fund in the event of a subsequent liquidation;
  7. an amount as of the relevant Valuation Point representing the projected liability of the relevant calls on Shares in respect of any warrants issued and/or options written by the Fund or Class of Shares; and
  8. any other liability which may properly be deducted.

The Directors may, at their discretion, permit any other method of valuation to be used if they consider that such method of valuation better reflects value generally or in particular markets or

market conditions and is in accordance with the Central Bank's guidelines and good accounting practice.

The Directors have delegated to the Administrator, and have authorised the Administrator to consult with the Investment Manager in connection with, the determination of Net Asset Value and the Net Asset Value per Share of each Class of the Fund.

The Net Asset Value per Share of each Class on any Valuation Point of any Dealing Day will be calculated by dividing the Net Asset Value of the relevant Class Account by the number of Shares of the relevant Class in issue as at the close of business on that Valuation Point of that Dealing Day.

#### Publication of Prices

The Net Asset Value per Share will be published on each Dealing Day on the Investment Manager's website [www.feroxcapital.com](http://www.feroxcapital.com) and on Bloomberg and updated following each calculation of Net Asset Value. In addition, the Net Asset Value per Share may be obtained from the Administrator or the Investment Manager, or the Paying Agent during normal business hours.

In the absence of negligence, fraud or wilful default, every decision taken by the Directors or any committee of the Directors or by the Investment Manager or any duly authorised person on behalf of the Fund in calculating the Net Asset Value of a Class or the Net Asset Value per Share shall be final and binding on the Fund and on present, past or future Shareholders.

#### Suspension of Valuation of Assets

The Directors may at any time and from time to time temporarily suspend the determination of the Net Asset Value of the Fund or attributable to a Class and the issue, exchange and redemption of Shares in any Class:

- (A) during the whole or part of any period (other than for ordinary holidays or customary weekends) when any of the Recognised Exchanges on which the Fund's investments are quoted, listed, traded or dealt are closed or during which dealings therein are restricted or suspended or trading is suspended or restricted; or
- (B) during the whole or part of any period when circumstances outside the control of the Directors exist as a result of which any disposal or valuation of investments of the Fund is not reasonably practicable or would be detrimental to the interests of Shareholders or it is not possible to transfer monies involved in the acquisition or disposition of investments to or from the relevant account of the Fund; or
- (C) during the whole or any part of any period when any breakdown occurs in the means of communication normally employed in determining the value of any of the Fund's investments; or
- (D) during the whole or any part of any period when for any reason the value of any substantial portion of the Fund's investments cannot be reasonably, promptly or accurately ascertained;
- (E) during the whole or any part of any period when subscription proceeds cannot be transmitted to or from the account of the Fund is unable to repatriate funds required for making redemption payments or when such payments cannot, in the opinion of the Directors, be carried out at normal rates of exchange; or

- (F) upon mutual agreement between the Fund and the Depository for the purpose of winding up the Fund.

Any suspension of valuation shall be notified to the Central Bank and the Depository without delay and, in any event, within the same Dealing Day and shall be published on the Investment Manager's website [www.feroxcapital.com](http://www.feroxcapital.com). Where possible, all reasonable steps will be taken to bring any period of suspension to an end as soon as possible.

The Central Bank may also require the suspension of the redemption of Shares if it decides that it is in the best interests of the general public and the Shareholders to do so.

## **FEES AND EXPENSES**

Any fees or expenses payable by a Shareholder or out of the assets of the Fund are set out in this section.

### **Investment Management Fee – Class A Shares, Class C Shares, Class D Shares and Class E Shares**

The Investment Manager receives from the Fund an investment management fee equal to 1/12 of 1 per cent per month of the Net Asset Value of the Class A1 Shares, Class C1 Shares and the Class E1 Shares; an investment management fee equal to 1/12 of 1.5 per cent per month of the Net Asset Value of the Class A2 Shares, Class C2 Shares and the Class E2 Shares; an investment management fee equal 1/12 of 0.9 per cent per month of the Net Asset Value of the Class D Shares; an investment management fee equal 1/12 of 2.0 per cent per month of the Net Asset Value of the Class E3 Shares (before deduction of that month's Investment Management Fee and before deduction for any accrued Performance Fees) as at the last Valuation Point in each month accrued and payable monthly in arrears.

No investment management fee will be payable in respect of the Class B Shares and/or Management Shares.

### **Performance Fee – Class A Shares, Class C Shares, Class D Shares and Class E Shares**

The Investment Manager is also entitled to receive an annual Performance Fee in respect of each Class A Share, Class C Share, Class D Share and Class E Share in the Fund. The Performance Fee will be calculated in respect of each calendar year by reference to the Net Asset Value per Share of the Class concerned as at the last Valuation Point prior to the commencement of that calendar year and the Net Asset Value per Share of that Class as at the last Valuation Point in that calendar year (a "Calculation Period"). The first Calculation Period shall be from the close of the relevant initial offer period to the last Valuation Point in the relevant year and the initial offer price of the relevant Class shall be the starting Net Asset Value per Share for the calculation of the Threshold Net Asset Value per Share (as defined below).

The Directors have the right to change the Calculation Period to each calendar quarter in each year with effect from the start of the calendar year following that in which the Directors determine to make such change subject to giving at least three months' prior written notice thereof to the Shareholders.

No Performance Fee will be payable in respect of the Class B Shares or the Management Shares.

The Performance Fee in respect of each Class A Share, Class C Share and Class D Share in any Calculation Period will be equal to 10 per cent of the appreciation in the Net Asset Value per Share of the Class concerned (before deduction for any accrued Performance Fees and adjusted

to take into account any dividend paid during such period in respect of Qualifying Shares) during that Calculation Period (or part thereof during which the relevant Share was in issue) above the Threshold Net Asset Value per Share (as defined below) for that Class in respect of that Calculation Period (or part thereof). The calculation methodology is set out in further detail under “Performance Fee Calculation Methodology” below. The Performance Fee in respect of the Class E Shares is set out in further detail under “Overview of Methodology - Class E Shares” below.

As at each Valuation Point in each Calculation Period, a Performance Fee per Class A Share, Class C Share and Class D Share will be accrued in respect of the Class concerned then in issue. The accrued Performance Fee per Share will be equal to 10 per cent of the appreciation during the relevant Calculation Period in the Net Asset Value of each Class concerned above the Threshold Net Asset Value for the relevant Class divided by the number of the relevant Class Shares in issue as at the Valuation Point. The Threshold Net Asset Value per Class will be calculated by applying the same principles as for the calculation of the Threshold Net Asset Value per Share appropriately modified (as defined below).

The Performance Fee will normally be payable in arrears within 14 calendar days of the end of each Calculation Period in the case of Class A Shares, Class C Shares, Class D Shares and Class E Shares which remain in issue at the end of the Calculation Period. However, in the case of the Shares of the relevant Class redeemed during a Calculation Period, the Performance Fee in respect of those Shares will be calculated as though the date of redemption were the end of a Calculation Period and will be payable within 14 calendar days after the date of redemption. In the event of a partial redemption, whether during or at the end of a Calculation Period, Class A Shares, Class C Shares, Class D Shares and Class E Shares will be treated as redeemed on a first in, first out (“fiffo”) basis for the purpose of calculating the Performance Fee.

The Investment Manager may from time to time and at its sole discretion and out of its own resources decide to rebate to intermediaries and/or Shareholders part or all of the Investment Management Fee and/or Performance Fee. Any such rebates may be applied in paying up additional Class A Shares, Class C Shares, Class D Shares and Class E Shares to be issued to the Shareholder, or may (at the discretion of the Investment Manager) be paid in cash.

If the Investment Management Agreement is terminated before the last Valuation Point in any Calculation Period the Performance Fee in respect of the current Calculation Period will be calculated and paid as though the date of termination were the end of the relevant period.

#### *Overview of Methodology - Class E Shares*

The Performance Fee will be calculated by the Administrator and verified by the Fund and the Depositary. For each of the Class E Shares, a Performance Fee calculation *in* respect of each Calculation Period will be equal to the aggregate of the Performance Fees determined in respect of each separate subscription of Shares, accrued daily. The Performance Fee **calculation** for each **separate subscription of Shares** will be 10 per cent of any increase in the NAV per Share of the relevant Share Class during the Calculation Period over the **Threshold NAV per Share** relating to that subscription, after deduction of the Investment Management Fee (but not any accrued Performance Fees) and any trading expenses for that period. **Since Performance Fees are aggregated and applied to the Share Class as a whole, the actual Performance Fee incurred for each separate subscription is determined by the change in NAV per Share of the Share Class. There may be occasions where an investor effectively pays Performance Fees for which it has gained no benefit or where some investors are subsidising other investors.** If the Investment Management Agreement is terminated other than at the end of a Calculation Period the Performance Fee will be calculated as if such Performance Fee **Calculation Period** ended on the date of such termination. The Calculation Period for Shares that are redeemed shall terminate on the effective date of redemption. In the event of a partial redemption, Shares shall be redeemed on a first in, first out basis, for the

purposes of calculating the Performance Fee. **Investors should note that any depreciation in the Net Asset Value per Share of the Class E Shares over a Calculation Period will not cause a reduction in, or otherwise affect, the calculation of the Performance Fee in respect of the relevant Class in any subsequent Calculation Period.**

#### *Overview of Methodology - Class A Shares, Class C Shares and Class D Shares*

The Performance Fee will be calculated by the Administrator and verified by the Fund and the Depository. The Performance Fee will be calculated on a Share-by-Share basis so that each Class A Share, Class C Share and Class D Share is charged a Performance Fee, which equates precisely with that Share Class performance. This method of calculation is intended to ensure so far as possible that (i) any Performance Fee paid to the Investment Manager is charged only to those Shares which have appreciated in value during the relevant Calculation Period, (ii) all holders of relevant Shares of the same Class have the same amount per Share at risk in the Fund and (iii) all relevant Shares of the same Class have the same Net Asset Value per Share. **Investors should note that any depreciation in the Net Asset Value per Share of the Class A Shares, Class C Shares and Class D Shares over a Calculation Period will not cause a reduction in, or otherwise affect, the calculation of the Performance Fee in respect of the relevant Class in any subsequent Calculation Period.**

#### *Equalisation*

In order to achieve these objectives, the Subscription Price at which Class A Shares, Class C Shares and Class D Shares will be issued on any Dealing Day (other than the first Dealing Day in any Calculation Period) will be the Net Asset Value per Share of each such Class before accrual for the Performance Fee (if any). The difference between the Subscription Price of a Class A Share, Class C Share and Class D Share and the Net Asset Value per Share of that Class after accrual for the Performance Fee per Share is referred to as an "Equalisation Credit". An adjustment will then be made at the end of each Calculation Period to compensate for the difference between the amount of Performance Fee accrued in respect of a Class A Share, Class C Share and Class D Share at the time of subscription and the Performance Fee payable in respect of that Share at the end of the Calculation Period. This adjustment is described in further detail below. **No equalisation adjustment will be made in respect of Class E Shares.**

#### *Adjustments*

At the end of each Calculation Period, the Performance Fee per Share will be calculated in respect of all Class A Shares, Class C Shares and Class D Shares subscribed for on each Dealing Day during that Calculation Period, as described under "Performance Fee Calculation Methodology" below.

If the Performance Fee per Class A Share, Class C Share and Class D Share calculated (at the end of the Calculation Period) in respect of any such Share subscribed for on a Dealing Day is less than the Performance Fee per Share accrued in respect of that Share on that Dealing Day, the difference per Share multiplied by the number of Class A Shares, Class C Shares and Class D Shares of that Class subscribed for by the holder of that Share on that Dealing Day will be applied to subscribe for additional Shares of the relevant Class to be issued to that Shareholder.

If the Performance Fee per Class A Share, Class C Share and Class D Share calculated (at the end of the Calculation Period) in respect of any such Shares of that Class subscribed for on a Dealing Day is greater than the Performance Fee per Share accrued in respect of that Share on that Dealing Day, such number of such Shares of that Class held by the holder of that Share as have an aggregate Net Asset Value equal to the difference per Share multiplied by the number of Class A Shares, Class C Shares and Class D Shares of that Class subscribed for by the holder of that Share will be redeemed by the Fund at par value (the aggregate par value being retained by

the Fund) and an amount equal to the aggregate Net Asset Value of the Class A Shares, Class C Shares and Class D Shares so redeemed will be paid to the Investment Manager as a Performance Fee (a "Performance Fee Redemption").

#### *Performance Fee Calculation Methodology*

At the end of each Calculation Period, the Performance Fee per Share will be calculated in respect of all Class A Shares, Class C Shares, Class D Shares subscribed for on each Dealing Day during that Calculation Period. The Performance Fee in respect of each relevant Share in any Calculation Period will be equal to 10 per cent of the appreciation in the Net Asset Value per Share (before deduction for any accrued Performance Fees) during that Calculation Period (or part thereof during which the relevant Share was in issue) above the Threshold Net Asset Value per Share in respect of that Calculation Period (or part thereof). The Performance Fee calculation methodology, in respect of the Class E Shares, is set out above under the heading 'Overview of Methodology - Class E Shares'.

#### *Threshold Net Asset Value per Share*

The Threshold Net Asset Value per Share of the Class A Shares, Class C Shares, Class D Shares and Class E Shares in respect of each Calculation Period will be the Starting Net Asset Value per Share of each Class of Class A Shares, Class C Shares, Class D Shares and Class E Shares multiplied by the Benchmark Return. The Starting Net Asset Value per Share of each relevant Class of Class A Shares, Class C Shares, Class D Shares and Class E Shares will be the Net Asset Value per Share of the relevant Class at the date of issue of that Share (before deduction for any accrued Performance Fees and adjusted to take into account any dividends paid during such period) or, if issued in a previous Calculation Period, the Net Asset Value per Share of the relevant Class at the start of the current Calculation Period.

#### *Benchmark Return*

For each Calculation Period, the Benchmark Return in respect of a Class A US\$ Share and Non-Voting Share, Class C US\$ Share, Class D US\$ Share and Class E US\$ Share will be the percentage rate achieved by compounding on a rolling daily basis to the end of the Calculation Period 100 per cent plus the US Dollar LIBOR interest rate (determined as described below) on the first Business Day of each calendar quarter in the Calculation Period, or in the case of the first Calculation Period, on the first Business Day after the relevant initial offer period.

For each Calculation Period, the Benchmark Return in respect of a Class A Sterling Share, Class C Sterling Share and the Class E Sterling Share will be the percentage rate achieved by compounding on a rolling daily basis to the end of the Calculation Period 100 per cent plus the Sterling LIBOR interest rate (determined as described below) on the first Business Day each calendar quarter in the Calculation Period or, in the case of the first Calculation Period, on the first Business Day after the relevant initial offer period.

For each Calculation Period, the Benchmark Return in respect of a Class A Euro Share, Class C Euro Share, and the Class E Euro Share will be the percentage rate achieved by compounding on a rolling daily basis to the end of the Calculation Period 100 per cent plus the Euro LIBOR interest rate (determined as described below) on the first Business Day of each calendar quarter in the Calculation Period or, in the case of the first Calculation Period, on the first Business Day after the relevant initial offer period.

In respect of a Share issued otherwise than on the first Dealing Day in a Calculation Period, the Benchmark Return will be prorated by reference to the number of days from the date of issue of that Share to the end of the Calculation Period.

With respect to each calendar quarter, the relevant LIBOR interest rate will be determined by the Administrator on the first Business Day in each calendar quarter (the "LIBOR Determination Date") in accordance with the following provisions:

(1) the rate of interest published or reported by Bloomberg (by reference to the screen page currently designated as "BBAM" on that service) or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for deposits in the relevant currency on the LIBOR Determination Date as being the rate of interest offered in the London interbank market for three-month deposits in the relevant currency; or

(2) if the rate referred to in (1) above is unavailable on the LIBOR Determination Date, the arithmetic mean (rounded upwards, if necessary, to the next highest 1/32 of one per cent) of the quotations given to the Investment Manager for three-month deposits in the relevant currency in respect of such amount in the London interbank market on the LIBOR Determination Date by the principal London offices of each of Citibank, N.A., Barclays Bank PLC and National Westminster Bank PLC or, in the event that any of such banks is unable or unwilling to give such a quotation, such other leading bank in the London interbank market as may be appointed to act as such in its place by the Investment Manager (the above named banks and/or such other banks appointed for such purpose herein referred to as the "Reference Banks"); or

(3) if on any LIBOR Determination Date on which the rate referred to in (1) above is unavailable, less than all but at least two of the Reference Banks provide such offered quotations to the Investment Manager, the LIBOR interest rate for the next calendar quarter shall be determined as in (2) above on the basis of the offered quotations of those Reference Banks providing such quotations; or

(4) if on any LIBOR Determination Date on which the rate referred to in (1) above is unavailable, only one or none of the Reference Banks provides the Investment Manager with such offered quotations, the LIBOR interest rate for the next calendar quarter shall be such three-month rate of interest as the Investment Manager considers to be representative of the rates at which three-month deposits in the relevant currency, as appropriate, in such amount are offered by leading banks in the London interbank market on such LIBOR Determination Date; and

(5) if on any LIBOR Determination Date the Investment Manager is required but is unable to determine the LIBOR interest rate in the manner provided in sub-paragraph (4) above, then the LIBOR interest rate for the next calendar quarter shall be the LIBOR interest rate in effect on the most recent preceding LIBOR Determination Date.

If the relevant LIBOR Determination Date would otherwise fall on a Business Day that is not a day on which dealings in deposits in US Dollars, Sterling and Euro are transacted in the London interbank market, then the relevant LIBOR Determination Date shall be the day immediately preceding that Business Day that is itself a Business Day on which dealings in deposits in US Dollars, Sterling and Euro are transacted in the London interbank market.

#### Paying Agents' Fees

Fees and expenses of any Paying Agent(s) appointed by the Fund which will be at normal commercial rates will be borne by the Fund.

#### Administrator's Fees

The Fund shall pay to the Administrator out of the assets of the Fund, accrued at each Valuation Point and payable monthly in arrears at a rate which shall not exceed 0.11 per cent per annum of

the Net Asset Value of the Fund subject to a minimum annual fee of \$80,000 (plus VAT, if any thereon).

The Administrator shall also be entitled to be repaid out of the assets of the Fund all of its reasonable out-of-pocket expenses incurred on behalf of the Fund which shall include legal fees, couriers' fees and telecommunication costs and expenses together with VAT, if any, thereon.

#### Depositary's Fees

The Depositary shall be entitled to receive out of the assets of the Fund an annual fee, accrued at each Valuation Point and payable monthly in arrears, which shall not exceed 0.045 per cent per annum of the Net Asset Value of the Fund subject to a minimum annual fee of \$30,000 (plus VAT, if any) thereon.

The Depositary shall also be entitled to be repaid all of its disbursements out of the assets of the Fund, including legal fees, couriers' fees and telecommunication costs and expenses and the fees, transaction charges and expenses of any sub-custodian appointed by it which shall be at normal commercial rates together with VAT, if any, thereon.

#### Directors' Fees

The Constitution provide that the remuneration of the Directors shall be determined by a resolution of the Directors. Currently, each of the Directors is entitled to €20,000 per annum. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Fund or in connection with the business of the Fund.

#### Operating Expenses and Fees

The Fund also pays the costs and expenses of (i) all transactions carried out by it or on its behalf and (ii) the administration of the Fund, including (a) the charges and expenses of legal advisers, consultants and auditors, (b) brokers' commissions (if any), borrowing charges on securities sold short and any issue or transfer taxes chargeable in connection with any securities transactions, (c) all taxes and corporate fees payable to governments or agencies, (d) Directors' fees (if any) and expenses, (e) interest on borrowings, including borrowings from the Depositary, (f) fees and expenses incurred by the Investment Manager in connection with the provision of its investment management services, including without limitation, research costs and technology costs including, without limitation, the cost of relevant investment management software, IT support and computer hardware and software, (g) communication expenses with respect to investor services and all expenses of meetings of Shareholders and of preparing, printing and distributing financial and other reports, proxy forms, prospectuses and similar documents, (h) the cost of insurance (if any) for the benefit of the Directors, (i) litigation and indemnification expenses (j) the cost of obtaining and maintaining the listing of the Shares on the Irish Stock Exchange and/or any other exchange, (k) the cost of making (or appointing persons to make) any returns of calculations necessary to secure favourable treatment of the Fund under the tax and/or regulatory systems of particular jurisdictions, and extraordinary expenses not incurred in the ordinary course of business, and (j) all other organisational and operating expenses.

## **TAXATION**

### General

The sections below on Irish and United Kingdom taxation are brief summaries of the tax advice received by the Directors relating to current law and practice which may be subject to change and interpretation.

The information given below does not constitute legal or tax advice and prospective investors should consult their professional advisers on the possible tax consequences of buying, selling, exchanging, holding or redeeming Shares under the laws of the jurisdictions in which they may be subject to tax. Investors are also advised to inform themselves as to any exchange control regulations applicable in their country of residence.

Generally the tax consequences of acquiring, holding, exchanging, redeeming or disposing of Shares in the Fund will depend on the relevant laws of the jurisdiction to which the Shareholder is subject. These consequences will vary with the law and practice of the Shareholder's country of residence, domicile or incorporation and with his personal circumstances.

Dividends, interest and capital gains (if any) which the Fund receives with respect to investments (other than securities of Irish issuers) may be subject to taxes, including withholding taxes, in the countries in which the issuers of investments are located. It is anticipated that the Fund may not be able to benefit from reduced rates of withholding tax in double taxation agreements between Ireland and such countries. If this position changes in the future and the application of a lower rate results in a repayment to the Fund the Net Asset Value will not be re-stated and the benefit will be allocated to the existing Shareholders rateably at the time of the repayment.

## **Ireland**

### **(a) Taxation of the Fund**

The Directors have been advised that the Fund is an investment undertaking within the meaning of section 739B TCA and therefore is not chargeable to Irish tax on its relevant income or relevant gains so long as the Fund is resident for tax purposes in Ireland. The Fund will be resident for tax purposes in Ireland if it is centrally managed and controlled in Ireland. It is intended that the Directors of the Fund will conduct the affairs of the Fund in a manner that will allow for this.

For the purposes of this Irish taxation section, the definitions outlined at the end of the section shall apply (see "Certain Irish Taxation Definitions" below).

Notwithstanding the above, a charge to tax may arise for the Fund on the happening of a "Chargeable Event" in the Fund.

A Chargeable Event includes:

- (i) any payment to a Shareholder by the Fund in respect of their Shares;
- (ii) any transfer, cancellation, redemption or repurchase of Shares; and
- (iii) any deemed disposal by a Shareholder of their Shares at the end of a "relevant period" (a "Deemed Disposal").

A "relevant period" is a period of 8 years beginning with the acquisition of Shares by a Shareholder and each subsequent period of 8 years beginning immediately after the preceding relevant period.

A Chargeable Event does not include:

- (i) any transaction in relation to Shares held in a recognised clearing system;
- (ii) any exchange by a Shareholder effected by way of a bargain made at arm's length by the Fund, of Shares in the Fund for other Shares in the Fund;
- (iii) certain transfers of Shares between spouses or civil partners and former spouses or civil partners;

- (iv) an exchange of Shares arising on a qualifying amalgamation or reconstruction of the Fund with another Irish investment undertaking; or
- (v) the cancellation of Shares arising from an exchange in relation to a scheme of amalgamation (as defined in section 739HA TCA).

On the happening of a Chargeable Event, the Fund shall be entitled to deduct the appropriate amount of tax on any payment made to a Shareholder in respect of the Chargeable Event. On the occurrence of a Chargeable Event where no payment is made by the Fund to the Shareholder, the Fund may appropriate or cancel the required number of Shares to meet the tax liability.

Where the Chargeable Event is a Deemed Disposal and the value of Shares held by Irish Resident Shareholders in the Fund is less than 10% of the total value of Shares in the Fund (or a Sub-Fund) and the Fund has made an election to the Irish Revenue Commissioners to report annually certain details for each Irish Resident Shareholder, the Fund will not be required to deduct the appropriate tax and each Irish Resident Shareholder (and not the Fund) must pay the tax on the Deemed Disposal on a self-assessment basis. Credit is available against appropriate tax relating to the Chargeable Event for appropriate tax paid by the Fund or the Shareholder on any previous Deemed Disposal. On the eventual disposal by the Shareholder of the Shares, a refund of any unutilised credit will be payable.

## **(b) Taxation of Shareholders**

### *Non-Irish Resident Shareholders*

Non-Irish Resident Shareholders will not be chargeable to Irish tax on the happening of a Chargeable Event provided that either:

- (i) the Fund is in possession of a completed Relevant Declaration to the effect that the Shareholder is not an Irish Resident, or
- (ii) the Fund is in possession of written notice of approval from the Irish Revenue Commissioners to the effect that the requirement to provide a Relevant Declaration is deemed to have been complied with in respect of that Shareholder and the written notice of approval has not been withdrawn by the Irish Revenue Commissioners.

If the Fund is not in possession of a Relevant Declaration or the Fund is in possession of information which would reasonably suggest that the Relevant Declaration is not or is no longer materially correct, the Fund must deduct tax on the happening of a Chargeable Event in relation to such Shareholder. The tax deducted will generally not be refunded.

Intermediaries acting on behalf of non-Irish Resident Shareholders can claim the same exemption on behalf of the Shareholders for whom they are acting. The intermediary must complete a Relevant Declaration that it is acting on behalf of a non-Irish Resident Shareholder.

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

### *Exempt Irish Shareholders*

The Fund is not required to deduct tax in respect of an Exempt Irish Shareholder so long as the Fund is in possession of a completed Relevant Declaration from those persons and the Fund has no reason to believe that the Relevant Declaration is materially incorrect. The Exempt Irish Shareholder must notify the Fund if it ceases to be an Exempt Irish Shareholder. Exempt Irish Shareholders in respect of whom the Fund is not in possession of a Relevant Declaration will be treated by the Fund as if they are not Exempt Irish Shareholders.

Exempt Irish Shareholders may be liable to Irish tax on their income, profits and gains in relation to any sale, transfer, repurchase, redemption or cancellation of Shares or dividends or distributions or other payments in respect of their Shares. It is the obligation of the Exempt Irish Shareholder to account for tax to the Irish Revenue Commissioners.

Where the Exempt Irish Shareholder is not a company and tax has not been deducted by the Fund, the payment shall be treated as if it were a payment from an offshore fund and taxed in accordance with section 747D and section 747E TCA. Provided the Exempt Irish Shareholder has correctly included the income or disposal in its tax return, tax at the rate of 41% must be paid in respect of annual or more frequent distributions by the Fund and in respect of any other payment by the Fund to the Exempt Irish Shareholder in respect of its Shares or in relation to any sale, transfer, cancellation, redemption or repurchase of Shares. No further Irish tax will be payable by the Exempt Irish Shareholder in respect of that payment or disposal.

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

The rate of corporation tax applicable to Schedule D Case IV income is currently 25%. The rate of corporation tax applicable to Schedule D Case I income is 12.5%.

#### *Irish-Resident Shareholders*

Irish Resident Shareholders (who are not Exempt Irish Shareholders) will be liable to tax on the happening of a Chargeable Event. Tax at the rate of 41% will be deducted by the Fund on any distribution payments made to the Shareholder.

Tax at the rate of 41% will also be deducted by the Fund on the sale, transfer, Deemed Disposal (subject to the 10% threshold outlined above), cancellation, redemption or repurchase of Shares or the making of any other payment in respect of the Shares.

An Irish Resident Shareholder who is not a company and is not an Exempt Irish Shareholder will not be liable to any further income or capital gains tax in respect of any sale, transfer, Deemed Disposal, cancellation, redemption or repurchase, of Shares or the making of any other payment in respect of their Shares.

Where the Irish Resident Shareholder is a company which is not an Exempt Irish Shareholder, and the payment is not taxable as trading income under Schedule D Case I, the amount received will be treated as the net amount of an annual payment chargeable to tax under Schedule D Case IV from the gross amount of which income tax has been deducted at 25%.

Where the Irish Resident Shareholder is a company which is not an Exempt Irish Shareholder, and the payment is taxable as trading income under Schedule D Case I, the following provisions apply:

- (i) the amount received by the Shareholder is increased by any amount of tax deducted by the Fund and will be treated as income of the Shareholder for the chargeable period in which the payment is made;
- (ii) where the payment is made on the sale, transfer, Deemed Disposal, cancellation, redemption or repurchase of Shares, such income will be reduced by the amount of

consideration in money or money's worth given by the Shareholder for the acquisition of those Shares; and

- (iii) the amount of tax deducted by the Fund will be set off against the Irish corporation tax assessable on the Shareholder in respect of the chargeable period in which the payment is made.

#### *Personal Portfolio Investment Undertaking*

An investment undertaking will be considered to be a personal portfolio investment undertaking ("PPIU") in relation to a specific Irish Resident Shareholder where that Irish Resident Shareholder can influence the selection of some or all of the property of the undertaking. The undertaking will only be a PPIU in respect of those Irish Resident Shareholders who can influence the selection. A gain arising upon the happening of a Chargeable Event in relation to a PPIU will be taxed at the rate of 60%. An undertaking will not be considered to be a PPIU where certain conditions are complied with as set out in section 739BA TCA.

#### *Currency Gains*

Where a currency gain is made by an Irish Resident Shareholder on the disposal of Shares, that Shareholder may be liable to capital gains tax, currently at the rate of 33%, in respect of any chargeable gain made on the disposal.

#### *Stamp Duty*

On the basis that the Fund qualifies as an investment undertaking within the meaning of section 739B TCA, no Irish stamp duty will be payable on the subscription, transfer or repurchase of Shares. The stamp duty implications for subscriptions for Shares or transfer or repurchase of Shares *in specie* should be considered on a case by case basis.

No Irish stamp duty will be payable by the Fund 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 registered in Ireland and provided that 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 TCA) which is registered in Ireland.

No stamp duty will arise on reconstructions or amalgamations of investment undertakings, such as the Fund, under section 739H TCA, provided the reconstructions or amalgamations are undertaken for bona fide commercial purposes and not for the avoidance of tax.

#### *Capital Acquisitions Tax*

No Irish gift tax or inheritance tax (capital acquisitions tax) liability will arise on a gift or inheritance of Shares provided that:

- (i) at the date of the disposition the transferor of the Shares is neither domiciled nor ordinarily resident in Ireland, and, at the date of the gift or inheritance the transferee of the Shares is neither domiciled nor ordinarily resident in Ireland; and
- (ii) the Shares are comprised in the gift or inheritance at the date of the gift or inheritance and at the valuation date.

## Certain Irish Taxation Definitions

**“Exempt Irish Shareholder”** means a Shareholder who comes within any of the categories listed below and has provided a Relevant Declaration to this effect to the Fund in a form acceptable to the Fund:

- (a) a qualifying management company within the meaning of section 739B(1) TCA;
- (b) a specified company within the meaning of section 734(1) TCA;
- (c) an investment undertaking within the meaning of section 739B(1) TCA;
- (d) an investment limited partnership within the meaning of section 739J TCA;
- (e) a pension scheme which is an exempt approved scheme within the meaning of section 774 TCA, or a retirement annuity contract or a trust scheme to which section 784 or 785 TCA applies;
- (f) a company carrying on life business within the meaning of section 706 TCA;
- (g) a special investment scheme within the meaning of section 737 TCA;
- (h) a unit trust to which section 731(5)(a) TCA applies;
- (i) a charity being a person referred to in section 739D(6)(f)(i) TCA;
- (j) a person who is entitled to exemption from income tax and capital gains tax by virtue of section 784A(2) TCA and the Shares held are assets of an approved retirement fund or an approved minimum retirement fund;
- (k) a qualifying fund manager within the meaning of section 784A TCA or a qualifying savings manager within the meaning of section 848B TCA, in respect of Shares which are assets of a special savings incentive account within the meaning of section 848C TCA;
- (l) a person who is entitled to exemption from income tax and capital gains tax by virtue of section 787I TCA and the Shares held are assets of a personal retirement savings account as defined in section 787A TCA;
- (m) the National Pensions Reserve Fund Commission;
- (n) the National Asset Management Agency;
- (o) the Courts Service;
- (p) a credit union within the meaning of section 2 of the Credit Union Act 1997;
- (q) an Irish resident company, within the charge to corporation tax under Section 739G(2) TCA, but only where the fund is a money market fund;
- (r) a company which is within the charge to corporation tax in accordance with section 110(2) TCA in respect of payments made to it by the Fund; and
- (s) any other person as may be approved by the Directors from time to time provided the holding of Shares by such person does not result in a potential liability to tax arising to the Fund in respect of that Shareholder under Part 27, Chapter 1A TCA.

**“FATCA”** means:

- (a) sections 1471 to 1474 of the IRC or any associated regulations or other official guidance;
- (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or

- (c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the IRS, the U.S. government or any government authority or taxation authority in any other jurisdiction.

**“Intermediary”** means a person who:

- (i) carries on a business which consists of, or includes, the receipt of payments from an investment undertaking on behalf of other persons; or
- (ii) holds shares in an investment undertaking on behalf of other persons.

**“Irish Resident”** means any person resident in Ireland or ordinarily resident in Ireland other than an Exempt Irish Shareholder;

#### *Residence – Fund*

A company which has its central management and control in Ireland is resident in Ireland irrespective of where it is incorporated. In general, a company which does not have its central management and control in Ireland but which is incorporated in Ireland is resident in Ireland except where:

- (a) the company or a related company carries on a trade in Ireland, and either the company is ultimately controlled by persons resident in Member States or, in countries with which Ireland has a double taxation treaty (a "taxation treaty country"), or the company or a related company are quoted companies on a recognised stock exchange in the European Union or in a taxation treaty country; or
- (b) the company is regarded as not resident in Ireland under a double taxation treaty between Ireland and another country.

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 that are contained in section 23A TCA.

#### *Residence – Individual*

The Irish tax year operates on a calendar year basis. An individual will be regarded as being resident in Ireland for a tax year if that individual:

- (a) spends 183 days or more in Ireland 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 a tax year by an individual of not more than 30 days in Ireland will not be reckoned for the purpose of applying the two year test. Presence in Ireland for a day means the personal presence of an individual at any point in time during the particular day in question.

#### *Ordinary Residence – Individual*

The term "ordinary residence" as distinct from "residence", relates to a person's normal pattern of life and denotes residence in a place with some degree of continuity.

An individual who has been resident in Ireland for three consecutive tax years becomes ordinarily resident with effect from the commencement of the fourth tax year.

An individual who has been ordinarily resident in Ireland ceases to be ordinarily resident at the end of the third consecutive tax year in which that individual is not resident in Ireland. Thus, an individual who is resident and ordinarily resident in Ireland in 2014 will remain ordinarily resident in Ireland until the end of the tax year 2017.

**“Relevant Declaration”** means the declaration relevant to the Shareholder as set out in Schedule 2B TCA;

**“TCA”** means the Irish Taxes Consolidation Act 1997, as amended.

## **U.S. Federal Income Tax Considerations**

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

Pursuant to FATCA, the Fund will be subject to U.S. federal withholding taxes (at a 30% rate) on payments of certain amounts made to it (“withholdable payments”), unless it complies (or is deemed compliant) with extensive reporting and withholding requirements. Withholdable payments generally include interest (including original issue discount), dividends, rents, annuities, and other fixed or determinable annual or periodical gains, profits or income, if such payments are derived from U.S. sources, as well as (effective 1 January 2019) gross proceeds from dispositions of securities that could produce U.S. source interest or dividends. Income which is effectively connected with the conduct of a U.S. trade or business is not, however, included in this definition. To avoid the withholding tax, unless deemed compliant, the Fund will be required to enter into an agreement with the United States to identify and disclose identifying and financial information about each U.S. Taxpayer (or foreign entity with substantial U.S. ownership) which invests in the Fund, and to withhold tax (at a 30% rate) on withholdable payments and related payments made to any investor which fails to furnish information requested by the Fund to satisfy its obligations under the agreement. Pursuant to an intergovernmental agreement between the United States and Ireland, the Fund may be deemed compliant, and therefore not subject to the withholding tax, if it identifies and reports U.S. investor information directly to the Irish Revenue Commissioners. Certain categories of U.S. investors, generally including, but not limited to, tax-exempt investors, publicly traded corporations, banks, regulated investment companies, real estate investment trusts, common trust funds, brokers, dealers and middlemen, and state and federal governmental entities, are exempt from such reporting. Detailed guidance as to the mechanics and scope of this new reporting and withholding regime is continuing to develop. There can be no assurance as to the timing or impact of any such guidance on future Fund operations.

Shareholders will be required to provide certifications as to their U.S. or non-U.S. tax status, together with such additional tax information as the Fund or its agents may from time to time request. Failure to furnish requested information or (if applicable) satisfy its own FATCA obligations may subject a Shareholder to liability for any resulting withholding taxes, U.S. tax information reporting and mandatory redemption of such shareholder’s Shares.

### *Taxation of U.S. Taxpayer Shareholders*

For a general summary of the U.S. federal income tax considerations applicable to U.S. Taxpayers of an investment in Shares, please refer to the Application Form for U.S. Persons. All prospective investors should consult their own tax advisors regarding the tax consequences to them of an investment in the Fund under applicable US federal, state, local and non-US income tax laws as well as with respect to any specific gift, estate and inheritance tax issues in light of their particular circumstances.

## United Kingdom

The following paragraphs, which are intended as a general guide only, summarise advice received by the Directors as to the position of Shareholders who are resident for tax purposes in the United Kingdom and who hold absolute beneficial title to Shares in the Fund as an investment. They do not apply to special classes of shareholder, such as financial traders, pension funds or insurance companies, to whom separate rules may apply. The summary is based on current United Kingdom law and published practice as at the date of this document, which law or practice is, in principle, subject to any subsequent changes. If you are in any doubt as to your tax position, you should consult your own professional advisers. In particular, if you are resident in, or a citizen of, a country other than the United Kingdom you may be subject to the tax laws and requirements of those jurisdictions and you should seek your own professional advice in respect of your taxation position in those jurisdictions.

### Residence and Taxation of the Fund

The Directors intend to conduct the affairs of the Fund so that it should not be regarded as resident in the United Kingdom for the purposes of United Kingdom taxation. Accordingly and provided that the Fund does not carry on a trade in the United Kingdom through a "permanent establishment" situated therein, then for United Kingdom taxation purposes, the Fund should not be subject to United Kingdom corporation tax on its income and capital gains.

Should the Fund be regarded as carrying on a trade for United Kingdom tax purposes through the agency of the Investment Manager, it is expected that neither the Investment Manager as permanent establishment or agent of the Fund, nor the Fund itself should be subject to United Kingdom taxation on profits or gains of the Fund by reason of the application of the United Kingdom's "investment manager exemption" (the "IME"). In particular, the Directors and the Investment Manager intend to manage the Fund and its investments in such manner, so as to ensure that the Investment Manager should benefit from the IME but it cannot be guaranteed that the conditions necessary for the exemption will at all times be satisfied.

If any income and gains arising in the United Kingdom are received by the Fund subject to a deduction of tax at source, the Fund will not normally be entitled to claim from Her Majesty's Revenue & Customs repayment of the tax deducted.

### Taxation of Shareholders

#### *United Kingdom taxation of shareholders*

The Offshore Funds (Tax) Regulations 2009 (the "Regulations") provide that if a Shareholder resident in the United Kingdom for the purposes of United Kingdom taxation holds an interest in an "offshore fund" and that offshore fund has not been a "reporting fund" continuously throughout the period during which the Shareholder holds the interest, any gain accruing to the Shareholder upon the sale, redemption or other disposal of that interest will be taxed on such sale, redemption or disposal as an "offshore income gain" subject to United Kingdom taxation as income, rather than as a capital gain.

The Shares will constitute interests in an offshore fund for the purposes of the Regulations, and accordingly if the Shares were not to gain certification as a reporting fund throughout the Shareholder's period of investment, any gain realised by a Shareholder on the sale, disposal or redemption of Shares would be treated for United Kingdom taxation purposes as an income receipt rather than a capital gain.

Conversely, if the Shares were to be certified throughout a Shareholder's period of investment, any gain realised by the Shareholder on the sale, disposal or redemption of the Shares would be subject to tax as a capital gain.

Any gain on disposal of Shares in the Fund (other than such share classes for which reporting fund status has been obtained) will be taxed to United Kingdom income tax or United Kingdom corporation tax on income. This may also apply to certain types of Shareholders, such as unit trusts and open-ended investment companies that would expect to be exempt on their chargeable gains.

As set out below, it is currently the intention of the Directors to comply with such requirements as may be necessary in order that the Fund should be so certified only in respect of certain share classes.

#### *United Kingdom shareholders and the taxation of distributions*

The Fund is expected to have substantial investments (more than 60%) in interest bearing assets and therefore should be considered a Bond Fund for United Kingdom tax purposes. Accordingly, any distribution paid by the Fund or treated as being paid by the Fund will be treated for United Kingdom taxation purposes as interest, rather than as a dividend. Such interest will be taxed on an individual Shareholder resident in the United Kingdom for United Kingdom taxation purposes at the United Kingdom savings income tax rates, currently set at 0%, 20%, 40% and 45%. The tax rate applicable to the distributions from the Fund received by individual Shareholders resident in the United Kingdom will depend on the level of other taxable income of such individual Shareholders.

In addition, Shareholders that are subject to United Kingdom corporation tax will be taxable according to the rules of Part 5 of the Corporation Tax Act 2009. Therefore, any income distributions of the Fund will be taxed as interest and such Shareholders will also be taxed on any increase (or obtain relief for any loss) on the market value of their interest at the end of each accounting period and at the date of disposal of their Shares as a loan relationship credit or debit. Accordingly, a corporate Shareholder may, depending on its own circumstances, be taxed in relation to returns on the Shares in accordance with fair value accounting, including incurring a charge to United Kingdom corporation tax on an unrealised increase in the value of its holding of Shares (and, likewise, obtain relief against United Kingdom corporation tax for an unrealised reduction in the value of its holding of Shares).

Individual Shareholders resident in the United Kingdom for United Kingdom taxation purposes will be liable to income tax in respect of distributions paid or treated as paid by the Fund, whether or not such distributions are reinvested in further Shares of the Fund, in accordance with their personal circumstances. Where the Shares are certified as a reporting fund, this may result in tax being payable on amounts which are treated as distributed for United Kingdom taxation purposes but are not in fact distributed by the Fund. The tax treatment set out below is given on the basis that the Shares are held as an investment and not as trading stock. If a Shareholder holds Shares as trading stock they may not be taxed according to these principles.

#### *Reporting fund status*

Whether or not to seek the "reporting fund" status will be decided by the Directors on a Class by Class basis. The Directors intend to comply with the requirements of the reporting fund regime, for all the Classes where such status has been obtained in the United Kingdom. There can, however, be no guarantee that the status will continue to be available for future periods of account of the Fund.

Should the Directors decide to withdraw from the reporting fund regime they will be required to notify all Shareholders in the relevant share classes prior to that withdrawal coming into effect. In

such an event, it may be possible for Shareholders resident in the United Kingdom for United Kingdom taxation purposes to make an election for a deemed disposal and reacquisition of their Shares, in order to benefit from the capital gains treatment afforded by reporting fund status up to the date that the Fund leaves the regime.

#### *Reporting fund status and the taxation of gains on disposal*

Provided that the Fund has been certified as a reporting fund throughout the Shareholder's period of investment, and provided the Shares are not held as trading stock, the gain on disposal (by sale, transfer or redemption) of Shares by Shareholders resident in the United Kingdom for United Kingdom taxation purposes should be subject to capital gains tax in the case of an individual Shareholder, or United Kingdom corporation tax on chargeable gains in the case of a corporate Shareholder. Individuals may have their gains reduced by annual exemptions, whereas companies subject to United Kingdom corporation tax may have their gains reduced by indexation allowance. Where the Fund is at any time more than 60% invested in interest earning assets, Shareholders that are subject to United Kingdom corporation tax will be taxed in relation to returns on the Shares in accordance with fair value accounting without regard to the reporting fund status of the Fund.

#### *Reporting fund status and the taxation of income*

For such time as the Fund remains certified as a reporting fund, it will be required to calculate on an annual basis its income (excluding capital gains) as set out in the Regulations and to the extent that the income has not been distributed to Shareholders, "report" that income to Shareholders on the register on the last day of the period who are resident in the United Kingdom for United Kingdom taxation purposes. Income reported to Shareholders in this way will be treated for United Kingdom taxation purposes as though it were in fact distributed and will be subject to income tax as income arising on the "fund distribution date". For this purpose, the fund distribution date will be 6 months from the period end.

Relief will be available for these reported but undistributed amounts when the Shareholder ultimately calculates their capital gain on disposal of Shares.

#### *Non-domiciled individual Shareholders*

Shareholders who are resident, but not domiciled in the United Kingdom for United Kingdom taxation purposes, may claim the remittance basis of taxation. If no claim for the remittance basis to apply is made by the individual Shareholder, this will result in such individuals becoming subject to United Kingdom tax on their worldwide income and gains.

Individuals who are resident but not domiciled in the United Kingdom should note that the appointment of a United Kingdom person as a nominee Shareholder may result in income or gains from the redemption of Shares being remitted to the United Kingdom.

Legislation is to be introduced for April 2017 onwards whereby subject to certain conditions being met, certain persons, who would otherwise not be considered domiciled in the United Kingdom, would be domiciled in the United Kingdom for the purposes of income and capital gains taxation. The deemed domicile provisions will only be applicable either to an individual born in the UK with a UK domicile of origin and whilst they are UK resident or to an individual who has been resident in the UK for at least 15 out of the previous 20 tax years.

The Directors make no guarantee that investing in the Fund or the future actions of the Fund will not lead to a remittance.

Shareholders who are not resident in the United Kingdom for taxation purposes should not generally be subject to United Kingdom taxation on any gain realised on any sale, redemption or other disposal of their Shares unless their holding of Shares is connected with a branch, agency or permanent establishment through which the relevant shareholder carries on a trade, profession or vocation in the United Kingdom.

However, a Shareholder who is an individual who has ceased to be resident in the United Kingdom for tax purposes for a period of less than five years of assessment and who disposes of Shares during that period may also be liable, on his return to the United Kingdom, to United Kingdom taxation on any chargeable gains (subject to any available exemption or relief that may be available).

#### *Other tax issues*

The attention of non-corporate Shareholders resident in the United Kingdom is drawn to the provisions of Sections 714 to 751 of the Income Taxes Act 2007. These provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad and may render them liable to taxation in respect of undistributed income and profits of the Fund.

The attention of United Kingdom resident corporate Shareholders is drawn to the provisions concerning 'Controlled Foreign Companies' in Part 9A of the UK Taxation (International and Other Provisions) Act 2010 ("TIOPA 2010") which may have the effect in certain circumstances of subjecting a company resident in the United Kingdom to United Kingdom corporation tax on the profits of a company resident outside the United Kingdom. If the Fund, resident outside the United Kingdom, is under the "control" of persons resident in the United Kingdom, the Fund may be a "controlled foreign company" for the purposes of Part 9A TIOPA 2010. It may also be a controlled foreign company where the Fund is at least 40% controlled by a United Kingdom resident person and at least 40% (but not more than 55%) controlled by a non-United Kingdom resident person.

If the Fund becomes a controlled foreign company then any United Kingdom resident company which, either alone or together with connected or associated persons, has an interest of 25% or more in the Fund may be assessed to corporation tax in respect of the "chargeable" profits of the Fund which are attributable to such Shareholder's interest in the Fund. The "chargeable profits" of the Fund do not include any of its capital gains. United Kingdom resident companies holding 25% or more of the Shares of the Fund (directly or indirectly) should take their own specific professional advice.

Shareholders who are resident in the United Kingdom for taxation purposes (and who, if individuals, are also domiciled in the United Kingdom for those purposes) should be aware of the provisions of Section 13 of the Taxation of Chargeable Gains Act 1992. Under these provisions, where a chargeable gain (or offshore income gain) accrues to a company that is not resident in the United Kingdom, but which would be a close company if it were resident in the United Kingdom, a person may be treated as though a proportional part of that chargeable gain (or offshore income gain), calculated by reference to their interest in the company, has accrued to them. No liability under Section 13 can be incurred by such a person (inclusive of their connected persons), however, where such proportion does not exceed 25% of the gain.

#### *Stamp Duty and Stamp Duty Reserve Tax*

No United Kingdom stamp duty, or stamp duty reserve tax, will be payable on the issue of the Shares. United Kingdom stamp duty at the rate of 0.5% of the value of the consideration for

the transfer of any Shares (rounded up where necessary to the nearest £5) is payable on any instrument of transfer of the Shares within, or in certain cases brought into, the United Kingdom.

Provided, as is the intention, that the Shares are not registered in any register of the Fund kept in the United Kingdom, any agreement to transfer the Shares will not be subject to stamp duty reserve tax.

#### *Automatic Exchange of Information (AEOI)*

The Foreign Account Tax Compliance Act (FATCA) is a financial account information sharing regime introduced by the US to ensure that US persons with financial assets outside the US are paying the correct amount of US tax. The effective date for introduction of FATCA was 1 July 2014.

The regime is to be administered by US financial institutions and foreign (non-US) financial institutions (“FFIs”) who will need to carry out a comprehensive review of their investors (“account holders”) to identify US investors and provide certain information on those investors annually to the IRS or the local country tax authorities. It is generally expected that fund entities, feeder funds and certain entities within the fund management company structures will be FFIs under the Investment Entity category.

The nature and scope of compliance relies upon inter-government agreements (IGAs) reached between US and non-US governments. Ireland (where the fund is resident) has such agreement which came into effect as of 21 December 2012.

The Common Reporting Standard (CRS) is an OECD led initiative to widen the scope of the international financial account information exchange and reporting regime.

The Fund and its manager retain responsibility for compliance across these two financial accounting information regimes and must ensure appropriate agreements and processes are in place to maintain compliance.

### **RISK FACTORS**

The nature of the Fund’s investments involves certain risks and the Fund utilises investment techniques (such as leverage, short selling and the use of FDI in each case in accordance with the UCITS Regulations) which may carry additional risks. An investment in Shares therefore carries substantial risk and is suitable only for persons which can assume the risk of losing their entire investment. Prospective investors should consider, among others, the following factors before subscribing for Shares:

#### Business Risk

There can be no assurance that the Fund will achieve its investment objective. The investment results of the Fund are reliant upon the success of the Investment Manager. Past performance may not necessarily be repeated and is no guarantee or projection of future results.

#### Concentration of Investments

Although it is the policy of the Fund to diversify its investment portfolio, the Fund may at certain times hold relatively few investments. The Fund therefore could be subject to significant losses if it holds a large position in a particular investment that declines in value. Additionally, historical correlations may undergo dramatic change, thereby reducing expected diversification protection.

#### Counterparty Risk

The Fund is subject to the risk of the inability of any counterparty, including counterparties to efficient portfolio transactions, to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

## Convertible Bond Transactions

Should the credit status of an issuer weaken, losses may result from decreases in the market conversion premium or a loss of liquidity with respect to the security. These losses may be limited by a short hedge on the underlying security, but may be substantial in relation to the Net Asset Value of the Fund. The Fund may also suffer losses if an issuer is acquired for cash or debt securities at a price that does not generate profits on the unhedged portion of a position sufficient to recover the premium paid to acquire the convertible security and any unpaid accrued interest that would be lost should conversion become necessary. Losses may result when securities are called for redemption at prices below the current market prices. Frequently, these losses will include interest accrued but not paid upon conversion of the called securities. In addition, losses may occur if the terms of the convertible bond do not allow for an adjustment in the conversion terms, or the Fund is forced to convert a security earlier than anticipated.

## Currency Exposure

The Shares are denominated in Sterling, US Dollar and Euro and will be issued and redeemed in those currencies. Certain of the assets of the Fund may, however, be invested in securities and other investments which are denominated in other currencies. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates. In addition, the Investment Manager will seek to hedge the foreign exchange exposure of the assets of the Fund attributable to currencies other than the base currency. Prospective investors whose assets and liabilities are predominantly in other currencies should take into account the potential risk of loss arising from fluctuations in value between Sterling, Euro or the US Dollar, as the case may be, and such other currencies.

## Debt Securities

The Fund may invest in both investment grade and below investment grade debt securities in the expectation that positive returns can be made. For investment grade securities this will normally be with an assumption that the issuer will be able to make payment of interest and/or principal which will be part of the returns together with any appreciation of the debt security. For sub-investment grade securities or debt securities that are distressed, payments of interest or of principal may or may not be assumed but there could be other opportunities to generate a positive return from an investment. Sub-investment grade debt securities are subject to a greater risk of loss of principal and interest than higher-rated debt securities. The Fund may invest in distressed debt securities which are subject to a significant risk of the issuer's inability to meet principal and interest payments on the obligations and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity risk. The Fund may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Fund may also invest in debt securities that are not protected by financial covenants or limitations on additional indebtedness and may invest in debt securities or obtain exposure to those debt securities by selling the securities short.

The issuers of debt securities may default on their obligations, whether due to insolvency, bankruptcy, fraud or other causes and their failure to make the scheduled payments could cause the Fund to suffer significant losses. The Fund will therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for debt securities may be inefficient and illiquid, making it difficult to accurately value financial instruments.

## High Yield Debt Instruments

Investment in corporate debt securities is subject to the risk of an issuer's inability to meet principal and interest payments on the obligation (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). Lower rated or unrated securities are more likely to react to developments affecting market and credit risk than are more highly rated securities, which react primarily to movements in the general level of interest rates. In purchasing such securities, the Fund will rely on the Investment Manager's analysis, judgment and experience in evaluating the creditworthiness of an issuer of such securities. The Investment Manager will consider, among other factors, the issuer's financial resources, its operating history, its sensitivity to economic conditions and trends, the quality of the issuer's management and regulatory matters.

The Fund may invest in below investment-grade fixed income instruments. These may be rated in the lowest rating categories by S&P or by Moody's or be unrated. Fixed income instruments rated in medium to low rating categories of internationally recognised rating services or unrated securities of comparable quality, commonly called junk bonds, are considered speculative and payments of principal and interest thereon may be questionable. In some cases, such securities may be highly speculative, may have poor prospects for reaching investment grade standing and may be in default. As a result, investment in such securities will entail greater speculative risks than those associated with investment in investment-grade bonds (i.e., bonds rated at least A1 or A2 by S&P, Prime 1 or Prime 2 by Moody's, or a similar rating by another internationally recognised rating service). The Fund may purchase corporate debt obligations of issuers not currently paying interest as well as issuers in default.

In the past, economic downturns or increases in interest rates have under certain circumstances caused a higher incidence of default by the issuers of the lower quality debt securities. To the extent that the issuer of any lower-quality debt security held by a Fund defaults, the Fund may incur additional expenses in order to enforce its rights under such security or to participate in a restructuring of the obligation. In addition, the prices of lower-quality debt securities generally tend to be more volatile and the market less liquid than is the case with investment grade securities. Adverse economic events can further exacerbate these tendencies. Consequently, a Fund may at times experience difficulty in liquidating its investments in such securities at the prices it desires. There also can be significant disparities in the prices quoted for lower-quality debt securities by various dealers which may make valuing such securities by the Funds more subjective.

### Depositary Risk

If the Fund invests in assets that are financial instrument that can be held in custody ("Custody Assets"), the Depositary is required to perform full safekeeping functions and will be liable for any loss of such assets held in custody unless it can prove that the loss 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. In the event of such a loss (and the absence of proof of the loss being caused by such an external event), the Depositary is required to return identical assets to those lost or a corresponding amount to the Fund without undue delay.

If the Fund invests in assets that are not financial instruments that can be held in custody ("Non-Custody Assets"), the Depositary is only required to verify the Fund's ownership of such assets and to maintain a record of those assets which the Depositary is satisfied that the Fund holds ownership of. In the event of any loss of such assets, the Depositary will only be liable to the extent the loss has occurred due to its negligent or intentional failure to properly fulfil its obligations pursuant to the Depositary Agreement.

As it is likely that the Fund may invest in both Custody Assets and Non-Custody Assets, it should be noted that the safekeeping functions of the Depositary in relation to the respective categories of assets and the corresponding standard of liability of the Depositary applicable to such functions differs significantly.

The Fund enjoys a strong level of protection in terms of Depositary liability for the safekeeping of Custody Assets. However, the level of protection for Non-custody Assets, the greater the risk that any loss of such assets that may occur may not be recoverable. While it will be determined on a case-by-case basis whether a specific investment by the Fund is a Custody Asset or a Non-Custody Asset, generally it should be noted that derivatives traded by the Fund over-the-counter will be Non-Custody Assets. There may also be other asset types that the Fund invests in from time to time that would be treated similarly. Given the framework of Depositary liability under UCITS V, these Non-Custody Assets, from a safekeeping perspective, expose the Fund to a greater degree of risk than Custody Assets, such as publicly traded equities and bonds.

### FDIs Generally

The Fund may utilise both exchange-traded and OTC FDI, including, but not limited to, futures, forwards, swaps, options and contracts for differences for efficient portfolio management and investment purposes, as part of its investment policy. These instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Transactions in contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in Net Asset Value, incorrect collateral calls or delays in collateral recovery. The Fund may also sell covered and uncovered options on securities. To the extent that such options are uncovered, the Fund could incur an unlimited loss.

The Fund will employ a risk management process to enable it to monitor, manage and measure, on a continuous basis, the risk of all open FDI positions and their contribution to the overall risk profile of a Fund's portfolio. The Fund will, on request, provide supplemental 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 the investment.

### Risks Associated with FDIs

While the prudent use of FDIs can be beneficial, FDIs also involve risks different from, and in certain cases greater than, the risks presented by more traditional investments 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 price movements of the derivatives and price movements of related investment; (3) the fact that skills needed to use these instruments are different from those needed to select the Fund's securities; (4) the possible absence of a liquid market for any particular instrument at any particular time; (5) possible impediments to effective portfolio management or the ability to meet redemptions; and (6) possible losses arising from an unexpected application of law or regulation or arising as a result of the unenforceability of a contract. The Fund will not be leveraged in excess of 100 per cent of

its Net Asset Value. The use of leverage creates special risk and may significantly increase the Fund's investment risk.

The following provisions apply whenever the Fund proposes to engage in transactions in FDIs where the transactions are for the purposes of the efficient portfolio management of the Fund and, where the intention is disclosed in the Fund's investment policy, for investment purposes of the Fund.

The Fund may enter into transactions in OTC markets that expose it to the credit of its counterparty and its ability to satisfy the terms of such contracts. Where the Fund enters into FDI, it will be exposed to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, the Fund could experience delays in liquidating the position and may incur a significant loss. There is also a possibility that ongoing FDI transactions will be terminated unexpectedly as a result of events outside the control of the Fund, for instance, bankruptcy, supervening illegality, a substantial decline in the Net Asset Value or a change in the tax or accounting laws relative to those transactions at the time the agreement was originated. In accordance with standard industry practice, it is the Fund's policy to net exposures against its counterparties

The Fund may be invested in certain FDI instruments, which may involve the assumption of obligations as well as rights and assets. Assets deposited as margin with brokers may not be held in segregated accounts by the brokers and may therefore become available to the creditors of such brokers in the event of their insolvency or bankruptcy.

The Fund will enter into contracts for differences or "swap" transactions with a view to effecting synthetic short positions in certain securities, sectors or indices. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilising standardised swap documentation. As a result, the swap market has become liquid but there can be no assurance that a liquid secondary market will exist at any specified time for any particular swap. FDIs do not always perfectly or even highly correlate or track the value of the securities, rates or indices they are designed to track. Consequently, the Fund's use of FDI techniques may not always be an effective means of, and sometimes could be counter-productive to, achieving the Fund's investment objective. An adverse price movement in a FDI position may require cash payments of variation margin by the Fund that might in turn require, if there is insufficient cash available in the portfolio, the sale of the Fund's investments under disadvantageous conditions.

#### Forward Foreign Exchange Contracts

The Fund may enter into forward foreign exchange contracts. Forward foreign exchange contracts are not traded on exchanges. Rather, they are individually negotiated transactions which are effected through a trading system known as the interbank market which comprises a network of participants electronically linked. Transactions in forward foreign exchange contracts are not regulated by any regulatory authority nor are they guaranteed by an exchange or clearing house. The Fund is subject to the risk of the inability or refusal of its counterparties to perform with respect to such contracts.

#### Credit Default Swaps

The Fund may take positions in credit default swaps. A credit default swap is a type of credit FDI which allows one party (the "protection buyer") to transfer credit risk of a reference entity (the "reference entity") to one or more other parties (the "protection seller"). The protection buyer pays a periodic fee to the protection seller in return for protection against the occurrence of a number of events (each, a "credit event") experienced by the reference entity. Credit default swaps carry specific risks including high levels of gearing, the possibility that premiums are paid for credit

default swaps which expire worthless, wide bid/offer spreads and documentation risks. In addition, there can be no assurance that the counterparty to a credit default swap will be able to fulfil its obligations to the Fund if a credit event occurs in respect of the reference entity. Further, the counterparty to a credit default swap may seek to avoid payment following an alleged credit event by claiming that there is a lack of clarity in, or an alternative meaning of, language used in the contract, most notably the language specifying what would amount to a credit event.

### Collateral Management Risk

In seeking to reduce credit risk through the posting or receiving of collateral in OTC transactions, securities lending agreements and repurchase/reverse repurchase agreements, the management of the collateral posted/received will be subject to liquidity and counterparty risks associated with the relevant collateral instruments. Collateral is also subject to other types of risks as set out below:

Operational risks: including that the valuation of an underlying instrument which is posted is inaccurate due to inadequate or failed internal processes, people or systems which may cause the relevant Fund to have an incorrect level of margin posted or received.

Legal risks: including risks associated with contracts and changes of regulations in a relevant jurisdiction, etc. as well as the risk that collateral provided in cross-border transactions could be subject to conflicts of law preventing the Fund from recovering collateral posted or from enforcing its rights in relation to collateral to be received.

Custody risk: collateral received by the Funds on a title transfer basis will be safekept by the Depositary or by a third party depositary subject to prudential regulation and will be subject to custody risks associated with those entities. Collateral pledged by the Fund will continue to be safekept by the Depositary.

Reinvestment of Cash Collateral: cash collateral received that is reinvested may realize a loss, which would reduce the value of the collateral and result in the Fund being less protected if there is a counterparty default.

While commercially reasonable efforts are utilised to ensure that collateral management is effective, such risks cannot be eliminated.

### Repurchase/Reverse Repurchase Agreement Risk

Repurchase and reverse repurchase agreements are subject to counterparty risk. In the case of a repurchase agreement, the counterparty may fail to repurchase its securities which may cause the relevant Fund to suffer delays and incur costs in exercising its rights under the agreement. In addition, if the securities held by the Fund as collateral for the repurchase agreement go down in market value, this may cause a loss to the Fund.

In the case of a reverse repurchase agreement, the counterparty may fail to return the securities sold to the counterparty by the Fund which may cause the Fund to lose money if it is unable to recover the securities and the value of the collateral held (including if the value of the investments made with cash collateral is less than the value of the securities).

### Fund Cash Account Risk

Subscriptions monies received by the Fund in advance of the issue of Shares will be held in the Fund Cash Account in the name of the Fund and will be treated as an asset of the relevant Fund. Investors will be unsecured creditors of the Fund with respect to the amount subscribed and held by the Fund until such Shares are issued, and will not benefit from any appreciation in the NAV of the Fund or any other shareholder rights (including dividend entitlement) until such time as

Shares are issued. In the event of an insolvency of the relevant Fund, there is no guarantee that the Fund will have sufficient funds to pay unsecured creditors in full.

Payment by the Fund of redemption proceeds and dividends is subject to receipt by the Administrator of original subscription documents and compliance with all anti-money laundering procedures. Notwithstanding this, redeeming Shareholders will cease to be Shareholders, with regard to the redeemed Shares, and will be unsecured creditors of the Fund, from the relevant redemption date. Pending redemptions and distributions, including blocked redemptions or distributions, will, pending payment to the relevant Shareholder, be held in the Fund Cash Account in the name of the Fund. Redeeming Shareholders and Shareholders entitled to such distributions will be unsecured creditors of the Fund, and will not benefit from any appreciation in the NAV of the Fund or any other shareholder rights (including further dividend entitlement), with respect to the redemption or distribution amount held by the Fund. In the event of an insolvency of the Fund, there is no guarantee that the Fund will have sufficient funds to pay unsecured creditors in full. Redeeming Shareholders and Shareholders entitled to distributions should ensure that any outstanding documentation and information is provided to the Administrator promptly. Failure to do so is at such Shareholder's own risk.

### Emerging Markets

Where the Fund invests in or otherwise has exposure to companies incorporated in or whose principal operations are in emerging markets, additional risks may be encountered. These include:

**Accounting Risk:** there may be little financial or accounting information available with respect to issuers located in certain of such countries, and it may be difficult as a result to assess the value or prospects of an investment in such issuers.

**Currency Risk:** the currencies in which investments are denominated may be unstable, may be subject to significant depreciation and may not be freely convertible.

**Country Risk:** the value of the Fund's assets may be affected by political, legal, economic and fiscal uncertainties. Existing laws and regulations may not be consistently applied.

**Market Characteristics:** emerging markets are still in the early stages of their development, have less volume, are less liquid and experience greater volatility than more established markets and are not highly regulated. Settlement of transactions may be subject to delay and administrative uncertainties.

**Custody Risk:** depositaries are not able to offer the level of service and safe-keeping, settlement and administration of securities that is customary in more developed markets and there is a risk that the Fund will not be recognised as the owner of securities held on its behalf by a sub-custodian.

**Disclosure:** less complete and reliable fiscal and other information may be available to investors.

### Emerging Markets Risks – Russian Registration Risks

The Fund may invest a portion of its assets in securities of issuers located in Russia. In addition to the risks disclosed above, investments in securities of Russian issuers may involve a particularly high degree of risk and special considerations not typically associated with investing in more developed markets, many of which stem from Russia's continuing political and economic instability and the slow-paced development of its market economy. Investments in Russian securities should be considered highly speculative. Such risks and special considerations include: (a) delays in settling portfolio transactions and the risk of loss arising out of Russia's

system of share registration and custody; (b) pervasiveness of corruption, insider trading, and crime in the Russian economic system; (c) difficulties associated with obtaining accurate market valuations of many Russian securities, based partly on the limited amount of publicly available information; (d) the general financial condition of Russian companies, which may involve particularly large amounts of inter-company debt; (e) the risk that the Russian tax system will not be reformed to prevent inconsistent, retroactive and/or exorbitant taxation or, in the alternative, the risk that a reformed tax system may result in the inconsistent and unpredictable enforcement of the new tax laws, and (f) the risk that the government of Russia or other executive or legislative bodies may decide not to continue to support the economic reform programmes implemented since the dissolution of the Soviet Union.

A risk of particular note with respect to direct investment in Russian securities is the way in which ownership of shares of companies is normally recorded. Ownership of shares (except where shares are held through depositories) is defined according to entries in the company's share register and normally evidenced by "share extracts" from the register or, in certain limited circumstances, by formal share certificates. However, there is no central registration system for shareholders and these services are carried out by the companies themselves or by registrars located throughout Russia. The share registrars are controlled by the issuer of the securities, and investors are provided with few legal rights against such registrars. The law and practice relating to registration of shareholdings are not well developed in Russia and registration delays and failures to register shares can occur, which could expose the Fund to potential loss.

#### Common Reporting Standards Risk

Drawing extensively on the intergovernmental approach to implementing FATCA, the OECD developed the Common Reporting Standard ("CRS") to address the issue of offshore tax evasion on a global basis. Aimed at maximising efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with exchange partners on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information exchanges are expected to begin in 2017. Ireland has committed to implement the CRS. As a result, the Fund will be required to comply with the CRS due diligence and reporting requirements, as adopted by Ireland. Investors may be required to provide additional information to the Fund to enable the Fund to satisfy its obligations under the CRS. Failure to provide requested information may subject an investor to liability for any resulting penalties or other charges and/or mandatory termination of its interest in the Fund.

#### Cyber Crime and Security Breaches Risk

With the increasing use of the Internet and technology in connection with the operations of the Fund, the Fund is susceptible to greater operational and information security risks through breaches in cyber security. Cyber security breaches include, without limitation, infection by computer viruses and gaining unauthorised access to the systems of the Fund through "hacking" or other means for the purpose of misappropriating assets or sensitive information, corrupting data, or causing operations to be disrupted. Cyber security breaches may also occur in a manner that does not require gaining unauthorised access, such as denial-of-service attacks or situations where authorised individuals intentionally or unintentionally release confidential information stored on the systems of the Fund. A cyber security breach may cause disruptions and impact the business operations of the Fund, which could potentially result in financial losses, inability to determine a Fund's net asset value, violation of applicable law, regulatory penalties and/or fines, compliance and other costs. The Fund and its Shareholders could be negatively impacted as a result. In addition, because the Fund works closely with third-party service providers (e.g., depositories, transfer agent, administrator and distributor), indirect cyber security breaches at

such third-party service providers may subject the Fund and its Shareholders to the same risks associated with direct cyber security breaches. Further, indirect cyber security breaches at an issuer of securities in which a Fund invests may similarly negatively impact the Fund and its Shareholders. While the Fund has established risk management systems designed to reduce the risks associated with cyber security breaches, there can be no assurances that such measures will be successful. In addition to risks to the Fund and Funds, investors are advised to ensure communication methods with the Administrator and any financial advisors, including the Investment Manager and Distributor are secure so as to prevent fraudulent change of details or fraudulent redemption requests from being submitted through, for example, their email accounts.

## Brexit

The United Kingdom (“UK”) voted on 23 June 2016 to leave the EU. The process of withdrawal from the European Union (“EU”), set out in Article 50 of the Treaty on European Union (“TEU”), was triggered by the UK formally notifying the European Council of its intention to withdraw on 29 March 2017.

The TEU provides for a period of up to two years (from 29 March 2017) for negotiation and coming into force of a withdrawal agreement, at the end of which (whether or not agreement has been reached) the EU treaties cease to apply to the UK. The remaining EU Member States and the UK may extend this period by unanimous agreement. This negotiation period applies only to agreement on the arrangements for the UK’s withdrawal from the EU, although those arrangements should “*tak[e] into account the framework for [the U.K.’s] future relationship with the Union*”. However the agreement on the UK’s future relationship with the EU is separate and not subject to any formal time restriction.

During and possibly after the withdrawal negotiation period, there is likely to be considerable uncertainty as to the UK’s post-withdrawal framework, and in particular as to the arrangements which will apply to its relationships with the EU and with other countries.

The impact of this unique process is difficult to predict at this stage as it will depend on a range of factors, including on how and to what timescale the negotiations develop. The process itself and/or the uncertainty associated with it may, at any stage, adversely affect the return on the Fund and its investments. There may be detrimental implications for the value of the Fund’s investments and/or its ability to implement its investment programme. This may be due to, among other things:

- increased uncertainty and volatility in UK, EU and other financial markets;
- fluctuations in asset values;
- fluctuations in exchange rates between sterling, the euro, the dollar and other currencies;
- increased illiquidity of investments located, listed or traded within the UK, the EU or elsewhere;
- changes in the willingness or ability of financial and other counterparties to enter into transactions, or the price at which and terms on which they are prepared to transact; and/or
- changes in legal and regulatory regimes to which the Fund, its Investment Manager and/or certain of the Fund’s assets are or become subject.

Once the arrangements which will apply to the UK’s relationships with the EU and other countries have been established, or if the UK ceases to be a member of the EU without having agreed such

arrangements or before such arrangements become effective, the Company, may need to be restructured, either to enable the Fund's objectives fully to be pursued or to enable the Investment Manager (or any of its affiliates or delegates) to fulfil most effectively its functions in relation to the Fund. This may increase costs or make it more difficult for the Fund to pursue its investment objective.

### Identification and Exploitation of Investment Strategies

The success of the Fund's investment activities depends on the Investment Manager's ability to identify undervalued convertible bonds and to exploit price discrepancies in the financial markets, as well as to assess the impact of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by the Fund involves a high degree of uncertainty.

The Fund may be adversely affected by unforeseen events involving such matters as changes in interest rates or the credit status of an issuer or counterparty, forced redemptions of securities or acquisition proposals, break-ups of planned mergers, unexpected changes in relative values, volatility levels or liquidity conditions or changes in tax treatment.

### Illiquidity

It is not anticipated that there will be an active secondary market for the Shares and it is not expected that such a market will develop. In some circumstances, investments may be illiquid making it difficult to acquire or dispose of them at the prices quoted on the various exchanges or available from other sources. In addition, there may be times when it is not possible to obtain quotes at all. Accordingly, the Fund's ability to respond to market movements may be impaired and the Fund may experience adverse price movements upon liquidation of its investments. Settlement of transactions may be subject to delay and administrative uncertainties. The Fund may be adversely affected by a decrease in market liquidity for the instruments in which it invests which may impair the Fund's ability to adjust its positions. The size of the Fund's positions may magnify the effect of a decrease in market liquidity for such instruments. Changes in overall market leverage, de-leveraging as a consequence of a decision by the other counterparties with which the Fund enters into derivative transactions, to reduce the level of leverage available, or the liquidation by other market participants of the same or similar positions, may also adversely affect the Fund's portfolio.

### Investment Management Risk

The investment performance of the Fund is substantially dependent on the services of Messrs Mathews, Herrmann, Warren, Sansome, Persaud and O'Byrne who are primarily responsible for managing the investment of the assets of the Fund. In the event of the death, incapacity, departure, insolvency or withdrawal of any of these individuals, the performance of the Fund may be adversely affected.

### Legal Risks

The Fund may make investments based on, or enter into contracts described by, significant legal documents. Such documents may include (but not limited to) prospectuses and other offering documents as well as OTC FDI contracts, including contracts for differences and credit default swaps. Whilst the Fund generally seeks advice on material matters, there can be no guarantee that any advice given will be accurate, that a contract will be validly executed by the relevant counterparty or that a contract will ultimately prove to be enforceable against the relevant counterparty. Furthermore, the expected outcome of these contracts or investments may not be realised in practice. If these contracts or investments do not produce the expected result, the Fund could suffer significant losses.

### Net Asset Value Considerations

The Net Asset Value per Share is expected to fluctuate over time with the performance of the Fund's investments. A Shareholder may not fully recover his initial investment when he chooses to redeem his Shares or upon compulsory redemption if the Net Asset Value per Share at the time of such redemption is less than the Subscription Price paid by such Shareholder (plus any Equalisation Credit).

### Price Fluctuations

It should be remembered that the value of Shares and the income (if any) derived from them can go down as well as up.

### Profit Sharing

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

### Short Selling

The Fund may enter into certain FDI transactions, the economic effect of which is the same as a short sale. Accordingly, as well as holding assets that may rise or fall with market values, the Fund may also hold assets or positions that will rise as the market value falls and fall as the market value rises. Since there is theoretically no limit to the market price of the short selling security positions, there is a risk of unlimited loss.

### Tax Considerations

Where the Fund invests in securities that are not subject to withholding tax at the time of acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Fund will not be able to recover such withheld tax and so any such change would have an adverse effect on the Net Asset Value of the Shares.

### Undervalued Securities

One of the key objectives of the Fund is to identify and invest in undervalued securities ("misvalued securities"). The identification of investment opportunities in misvalued securities is a difficult task, and there can be no assurance that such opportunities will be successfully recognised. While purchases of undervalued securities offer opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Fund's investments may not adequately compensate for the business and financial risks assumed.

The Fund may make certain speculative investments in securities which the Investment Manager believes to be misvalued; however, there can be no assurance that the securities purchased will in fact be misvalued. In addition, the Fund may be required to maintain positions in such securities for a substantial period of time before realising their anticipated value. During this period, a portion of the Fund's capital may be committed to the securities, thus possibly preventing the Fund from investing in other opportunities. In addition, the Fund may finance any

such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

### Dodd-Frank Wall Street Reform and Consumer Protection Act

With the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank”) in the United States, there will be extensive rulemaking and regulatory changes that will affect private fund managers, the funds that they manage and the financial industry as a whole. Under the Dodd-Frank, the US Securities and Exchange Commission (“SEC”) has mandated new reporting requirements and is expected to mandate new recordkeeping requirements for investment advisers, which are expected to add costs to the legal, operations and compliance obligations of the Investment Manager and the Fund and increase the amount of time that the Investment Manager spends on non-investment related activities. Until the SEC implements all of the new requirements of the Dodd-Frank, it is unknown how burdensome such requirements will be. The Dodd-Frank will affect a broad range of market participants with whom the Fund interacts or may interact, including commercial banks, investment banks, other non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies and broker-dealers. Regulatory changes that will affect other market participants are likely to change the way in which the Investment Manager conducts business with its counterparties. It may take several years to understand the impact of the Dodd-Frank on the financial industry as a whole, and therefore, such continued uncertainty may make markets more volatile, and it may be more difficult for the Investment Manager to execute the investment strategy of the Fund.

### FATCA

The Fund will be required to comply 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 Fund to U.S. withholding taxes on certain U.S.-sourced income (effective 1 January 2019). Pursuant to an intergovernmental agreement between the United States and Ireland, the Fund may be deemed compliant, and therefore not subject to the withholding tax, if it identifies and reports U.S. Taxpayer information directly to the Irish government. Shareholders may be requested to provide additional information to the Fund to enable the Fund to satisfy these obligations. Failure to provide requested information or (if applicable) satisfy its own FATCA obligations may subject a Shareholder to liability for any resulting U.S. withholding taxes, U.S. tax information reporting and/or mandatory redemption, transfer or other termination of the Shareholder’s interest in its Shares. Detailed guidance as to the mechanics and scope of this new reporting and withholding regime is continuing to develop. There can be no assurance as to the timing or impact of any such guidance on future operations of the Fund. The administrative cost of compliance with FATCA may cause the operating expenses of the Fund to increase, thereby reducing returns to investors. See also “U.S. Federal Income Tax Considerations”.

### Volatility

There are a large number of risks inherent in trading of the nature contemplated by the Fund. Price movements are volatile and are affected by a wide variety of factors, including changing supply and demand relationships, credit spread fluctuations, interest rate and exchange rate fluctuations, international events and government policies and actions with respect to economic, exchange control, trade, monetary, military and other issues. Since the Fund holds primarily long convertibles positions, any fall in volatility may negatively affect the Net Asset Value of the Fund.

### Commodity Pool Operator – “De Minimis Exemption”

While the Fund may trade commodity interests (which include swaps and security futures products), the Investment Manager is exempt from registration with the CFTC as a CPO pursuant

to CFTC Rule 4.13(a)(3). Therefore, unlike a registered CPO, the Investment Manager is not required to deliver a CFTC disclosure document to prospective Shareholders, nor is it required to provide Shareholders with certified annual reports that satisfy the requirements of CFTC rules applicable to registered CPOs.

The potential consequence of this exemption, the so-called “de minimis exemption”, includes a limitation on the Fund’s exposure to the commodity markets. CFTC Rule 4.13(a)(3) requires that a pool for which such exemption is filed must meet one or the other of the following tests with respect to its commodity interest positions, including positions in security futures products, whether entered into for bona fide hedging purposes or otherwise: (a) the aggregate initial margin, premiums, and required minimum security deposit for retail forex transactions, will not exceed 5 per cent of the liquidation value of the pool’s portfolio, after taking into account unrealized profits and unrealized losses on any such positions it has entered into; or (b) the aggregate net notional value of such positions does not exceed 100 per cent of the liquidation value of the pool’s portfolio, after taking into account unrealized profits and unrealized losses on any such positions it has entered into.

### **CONFLICTS OF INTEREST**

The Directors, the Investment Manager, the Depositary and the Administrator and/or their respective affiliates, members or any person connected with them may from time to time act as investment manager, manager, depositary, registrar, broker, administrator, investment advisor, distributor or dealer in relation to, or be otherwise involved in, other investment funds which have similar or different objectives to those of the Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Fund. Each will, at all times, have regard in such event to its obligations to the Fund, as the case may be, and will endeavour to ensure that such conflicts are resolved fairly. In addition, subject to applicable law, any of the foregoing may deal, as principal or agent, with the Fund, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm’s length basis and are in the best interests of shareholders. Any of the Directors, the Investment Manager, the Depositary and the Administrator and/or their respective members, directors or employees may deal with the Fund as principal or as agent, provided that:-

- (G) there is obtained a certified valuation of the transaction by a person approved by the Depositary (or the Directors in the case of a transaction with the Depositary) as independent and competent; or
- (H) the transaction is executed on best terms on an organised investment exchange in accordance with the rules of such exchange; or
- (I) where (A) and (B) are not practical, execution is on terms which the Depositary (or the Directors in the case of a transaction with the Depositary) is satisfied conforms with the principle that the transaction is in the best interest of the Shareholders and is carried out as if effected on normal commercial terms negotiated at arm’s length.

The Investment Manager or any of its affiliates or any person connected with them may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by the Fund. Neither the Investment Manager nor any of its affiliates nor any person connected with them is under any obligation to offer investment opportunities of which any of them becomes aware to the Fund or to account to the Fund in respect of (or share with the Fund or inform the Fund of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Fund and other clients.

From time to time, conflicts may arise between the Depositary and its delegates, for example where an appointed delegate is an affiliated group company which receives remuneration for another depositary service it provides to the Fund. In the event of any potential conflicts of interest which may arise during the normal course of business, the Depositary will have regard to the applicable laws.

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

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

### **USE OF DEALING COMMISSIONS**

The Investment Manager may effect transactions or arrange for the effecting of transactions through brokers with whom it has arrangements whereby the broker agrees to use a proportion of the commission earned on such transactions to discharge the broker's own costs or the costs of third parties in providing certain services to the Investment Manager. The services which can be paid for under such arrangements are those permitted under the rules of the FCA, namely those that relate to the execution of transactions on behalf of customers or the provision of investment research to the Investment Manager. The benefits provided under such arrangements will assist the Investment Manager in the provision of investment management services to the Fund and to other third parties while providing "best execution". Specifically, the Investment Manager may agree that a broker shall be paid a commission in excess of the amount another broker would have charged for effecting such transaction so long as, in the good faith judgement of the Investment Manager, the amount of the commission is reasonable in relation to the value of the brokerage and other services provided or paid for by such broker. Such services, which may take the form of research, analysis and advisory services, including (depending on the precise nature of the services) market price services, electronic trade confirmation systems or third party electronic dealing or quotation systems, may be used by the Investment Manager in connection with transactions in which the Fund will not participate.

### **GENERAL INFORMATION**

#### **1. Incorporation, Registered Office and Share Capital**

- (A) The Fund was incorporated in Ireland on 27 November 2007 as an investment company with variable capital with limited liability under registration number 449784.
- (B) The registered office of the Fund is as stated in the "Directory" section of the Prospectus.
- (C) Clause 3 of the Constitution provides that the Fund's sole object is the collective investment in either or both transferable securities and other liquid financial assets referred to in the UCITS Regulations of capital raised from the public and the Fund operates on the principle of risk spreading.
- (D) The authorised share capital of the Fund is 500,000,000,000 Shares of no par value and €300,002 divided into 300,002 redeemable non-participating shares of €1.00 each. Non-participating shares do not entitle the holders thereof to any dividend and on a winding up entitle the holders thereof to receive the amount paid up thereon but do not otherwise entitle them to participate in the assets of the Fund. The Directors have the power to allot Shares in the capital of the Fund on such terms and in such manner as they may think fit. There are two non-participating shares currently in issue which were taken by the subscribers to the

Fund and are held by the Investment Manager and nominees of the Investment Manager.

## **2. Variation of Share Rights and Pre-Emption Rights**

- (A) The rights attaching to the Shares issued in any Class may, whether or not the Fund is being wound up, be varied or abrogated with the consent in writing of the Shareholders of three-quarters of the issued Shares of that Class, or with the sanction of an ordinary resolution passed at a general meeting of the Shareholders of that Class.
- (B) A resolution in writing signed by all the Shareholders and holders of non-participating shares for the time being entitled to attend and vote on such resolution at a general meeting of the Fund shall be as valid and effective for all purposes as if the resolution had been passed at a general meeting of the Fund duly convened and held and if described as a special resolution shall be deemed to be a special resolution.
- (C) The rights attaching to the Shares shall not be deemed to be varied by the creation, allotment or issue of any further Shares ranking *pari passu* with Shares already in issue.
- (D) There are no rights of pre-emption upon the issue of Shares in the Fund.

## **3. Voting Rights**

The following rules relating to voting rights apply:

- (A) Fractions of Voting Shares do not carry voting rights.
- (B) Every holder of Voting Shares or holder of non-participating Voting Shares present in person or by proxy who votes on a show of hands shall be entitled to one vote.
- (C) The chairman of a general meeting of a Class of Voting Shares or any holder of Voting Shares of a Class present in person or by proxy at a meeting of a Voting Share Class may demand a poll. The chairman of a general meeting of the Fund or at least two members present in person or by proxy or any holder of Voting Shares or holders of Voting Shares present in person or by proxy representing at least one tenth of the Voting Shares in issue having the right to vote at such meeting may demand a poll.
- (D) On a poll every holder of Voting Shares present in person or by proxy shall be entitled to one vote in respect of each Voting Share held by him and every holder of non-participating Voting Shares shall be entitled to one vote in respect of all non-participating Voting Shares held by him. A holder of Voting Shares entitled to more than one vote need not cast all his votes or cast all the votes he uses in the same way.
- (E) In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.
- (F) Any person (whether a holder of Voting Shares or not) may be appointed to act as a proxy; a holder of Voting Shares may appoint more than one proxy to attend on the same occasion.

- (G) Any instrument appointing a proxy must be deposited at the registered office, not less than 48 hours before the meeting or at such other place and by such time as is specified in the notice convening the meeting. The Directors may at the expense of the Fund send by post or otherwise to the holders of Voting Shares instruments of proxy (with or without prepaid postage for their return) and may either leave blank the appointment of the proxy or nominate one or more of the Directors or any other person to act as proxy.
- (H) To be passed, ordinary resolutions of the Fund or of the holders of Voting Shares of a particular Class will require a simple majority of the votes cast by the holders of Voting Shares voting in person or by proxy at the meeting at which the resolution is proposed. Special resolutions of the Fund or of the holders of Voting Shares of a particular Class will require a majority of not less than 75 per cent of the holders of Voting Shares present in person or by proxy and voting in general meeting in order to pass a special resolution including a resolution to amend the Constitution.
- (I) the Directors may establish a class or classes of participating shares of a Fund the holders of which Shares shall be entitled to receive notice of, attend, speak at but not vote on any resolution proposed thereat. In applying for participating shares in such a class, an applicant shall acknowledge that he is investing in a Share class which does not carry rights to vote at general meetings of the Fund.

#### **4. Rights of Management Shares and Class B Shares**

Management Shares and Class B Shares rank *pari passu* with the Class A Shares, Class C Shares, Class D Shares and Class E Shares in all respects save that no Investment Management Fees or Performance Fees will be payable by the Fund to the Investment Manager in respect of the assets attributable to the Management Shares and Class B Shares. Management Shares may only be issued by the Fund to (i) the Investment Manager or any of its members or employees, (ii) any person connected with any such person (including, without limitation, a trustee of a trust established by or for such a person), (iii) any company, partnership or other person or entity controlled by or which is the controller of any such persons, (iv) any nominee of any of the foregoing, (v) any Shareholder who enters into an agreement with the Investment Manager whereby the Shareholder has appointed the Investment Manager to carry out investment management or advisory services on its behalf or, (vi) any other person as the Directors may from time to time determine. Class B Shares may only be issued to the Salar Fund Limited and other investment funds and vehicles managed or advised by the Investment Manager or its associates. The Directors shall determine, in their sole discretion, a person's eligibility to subscribe for Management Shares and Class B Shares.

#### **5. Rights of Non-Voting Shares**

The holders of Shares which are designated as Non-Voting Shares shall be entitled to receive notice of, attend and speak at all general meetings of the Fund but not to vote on any resolution proposed thereat. In applying for Non-Voting Shares, prospective investors shall acknowledge that they are investing in a Share Class which does not carry rights to vote at general meetings of the Fund.

The holders of shares of the Class A1 US\$ Non-Voting Shares may exchange their entire holding for Class A1 USD Shares (Accumulation) without incurring any preliminary, redemption or exchanging fee in accordance with the requirements relating to exchanging between classes.

#### **6. Meetings**

The Directors may convene extraordinary general meetings of the Fund at any time.

Not less than 21 calendar days' notice of every annual general meeting and any meeting convened for the passing of a special resolution must be given to holders of Voting Shares and 14 calendar days' notice must be given in the case of any other general meeting.

Two Members present either in person or by proxy shall be a quorum for a general meeting provided that the quorum for a general meeting convened to consider any alteration to the Class rights of Voting Shares shall be two holders of Voting Shares holding or representing by proxy at least one third of the issued Voting Shares of the relevant Class. If within half an hour after the time appointed for a meeting a quorum is not present the meeting, if convened on the requisition of or by holders of Voting Shares, shall be dissolved. In any other case it shall stand adjourned to the same time, day and place in the next week or to such other day and at such other time and place as the Directors may determine and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the Members present shall be a quorum and in the case of a meeting of a Class convened to consider the variation of rights of Shareholders in such Class the quorum shall be one holder of Voting Shares holding Voting Shares of the Class in question or his proxy. All general meetings will be held in Ireland.

The foregoing provisions with respect to the convening and conduct of meetings shall save as otherwise specified with respect to meetings of Classes and, subject to the Companies Acts 1963-2013, have effect with respect to separate meetings of each Class at which a resolution varying the rights of Shareholders in such Class is tabled.

## **7. Reports and Accounts**

The financial year of each of the Fund will end on 31 December in each year.

An annual report and audited financial statements for the Fund in respect of each financial year prepared in accordance with IFRS will be sent to Shareholders as soon as practicable and in any event within four months of the end of the Fund's financial year.

The Fund will prepare and circulate to Shareholders within two months of the end of the relevant period a half-yearly report which will include unaudited accounts for the Fund.

Audited annual financial statements and half yearly reports of the Fund incorporating unaudited accounts may be obtained, together with the Constitution of the Fund, at the offices of the Administrator and at the registered office of the Fund.

## **8. Remuneration Policy**

The Fund has approved a remuneration policy (the "Remuneration Policy"), which applies to remuneration of any type paid by the Fund including in certain circumstances and to certain persons prescribed by the Regulations. Through the implementation of the Remuneration Policy, the Fund will ensure good corporate governance and promote sound and effective risk management. Specifically, it will ensure that risk taking which would be considered inconsistent with the risk profile of the Fund, the Constitution and this Prospectus is not encouraged.

The Fund will ensure that related decisions are consistent with the overall business strategy, objectives, values and interests of the Fund and to try to avoid any conflicts of interest which may arise. While the total annual remuneration of each member of identified staff as set out in the Remuneration Policy, may contain both a fixed remuneration (i.e. in the form of a directorships fee or salary) and a performance related component, the Fund does not currently pay any performance-related remuneration.

The Fund will be held ultimately responsible for the implementation of the Remuneration Policy and will ensure that the remuneration policy is reviewed annually. The Remuneration Policy is available at [www.feroxcapital.com](http://www.feroxcapital.com) and a paper copy will be provided free of charge upon request.

## 9. Directors

The following is a summary of the principal provisions in the Constitution relating to the Directors:

- (A) Unless otherwise determined by an ordinary resolution of the Fund in a general meeting, the number of Directors shall not be less than two nor more than nine.
- (B) A Director need not be a Shareholder.
- (C) The Constitution contain no provisions requiring Directors to retire on attaining a particular age or to retire on rotation.
- (D) A Director may vote and be counted in the quorum at a meeting to consider the appointment or the fixing or variation of the terms of appointment of any Director to any office or employment with the Fund or any Fund in which the Fund is interested, but a Director may not vote or be counted in the quorum on a resolution concerning his own appointment.
- (E) The Directors of the Fund for the time being are entitled to such remuneration as may be determined by the Directors and disclosed in the Prospectus under "Directors' Fees" under "Fees and Expenses" and may be reimbursed all reasonable travel, hotel and other expenses incurred in connection with the business of the Fund or the discharge of their duties and may be entitled to additional remuneration if called upon to perform any special or extra services to or at the request of the Fund.
- (F) A Director may hold any other office or place of profit under the Fund, other than the office of Auditor, in conjunction with his office of Director on such terms as to tenure of office or otherwise as the Directors may determine.
- (G) No Director shall be disqualified by his office from contracting with the Fund as vendor, purchaser or otherwise, nor shall any contract or arrangement entered into by or on behalf of the Fund in which any Director is in any way interested be liable to be avoided, nor shall any Director who is so interested be liable to account to the Fund 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, but the nature of his interest must be declared by him at the meeting of the Directors at which the proposal to enter into the contract or agreement is first considered or, if the Director in question was not at the date of that meeting interested in the proposed contract or arrangement, at the next Directors' meeting held after he becomes so interested. A general notice in writing given to the Directors by any Director to the effect that he is a member of any specified Fund or firm and is to be regarded as interested in any contract or arrangement which may thereafter be made with that Fund or firm is deemed to be a sufficient declaration of interest in relation to any contract or arrangement so made.
- (H) A Director may not vote in respect of any contract or arrangement or any proposal whatsoever in which he has any material interest or a duty which conflicts with the interests of the Fund and shall not be counted in the quorum at a meeting in relation to any resolution upon which he is debarred from voting unless the Directors resolve otherwise. However, a Director may vote and be counted in quorum in respect of any proposal concerning any other fund in which he is interested directly or indirectly, whether as an officer or shareholder or otherwise, provided that he is not the holder of 5 per cent or more of the issued shares of any class of such fund or of the voting rights available to members of such fund. A Director may also vote and be counted in the quorum in respect of any proposal

concerning an offer of Shares in which he is interested as a participant in an underwriting or sub-underwriting arrangement and may also vote in respect of the giving of any security, guarantee or indemnity in respect of money lent by the Director to the Fund or in respect of the giving of any security, guarantee or indemnity to a third party in respect of a debt obligation of the Fund for which the Director has assumed responsibility in whole or in respect of the purchase of directors' and officers' liability insurance.

- (l) The office of a Director shall be vacated in any of the following events namely:-
1. if he resigns his office by notice in writing signed by him and left at the registered office of the Fund;
  2. if he becomes bankrupt or makes any arrangement or composition with his creditors generally;
  3. if he becomes of unsound mind;
  4. if he is absent from meetings of the Directors for six successive months without leave expressed by a resolution of the Directors and the Directors resolve that his office be vacated;
  5. if he ceases to be a Director by virtue of, or becomes prohibited or restricted from being a Director by reason of, an order made under the provisions of any law or enactment;
  6. if he is requested by a majority of the other Directors (not being less than two in number) to vacate office; or
  7. if he is removed from office by ordinary resolution of the Fund.

## **10. Directors' Interests**

The interests of the Directors and their interests in companies associated with the management, administration, promotion and marketing of the Fund and the Shares are set out below:

- (A) Nicholas Curtis is a non-executive director of Ferox Capital Management Limited, the managing member of the Investment Manager.
- (B) There are no existing or proposed service agreements between the Fund and any of the Directors.
- (C) The Directors or companies of which they are officers or employees, including the Investment Manager, may subscribe for Shares in the Fund. Their applications for Shares will rank *pari passu* with all other applications. As at the date of this Prospectus, save as described herein, none of the Directors, nor any connected person has or intends to have an interest (direct or indirect) in the Shares of the Fund.
- (D) Save as disclosed herein, no Director has any interest, direct or indirect, in the promotion of or in any assets which are proposed to be acquired, disposed of by or leased to the Fund and no Director has a material interest in any contract or arrangement entered into by the Fund which is unusual in nature or conditions or significant in relation to the business of the Fund, nor has any Director had such an interest since the Fund was incorporated.

- (E) No Director has: (i) any unspent convictions in relation to indictable offences; or (ii) been bankrupt or the subject of an involuntary arrangement, or has had a receiver appointed to any asset of such Director; or (iii) been a director of any Fund which, while he was a director with an executive function or within twelve months after he ceased to be a director with an executive function, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or Fund voluntary arrangements, or made any composition or arrangements with its creditors generally or with any class of its creditors; or (iv) been a partner of any partnership, which while he was a partner or within twelve months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; (v) had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or (vi) been disqualified by a court from acting as a director or from acting in the management or conduct of affairs of any Fund.

## 11. Winding Up

- (A) The Fund may be wound up if:
1. At any time after the first anniversary of the incorporation of the Fund, the Net Asset Value of the Fund falls below €10 million on each Dealing Day for a period of six consecutive weeks and the Shareholders resolve by ordinary resolution to wind up the Fund;
  2. Within a period of three months from the date on which (a) the Depositary notifies the Fund of its desire to retire in accordance with the terms of the Depositary Agreement and has not withdrawn notice of its intention to so retire, (b) the appointment of the Depositary is terminated by the Fund in accordance with the terms of the Depositary Agreement, or (c) the Depositary ceases to be approved by the Central Bank to act as a Depositary; no new Depositary has been appointed, the Directors shall instruct the Secretary to forthwith convene an extraordinary general meeting of the Fund at which there shall be proposed an ordinary resolution to wind up the Fund;
  3. The Shareholders resolve by ordinary resolution that the Fund by reason of its liabilities cannot continue its business and that it be wound up;
  4. The Shareholders resolve by special resolution to wind up the Fund.
- (B) In the event of a winding up, the liquidator shall apply the assets of the Fund in such manner and order as he thinks fit in satisfaction of creditors' claims.
- (C) The liquidator shall in relation to the assets available for distribution among Shareholders make such transfers thereof to and from the Classes as may be necessary in order that the effective burden of creditors' claims may be shared between the Shareholders of different Classes in such proportions as the liquidator in his discretion deems equitable.
- (D) The assets available for distribution among the Shareholders shall be applied in the following priority:
1. firstly, in the payment to the Shareholders of each Class of a sum in the base currency (or in any other currency selected and at such rate of exchange as determined by the liquidator) as nearly as possible equal to

the Net Asset Value of the Shares of the relevant Class held by such Shareholders respectively as at the date of commencement of winding up;

2. secondly, in the payment to the Shareholders of each Class of any balance then remaining in the Fund, in proportion to the number of Shares held in the relevant Class; and
  3. thirdly, any balance then remaining and not attributable to any Class shall be apportioned between the Classes pro-rata to the Net Asset Value of the Fund or attributable to each Class immediately prior to any distribution to Shareholders and the amounts so apportioned shall be paid to Shareholders pro-rata to the number of Shares in the Class held by them.
- (E) The liquidator may, with the authority of an ordinary resolution of the Fund, divide among the Shareholders (pro rata to the value of their respective shareholdings in the Fund) in specie the whole or any part of the assets of the Fund and whether or not the assets shall consist of property of a single kind provided that any Shareholder shall be entitled to request the sale of any asset or assets proposed to be so distributed and the distribution to such Shareholder of the cash proceeds of such sale. The costs of any such sale shall be borne by the relevant Shareholder. The liquidator may, with like authority, vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator shall think fit and the liquidation of the Fund may be closed and the Fund dissolved, provided that no Shareholder shall be compelled to accept any asset in respect of which there is any liability. Further the liquidator may with like authority transfer the whole or part of the assets of the Fund to a Fund or collective investment scheme (the "Transferee Fund") on terms that Shareholders in the Fund shall receive from the Transferee Fund shares or units in the Transferee Fund of equivalent value to their shareholdings in the Fund.
- (F) Notwithstanding any other provision contained in the Constitution, should the Directors at any time and in their absolute discretion resolve that it would be in the best interests of the Shareholders to wind up the Fund, the Secretary shall forthwith at the Directors' request convene an extraordinary general meeting of the Fund at which there shall be presented a proposal to appoint a liquidator to wind up the Fund and if so appointed, the liquidator shall distribute the assets of the Fund in accordance with the Constitution.

## **12. Indemnities and Insurance**

The Directors (including alternates), Secretary and other officers of the Fund and its former directors and officers shall be indemnified by the Fund against losses and expenses to which any such person may become liable by reason of any contract entered into or any act or thing done by him as such officer in the discharge of his duties (other than in the case of fraud, negligence or wilful default). The Fund acting through the Directors is empowered under the Constitution to purchase and maintain for the benefit of persons who are or were at any time Directors or officers of the Fund insurance against any liability incurred by such persons in respect of any act or omission in the execution of their duties or exercise of their powers.

The Investment Manager shall be indemnified with Professional Indemnity insurance. This is also known as Error and Omissions insurance. Provides cover on a civil liability basis for the Investment Manager and their directors, partners and employees for claims arising from professional services provided to or on behalf of the Fund.

### 13. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Fund and are, or may be, material:

- (A) An Investment Management Agreement dated 1 June 2010 between (1) the Investment Manager and (2) the Fund whereby the Investment Manager has been appointed the responsibility for managing the investments of the Fund. The Investment Management Agreement will continue in force until terminated by either party on 90 calendar days' notice in writing to the other party. It may be terminated forthwith by either party on immediate written notice if the other party commits any material breach of its obligations and fails to remedy the breach within 30 calendar days of receipt of written notice requiring the same, or if the other party is dissolved or otherwise enters into insolvency proceedings. The Investment Manager will not be liable for any loss suffered by the Fund in connection with the performance or non-performance of its obligations and duties under the Investment Management Agreement in the absence of fraud, wilful default or negligence on the part of the Investment Manager. The Investment Manager has agreed to indemnify the Fund against all liabilities incurred by it arising out of fraud, wilful default or negligence on the part of the Investment Manager in the performance or non-performance of its obligations and duties.
- (B) A Distribution Agreement dated 1 June 2010 between (1) the Fund and (2) the Investment Manager whereby the Fund appointed the Investment Manager as a non-exclusive distribution agent to solicit subscriptions for Shares and with the power to appoint sales agents. The Distribution Agreement contains provisions indemnifying and exempting the Investment Manager from liability not due to its own fraud, wilful default or negligence. It may be terminated by 60 calendar days' notice in writing given by the Fund to the Investment Manager or vice versa, forthwith by either party on written notice if the other party commits any material breach of its obligations and duties and fails to remedy the breach within 30 calendar days of receipt of notice requiring the same, and automatically if either party goes into liquidation or otherwise enters into insolvency proceedings.
- (C) An Administration Agreement dated 31 August 2016 between (1) the Fund and (2) the Administrator whereby the Administrator was appointed to act as administrator, registrar and transfer agent of the Fund and to perform certain administrative services (including Fund secretarial services) for the Fund. The Administration Agreement, will continue in force until terminated by any party on not less than 90 calendar days' notice in writing to the other parties (or earlier if the parties agree) and may be terminated forthwith by any party by notice in writing to the other parties if any party shall (i) commit any material breach of the Administration Agreement, or commit persistent breaches of the Administration Agreement, which is or are either incapable of remedy or have not been remedied within 30 calendar days of the service of a notice requiring it or them to be remedied; (ii) be unable to pay its debts as they fall due or otherwise become insolvent or enter into any composition or arrangement with or for the benefit of its creditors or any class thereof; (iii) be the subject of any petition for the appointment of an examiner, administrator, trustee, official assignee or similar officer to it or in respect of its affairs or assets; (iv) have a receiver appointed over all or any substantial part of its undertaking, assets or revenues; (v) be the subject of an effective resolution for its winding up except in relation to a voluntary winding up for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the other parties; or (vi) be the subject of a court order for its winding up or liquidation. The Administration Agreement, provides that the Administrator shall not be liable

to the Fund for any acts or omissions in the course of or in connection its services in the absence of fraud, negligence or wilful default. In addition, the Fund have agreed to indemnify the Administrator from and against any loss in the performance of its services in the absence of fraud, negligence or wilful default.

- (D) A Depositary Agreement dated 31 August 2016 between (1) the Fund and (2) the Depositary whereby the Fund appointed the Depositary as depositary to the Fund.
- (i) The Depositary Agreement may be terminated by either party on not less than 90 days' written notice. In addition, the Depositary Agreement may be terminated immediately: (i) if either party commits any breach of the provisions of the Depositary Agreement and fails to remedy that breach (provided the breach is capable of being remedied) within 30 days of receipt of notice service by the other party requiring it to do so; or (ii) in the event of a winding up (except for voluntary liquidation for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the non-defaulting parties) of or the appointment of an examiner or receiver to the other or upon the happening of a like event whether at the discretion of an appropriate regulatory agency or court of competent jurisdiction or otherwise; or (iii) if the Depositary ceases to be permitted to act as a Depositary under Irish law or (iv) if a resolution or order is passed to wind up the other party, an examiner is appointed or a receiver is appointed over all or any of the assets of the other party, or the Depositary is otherwise no longer permitted to perform its obligations under the Depositary Agreement.
  - (ii) The Depositary may not retire or be removed from office until a new depositary approved by the Central Bank is appointed as a replacement. If no depositary has been appointed within a period of three months from the date on which the Depositary notifies the Fund of its intention to retire or from the date on which the Fund notifies the Depositary of its desire to terminate its appointment, then (a) a general meeting will be convened at which an ordinary resolution, or such a resolution passed by such majority as specified in the Instrument, to wind up or otherwise dissolve the Fund is proposed; and (b) the appointment of the Depositary may be terminated only upon the revocation of the Fund's authorisation by the Central Bank.
  - (iii) The Depositary is liable for any loss suffered by the Fund in respect of the Shareholders as a result of the Depositary's negligent or intentional failure to properly fulfil its obligations under the Regulations. In the event of the loss of a financial instrument held in custody, the Depositary must return a financial instrument of identical type or the corresponding amount to the Fund. Notwithstanding the foregoing, in the case of such a loss, the Depositary will not be liable if it can prove that such loss has arisen as result of an external event beyond the reasonable control of the Depositary, the consequences of which are unavoidable despite all reasonable efforts to the contrary.
  - (iv) The Depositary Agreement contains an indemnity in favour of the Depositary, or its agents or affiliates, against any and all losses of any kind or nature arising directly or indirectly out of the matters more particularly described in the Depositary Agreement (e.g. any custody risk or segregation risk identified by the Depositary, the execution or failure to execute authorised instructions, actions, proceedings and claims which may be brought against the Depositary and any delay or misdelivery or error in transmitting authorised instructions where the Depositary has acted

in good faith) save for the Depository's unjustifiable failure to perform its obligations or its improper performance of them.

#### **14. General**

- (A) No share or loan capital of the Fund is subject to an option or is agreed, conditionally or unconditionally, to be made the subject of an option.
- (B) The Fund does not intend to purchase or acquire nor agree to purchase or acquire any real property.
- (C) The rights conferred on Shareholders by virtue of their shareholdings are governed by the Constitution, the general law of Ireland, the UCITS Regulations, the Central Bank UCITS Regulations and the Companies Act 2014.
- (D) The Fund is not engaged in any litigation or arbitration and no litigation or claim is known by the Directors to be pending or threatened against the Fund.
- (E) The Fund has no subsidiaries and no employees.
- (F) Dividends which remain unclaimed for six years from the date on which they become payable will be forfeited. On forfeiture such dividends will become part of the assets of the Fund. No dividend or other amount payable to any Shareholder shall bear interest against the Fund.
- (G) No person has any preferential right to subscribe for any authorised but unissued capital of the Fund.

#### **15. Supply and Inspection of Documents**

The following documents may be provided in a durable medium (which shall include in writing and/or by electronic mail) or in an electronic format on a website designated by the Fund for this purpose ([www.feroxcapital.com](http://www.feroxcapital.com) or such other website as may be notified to Shareholders in advance from time to time). A hard copy of such documents shall be provided to Shareholders on request, free of charge.

- (a) this Prospectus;
- (b) once published, the latest annual and semi-annual reports of the Fund; and
- (c) the Key Investor Information Document(s).

In addition, copies of the following documents may be obtained free of charge from the registered office of the Fund in Ireland during normal business hours, on any Business Day:

- (a) the Constitution; and
- (b) once published, the latest annual and semi-annual reports of the Fund.

An up-to-date version of the KIID shall be made available for access in an electronic format on a website designated by the Fund for this purpose. In the event the Fund proposes to register the Fund for public offering in other Member States, it shall make the following additional documentation available on such website:

- (a) this Prospectus;
- (b) once published, the latest annual and semi-annual reports of the Fund; and

(c) the Constitution.

The Fund may provide certain additional reports (including in relation to certain performance measures, risk measures or general portfolio information) and/or accounting materials to any current or prospective Shareholders upon request, and, if deemed necessary by the Fund, upon the execution of a confidentiality agreement and/or non-use agreement.

**APPENDIX 1**  
**DEFINITION OF U.S. PERSON AND U.S. REPORTABLE PERSON**

**U.S. PERSON**

A “U.S. Person” for the purposes of this Prospectus is a person who is in either of the following two categories: (a) a person included in the definition of “U.S. person” under Rule 902 Regulation S under the 1933 Act or (b) a person excluded from the definition of a “Non-United States person” as used in CFTC Rule 4.7. 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 definition of “U.S. person” in Rule 902 and qualifies as a “Non-United States person” under CFTC Rule 4.7.

Regulation S currently provides that:

“**U.S. Person**” means:

- (a) any natural person resident in the U.S.;
- (b) any partnership or corporation organised or incorporated under the laws of the U.S.;
- (c) any estate of which any executor or administrator is a U.S. Person;
- (d) any trust of which any trustee is a U.S. Person;
- (e) any agency or branch of a non-U.S. entity located in the U.S.;
- (f) any non-discretionary or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person;
- (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or (if an individual) resident in the U.S.; and
- (h) any partnership or corporation if
  - (i) organised or incorporated under the laws of any non-U.S. jurisdiction; and
  - (ii) formed by a U.S. Person principally for the purpose of investing in securities not registered under the 1933 Act, unless it is organised or incorporated, and owned, by accredited investors (as defined under Rule 501(a) under the 1933 Act) who are not natural persons, estates or trusts.
- (i) i. “U.S. Person” does not include:
  - (i) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. Person by a dealer or other professional fiduciary organised, incorporated, or, if an individual, resident in the U.S.;
  - (ii) any estate of which any professional fiduciary acting as executor or administrator is a U.S. Person if (i) an executor or administrator of the estate who is not a U.S. Person has sole or shared investment discretion with respect to the assets of the estate and (ii) the estate is governed by non-U.S. law;

- (iii) any trust of which any professional fiduciary acting as trustee is a U.S. Person if a trustee who is not a U.S. Person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. Person;
- (iv) an employee benefit plan established and administered in accordance with the law of a country other than the U.S. and customary practices and documentation of such country;
- (v) any agency or branch of a U.S. Person located outside the U.S. if
  - (i) the agency or branch operates for valid business reasons and
  - (ii) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located;
- (vi) the International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations and their agencies, affiliates and pension plans and any other similar international organisations, their agencies, affiliates and pension plans; and
- (vii) any entity excluded or exempted from the definition of "U.S. Person" in reliance on or with reference to interpretations or positions of the SEC or its staff.

CFTC Rule 4.7 currently provides in relevant part that the following persons are considered "Non-United States persons":

- (a) a natural person who is not a resident of the United States or an enclave of the U.S. government, its agencies or instrumentalities;
- (b) a partnership, corporation or other entity, other than an entity organised principally for passive investment, organised under the laws of a non-U.S. jurisdiction and which has its principal place of business in a non-U.S. jurisdiction;
- (c) an estate or trust, the income of which is not subject to U.S. income tax regardless of source;
- (d) an entity organised principally for passive investment such as a pool, investment company or other similar entity, provided, that units of participation in the entity held by persons who do not qualify as Non-United States persons or otherwise as qualified eligible persons (as defined in CFTC Rule 4.7(a)(2) or (3)) represent in the aggregate less than ten per cent. of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by persons who do not qualify as Non-United States persons in a pool with respect to which the operator is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being Non-United States persons; and
- (e) a pension plan for the employees, officers or principals of an entity organised and with its principal place of business outside the United States.

## **Definition of the Term “Resident” For Purposes of Regulation S**

For purposes of the definition of “U.S. Person” in (1) above with respect to natural persons, a natural person shall be resident in the U.S. if such person (i) holds an Alien Registration Card (a “green card”) issued by the U.S. Immigration and Naturalization Service or (ii) meets a “substantial presence test.” The “substantial presence” test is generally met with respect to any current calendar year if (i) the individual was present in the U.S. on at least 31 days during such year and (ii) the sum of the number of days on which such individual was present in the U.S. during the current year, 1/3 of the number of such days during the first preceding year, and 1/6 of the number of such days during the second preceding year, equals or exceeds 180 days.

## **U.S. TAXPAYER**

“U.S. Taxpayer” means:

- (a) a U.S. citizen or resident alien of the United States (as defined for U.S. federal income tax purposes);
- (b) any entity treated as a partnership or corporation for U.S. federal tax purposes that is created or organized in, or under the laws of, the United States or any state thereof (including the District of Columbia);
- (c) any other partnership that is treated as a U.S. Person under U.S. Treasury Department regulations;
- (d) any estate, the income of which is subject to U.S. income taxation regardless of source; and
- (e) any trust over whose administration a court within the United States has primary supervision and all substantial decisions of which are under the control of one or more U.S. fiduciaries. Persons who have lost their U.S. citizenship and who live outside the U.S. may nonetheless, in some circumstances, be treated as U.S. Taxpayers.

An investor may be a U.S. Taxpayer for Federal income tax purposes but not a “U.S. Person” for purposes of investor qualification for a Fund. For example, an individual who is a U.S. citizen residing outside of the U.S. is not a “U.S. Person” but is a U.S. Taxpayer for Federal income tax purposes.

## **APPENDIX 2 INVESTMENT AND BORROWING POWERS**

### **1. PERMITTED INVESTMENTS**

Investments of the Fund are confined to:

- 1.1. 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.
- 1.2. Recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described above) within a year.
- 1.3. money market instruments other than those dealt on a regulated market.
- 1.4. Units of UCITS.
- 1.5. Units of AIFs
- 1.6. Deposits with credit institutions.
- 1.7. Financial Derivative Instruments.

### **2. INVESTMENT RESTRICTIONS**

- 2.1. The Fund may invest no more than 10 per cent of net assets in transferable securities and Money Market Instruments other than those referred to in paragraph 1.
- 2.2. The Fund may invest no more than 10 per cent 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:
  - (a) the securities are issued with an undertaking to register with the US Securities and Exchanges Commission within one year of issue; and
  - (b) the securities are not illiquid securities i.e. they may be realised by the Fund under normal market conditions within 7 calendar days at the price, or approximately at the price, at which they are valued by the Fund.
- 2.3. The Fund may invest no more than 10 per cent 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 per cent is less than 40 per cent.
- 2.4. Subject to the prior approval of the Central Bank the limit of 10 per cent (in 2.3) is raised to 25 per cent 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 the Fund invests more than 5 per cent of its net assets in these bonds issued by one issuer, the total value of these investments may not exceed 80 per cent of the net asset value of the Fund.
- 2.5. The limit of 10 per cent (in 2.3) is raised to 35 per cent if the transferable securities or money market instruments are issued or guaranteed by a Member State or its local

authorities or by a non-Member State or public international body of which one or more Member States are members.

2.6. The transferable securities and money market instruments referred to in 2.4. and 2.5 shall not be taken into account for the purpose of applying the limit of 40 per cent referred to in 2.3.

2.7. The Fund may not invest more than 20 per cent of net assets in deposits made with the same credit institution.

Deposits with any one credit institution, other than

- (a) a credit institution authorised in the EEA;
- (b) a credit institution authorised within a signatory state (other than an EEA State) to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, United States); or
- (c) a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand

held as ancillary liquidity, must not exceed 10 per cent of net assets.

This limit may be raised to 20 per cent in the case of deposits made with the Depository.

2.8. The risk exposure of the Fund to a counterparty to an OTC FDI may not exceed 5 per cent of net assets.

This limit is raised to 10 per cent in the case of credit institutions authorised in the EEA or credit institutions authorised within a signatory state (other than an EEA 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.

2.9. Notwithstanding paragraphs 2.3, 2.7 and 2.8 above, a combination of two or more of the following issued by, or made or undertaken with, the same body may not exceed 20 per cent of net assets:

- (a) investments in transferable securities or money market instruments;
- (b) deposits, and/or
- (c) counterparty risk exposures arising from OTC FDI transactions.

2.10. 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 per cent of net assets.

2.11. 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 per cent of net assets may be applied to investment in transferable securities and money market instruments within the same group.

2.12. The Fund may invest up to 100 per cent 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. (See Appendix 5)

The individual issuers must be listed in the Prospectus and may be drawn from the following list: OECD Governments (provided the relevant issues are investment grade), Government of Brazil (provided the issuers are of investment grade), Government of India (provided the issuers 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.

The Fund must hold securities from at least 6 different issues, with securities from any one issue not exceeding 30 per cent of net assets

### **3. INVESTMENT IN COLLECTIVE INVESTMENT SCHEMES (“CIS”)**

- 3.1. The Fund may not invest more than 10 per cent in aggregate in CIS.
- 3.2. Investment in non-UCITS may not, in aggregate, exceed 30 per cent of net assets.
- 3.3. The CIS in which the Fund invests must be prohibited from investing more than 10 per cent of net assets in other open-ended CIS.
- 3.4. When the Fund invests in the units of other CIS (a) that are managed directly or indirectly by the Investment Manager or the Fund or (b) managed by an affiliate, i.e. an entity (i) under common management, (ii) under common control or (iii) in which the Investment Manager or the Fund holds directly or indirectly more than 10 per cent of the capital or voting rights, that management company or other company may not charge subscription, conversion or redemption fees on account of the Fund's investment in the units of such other CIS and will charge a reduced management fee of 0.25 per cent at most.
- 3.5. When the Fund invests in the units of other CIS that are managed, directly or by delegation, by the UCITS or by any other company with which the UCITS is linked by common management or control, or by a substantial direct or indirect holding, that management company or other company may not charge subscription, conversion or redemption fees on account of the Fund's investment in the units of such other CIS.
- 3.6. Where by virtue of investment in the units of another investment fund, a responsible person, an investment manager or an investment advisor receives a commission on behalf of the Fund (including a rebated commission), the responsible person shall ensure that the relevant commission is paid into the property of the Fund.

### **4. INDEX TRACKING UCITS**

- 4.1. The Fund may invest up to 20 per cent of net assets in shares and/or debt securities issued by the same body where the investment policy of the Fund is to replicate an index which satisfies the criteria set out in the Central Bank UCITS Regulations and is recognised by the Central Bank.
- 4.2. The limit in 4.1 may be raised to 35 per cent, and applied to a single issuer, where this is justified by exceptional market conditions.

## 5. GENERAL PROVISIONS

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. A Fund may acquire no more than:

- (a) 10 per cent of the non-voting shares of any single issuing body;
- (b) 10 per cent of the debt securities of any single issuing body;
- (c) 25 per cent of the units of any single CIS;
- (d) 10 per cent of the Money Market Instruments of any single issuing body.

NOTE: The limits laid down in (B), (C) and (D) above may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the money market instruments, or the net amount of the securities in issue cannot be calculated.

5.3. 5.1 and 5.2 shall not be applicable to:

- (a) transferable securities and money market instruments issued or guaranteed by a Member State or its local authorities;
- (b) transferable securities and money market instruments issued or guaranteed by a non-Member State;
- (c) transferable securities and money market instruments issued by public international bodies of which one or more Member States are members;
- (d) shares held by the Fund in the capital of a company incorporated in a non-Member State which invests its assets mainly in the securities of issuing bodies having their registered offices in that Member State, where under the legislation of that Member State such a holding represents the only way in which the Fund can invest in the securities of issuing bodies of that State. This waiver is applicable only if in its investment policies the Fund 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.
- (e) 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.

5.4. The Fund need not comply with the investment restrictions herein when exercising subscription rights attaching to transferable securities or money market instruments which form part of its 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 the Fund, or as a result of the exercise of subscription rights, the Fund must adopt as a priority

objective for its sales transactions the remedying of that situation, taking due account of the interests of its Shareholders.

5.7. The Fund may carry out uncovered sales of:

- transferable securities;
- money market instruments\*;
- units of CIS; or
- financial derivative instruments.

5.8. The Fund may hold ancillary liquid assets.

## **6. FINANCIAL DERIVATIVE INSTRUMENTS ('FDIS')**

6.1. The global exposure (as prescribed in the UCITS Regulations) of the Fund 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 UCITS Rules. (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 UCITS Rules.)

6.3. The Fund may invest in FDIs dealt in OTC provided that the counterparties to OTC transactions are institutions subject to prudential supervision and belonging to categories approved by the Central Bank.

6.4. Investment in FDIs is subject to the conditions and limits laid down by the Central Bank.

## **7. RESTRICTIONS ON BORROWING AND LENDING**

7.1. The Fund may borrow in respect of any Fund up to 10 per cent of its Net Asset Value provided such borrowing is on a temporary basis. The Fund may charge its assets as security for such borrowings.

7.2. A Fund may acquire foreign currency by means of a "back to back" loan agreement. Foreign currency obtained in this manner is not classified as borrowing for the purposes of the borrowing restrictions set out at (a) above provided that the offsetting deposit:

- (a) is denominated in the base currency of the Fund; and
- (b) equals or exceeds the value of the foreign currency loan outstanding.

7.3. The Fund will adhere to any investment or borrowing restrictions and any criteria necessary to obtain and/or maintain any credit rating in respect of any Shares or Class in the Fund, subject to the UCITS Regulations.

7.4. It is intended that the Fund shall have the power (subject to the prior approval of the Central Bank) to avail itself of any change in the investment and borrowing restrictions laid down in the UCITS Regulations which would permit investment by the Fund in

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\* Any short selling of money market instruments by UCITS is prohibited

securities, derivative instruments or in any other forms of investment in which investment is at the date of this Prospectus restricted or prohibited under the UCITS Regulations including the provisions of the Eligible Assets Directive prior to their implementation into Irish law.

### APPENDIX 3 STOCK EXCHANGES AND REGULATED MARKETS

With the exception of permitted investment in unlisted securities, investment will be restricted to those stock exchanges and markets listed below in this Prospectus thereto or revision thereof each of which stock exchanges and markets is regulated, operates regularly, is recognised and is open to the public. These stock exchanges and markets are listed in accordance with the requirements of the Central Bank, it being noted that the Central Bank does not issue a list of approved markets and exchanges.

1. All stock exchanges of EEA, Australia, Canada, Hong Kong, Japan, New Zealand, Switzerland and the United States of America on which transferable securities admitted to official listing are dealt in or traded.

In addition, the following stock exchanges:

in Abu Dhabi in Argentina	the Abu Dhabi Securities Market the Buenos Aires Stock Exchange Mercado Abierto Electronico S.A.
in Brazil	the Rio de Janeiro Stock Exchange the Sao Paulo Stock Exchange
in Chile	the Santiago Stock Exchange the Bolsa Electronica de Chile
in China	the Shanghai Stock Exchange the Shenzhen Stock Exchange
in Colombia	the Bogota Stock Exchange
in Croatia in Dubai	the Zagreb Stock Exchange the Dubai International Financial Exchange Dubai Financial Market
in Egypt	the Cairo Stock Exchange the Alexandria Stock Exchange
in India	the National Stock Exchange the Bombay Stock Exchange the Delhi Stock Exchange the Madras Stock Exchange
in Indonesia	the Jakarta Stock Exchange
in Israel	the Tel Aviv Stock Exchange
in Korea	the Korea Stock Exchange KOSDAQ
in Malaysia	the Kuala Lumpur Stock Exchange

in Mexico	the Mexican Stock Exchange
in Peru	the Lima Stock Exchange
in Philippines	the Philippines Stock Exchange
in Russia	MICEX RTS1 RTS2
in Singapore	the Stock Exchange of Singapore Limited
in South Africa	the Johannesburg Stock Exchange
in Thailand	the Stock Exchange of Thailand the Bangkok Stock Exchange
in Taiwan	the Taiwan Stock Exchange
in Turkey	the Istanbul Stock Exchange
in Venezuela	the Caracas Stock Exchange

The following regulated markets:-

the markets organised by the International Securities Markets Association;

NASDAQ in the United States;

the market in US Government Securities conducted by primary and secondary dealers regulated by the Federal Reserve Bank of New York;

the over-the-counter market in the United States conducted by primary dealers regulated by the Securities and Exchanges Commission and the National Association of Securities Dealers; and

the market conducted by "listed money market institutions" as described in the Bank of England publication on "The Regulation of the Wholesale Cash and OTC Derivatives Markets in Sterling, Foreign Exchange and Bullion" dated April 1988 (as amended).

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;

the French market for "Titres de Creance Negotiable" (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;

The Second Marche of the stock exchange set up in France in accordance with the laws of France;

the market in the United Kingdom known previously as the “Grey Market” that is conducted through persons governed by Chapter 3 of the Financial Services Authority’s Market Conduct Sourcebook (inter-professional conduct);

Any approved derivative market within the European Economic Area which is not listed in paragraphs 1 or 2 above on which Financial Derivative Instruments are traded.

The above markets are set out in the Constitution and are listed in accordance with the requirements of the Central Bank, it being noted the Central Bank does not issue a list of approved markets or stock exchanges.

## **APPENDIX 4**

### **FINANCIAL DERIVATIVE INSTRUMENTS AND EFFICIENT PORTFOLIO MANAGEMENT**

#### **Financial Derivative Instruments**

The FDIs which the Investment Manager may use on behalf of the Fund and the expected effect of investment in such FDIs on the risk profile of the Fund are set out below. In addition, the attention of investors is drawn to the risks described under the headings “FDIs Generally”, “Risks Associated with Financial Derivative Instruments” “Credit Default Swaps”, “Forward Foreign Exchange Contracts” and “Currencies” in the “Risk Factors” section of the Prospectus.

Where considered appropriate, the Fund may invest in FDI and/or utilise techniques and instruments for investment purposes, for efficient portfolio management and/or to protect against foreign exchange risks, subject to the conditions and within the limits laid down by the Central Bank.

In general, these FDIs and techniques and instruments include, but are not limited to: currency forward exchange contracts, non-deliverable forward contracts and forward rate agreements, bond futures, interest rate futures, equity futures, equity index futures and bond index futures, OTC credit default swaps, total return swaps and interest rate swaps; and contracts for difference equity options, index options, bond options and currency options (listed and OTC), Swaptions and warranties. More specifically, the Fund may purchase warrants, options and swaps to gain exposure to listed securities, sectors or indices. The Fund may also make synthetic short positions through FDI for investment purposes. The Fund may use index futures to manage exposure to indices. The Fund may invest in foreign currency-denominated securities, it may also invest in currency exchange rate swap agreements. The Fund will typically use these instruments and/or techniques as set out under the heading “The Fund” in this Prospectus. The Fund will not be leveraged in excess of the Net Asset Value of the Fund.

#### **Efficient Portfolio Management**

The following techniques and instruments may be used in relation to the Fund for the purposes of hedging or risk reduction or management and/or performance enhancement such as reduction of cost and/or generation of additional capital or income. The Fund’s ability to use these techniques and instruments may be limited by market conditions, regulatory limits and tax considerations and these techniques and instruments may be used only in accordance with the investment objectives of the Fund. The attention of investors is drawn to the risks described under the headings “Risks Associated with Financial Derivative Instruments” and “Currencies” in the “Risk Factors” section of the Prospectus and the section “Conflicts of Interest”.

Direct and indirect operational costs and fees arising from the efficient portfolio management techniques of stock lending, repurchase and reverse repurchase arrangements may be deducted from the revenue delivered to the Fund (for example, as a result of revenue sharing arrangements). These costs and fees should not include hidden revenue. All the revenues arising from such efficient portfolio management techniques, net of direct and indirect operational costs, will be returned to the Fund. The entities to which direct and indirect costs and fees may be paid include banks, investment firms, broker-dealers, securities lending agents or other financial institutions or intermediaries and may be related parties to the Fund or the Depositary. The revenues arising from such efficient portfolio management techniques for the relevant reporting period, together with the direct and indirect operational costs and fees incurred and the identity of the counterparty(ies) to these efficient portfolio management techniques, will be disclosed in the annual and half-yearly reports of the Fund.

## **When Issued/Delayed Delivery Securities**

The Fund may purchase or sell securities on a when-issued or delayed-delivery basis for the purposes of efficient portfolio management. In this instance payment for and delivery of securities takes place in the future at a stated price in order to secure what is considered to be an advantageous price and yield to the Fund at the time of entering into the transaction. Securities are considered “delayed delivery” securities when traded in the secondary market, or “when-issued” securities if they are an initial issuance of securities. Delayed delivery securities (which will not be to accrue interest until the settlement date) and when-issued securities will be recorded as assets of the Fund and will be subject to risks of market value fluctuations. The purchase price of delayed delivery and when-issued securities will be recorded as a liability of the Fund until settlement date and when issued or delivered as the case may be such securities will be taken into account when calculating the limits set out in Appendix 2 under the heading Investment Restrictions.

## **Total Return Swaps**

If the Fund invests in total return swaps or other FDI with the same characteristics, the underlying asset or index will be comprised of equity or debt securities, money market instruments or other eligible investments which are consistent with the investment objective and policies of the Fund. The counterparties to such transactions are typically banks, investment firms, broker-dealers or other financial institutions or intermediaries that meet the requirements of the UCITS Rules. Details of any counterparties utilised for such transactions within an accounting period will be included in the annual report for the Fund.

The risk of the counterparty defaulting on its obligations under the total return swap and its effect on investor returns are described in the sections of this Prospectus entitled “Risk Factors” under the heading “Counterparty Risk”.

Counterparties to total return swaps entered into by the Fund will not assume any discretion over the composition or management of the Fund’s investment portfolio or over the underlying of the FDI. Furthermore, approval of the counterparty is not required in relation to any portfolio transactions by the Fund.

The Fund may utilise total return swaps in accordance with its investment policy. The Fund may invest in total return swaps up to 100% of its Net Asset Value with an expected range of usage in line with the percentage of long and short exposure of the Fund. The risk exposure of the Fund to a counterparty to an OTC FDI may not exceed 5 per cent of net assets.

## **Repurchase/Reverse Repurchase and Stocklending Agreements**

Subject to the conditions and limits set out in the UCITS Regulations, the Fund may use repurchase agreements, reverse repurchase agreements and/or stock lending agreements for efficient portfolio management, to generate additional income for the Fund. Repurchase agreements are transactions in which one party sells a security to the other party with a simultaneous agreement to repurchase the security at a fixed future date at a stipulated price reflecting a market rate of interest unrelated to the coupon rate of the securities. A reverse repurchase agreement is a transaction whereby the Fund purchases securities from a counterparty and simultaneously commits to resell the securities to the counterparty at an agreed upon date and price. A stocklending agreement is an agreement under which title to the “loaned” securities is transferred by a “lender” to a “borrower” with the borrower contracting to deliver “equivalent securities” to the lender at a later date.

The Fund may lend, for securities lending or sell, for repurchase agreement, any securities within a portfolio. In securities lending, the Fund will lend securities to broker-dealers and banks in

order to generate additional income for the Fund. Any such loan must be continuously secured by collateral in cash or cash equivalents maintained on a current basis in an amount at least equal to the market value of the securities loaned by the Fund.

The expected and maximum proportion of the Net Asset Value of the Fund which may be subject to repurchase/reverse repurchase agreements and/or securities lending, where applicable, will be 10% and 100% respectively.

## **Collateral**

Risk exposure to an OTC derivative counterparty may be reduced where the counterparty will provide the 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.

The categories of collateral which may be received by the Fund include cash and non-cash assets such as equities, debt securities and money market instruments.

Collateral received must at all times meet with the following criteria:

- (a) Liquidity: Collateral must be sufficiently liquid in order that it can be sold quickly at a robust price that is close to its pre-sale valuation;
- (b) Valuation: Collateral received should be valued on at least a daily basis and assets that exhibit high price volatility will not be accepted as collateral unless suitably conservative haircuts are in place;
- (c) Issuer credit quality: Collateral received should be of high quality and will be evaluated in accordance with the issuer credit assessment process requirements as set out in the Central Bank UCITS Regulations;
- (d) Correlation: Collateral received should be issued by an entity that is independent from the counterparty and is not expected on reasonable grounds to display a high correlation with the performance of the counterparty;
- (e) Diversification (asset concentration): Collateral should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure to a given issuer of 20% of the Net Asset Value of a Fund. When the Fund is exposed to different counterparties, the different baskets of collateral should be aggregated to calculate the 20% limit of exposure to a single issuer. The Fund may be fully collateralised using transferable securities and Money Market Instruments issued or guaranteed by any Member State, one or more of its local authorities, a third country or a public international body or which one or more Member States belongs provided the Fund should receive securities from at least 6 different issues and securities from any single issue shall not account for more than 30% of the Fund's net asset value.
- (f) 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.
- (g) Safekeeping: Collateral received on a title transfer basis should be held in custody by the Depositary. For other types of collateral arrangement, the collateral can be held by a third party depositary which is subject to

prudential supervision, and which is unrelated to the provider of the collateral. Assets pledged in such transactions by the Fund continue to be safekept by the Depositary.

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

Cash collateral may not be invested other than in the following:

- (a) deposits with relevant institutions;
- (b) high-quality government bonds;
- (c) reverse repurchase agreements provided the transactions are with 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;
- (d) short-term money market funds as defined in the ESMA Guidelines on a Common Definition of European Money Market Funds.

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. Exposure created through the re-investment of collateral must be taken into account in determining risk exposures to a counterparty. Re-investment of cash collateral in accordance with the provisions above may still present additional risk for the Fund.

Where the Fund receives collateral for at least 30% of its assets, 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 Fund to assess the liquidity risk attached to the collateral. The liquidity stress testing policy should at least prescribe the following:

- design of stress test scenario analysis including calibration, certification and sensitivity analysis;
- empirical approach to impact assessment, including back-testing of liquidity risk estimates;
- reporting frequency and limit/loss tolerance threshold/s; and
- mitigation actions to reduce loss including haircut policy and gap risk protection.

The Fund will have in place a clear haircut policy adapted for each class of assets received as collateral. When devising the haircut policy, the Fund should take into account the characteristics of the assets such as the credit standing or the price volatility, as well as the outcome of the stress tests performed in accordance with the above paragraph. This policy will be documented and will justify each decision to apply a specific haircut, or to refrain from applying any haircut, to a certain class of assets.

All counterparties to OTC FDI transactions, repurchase/reverse repurchase agreements or securities lending agreements will meet the requirements under the UCITS Rules as to legal status and origin.

Where a counterparty to a repurchase or a securities lending agreement, which has been entered into on behalf of the Fund:

- (a) was subject to a credit rating by an agency registered and supervised by ESMA, that rating shall be taken into account in the credit assessment process; and
- (b) where a counterparty is downgraded to A-2 or below (or comparable rating) by the credit rating agency referred to in subparagraph (a), this shall result in a new credit assessment being conducted by the Fund.

The Fund will ensure that it is able at any time to recall any security that has been lent out or terminate any securities lending agreement into which it has entered.

If the Fund enters into a reverse repurchase agreement, it will ensure that it is able at any time to recall the full amount of cash or to terminate the reverse repurchase agreement on either an accrued basis or a mark-to-market basis. When the cash is recallable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement will be used for the calculation of the net asset value of the Fund.

If the Fund enters into a repurchase agreement, it will ensure that it is able at any time to recall any securities subject to the repurchase agreement or to terminate the repurchase agreement into which it has entered.

Repurchase/reverse repurchase agreements or securities lending do not constitute borrowing or lending for the purposes of the UCITS Regulations.

### **Reference to Ratings**

The European Union (Alternative Investment Fund Managers) (Amendment) Regulations 2014 (S.I. No. 379 of 2014) (the "Amending Regulations") transpose the requirements of the Credit Ratings Agencies Directive (2013/14/EU) ("CRAD") into Irish Law. CRAD aims to restrict the reliance on ratings provided by credit rating agencies and to clarify the obligations for risk management. In accordance with the Amending Regulations and the CRAD, notwithstanding anything else in this Prospectus, the Investment Manager shall not solely or mechanistically rely on credit ratings in determining the credit quality of an issuer or counterparty.

**APPENDIX 5  
GOVERNMENT AND PUBLIC SECURITIES**

List of issuers of Government and public securities in which the Fund may invest up to 100 per cent of the net assets of the Fund. These are the only public bodies in which the Fund may invest more than 35 per cent of the assets of the Fund:

- 1. THE GOVERNMENT OF ANY OF THE FOLLOWING COUNTRIES OR TERRITORIES OUTSIDE IRELAND:**
  - 1.1. Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and the United Kingdom; or
  - 1.2. Australia, Canada, Japan, New Zealand, Switzerland and the United States of America.

**APPENDIX 6  
LIST OF SUB-CUSTODIANS**

<b>COUNTRY</b>	<b>SUB-CUSTODIAN</b>
Argentina	Euroclear Bank S.A., Brussels
Australia	BNP Paribas Securities Services Australia Branch, <b>Sydney</b>
Austria	BNP PARIBAS Securities Services, <b>Frankfurt</b>
Bahrain	HSBC Middle East, <b>Bahrain</b>
Belgium	BNP Paribas Securities Services, <b>Brussels</b> via BNP Paribas Securities Services, Paris
Benin	Standard Chartered Bank Côte d'Ivoire SA
Bosnia-Herzegovina	Unicredit Bank Austria AG, <b>Vienna</b>
Brazil	Banco BNP Paribas Brasil SA, Sao Paulo
Bulgaria	UniCredit Bulbank, <b>Sofia</b>
Burkina Fasso	Standard Chartered Bank Côte d'Ivoire SA
Canada	RBC Dexia, <b>Toronto</b>
Chile	Citbank NA, <b>Santiago</b>
China / Shanghai	Hong Kong and Shanghai Banking Corporation Ltd., <b>Shanghai</b>
China / Shenzen	Hong Kong and Shanghai Banking Corporation Ltd., <b>Shenzen</b>
Colombia	BNP Paribas Securities Services Sociedad Fiduciaria S.A., <b>Colombia</b>
Croatia	Unicredit Bank Austria AG, <b>Vienna</b>
Cyprus	BNP Paribas Securities Services, <b>Athens</b>
Czech Republic	Citibank Europe PLC, <b>Prague</b>
Denmark	Nordea Bank Denmark, <b>Copenhagen</b>
Egypt	Citibank, Cairo
Estonia	SEB Pank, <b>Tallinn</b>
Finland	Nordea Securities Services, <b>Helsinki</b>
France	BNP PARIBAS Securities Services, <b>Paris</b>
Germany	BNP PARIBAS Securities Services <b>Frankfurt</b>
Ghana	Standard Chartered Bank, <b>Ghana</b>
Guinea Bissau	Standard Chartered Bank Côte d'Ivoire SA
Greece	BNP Paribas Securities Services, <b>Athens</b>
Hong Kong	BNP Paribas securities services, <b>Hong Kong</b>
Hungary	BNP Paribas Securities Services Hungary, <b>Budapest</b>
Iceland	Islandsbanki, <b>Reykjavik</b>
India	BNP Paribas, <b>Mumbai</b>
Indonesia	Hong Kong and Shanghai Banking Corporation Ltd., <b>Jakarta</b>
Ireland	BNP Paribas Securities Services, <b>London</b> Crest eligible securities only - non Crest bonds will be held in Clearstream
Israel	Citibank N.A., Israel
Italy	BNP PARIBAS Securities Services, <b>Milan</b>
Ivory Coast	Standard Chartered Bank Côte d'Ivoire SA
Japan	Hong Kong and Shanghai Banking Corporation Ltd., <b>Tokyo</b>
Jordan	Standard Chartered Bank, <b>Jordan</b>
Kenya	Standard Chartered Bank, <b>Kenya</b>
Korea	Hong Kong and Shanghai Banking Corporation Ltd., <b>Seoul</b>
Kuwait	HSBC Middle East, <b>Kuwait</b>
Latvia	SEB Banka, <b>Kekavas nov</b>
Lebanon	HSBC Middle East, <b>Beirut</b>
Lithuania	SEB Bankas, <b>Vilnius</b>
Luxembourg	Clearstream, <b>Luxembourg</b>
Malaysia	HSBC Bank Malaysia Bhd., <b>Kuala Lumpur</b>
Malta	HSBC Bank Malta
Mali	Standard Chartered Bank Côte d'Ivoire SA
Mauritius	HSBC <b>Mauritius</b>
Mexico	Banco Nacional de Mexico (Banamex)
Morocco	Banque Marocaine pour le Commerce et l'Industrie, <b>Casablanca</b>

Netherlands	BNP PARIBAS Securities Services Amsterdam via BNP Paribas Securities Services <b>Paris</b>
New Zealand	BNP Paribas Securities Services Australia Branch, <b>Sydney</b>
Niger	Standard Chartered Bank Côte d'Ivoire SA
Nigeria	Stanbic IBTC Bank PLC, <b>Nigeria</b>
Norway	Nordea Bank, <b>Oslo</b>
OMAN	HSBC Middle East, <b>Muscat</b>
Pakistan	Citibank, Karachi
Peru	Citibank NA, <b>Lima</b>
Philippines	Hong Kong and Shanghai Banking Corporation Ltd., <b>Manila</b>
Poland	BNP PARIBAS Securities Services, <b>Warsaw</b>
Portugal	BNP Paribas Securities Services, Lisbon via BNP Paribas Securities Services, <b>Paris</b>
Qatar	HSBC Middle East, <b>Qatar</b>
Romania	Citibank Europe Plc, Dublin - <b>Romania Branch</b>
Russia	ZAO Citibank, <b>Moscow</b>
Saudi Arabia	HSBC Saudi Arabia
Senegal	Standard Chartered Bank Côte d'Ivoire SA
Singapore	BNP Paribas Securities Services, Singapore UOB Singapore (for Singapore Government Bonds only)
Slovakia	Citibank Slovakia, <b>Bratislava</b>
Slovenia	UniCredit Banka Slovenija d.d.
South Africa	Standard Corporate and Merchant Bank, <b>Johannesburg</b>
Spain	BNP Paribas Securities Services, <b>Madrid</b>
Sri Lanka	Hong Kong and Shanghai Banking Corporation Ltd, <b>Colombo</b>
Sweden	Skandinaviska Enskilda Banken AB, <b>Stockholm</b>
Switzerland	BNP Paribas Securities Services, <b>Zurich</b>
Taiwan	Hong Kong and Shanghai Banking Corporation Ltd., <b>Taipei</b>
Thailand	Hong Kong and Shanghai Banking Corporation Ltd., <b>Bangkok</b>
Togo	Standard Chartered Bank Côte d'Ivoire SA
Tunisia	Societe Generale Securities Services, Tunis
Turkey	TEB Securities Services Istanbul
UAE	HSBC Middle East, <b>Dubai</b>
Uganda	Standard Chartered Bank, <b>Uganda</b>
UK	BNP Paribas Securities Services, <b>London</b>
Ukraine	Unicredit Bank Asutria Ag, Vienna
Uruguay	Banco Itau Uruguay SA
U.S.A.	BNP Paribas New York Branch
Venezuela	CITIBANK NA, <b>Caracas</b>