

**Absolute Insight Funds p.l.c.**

**Supplement dated 30 April 2020 to the Prospectus  
for Absolute Insight Emerging Market Debt Fund**

This Supplement contains specific information in relation to the Absolute Insight Emerging Market Debt Fund (the **Fund**), a Fund of Absolute Insight Funds p.l.c. (the **Company**) an umbrella type open-ended investment company with variable capital and segregated liability between sub-funds authorised by the Central Bank as a UCITS pursuant to the Regulations.

**This Supplement forms part of and should be read in conjunction with the general description of the Company contained in the Prospectus dated 11 February 2019.**

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

**The Fund may invest principally in financial derivative instruments and the Fund's Net Asset Value may have a high volatility due to its investment policies. Investment in the Fund carries significant risk, should not constitute a substantial proportion of an investment portfolio and may not be suitable for all investors.**

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

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## Investment Objective and Policies

### Investment Objective

The investment objective of the Fund is to provide attractive, positive absolute returns in all market conditions.

### Investment Policy

The Fund aims to achieve its objective on a rolling 12 month basis through discretionary management and may employ a range of hedging techniques.

The overall policy consists of three distinct elements.

First, the Fund aims to produce investment returns through direct holdings of Debt and Debt-Related Securities relating primarily to emerging market countries, which display low volatility and low correlation to other markets.

Second, the Fund aims to augment these returns by generating long term capital growth, primarily from investing in fixed income, interest rate and exchange rate strategies (as more fully described below) across a range of primarily emerging market bond markets, by using a full range of financial derivative instruments (see **Use of Financial Derivative Instruments** below).

Whilst the primary focus is on emerging market countries and emerging market bond markets, the Fund may invest in Debt and Debt-Related Securities and strategies and use a full range of financial derivative instruments, as described in the paragraphs above, relating to non-emerging market countries and bond markets which, in the opinion of the Sub-Investment Manager, provide investment opportunities similar to those normally associated with emerging market countries, provided that, at the time of investment, such investment does not in aggregate exceed 10% of the net assets of the Fund. For the avoidance of doubt, all subsequent references to “emerging market” below shall be understood to include non-emerging market countries which, in the opinion of the Sub-Investment Manager, provide investment opportunities similar to those associated with emerging market countries.

Third, the Fund will maintain a portfolio of Liquid or Near Cash Assets. This asset class will be held both as an absolute return producing asset class in its own right, and also to provide liquidity and cover for exposures generated through the use of financial derivative instruments.

A key feature of the Fund is that it is an absolute return fund in that it seeks to provide positive absolute returns in all market conditions. In addition to maintaining a portfolio of Liquid or Near Cash Assets (as described above), the Sub-Investment Manager will seek to achieve this by a combination of:

- hedging out the market related interest rate and exchange rate risk that usually arises from direct holdings of emerging market debt securities, so that the Fund retains only the issuer specific credit exposure and/or,
- taking both “long” and “short” investment positions across a range of markets. A short position is created when the Fund sells an asset which it does not own, with the intention of buying it back in the future. If the shorted asset falls in price, then the value of the position increases, and vice-versa. A long position is created by purchasing an asset.

Although UCITS regulations prohibit the short selling of physical securities, they allow the creation of synthetic short positions (synthetic in this context meaning essentially achieving the same economic outcome without actually selling short) through the use of derivative instruments, such as currency options, options on emerging market bonds and credit default swaps. (The precise techniques are more fully described in **Use of Financial Derivative Instruments** below).

The Sub-Investment Manager will seek to generate investment gains in the following ways:

- Credit strategies. The primary goal of the Sub-Investment Manager is to generate investment gains by correctly anticipating changes in the creditworthiness of emerging market corporate and sovereign debt. Indeed the Sub-Investment Manager's emerging market debt investment process is specifically designed to highlight corporate and sovereign debt that is mis-priced relative to its creditworthiness. Positions may be taken in individual securities (often at the same time as hedging out interest rate and exchange rate risk). Alternatively the Sub-Investment Manager may engage in relative value strategies, where it seeks to generate gains by correctly anticipating the change in the creditworthiness of a particular emerging market debt security or securities, relative to another security or groups of securities.
- Currency strategies. The Sub-Investment Manager may, from time to time, also seek to generate gains by taking long and short positions in emerging market currencies that it views as being mis-priced. Alternatively the Sub-Investment Manager may express its views in relation to future volatility in the value of an interest rate or currency pair. If it believes that future volatility will be higher than anticipated by the market as a whole it will buy exposure to volatility by buying options. The Fund would profit from any future rise in the volatility of the interest rate or currency pair. If, on the other hand, the Sub-Investment Manager believes that future volatility will be lower than anticipated by the market as a whole it will sell exposure to volatility by selling options. The Fund would profit from any future fall in interest rate or currency volatility.

As stated above these strategies will be implemented both by direct investment in emerging market debt securities and also via the use of financial derivative instruments. An extensive range of financial derivative instruments will be used, including forward FX contracts (both for the purposes of hedging and implementing currency strategies), currency options, options on emerging market bonds, interest rate futures, options and swaps and credit default swaps. Use of these instruments and the implementation techniques employed are more fully described in **Use of Financial Derivative Instruments** below.

The Fund may fully invest in Debt and Debt-Related Securities (including, for these purposes, term and call deposits with a deposit taking institution), denominated in one of the G7 Currencies or in emerging market currencies, issued or guaranteed by any government, local government authority, supranational body or any other entity whether incorporated or unincorporated, which is based in a emerging market country or in circumstances where the debt issue concerned provides exposure to an emerging market country issuer.

The Fund will only be invested in emerging market Debt and Debt-Related Securities and derivative instruments, of the types outlined above, when investment opportunities are identified which, in the opinion of the Sub-Investment Manager, provide the Fund with the potential for significant, longer-term investment gains. Otherwise the Fund will remain invested in Liquid or Near Cash Assets.

The Debt and Debt-Related Securities in which the Fund may invest may be rated below investment grade (BBB) (or its equivalent) from a recognised rating agency such as Standard & Poor's or be deemed by the Sub-Investment Manager to be of equivalent quality; those issuers with a rating below BBB have a lower quality than those having a rating A or higher, and the investments in securities of these issuers present a high risk.

The Fund can also pursue its objectives and policies by taking positions in collective investment schemes, subject to a maximum of 10% of the net assets of the Fund. The Fund may invest in collective investment schemes which comply with the requirements of the Central Bank in relation to eligible schemes for investment by UCITS as set out in the Central Bank Rules (as may be amended from time to time). Such schemes may be constituted as UCITS or AIFs, unit trusts, investment companies or other permitted schemes, will be domiciled principally in the UK, Ireland, Luxembourg and the Channel Islands, although they may also be domiciled in other recognised fund jurisdictions and may be open-ended or closed-ended. Any investment in closed-ended funds will be confined to funds which are considered by the Sub-Investment Manager to be relatively liquid in nature whether by virtue of a listing on a Regulated Market or the existence of a secondary market in units for such funds and such an investment shall constitute an investment in a Transferable Security in accordance with the requirements of the Central Bank. The schemes in which the Fund invests may also be managed by the Investment Manager or the Sub-Investment Manager or by entities affiliated to them.

With the exception of permitted investment in unlisted securities and open-ended collective investment schemes, investments will be made on Regulated Markets listed in Appendix 2 to the Prospectus.

Any exposure to China may be obtained through direct access to the China Interbank Bond Market. For further details, see section entitled "Exposure to PRC and Risks" below.

The Fund may also enter into repurchase/reverse repurchase agreements and stocklending agreements (i.e. Securities Financing Transactions) for investment purposes subject to the conditions and limits set out in the Central Bank's Rules.

#### *Performance Benchmark*

The Fund will aim to outperform its Performance Benchmark (3 Month LIBID) over a rolling twelve month period after fees and will measure its performance against this.

The Fund seeks to generate returns of up to 3 month LIBID + 4% gross of fees over an annualised five year period, whilst being mindful of the Investment Objective.

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

The Fund may engage in transactions in derivative instruments whether transactions are for investment purposes or for the purposes of the efficient portfolio management of the Fund. The term "efficient portfolio management" refers to transactions that are entered into with the aim of reducing risk, reducing cost or generating additional capital for the Fund with an appropriate level of risk, taking into account the risk profile of the Fund as described in this Supplement and the general provisions of the Regulations. A list of the Regulated Markets on which the derivative instruments may be quoted or traded is set out in Appendix 2 of the Prospectus. The Fund may also engage in over the counter derivative transactions.

As noted above, the Fund may also enter into repurchase/reverse repurchase and stocklending agreements (i.e. Securities Financing Transactions) for investment purposes subject to the conditions and limits set out in the Central Bank's Rules.

Investors should be aware that when the Fund enters into repurchase/ reverse repurchase agreements or derivatives contracts (including those used for currency hedging as described in greater detail below), operational costs and/or fees shall be deducted from the revenue delivered to the Fund. Such fees and costs may include financing fees and in the case of derivatives which are listed on Regulated Markets, such fees and costs may include brokerage fees. One of the considerations taken into account by the Sub-Investment Manager when selecting brokers and counterparties to derivatives transactions on behalf of the Fund is that any such costs and/or fees which are deducted from the revenue delivered to the Fund shall be at normal commercial rates and shall not include any hidden revenue. Such direct or indirect costs and fees will be paid to the relevant broker or counterparty to the derivatives transaction, which, in the case of derivatives used for share class currency hedging purposes, may include the Depositary or entities related to the Depositary. When engaging in derivatives transactions, the brokers or counterparties to such transactions will be credit institutions described in paragraph 2.7 of the general investment restrictions set out in Appendix 1 of the Prospectus and which have a credit rating of at least A- (as rated by a recognised rating agency such as Standard and Poor's) or lower where the credit institution posts initial margin. Subject to compliance with those conditions, the Sub-Investment Manager has full discretion as to the appointment of counterparties when entering into derivatives in furtherance of the Fund's investment objective and policies. It is not possible to comprehensively list in this Supplement all the counterparties as they have not, as of the date of issue of this Supplement, been selected and they may change from time to time.

As outlined in this Supplement, the Fund may use certain derivative instruments to invest in financial indices which provide exposure to the asset classes listed in the investment policy. For further information in relation to same, please refer to the section of the Prospectus entitled "Investment in

Financial Indices through the use of Financial Derivative Instruments”.

All revenues arising from Securities Financing Transactions and any other efficient portfolio management techniques, net of direct and indirect operational costs and fees, will be returned to the Fund.

It is intended that the Fund will be managed to operate in normal circumstances with full flexibility from the perspective of long/short positions (that is, within an anticipated range of 100%, i.e. all of its assets, in long positions and 100%, i.e. all of its assets, in short positions). For the avoidance of doubt, the reference to 100% of assets being invested in long or short positions does not relate to global exposure levels in the Fund or the amount of leverage which can be taken by the Fund and investors should refer to the global exposure and leverage disclosures below for further information.

As a result of its use of financial derivative instruments, the Fund may leverage its positions to generate a notional exposure in excess of the Net Asset Value of the Fund. The Value-at-Risk (“VaR”) methodology is an advanced risk measurement methodology which attempts to predict, using historical data, the likely scale of losses that might be expected to occur over a given period of time. The Fund intends to apply a limit on the VaR of the Fund (Absolute VaR limit) which will not exceed 3% of the Net Asset Value of the Fund. The VaR for the Fund will be calculated daily using a one-tailed 99% confidence level, one week (5 days) holding period and calculated on an historic basis using at least 1 year of daily returns, which means that statistically there is a 1% chance that the losses actually incurred over any one week period could exceed 3% of the Fund’s Net Asset Value. This holding period and historical observation period may change provided always that they are in accordance with the requirements of the Central Bank.

VaR methods rely on a number of assumptions about the forecasting of investment markets and the ability to draw inferences about the future behaviour of market prices from historical movements. If those assumptions are incorrect by any significant degree, the size and frequency of losses actually incurred in the investment portfolio may considerably exceed those predicted by a VaR model (and even a small degree of inaccuracy in the forecasting models used can produce large deviations in the forecast produced). VaR does enable a comparison of risks across asset classes and serves as an indicator to a portfolio manager of the investment risk in a portfolio. If used in this way, and with an eye to the limitations of VaR methods and the particular model chosen, it can act as a signal to the Sub-Investment Manager of an increase in the general level of risk in a portfolio and as a trigger for corrective action by the Sub-Investment Manager. The measurement and monitoring of all exposures relating to the use of derivative instruments will be performed on at least a daily basis.

The requirements of the European Securities and Markets Authority (“ESMA”) and the Central Bank prescribe in detail disclosures which need to be made in respect of leverage. Although the VaR methodology as described above is used to control and assess the Fund’s exposures, the Fund also calculates leverage based on the sum of the notionals of the derivatives used as is required by the Central Bank. The maximum level of leverage for the Fund arising from the use of FDIs calculated on this basis is expected to vary between 0% and 1000% of the Net Asset Value, although it may exceed this target level at times. This measure of leverage can be high as it includes positions implemented to adjust existing positions as a result of market movements or subscription/redemption activity and it does not take into account any netting or hedging arrangements even though such arrangements are entered into for the purposes of risk reduction.

The prices of derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of futures and options contracts and payments pursuant to swap agreements are highly volatile, and are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the assets underlying them. In addition, the Fund’s assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties.

The financial derivative instruments in which the Fund may invest include futures, options, various types of swaps, swaptions and forward FX contracts.

### **Collateral**

Where necessary, the Fund will accept collateral from its counterparties in order to reduce counterparty risk exposure generated through the use of over the counter derivative instruments. Any collateral received by the Fund shall comprise of cash collateral and/or government backed securities of varying maturity which satisfy the requirements of the Central Bank relating to non-cash collateral which may be received by a UCITS. Cash collateral received by the Fund may be reinvested in accordance with the requirements of the Central Bank at the discretion of the Sub-Investment Manager. In this regard, any cash collateral received by the Fund may be placed on deposit with relevant credit institutions as permitted by the UCITS Regulations. In such circumstances, the Fund shall be exposed to the creditworthiness of the relevant credit institution with which cash collateral is placed.

The level of collateral required to be posted may vary by counterparty with which the Fund trades. The haircut policy applied to posted collateral will be negotiated on a counterparty basis and will vary depending on the class of asset received by the Fund, taking into account the credit standing and price volatility of the relevant counterparty.

Further details of the Company's collateral policy are set out in Part 1 of the Prospectus.

### **Futures**

Futures are contracts to buy or sell a standard quantity of a specific asset (or, in some cases, receive or pay cash based on the performance of an underlying asset, instrument or index) at a pre-determined future date and at a price agreed through a transaction undertaken on an exchange. Futures contracts allow investors to hedge against market risk or gain exposure to the underlying market. Since these contracts are marked-to-market daily, investors can, by closing out their position, exit from their obligation to buy or sell the underlying assets prior to the contract's delivery date. Frequently using futures to achieve a particular strategy instead of using the underlying or related security or index, results in lower transaction costs being incurred. For example, the Sub-Investment Manager may enter into interest rate or bond futures in order to seek to reduce the interest exposure of fixed rate bonds.

### **Options**

There are two forms of options, put and call options. Put options are contracts sold for a premium that gives one party (the buyer) the right, but not the obligation, to sell to the other party (the seller) of the contract, a specific quantity of a particular product or financial instrument at a specified price. Call options are similar contracts sold for a premium that gives the buyer the right, but not the obligation, to buy from the seller of the option at a specified price. Options may also be cash settled. The Fund may be a seller or buyer of put and call options. For example, currency options or options on currency futures, may be used to take a positional view on currency volatility whereby the Fund could for example sell volatility on a daily basis across a range of currency pairs provided the price of volatility was above a specified level. The Sub-Investment Manager may also enter into interest rate options and options on interest rate or bond futures in order to reflect its view that the yield curve will move in a particular way or alternatively, to reflect its view on interest rate volatility. The Sub-Investment Manager may also buy put options on equity indices or equity exchange traded funds for hedging purposes. The Fund may purchase or sell these instruments either individually or in combinations.

### **Interest Rate Swaps**

An interest rate swap is an agreement negotiated between two parties to exchange interest rate cash flows, calculated on a notional amount, at specified dates during the life of the swap. The notional amount is used only to determine the payments under the swap and is not exchanged. The payment

obligation of each party is calculated using a different interest rate, typically with one party paying a floating interest rate in return for receiving a fixed interest rate, either at regular intervals during the life of the swap or at the maturity of the swap. OTC interest rate swaps may be used to change the Fund's interest rate sensitivity profile faster, more cheaply and more precisely than through the cash or exchange traded markets.

### **Credit Default Swaps**

A credit default swap is a type of credit derivative 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 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. Credit default swaps may be used by the Sub-Investment Manager to purchase protection against the default of individual bonds held by the Fund or against a security which the Fund does not hold but in anticipation of a worsening in that issuer's credit position. Protection may also be sold by the Sub-Investment Manager under a credit default swap in anticipation of a stable or improving credit position. The Fund may enter into credit default swaps either individually or in combinations as part of a relative value trade, whereby protection is purchased and sold respectively on two assets in order to remove the general market exposure but retain the credit specific exposure. The Fund may also enter into credit default swaps on baskets of credits or indices, provided such baskets or indices have been cleared in advance by the Central Bank.

### **Currency Swaps**

A currency swap is an agreement negotiated between two parties to exchange the return on cash for the return on varying currencies. The Sub-Investment Manager may enter into currency swap contracts, both positive or negative, on the direction of currency movements.

### **Total Return Swaps**

A Total Return Swap is a type of over-the-counter derivative contract which allows the Fund to achieve exposure to an asset or asset class on a synthetic basis. The holder of a Total Return Swap receives/pays the total return of a pre-defined reference asset or index for a specific period of time in return for a cost of financing (which can be negative or positive). The Fund may enter into credit total return swaps on individual bonds in the same manner as credit default swaps above.

The Fund will only enter into Total Return Swaps on behalf of the Fund with the credit institutions described in paragraph 2.7 of the general investment restrictions set out in Appendix 1 of the Prospectus and which have a credit rating of at least A- (as rated by a recognised rating agency such as Standard and Poor's) or lower where the credit institution posts initial margin. Subject to compliance with those conditions, the Sub-Investment Manager has full discretion as to the appointment of counterparties when entering into Total Return Swaps in furtherance of the Fund's investment objective and policies. It is not possible to comprehensively list in this Supplement all the counterparties as they have not, as of the date of issue of this Supplement, been selected and they may change from time to time.

The use of Total Return Swaps by the Fund shall be subject to the requirements of the SFTR.

Risks associated with the use of Total Return Swaps, including counterparty default, are detailed in the Prospectus under the heading "Risk Factors".

### **Forward Foreign Exchange Contracts**



A forward contract locks-in the price at which an index or asset may be purchased or sold on a future date. In currency forward contracts, the contract holders are obligated to buy or sell the currency at a specified price, at a specified quantity and on a specified future date.

Forward FX contracts may be used for hedging purposes to seek to reduce foreign exchange risk where the assets of the Fund are denominated in currencies other than the Base Currency but may also be used to take views on the direction of currency movements.

Currency hedging may be utilised to hedge Share Classes denominated in currencies other than the Base Currency of the Fund. See **Share Class Hedging** below.

Before investing in a financial derivative instrument, the Company shall file with the Central Bank a risk management process report in respect of the Fund and may only utilise financial derivative instruments included in the report as cleared by the Central Bank. The Manager will, on request, provide supplementary information to Shareholders relating to the risk management methods employed, including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments in financial derivative instruments.

### **Investment Restrictions**

The general investment restrictions as set out in Appendix 1 the Prospectus shall apply.

The Directors may, from time to time, impose such further investment restrictions as shall be compatible with or in the interests of Shareholders, in order to comply with the laws and regulations of the countries where Shareholders are located.

### **Risk Factors**

The general risk factors as set out in the Prospectus shall apply. In addition, the following risk factors are specific to the Fund:

### **Leverage**

Investors should note that, as the Fund may employ high leverage, the Fund may suffer serious financial consequences under abnormal market conditions. The Sub-Investment Manager will seek to mitigate such risk by operating internal investment guidelines which place detailed limits on the Fund's financial derivative instruments exposures. Management of the Fund will also be subject to the Sub-Investment Manager's governance framework, which oversees the Fund's compliance with regulatory requirements, recommends procedures and processes for ensuring compliance and rectification of instances of potential or actual non-compliance.

### **Exposure to PRC and Risks**

Consistent with its investment policy, the Fund may gain exposure to the China Interbank bond markets. Participation in the China interbank bond markets ("**CIBM**") by foreign institutional investors (such as the Fund) is governed by rules and regulations as promulgated by the PRC authorities which mainly include the People's Bank of China ("**PBOC**", which includes its Shanghai Head Office as applicable) and the State Administration of Foreign Exchange ("**SAFE**"). Such rules and regulations may be amended from time to time and include (but are not limited to):

- (i) the "Announcement (2016) No 3" issued by the PBOC on 24 February 2016;
- (ii) the "Implementation Rules for Filing by Foreign Institutional Investors for Investment in Interbank Bond Markets" issued by the Shanghai Head Office of PBOC on 27 May 2016;
- (iii) the "Circular concerning the Foreign Institutional Investors' Investment in Interbank bond market in relation to foreign currency control" issued by SAFE on 27 May 2016; and

(iv) the FAQs issued by PBOC and any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in the PRC, foreign institutional investors who wish to invest directly in the CIBM may do so via an onshore settlement agent, who will be responsible for making the relevant filings and account opening with the relevant authorities. There is no quota limitation.

In terms of fund remittance and repatriation, foreign investors (such as the Fund) may remit investment principal in RMB or foreign currency into China for investing in the CIBM. An investor will need to remit investment principal matching at least 50% of its anticipated investment size within nine months of when the filing with PBOC is completed, or else an updated filing will need to be made through the onshore settlement agent. Where a Fund repatriates funds out of China, the ratio of RMB to foreign currency ("**Currency Ratio**") should generally match the original Currency Ratio when the investment principal was remitted into China, with a maximum permissible deviation of 10%.

In addition, although there is no quota restriction under the CIBM regulations, relevant information about the Fund's investment such as the anticipated investment volume and investment term needs to be filed with PBOC and an updated filing will be required if there is any significant change to the filed information. PBOC will exercise on-going supervision on the onshore settlement agent and the Fund's trading and may take relevant administrative actions such as suspension of trading and mandatory exit against the Fund and the Investment Manager in the event of any incompliance with the CIBM regulations. The CIBM regulations are very new and have yet to be tested on the market. At this stage some of the rules are still subject to further clarification and/or changes, which may adversely affect the Fund's investment in the CIBM.

### **PRC Tax Implications**

Under the current PRC Enterprise Income Tax Law ("**EIT Law**") and regulations, if the Fund is considered to be a PRC tax resident, it would be subject to PRC enterprise income tax ("**EIT**") at the rate of 25% on its worldwide taxable income. If a Fund is considered to be a non-PRC tax resident enterprise with a "permanent establishment" in China, it would be subject to EIT on the profits attributable to the permanent establishment. The Manager intends to operate the Fund in a manner that will prevent it from being treated as a PRC tax resident and from having a permanent establishment in China, although this cannot be guaranteed.

There is currently no specific tax guidance issued by the PRC tax authorities on the tax treatment of gains or income in respect of trading in the CIBM by foreign institutional investors. Unless a specific exemption or reduction is available under current PRC tax laws and regulations or relevant tax treaties, non-PRC tax resident enterprises without an establishment or place of business in the PRC are subject to EIT on a withholding tax basis ("**WHT**"), generally at a rate of 10% to the extent they directly derive PRC sourced passive income. PRC sourced passive income (such as dividend income, interest income, or capital gains) may arise from investments in the PRC securities. Accordingly, the Fund may be subject to WHT on any cash dividends, distributions and interest it receives, or on capital gains that it realises, from its investment in PRC securities at the rate of 10% subject to an applicable double tax treaty or arrangement, if any. Interest derived from specified government bonds is exempted from PRC income tax under the EIT Law.

The Fund may also potentially be subject to PRC Value-Added Tax ("**VAT**") at the rate of 6% on capital gains derived from trading of PRC securities. Where VAT is applicable, additional surtaxes (which include, among others, urban maintenance and construction tax, educational surcharge, and local educational surcharge) could also be imposed, subject to local circumstances, which can amount to 12% of the VAT payable.

Shareholders should seek their own independent tax advice with regard to their investment in the Fund.

It is possible that the current tax laws, regulations and practice in the PRC will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on PRC investments than is currently contemplated.

## **Risks Associated with the China Interbank Bond Markets**

The CIBM are still in a stage of development and the market capitalization and trading volume may be lower than those of more developed markets. Market volatility and potential lack of liquidity due to low trading volume of certain debt securities may result in prices of debt securities traded on such markets fluctuating significantly. Funds investing in such markets are therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

To the extent that a Fund transacts in the CIBM, the Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

Since the relevant filings and account opening for investment in the CIBM have to be carried out via an onshore settlement agent, the Fund is subject to the risks of default or errors on the part of the onshore settlement agent.

The CIBM is also subject to regulatory risks. The relevant rules and regulations on investment in the CIBM are subject to change which may have potential retrospective effect. In the event that the relevant PRC authorities suspend account opening or trading on the CIBM, the Fund's ability to invest in the CIBM will be limited and, after exhausting other trading alternatives, the Fund may suffer substantial losses as a result.

## **Emerging Markets**

The Fund may invest in emerging markets debt and securities. Investment in emerging markets may increase the volatility of the Fund's Net Asset Value and accordingly, an investment in the Fund's Shares may be worth more or less on redemption than their original purchase value. Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (i) restrictions on foreign investment and on repatriation of capital invested in emerging markets, (2) currency fluctuations, (3) potential price volatility and lesser liquidity of securities traded in emerging markets, (4) economic and political risks, including the risk of nationalisation or expropriation of assets or confiscatory taxation, (5) risks related to custodial arrangements and delays or other factors in the settlement of securities transactions, and (6) accounting, auditing, financial and other reporting standards in emerging markets are not equivalent to those in more developed markets.

Among other things, emerging market securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favourable tax provisions, and a greater likelihood of severe inflation, unstable currency, war and expropriation of personal property than investments in securities of issuers based in developed countries.

Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighbouring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported.

The fact that evidences of ownership of the Fund's portfolio of securities may be held outside of a developed country may subject the Fund to additional risks, which include possible adverse political and economic developments, and the attendant risk of seizure or nationalisation of foreign deposits. In addition, it may subject the Fund to the possible adoption of governmental restrictions which might

adversely affect payments on securities or restrict payments to investors located outside the country of the issuers, whether from currency blockage or otherwise.

Some securities in the emerging markets may be subject to brokerage or stock transfer taxes levied by governments, which would have the effect of increasing the cost of investment and which may reduce the realised gain or increase the loss on such securities at the time of sale. The issuers of some of these securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in developed countries and therefore potentially carry greater risk. In addition, settlement of trades in some emerging markets is much slower and subject to a greater risk of failure than in markets in developed countries. Custodial expenses for a portfolio of emerging markets securities generally are higher than for a portfolio of securities of issuers based in developed countries. In addition, dividend and interest payments from, and capital gains in respect of, certain securities may be subject to taxes that may or may not be reclaimable.

With respect to any emerging market country, there is the possibility of imposition of withholding or other taxes on dividends, interest, capital gains or other income, limitations on the removal of funds or other assets of the Fund, government regulation, social instability or diplomatic developments (including war) which could affect adversely the economies of such countries or the value of the Fund's investments in those countries.

Where Fund assets are invested in narrowly defined sectors of a given economy, risk is increased by potentially adverse developments within those sectors.

#### **Other Market Risk**

Where the Fund invests in securities in non-emerging market countries which, in the opinion of the Sub-Investment Manager, provide investment opportunities similar to those normally associated with emerging market countries, it may be exposed to similar risks as set out in the sections headed **Emerging Markets Risk** (above) and **Legal Risk** (below).

#### **Legal Risk**

Many of the laws that govern private investment, securities transactions and other contractual relationships in developing countries are new and largely untested. As a result, the Fund may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, in clear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain of the emerging countries in which assets of the Fund are invested. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Fund and its operations.

Regulatory controls and corporate governance of companies in developing countries confer little protection on minority shareholders. Anti-fraud and anti-insider trading legislation is often rudimentary. The concept of fiduciary duty to shareholders by officers and directors is also limited when compared to such concepts in developed markets. In certain instances management may take significant actions without the consent of shareholders and anti-dilution protection also may be limited.

#### **Credit Default Swaps**

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.

#### **High Yield/Sub-Investment Grade Securities Risk**

Lower-rated securities will usually offer higher yields than higher-rated securities to compensate for the reduced creditworthiness and increased risk of default that these securities carry. Lower-rated securities generally tend to reflect short-term corporate and market developments to a greater extent than higher-rated securities which react primarily to fluctuations in the general level of interest rates. During an economic downturn or a sustained period of rising interest rates, highly leveraged issuers of high yield securities may experience financial stress and may not have sufficient revenues to meet their interest payment obligations. There are fewer investors in lower-rated securities, and it may be harder to buy and sell securities at an optimum time.

### **Repurchase and Reverse Repurchase Agreements**

The Fund may enter into repurchase and reverse repurchase agreements which involve certain risks. For example, if the seller of securities to the Fund under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the Fund's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the Fund may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the Fund may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

### **Share Class Hedging**

The Class A Euro Shares, Class Ap Euro Shares, Class B1p Euro Shares, Class B2p Euro Shares, Class B3p Euro Shares, Class B4p Euro Shares, Class S Euro Shares, the Class Sp Euro Shares, the Class Ap Sterling Shares, Class B1p Sterling Shares, Class B2p Sterling Shares, Class B3p Sterling Shares, Class B4p Sterling Shares, Class S Sterling Shares, Class Sp Sterling Shares, Class Ap Yen Shares, Class B1p Yen Shares, Class B2p Yen Shares, Class B3p Yen Shares, Class B4p Yen Shares, Class Ap CHF Shares, Class B1p CHF Shares and Class B2p CHF Shares (individually a "**Hedged Share Class**", collectively the "**Hedged Share Classes**") are denominated in a currency other than the Base Currency, namely the Euro, the Sterling, the Yen or the Swiss Franc. The Company shall seek to hedge the Euro or Sterling the currency exposure of holders of the Hedged Share Classes.

However the successful execution of a hedging strategy which mitigates exactly this risk cannot be assured. Any financial instruments used to implement such strategies with respect to one or more Classes shall be assets/liabilities of the Fund as a whole but will be attributable to the relevant Class(es) and the gains/losses on the costs of the relevant financial instruments will accrue solely to the relevant Class. Any currency exposure of a Class may not be combined with or offset against that of any other in line with the performance of the underlying assets in the base currency and that investors in a hedged Class will not benefit if the Class currency falls against the base currency and/or the currency in which the assets of the Fund are denominated. The currency exposure of the assets attributable to a Class may not be allocated to other Classes. Investors should note that there is no segregation of liability between Share Classes. Although the costs, profits and losses of the currency hedging transactions will accrue solely to the relevant Class, Shareholders are nonetheless exposed to the risk that hedging transactions undertaken in one Class may impact negatively on the Net Asset Value of another Class. Please refer to the section of the Prospectus entitled "Risk Factors; Currency Hedging Strategy" for more details. Any additional risk introduced to the Fund through the use of currency hedging for a given Share Class should be mitigated and monitored appropriately. Although the Fund does not intend to over-hedge or under-hedge positions, over or under-hedging may arise due to factors outside the control of the Fund. The Fund will not permit under hedged positions to fall below 95% of the portion of the net assets of the relevant Class which is to be hedged against currency risk and over hedged positions to exceed 105% of the Net Asset Value of a hedged Class. Hedged positions will be kept under review on an ongoing basis, at least at the same valuation frequency of the Fund, to ensure that over hedged or under hedged positions do not exceed/fall short of the permitted levels disclosed above. Such review (referred to above) will incorporate a procedure

to rebalance the hedging arrangements on a regular basis to ensure that any such position stays within the permitted position levels disclosed above and is not carried forward from month to month.

## **Dividend Policy**

The Share Classes denominated in Euros, US Dollars, Japanese Yen and Swiss Francs are Accumulation Shares and therefore carry no right to any dividend. The net income attributable to the relevant Class of Shares shall be retained within the Fund and will be reflected in the value of the relevant Class of Shares.

The Share Classes denominated in Sterling are Re-Investment Shares in respect of which the Directors intend to pay a quarterly dividend out of profits available for purpose attributable to the relevant Class of Shares. Such dividends are expected to be paid and re-invested within two months of each accounting year end of the Fund and be paid and re-invested in accordance with the procedure set out in Part 5 of the Prospectus.

## **KEY INFORMATION FOR PURCHASING AND REPURCHASING**

<b>Initial Offer Period</b>	From 9.00 a.m. on 1 May 2020 to 4.00 p.m. on 30 October 2020 in respect of Class A Euro Shares, Class Ap US Dollar Shares, Class B3p Euro Shares, Class Sp Euro, Class Sp Sterling Shares, Class Sp US Dollar Shares, Class Ap Yen Shares, Class B1p Yen Shares, Class B2p Yen Shares, Class B3p Yen Shares, Class B4p Yen Shares, Class Ap CHF Shares, Class B1p CHF Shares and Class B2p CHF Shares. The Initial Offer Period may be shortened or extended for each class of Shares by the Directors, and whereby any such shortening or lengthening will be notified to the Central Bank. After the Initial Offer Period for each such Class, the Shares will be continuously available for subscriptions.
<b>Initial Issue Price</b>	<p>€1 for Share Classes denominated in Euros.</p> <p>£1 for Share Classes denominated in Sterling.</p> <p>US\$1 for Share Classes denominated in US Dollars.</p> <p>Yen100 for Share Classes denominated in Japanese Yen.</p> <p>CHF1 for Share Classes denominated in Swiss Francs.</p>
<b>Base Currency</b>	US Dollars.
<b>Borrowing Limits</b>	10% of the Net Asset Value of the Fund as set out under “Borrowing and Lending Powers” in the Prospectus. The Fund may be leveraged through the use of financial instruments up to the maximum limit permitted by the Central Bank.
<b>Business Day</b>	A day on which banks in Dublin are open for normal business except a Saturday or Sunday and/or such other day(s) as the Directors (or their duly appointed delegate) may determine.
<b>Dealing Day</b>	Each Business Day for the Fund and/or such other day(s) as may be determined by the Directors (or their duly appointed delegate) from time to time and notified in advance to all Shareholders or to the Shareholders in the Fund, provided that there shall be at least one Dealing Day per fortnight.

<b>Classes of Shares</b>	<b>Preliminary charge</b>	<b>Minimum Initial Subscription</b>	<b>Minimum Additional Subscription</b>	<b>Minimum Holding</b>	<b>Annual Investment Management Charge (% of Net Asset Value)</b>	<b>FOE (% of Net Asset Value per annum)</b>
Class A Euro Shares*	None	€500,000,000	€1,500	€50,000,000	2.00%	0.22%
Class Ap Euro Shares*	None	€3,000	€1,500	€2,000	1.50%	0.22%
Class Ap Sterling Shares*	None	£3,000	£1,500	£2,000	1.50%	0.22%
Class Ap US Dollar Shares	None	US\$4,500	US\$1,500	US\$2,000	1.50%	0.18%
Class Ap ¥en Shares*	None	¥en450,000	¥en150,000	¥en200,000	1.50%	0.22%
Class Ap CHF Shares*	None	CHF3,000	CHF1,500	CHF2,000	1.50%	0.22%
Class B1p Euro Shares*	4%	€3,000	€1,500	€2,000	1.00%	0.22%
Class B1p Sterling Shares*	4%	£3,000	£1,500	£2,000	1.00%	0.22%
Class B1p US Dollar Shares	4%	US\$4,500	US\$1,500	US\$2,000	1.00%	0.18%
Class B1p ¥en Shares*	4%	¥en450,000	¥en150,000	¥en200,000	1.00%	0.22%
Class B1p CHF Shares*	4%	CHF3,000	CHF1,500	CHF2,000	1.00%	0.22%
Class B2p Euro Shares*	None	€15,000,000	€1,500	€25,000,000	0.85%	0.22%
Class B2p Sterling Shares*	None	£15,000,000	£1,500	£25,000,000	0.85%	0.22%
Class B2p US Dollar Shares	None	US\$25,000,000	US\$1,500	US\$25,000,000	0.85%	0.18%
Class B2p ¥en Shares*	None	¥en2,500,000,000	¥en150,000	¥en2,500,000,000	0.85%	0.22%
Class B2p CHF Shares*	None	CHF15,000,000	CHF1,500	CHF25,000,000	0.85%	0.22%
Class B3p Euro Shares*	None	€125,000,000	€1,500	€50,000,000	0.75%	0.22%
Class B3p Sterling Shares*	None	£125,000,000	£1,500	£50,000,000	0.75%	0.22%
Class B3p US Dollar Shares	None	US\$200,000,000	US\$1,500	US\$50,000,000	0.75%	0.18%
Class B3p ¥en Shares*	None	¥en20,000,000,000	¥en150,000	¥en5,000,000,000	0.75%	0.22%
Class B4p Euro Shares*	4%	€250,000,000	€1,500	€50,000,000	0.65%	0.22%

Class B4p Sterling Shares*	4%	£250,000,000	£1,500	£50,000,000	0.65%	0.22%
Class B4p US Dollar Shares	4%	US\$400,000,000	US\$1,500	US\$50,000,000	0.65%	0.18%
Class B4p Yen Shares*	4%	¥en40,000,000,000	¥en150,000	¥en5,000,000,000	0.65%	0.22%
Class S Euro Shares*	None	None	None	None	NIL	0.22%
Class S Sterling Shares*	None	None	None	None	NIL	0.22%
Class S US Dollar Shares	None	None	None	None	NIL	0.18%
Class Sp Euro Shares*	None	None	None	None	NIL	0.22%
Class Sp Sterling Shares*	None	None	None	None	NIL	0.22%
Class Sp US Dollar Shares	None	None	None	None	NIL	0.18%

\* Denotes Currency Hedged Classes

Class B1p Shares are intended for distribution in certain countries through distributors, platforms and other such intermediate entities having separate fee arrangements with their clients.

Under the Articles, the Directors (or their duly appointed delegate) have absolute discretion to accept or reject in whole or in part any application for Shares.

The Directors (or their duly appointed delegate) may close some or all of the Share Classes in the Fund to subscriptions from existing and/or new Shareholders if the assets attributable to the Fund are at a level, above which, as determined by the Directors (or their duly appointed delegate), it is not in the best interests of shareholders to accept further subscriptions – for instance where the size of the Fund may constrain the ability of the Sub-Investment Manager to meet the investment objective.

The Directors (or their duly appointed delegate) may subsequently re-open some or all of the Share Classes in the Fund to further subscriptions from existing and/or new Shareholders at their discretion and the process of closing and potentially, re-opening the Share Classes may be repeated thereafter as the Directors (or their duly appointed delegate) may determine from time to time.

Shareholders may ascertain the closed or open status of the Share Classes and if those Share Classes are open to existing and/or new Shareholders by contacting the Administrator. Closing the Share Classes to new subscriptions from existing and/or new Shareholders will not affect the redemption rights of Shareholders.

The Directors (or their duly appointed delegate) may for each relevant Class of Share waive such preliminary charge, minimum initial subscription, minimum holding and minimum additional subscription amounts in their absolute discretion and may distinguish between applicants accordingly.

Class S Euro Shares, Class S Sterling Shares, Class S US Dollar Shares, Class Sp Euro Shares, Class Sp Sterling Shares and Class Sp US Dollar Shares are only available to investors who have entered into a separate investment advisory mandate with Insight or any of its subsidiary companies or its related companies.

#### **Fees and Expenses**

The Investment Manager shall be entitled to a maximum Annual Investment Management Charge out of the assets of the Fund equal to a percentage of the Net Asset Value of the relevant Class (as



outlined in the table above). Such fee shall be calculated and accrued as at each Dealing Day (and on any other day on which a Valuation Point occurs) and be payable monthly in arrears.

The Sub-Investment Manager's fees and expenses will be paid by the Investment Manager.

The Manager shall be entitled to FOE out of the assets of the Fund equal to a percentage of the Net Asset Value of the relevant Class (as outlined in the table above). See Part 6 of the Prospectus "Fees and Expenses" for further details.

Details of any other fees and expenses payable out of the assets of the Fund are set out in Part 6 of the Prospectus "Fees and Expenses".

The Fund will be subject to its proportionate share of any fees and expenses payable by collective investment schemes in which it may invest, which will vary from scheme to scheme depending on the nature and investment strategy thereof. It is not intended that the Fund would pay any investment management fee in respect of any investment in a scheme managed by any member of the Insight group.

**Preliminary, Repurchase or Exchange Charges**

There are no repurchase or exchange charges.

**Dealing Deadline**

11.59 a.m. (Irish time) on each Dealing Day, or such other time for the relevant Dealing Day as may be determined by Directors (or their duly appointed delegate) and notified in advance to Shareholders provided always that the Dealing Deadline is not later than the Valuation Point. Applications received after the Dealing Deadline shall be deemed to have been received by the next Dealing Deadline, save in exceptional circumstances where the Directors (or their duly appointed delegate) may in their absolute discretion determine, and provided the applications are received before the Valuation Point for the relevant Dealing Day.

**Settlement Date**

Cleared funds must be received into the Subscriptions/Redemptions Account by the third Business Day after the Dealing Day unless otherwise approved by the Directors (or their duly appointed delegate).

In the case of repurchases, proceeds will usually be paid by electronic transfer to a specified account at the Shareholder's risk and expense on the third Business Day following the Dealing Day and otherwise, will normally be paid within ten (10) Business Days of the Dealing Deadline for the relevant Dealing Day, provided that all the required documentation has been furnished to and received by the Administrator.

**Valuation Point**

12 midday (Irish time) on each Dealing Day.

**Dilution Adjustment**

The Company may, in the event of there being net subscriptions or net repurchases on any Dealing Day, make an adjustment to the Initial Issue Price or Net Asset Value per Share to preserve the value of the underlying assets of the Fund as set out in Part 4;

“Pricing and Valuation” of the Prospectus under the heading Issue and Repurchase Prices.

## Performance Fee

No performance fee is payable by the Fund in respect of the Class A Euro Shares, Class S Euro Shares, Class S Sterling Shares and Class S US Dollar Shares.

The Investment Manager is entitled to receive a performance-related investment management fee (the “**Performance Fee**”) payable in arrear in respect of each Performance Period. The Performance Fee is payable in respect of the net assets attributable to Class Ap Euro Shares, Class Ap Sterling Shares, Class Ap US Dollar Shares, Class Ap ¥en Shares, Class Ap CHF Shares, Class B1p Euro Shares, Class B1p Sterling Shares, Class B1p US Dollar Shares, Class B1p ¥en Shares, Class B1p CHF Shares, Class B2p Euro Shares, Class B2p Sterling Shares, Class B2p US Dollar Shares, Class B2p ¥en Shares, Class B2p CHF Shares, Class B3p Euro Shares, Class B3p Sterling Shares, Class B3p US Dollar Shares, Class B3p ¥en Shares, Class B4p Euro Shares, Class B4p Sterling Shares, Class B4p US Dollar Shares, Class 4bp ¥en Shares, Class Sp Euro Shares, Class Sp Sterling Shares and Class Sp US Dollar Shares.

The Performance Fee is calculated for each individual Share in issue at the end of the Performance Period (as defined below), and the total fee payable for a particular Share Class is the sum of all such individual calculations relating to that Share Class.

The Performance Fee in respect of a particular Share in issue becomes due in the event that both of the conditions below are met:

- the percentage growth in the net asset value (NAV) per Share over the Performance Period exceeds a target rate of growth being, the Hurdle Rate applicable to that particular Share (as defined below), over the same period; and
- the NAV per Share at the end of the Performance Period exceeds the High Water Mark for that particular Share being the highest NAV per Share at the end of any previous Performance Periods for the particular Share (or the issue price where the Share was issued in the current Performance Period).

The Performance Period shall normally run from 1 January to 31 December in each year except as noted below:

- in the case of the initial issue of Shares in each Class, the first Performance Period will run from the date of issue to 31 December.
- In the case of a redemption of Shares, the Performance Period in respect of those Shares will end on the redemption date of the Shares, and a Performance Fee will become due and will be payable within one month.

For the purposes of the first calculation of the Performance Fee for any particular Share, the starting point for the NAV per relevant Share is the NAV per Share on the date of issue of the Share.

The Performance Fee in respect of each individual Share is equal to 10% of the excess of the NAV per Share at the end of a Performance Period over the target NAV per Share. The target NAV per Share is equal to the NAV per Share at the end of the previous Performance Period (or the issue price where the Share was issued in the current Performance Period) multiplied by the Hurdle Rate +1, or the High Water Mark for the particular Share, which ever is the greater.

The Performance Fee is payable one month after the end of the Performance Period.

The Hurdle Rate for each Share Class is the relevant cash rate, as set out in the table below, as averaged over the Performance Period.

Share Class	Relevant cash rate (expressed as a percentage)*
Class Ap Euro, Class B1p Euro, Class B2p Euro, Class	3-month EURIBID

B3p Euro, Class B4p Euro and Class Sp Euro	defined as 3-month EURIBOR (Euro Interbank Offer Rate as determined by the European Money Markets Institute(EMMI)) minus 0.1%
Class Ap Sterling, Class B1p Sterling, Class B2p Sterling, Class B3p Sterling, Class B4p Sterling and Class Sp Sterling	3-month LIBID defined as 3-month LIBOR (London Interbank Offer Rate as determined by the ICE Benchmark Administration (IBA)) minus 0.125%
Class Ap US Dollar, Class B1p US Dollar, Class B2p US Dollar, Class B3p US Dollar, Class B4p US Dollar and Class Sp US Dollar	3-month US LIBID defined as 3-month US LIBOR (US Dollar London Interbank Offer Rate as determined by the ICE Benchmark Administration (IBA)) minus 0.1%
Class Ap ¥en, Class B1p ¥en, Class B2p ¥en, Class B3p ¥en and Class B4p ¥en	3-month JPY LIBID defined as 3-month JPY LIBOR (Japanese ¥en London Interbank Offer Rate as determined by the ICE Benchmark Administration (IBA)) minus 0.1%
Class Ap CHF, Class B1p CHF and Class B2p CHF	3-month CHF LIBID defined as 3-month CHF LIBOR (Swiss Franc London Interbank Offer Rate as determined by the ICE Benchmark Administration (IBA)) minus 0.1%

\*The Fund uses a benchmark within the meaning of the Benchmark Regulation. Please refer to the section of the Prospectus entitled "References to Benchmarks" for further information.

The Performance Fee can be expressed as follows:

$$\text{Performance Fee} = \sum_{i=1}^n 10\% \times \text{Excess\_Return}_i$$

Where:

n = number of Shares in issue for the particular Share Class at end of Performance Period, or the number of Shares redeemed where the Performance Fee is being calculated in respect of a redemption of Shares

Excess\_Return\_i = greater of:

- (a) NAV<sub>end</sub> – NAV<sub>target\_i</sub>; and
- (b) Zero

NAV<sub>end</sub> = NAV per Share (prior to any accrual for Performance Fees) on the last day of the Performance Period

NAV<sub>target\_i</sub> = Greater of:

- (a) NAV<sub>start\_i</sub> x (1 + Hurdle Rate); and
- (b) High Water Mark in respect of the i<sup>th</sup> Share in issue

NAV<sub>start\_i</sub> = NAV per Share on last day of previous Performance Period, or the date of issue of the i<sup>th</sup> Share where it was issued during the current Performance Period

On a redemption of Shares, the redemption will be attributed to existing Shares in issue in order to determine which particular Shares are being redeemed on a reasonable and fair basis as agreed with the Depositary. The total Performance Fee payable will be the Performance Fee calculated as above attributable to the Shares being redeemed on the same basis.

The Performance Fee will accrue and be taken into account in the calculation of the Net Asset Value per Share at each Valuation Point. The amount accrued at each Valuation Point will be determined by calculating the Performance Fee that would be payable if the Valuation Point was the last day of the current Performance Period.

It should be noted that as the Net Asset Value per Share may differ between Share Classes, separate Performance Fee calculations will be carried out for separate Share Classes within the same Fund. Therefore, different levels of Performance Fee may become payable for each Share Class.

It should be further noted that where a Performance Fee is payable, it will be based on net realised and unrealised gains and losses at the end of each Performance Period. As a result, a Performance Fee may be paid on unrealised gains which may subsequently never be realised.

Positive performance may be generated by market movements as well as active portfolio management; this may lead to circumstances where a portion of the performance fee is paid based on market movements.

The calculation of the Performance Fee must be verified by the Depositary.

The Investment Manager may from time to time and at its sole discretion and out of its own resources decide; (a) to rebate to intermediaries and/or Class Ap Euro, Class Ap Sterling, Class Ap US Dollar, Class Ap ¥en, Class Ap CHF, Class B1p Euro, Class B1p Sterling, Class B1p US Dollar, Class B1p ¥en, Class B1p CHF, Class B2p Euro, Class B2p Sterling, Class B2p US Dollar, Class B2p ¥en, Class B2p CHF, Class B3p Euro, Class B3p Sterling, Class B3p US Dollar, Class B3p ¥en, Class B4p Euro, Class B4p Sterling, Class B4p US Dollar and Class B4p ¥en Shareholders part or all of the investment management fee and/or (b) to rebate to intermediaries and/or Class Ap Euro, Class Ap Sterling, Class Ap US Dollar, Class Ap ¥en, Class Ap CHF, Class B1p Euro, Class B1p Sterling, Class B1p US Dollar, Class B1p ¥en, Class B1p CHF, Class B2p Euro, Class B2p Sterling, Class B2p US Dollar, Class B2p ¥en, Class B2p CHF, Class B3p Euro, Class B3p Sterling, Class B3p US Dollar, Class B3p ¥en, Class B4p Euro, Class B4p Sterling, Class B4p US Dollar, Class B4p ¥en, Class Sp Euro, Class Sp Sterling and/or Class Sp US Dollar Shareholders part or all of the Performance Fee. Any such rebates may be applied in paying up additional Shares to be issued to the Shareholder, or may (at the discretion of the Investment Manager) be paid in cash.

#### **Fees and expenses paid to consultants**

In addition, the Investment Manager is entitled to be reimbursed for the reasonable fees and out of pocket expenses paid by the Investment Manager or the Sub-Investment Manager to any external consultant appointed by it for the purpose of obtaining certain quantitative data to assist it in the performance of its risk management oversight functions in respect of the Fund.

#### **Miscellaneous**

There are five other Funds of the Company in existence namely;

1. Absolute Insight Currency Fund
2. Absolute Insight Equity Market Neutral Fund
3. Absolute Insight Credit Fund
4. Insight Broad Opportunities Fund
5. Absolute Insight Dynamic Opportunities Fund

New Funds may be created from time to time by the Directors with the prior approval of the Central Bank in which case further Supplements incorporating provisions relating to those Funds will be issued by the Company.