

The directors of Mercer Global Investments Management Limited (the “**Directors**”) listed in this Prospectus under the heading “THE MANAGER” accept responsibility for the information contained in this Prospectus and the Supplements hereto. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Prospectus and the Supplements 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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# **MERCER QIF CCF**

(an open-ended umbrella common contractual fund authorised by the Central Bank of Ireland pursuant to the Investment Funds, Companies and Miscellaneous Provisions Act 2005)

## **PROSPECTUS**

**DATED 1 OCTOBER 2018**

## **MANAGER**

**MERCER GLOBAL INVESTMENTS  
MANAGEMENT LIMITED**

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**DIRECTORY**

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**MERCER QIF CCF**

**Manager:**

Mercer Global Investments Management  
Limited  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

**Depository:**

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

**Directors of the Manager:**

Tom Finlay  
Tom Geraghty  
Paul Sullivan  
Michael Dempsey

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**Investment Manager and Distributor:**

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Ireland

**Secretary and Registered Office of the  
Manager:**

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Ireland

**Legal Advisers:**

Matheson  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

**Auditors:**

KPMG  
1 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

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## **IMPORTANT INFORMATION**

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Capitalised words and expressions are defined in the body of this Prospectus and/or under the heading "DEFINITIONS" below.

### **THIS PROSPECTUS**

This Prospectus describes Mercer QIF CCF (the "**Fund**"), an open-ended umbrella Common Contractual Fund authorised pursuant to the Investment Funds, Companies and Miscellaneous Provisions Act 2005. Accordingly, the Fund is supervised by the Central Bank. The Fund is constituted as an umbrella fund insofar as the units of the Fund will be divided into different series of Units with each series of Units representing a separate investment portfolio of assets which will comprise a separate Sub-Fund. Units of any Sub-Fund may be divided into different classes to accommodate different subscription charges and/or other charges and/or dividend and/or fee arrangements. A separate pool of assets is not being maintained for each Class. Each Unit will represent a beneficial interest in the Sub-Fund in respect of which it is issued.

The portfolio of assets maintained for each Series of Units and comprising a separate Sub-Fund will be invested in accordance with the investment objectives and policies applicable to such Sub-Fund as specified in the Relevant Supplement. Each Supplement forms part of and should be read in conjunction with, and construed as, one document with this Prospectus. For the purposes of this Prospectus, where the context so admits or requires, the term "Sub-Fund" shall also be deemed to mean the Directors or their delegate acting for the account of the relevant Sub-Fund.

This Prospectus and the Supplements may be translated into other languages and such translations shall contain only the same information as this Prospectus and the Supplements. In the event of any inconsistency or ambiguity in relation to the meaning of any word or phrase in any translation, the English text shall prevail and all disputes as to the terms thereof shall be governed by, and construed in accordance with, the laws of Ireland.

### **INVESTOR RESPONSIBILITY**

**Prospective investors should review this Prospectus and the Relevant Supplement(s) carefully and in their entirety and consult with their legal, tax and financial advisers in relation to (i) the legal requirements within their own countries for the purchase, holding, redemption or disposal of Units; (ii) any foreign exchange restrictions to which they are subject in their own countries in relation to the purchase, holding or disposal of Units; and (iii) the legal, tax, financial or other consequences of subscribing for, purchasing, holding, repurchasing, redeeming or disposing of Units. Prospective investors should seek the advice of their legal, tax and financial advisers if they have any doubts regarding the contents of this Prospectus and/or the Relevant Supplement(s).**

### **CENTRAL BANK AUTHORISATION**

**The Fund is authorised by the Central Bank as an open-ended umbrella Common Contractual Fund pursuant to the Investment Funds, Companies and Miscellaneous Provisions Act 2005 to market solely to Qualifying Investors who are not Non Fund Qualified Investors. Accordingly, the requirements of the Central Bank which are deemed necessary for the protection of retail investors, in particular the conditions set down by the Central Bank in relation to investment and leverage, do not apply to the Fund. The value of Units may fall as well as rise. The Central Bank shall not be liable by virtue of its authorisation of the Fund as a QIAIF or by reason of its exercise of the functions conferred on it by legislation in relation to the Fund for any default of the Fund. Authorisation of the Fund by the Central Bank does not constitute a warranty by the Central Bank as to the creditworthiness or financial standing of the various parties to the scheme. Such authorisation does not constitute an endorsement or guarantee of the Fund by the Central Bank, nor is the Central Bank responsible for the contents of this Prospectus.**

**As the minimum initial subscription for Units will always equal or exceed €100,000 or the foreign currency equivalent thereof (save in the case of permitted Knowledgeable Investors) and Units will be available only to Qualifying Investors who are not Non Fund Qualified Investors, the Fund qualifies as a qualifying investor AIF for the purposes of the AIF Rulebook. Accordingly, while the Fund is authorised by the Central Bank, the Central Bank has not set any limits or other restrictions on the investment objective, the investment policies or on the degree of leverage which may be employed by a Fund or a Sub-Fund, nor has the Central Bank reviewed this Prospectus.**

## **DISTRIBUTION AND SELLING RESTRICTIONS**

The distribution of this Prospectus, any Supplement and the offering or purchase of Units may be restricted in certain jurisdictions. No persons receiving a copy of this Prospectus or any Supplement in any such jurisdiction may treat this Prospectus or any Supplement as constituting an invitation to them to subscribe for Units unless in the relevant jurisdiction such an invitation could lawfully be made to them without compliance with any registration or other legal requirements.

Within the EU, the Fund may only be marketed to Professional Investors unless the EU Member State in question permits, under the laws of that EU Member State, the Fund to be sold to other categories of investors and this permission encompasses the other categories of investors set out in the definition of Qualifying Investor below. When marketing Units in any EU Member State (other than Ireland) to Professional Investors that are domiciled or have a registered office in the EU, the Manager intends to utilise marketing passports made available under the provisions of the AIFMD, as implemented by the AIFMD Regulations. Units in a Sub-Fund may only be marketed pursuant to such passports to Professional Investors in those territories of the EU Member States in respect of which a passport has been obtained

The Units have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**1933 Act**”) or the securities laws of any of the States of the United States. The Units may not be offered, sold or delivered directly or indirectly in the United States of America, its territories or possessions or in any State or the District of Columbia (the “**United States**”) or to or for the account or benefit of any U.S. Person as defined under the heading “DEFINITIONS” below. Any re-offer or resale of any of the Units in the United States or to U.S. Persons may constitute a violation of U.S. law. Applicants for Units will be required to certify that they are not “U.S. Persons”. The Fund will not be registered under the U.S. Investment Company Act 1940, as amended.

**Investors must certify prior to investing that (either directly or through their agents, nominees, representatives or similar persons) they are and continue to be (a) the trustee of a pension fund holding Units of the Fund or a Sub-Fund on behalf of such pension fund or a person other than an individual or (b) a custodian or trustee holding Units of the Fund or of a Sub-Fund for the benefit of a person other than an individual.**

## **RELIANCE ON THIS PROSPECTUS**

Units in the Fund are offered only on the basis of the information contained in this Prospectus, the Relevant Supplement, the most recent annual report and, if subsequently published, the semi-annual report of the Fund. Any further information or representations given or made by any dealer, broker or other person should be disregarded and, accordingly, should not be relied upon. No person has been authorised to give any information or to make any representation in connection with the offering of Units in the Fund other than those contained in this Prospectus, the Relevant Supplement, the most recent annual report and, if subsequently published, the semi-annual report of the Fund and, if given or made, such information or representations must not be relied on as having been authorised by the Directors, the Manager, the Investment Manager, the Sub-Investment Managers, the Administrator or the Depositary. Statements in this Prospectus and the Relevant Supplement are based on the law and practice currently in force in Ireland at the date hereof and are subject to change. Neither the delivery of this Prospectus or the Relevant Supplement nor the issue of Units shall, under any circumstances, create any implication or constitute any representation that the affairs of the Fund have not changed since the date hereof.

## **INVESTMENT RISKS**

Investment in the Fund carries with it a degree of risk. The value of Units and the income from them may go down as well as up, and investors may not get back the amount invested. Accordingly, investors should be aware that investment in the Fund carries with it an above average risk and is only suitable for people who are in a position to take such risks. Past performance is no indicator of future performance and is no guarantee for future returns. Investment risks from market and currency losses cannot be excluded. Investors should note that an investment in those Sub-Funds which may invest in Emerging Markets should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors. Investment risk factors for an investor to consider are set out under the heading “SPECIAL CONSIDERATIONS AND RISK FACTORS” below.

The Sub-Funds may invest in unregulated collective investment schemes within the meaning of the Central Bank’s Guidance Note 1/01. Such collective investment schemes may not provide a level of investor protection equivalent to collective investment schemes authorised under Irish laws and subject to Irish regulations and conditions.

In general the layered investment structure arising as a result of the investment policies the Sub-Funds may pursue will subject investors to higher fees as well as a lack of transparency, however, steps will be taken to avoid this, please see “INVESTMENT OBJECTIVES AND POLICIES” and “FEES AND EXPENSES” below.

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## SUMMARY

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The following summary is qualified in its entirety by the more detailed information included elsewhere in this Prospectus and the Supplements.

### **PURCHASE, REDEMPTION AND EXCHANGE OF UNITS**

Purchase orders and redemption requests for Units may be made on any Dealing Day. In the case of the Sub-Funds this means that purchase orders and redemption requests may generally be made on any day on which banks in Ireland or the United Kingdom are open for normal business or as otherwise disclosed in the Relevant Supplement. In addition, requests may be made on any Dealing Day for exchange of any Class of Units in any Sub-Fund for Units of the same Class of any other Sub-Fund.

### **ORGANISATION**

The Fund has been organised by the Manager to provide an efficient vehicle for investment. The Manager is a member of the Investments business of Mercer, which is a major global provider of consulting services that employs more than 20,000 professionals with operations in over 140 countries. Mercer's Investments business provides multi-manager investment solutions to institutional and individual investors. Marsh & McLennan Companies, Inc., the ultimate parent of the Manager, is a global professional services firm with annual revenues of c.\$12 billion in 2012 and is quoted on the NYSE under ticker symbol "MMC". Marsh and McLennan companies employ over 53,000 employees worldwide to provide analysis, advice, and transactional capabilities to clients in more than 100 countries.

### **MANAGEMENT AND ADMINISTRATION**

Mercer Global Investments Management Limited is the AIFM of each Sub-Fund. The Manager has delegated portfolio management responsibilities to Mercer Global Investments Europe Limited. The Investment Manager may in turn, appoint Sub-Investment Managers in respect of certain Sub-Funds. Any such Sub-Investment Managers appointed will have responsibility for investing and managing the assets of the relevant Sub-Funds according to their investment objectives. Details of any Sub-Investment Managers are available on request from the Investment Manager and will be contained in the periodic reports issued in relation to each Sub-Fund. The fees of the Sub-Investment Managers may be paid out of the fees of the Investment Manager or out of the assets of the relevant Sub-Fund, as provided for in the Relevant Supplement.

The Manager has retained State Street Fund Services (Ireland) Limited to prepare and maintain the books and records of the Fund and each Sub-Fund and to provide related administration and accounting services. The Manager has appointed State Street Custodial Services (Ireland) Limited as depositary of the Fund with responsibility for the safe-keeping of the assets of each Sub-Fund and the settlement of transactions for each Sub-Fund. The Depositary may employ a global sub-custodian or various sub-custodians outside Ireland. The Manager has also appointed the Investment Manager to act as the distributor of the Fund and who shall be responsible for the distribution, placing and sale of Units.

### **FEES AND EXPENSES**

The assets of each of the Sub-Funds are subject to fees and expenses including, management, custody and administration and advisory fees as well as organisational expenses. These fees will be reflected in the Net Asset Value of each Sub-Fund. See "FEES AND EXPENSES" below and additional information regarding fees and expenses of each Sub-Fund contained in the Relevant Supplement.

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## INVESTMENT OBJECTIVES AND POLICIES

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The Fund has been established for the purpose of providing an asset allocation vehicle for investors attempting to achieve attractive returns. The investment objective and policies for each Sub-Fund will be formulated by the Directors at the time of creation of such Sub-Fund and will be set out in the Relevant Supplement.

The Sub-Funds may invest in units/shares of other investment funds and/or assets listed or traded on Recognised Markets as set out in the Relevant Supplements, and all in accordance with the investment restrictions described in Appendix III "INVESTMENT RESTRICTIONS" below and subject to the market limits specified in the Deed. The investment objectives and policies of the Sub-Funds are set out in the Relevant Supplement.

Save where specified in the Relevant Supplement, in addition, and to the extent only that the Investment Manager deems consistent with the investment policies of the Sub-Funds, the Sub-Funds may utilise for the purposes of efficient portfolio management, the investment techniques and instruments described in Appendix II. Such investment techniques and instruments may include financial derivative instruments. To the extent only that the Investment Manager deems consistent with the investment policies of the Sub-Funds, and in accordance with the requirements of the Central Bank, the Sub-Funds may also utilise financial derivative instruments for short term investment purposes. The expected effect of utilising financial derivative instruments for the purposes of efficient portfolio management is a reduction in the volatility of the Sub-Funds' Net Asset Values.

Where specified in the Relevant Supplement, a Sub-Fund may invest in financial derivative instruments and may for investment purposes, invest in the investment instruments described in Appendix II, subject to the conditions and limits set out therein, or such other limits as may be specified in the Relevant Supplement.

Each Sub-Fund may invest in other collective investment schemes. The Investment Manager will only invest in closed ended collective investment schemes where it believes that such investment will not prohibit the Sub-Fund from providing the level of liquidity to Unitholders referred to in this Prospectus and the Relevant Supplements. Where it is appropriate to its investment objective and policies a Sub-Fund may also invest in other Sub-Funds of the Fund. A Sub-Fund may only invest in another Sub-Fund of this Fund if the Sub-Fund in which it is investing does not itself hold Units in any other Sub-Fund of this Fund. Any commission received by the Manager or Investment Manager in respect of such investment will be paid into the assets of the Sub-Fund. Any Sub-Fund that is invested in another Sub-Fund of this Fund or any other fund for which the Manager or the Investment Manager, each in their capacity as such to the cross investing Sub-Fund or the Underlying Fund, will be invested in a class of units or shares, as applicable, for which no management or investment management fee is charged. No subscription, conversion or redemption fees will be charged on any such cross investments by a Sub-Fund. Save as specified in a relevant Supplement, Sub-Funds which are fund of funds (ie, a collective investment scheme, the principal object of which is investment in units of other collective investment schemes) shall not invest in any collective investment scheme which itself invests more than 50% of net assets in another collective investment scheme.

Subject to the investment restrictions set out in Appendix III, a Sub-Fund which is specified in the Relevant Supplement to be a fund of funds may invest up to 100% of the Net Asset Value of that Sub-Fund in aggregate in unregulated collective investment schemes, subject to a maximum of 35% of the Net Asset Value of that Sub-Fund being invested in any one unregulated collective investment scheme within the meaning of the Central Bank's Guidance Note 1/01.

A Sub-Fund may hold cash or invest its cash balances at such times and in any instruments deemed appropriate by the Investment Manager or Sub-Investment Manager, pending allocation of such capital to one or more investment strategies, in order to fund anticipated redemptions or expenses of a Sub-Fund or otherwise in the sole discretion of the Investment Manager or Sub-Investment Manager. These investments may include money market instruments and other short



term debt obligations, shares of money market mutual funds, and repurchase agreements with banks and broker dealers.

### **Changes in Investment Objective and Policies**

The investment objective of a Sub-Fund will not at any time be altered unless, of the Unitholders in the Sub-Fund responding to a request for confirmation, at least 50% of written responses, by Net Asset Value, consent to the change. Changes to investment policies which are material in nature may only be made if, of the Unitholders in the relevant Sub-Fund responding to a request for confirmation, at least 50% of written responses, by Net Asset Value, consent to the change. In the event of a change of investment objective and/or a material change in investment policy, a reasonable notification period will be provided by the Manager, and the Manager will provide facilities to enable Unitholders in the relevant Sub-Fund to redeem their Units prior to implementation of these changes if they so wish.

### **Underlying Funds**

Some or all of the Sub-Funds may from time to time invest in other collective investment schemes which are deemed by the Investment Manager and / or the Sub-Investment Manager to be suitable for investment by the Sub-Funds having regard to the requirements of the Central Bank (“**Underlying Funds**”). In particular, each Sub-Fund may invest in the sub-funds of MGI Funds plc, an open-ended umbrella fund constituted as an investment company with variable capital under the laws of Ireland with segregated liability between funds and authorised by the Central Bank pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended)) (the “**UCITS Regulations**”). The Directors (or their delegate) undertake to monitor the investment objective and policies of the Underlying Funds.

The aggregate fees and expenses of the manager, administrator, custodian, distributor, investment manager and sub-investment managers to MGI Funds plc will not exceed 3% per annum of that company's net asset value. The manager of MGI Funds plc is entitled to be reimbursed for all reasonable out-of-pocket expenses incurred by the administrator, custodian, investment manager and distributor. In addition, certain other costs and expenses incurred in the operation of MGI Funds plc funds will be borne out of the assets of the relevant sub-funds.

With regard to the Underlying Funds managed by the Manager, or any affiliate, in which the Sub-Funds invest, the Manager or its affiliate, as manager of that Underlying Fund, will waive any preliminary or initial charge or redemption fee it may be entitled to charge for its own account in relation to the acquisition or sale of shares in such Underlying Fund by a Sub-Fund. Any commission received by the Manager, or its affiliate, as manager of an Underlying Fund, by virtue of an investment in the shares of that Underlying Fund by a Sub-Fund will be paid into the property of the relevant Sub-Fund.

### **Securities Financing Transactions**

A Sub-Fund may use total return swaps, repurchase agreements, reverse repurchase agreements, buy-sell back or sell-buy back transactions and securities lending (the “**SFTR Techniques**”) for investment (including to leverage the relevant Sub-Fund) and efficient portfolio management purposes to the extent permitted in this Prospectus or the relevant Supplement.

The counterparties to such SFTR Techniques may be constituted as companies, trusts, partnerships or their equivalent, and will be institutions subject to prudential supervision located globally.

A Sub-Fund may accept collateral in the context of such SFTR Techniques, subject to the restrictions set out at Appendix II. Such collateral will be transferred, where there is title transfer, to the Depositary (or its delegate) for safekeeping or, where there is no title transfer, it can be held by a third party custodian.

The collateral received will be appropriately diversified and will be valued by the Manager (or its delegate) in accordance with the terms of the Prospectus (applying appropriate haircuts where the

Manager or its delegate determines this to be necessary or desirable) and at a frequency determined by the Manager (or its delegate) to be appropriate, taking into consideration the type of collateral and the frequency of the relevant Sub-Fund's Dealing Day.

The risks relating to SFTR Techniques, as well as risks linked to collateral, are described in the "Special Considerations and Risk Factors" section below.

The Manager shall ensure that all revenues arising from SFTR Techniques, net of direct and indirect costs, are returned to the relevant Sub-Fund. To the extent that the Fund engages in securities lending in respect of a Sub-Fund, it may appoint a securities lending agent which may receive a fee in relation to its securities lending activities. Any such securities lending agent may be an affiliate of the Depositary. Any operational costs arising from such securities lending activities shall be borne by the securities lending agent out of its fee.

The identity of the counterparties (and any affiliation they may have with the Manager, Depositary or their delegates, if applicable) to SFTR Techniques, as well as information on direct and indirect operational costs and fees incurred by the Sub-Funds in the context of those transactions will be available in the annual accounts.

To the extent a Sub-Fund engages in repurchase agreements and reverse repurchase agreements ("repo contracts"), securities lending or total return swaps, any permitted investments of a Sub-Fund may be subject to such transactions.

Additional restrictions applicable to each Sub-Fund will be set out in the relevant Supplement.

Unless otherwise disclosed in the relevant Supplement, no Sub-Fund engages in securities lending.

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## **SPECIAL CONSIDERATIONS AND RISK FACTORS**

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Investment in the Sub-Funds carries with it a degree of risk including, but not limited to, the risks referred to below to which a Sub-Fund may be exposed. While there are some risks that may be common to a number or all of the Sub-Funds, there may also be specific risk considerations which apply to particular Sub-Funds in which case such risks will be specified in the Relevant Supplement for that Sub-Fund. Thus the investment risks described below are not purported to be exhaustive and potential investors should review this Prospectus and the Relevant Supplement(s) in their entirety, and consult with their professional advisers, before purchasing Units. The levels and bases of, and reliefs from, taxation to which both the Fund and Unitholders may be subject, may change. Potential investors' attention is drawn to the section headed "TAXATION". There can be no assurance that any Sub-Fund will achieve its investment objective. The Net Asset Value of a Sub-Fund, and the income therefrom, may go down as well as up and investors may not get back the amount invested or any return on their investment.

### **INVESTMENTS IN OTHER COLLECTIVE INVESTMENT SCHEMES**

A Sub-Fund may purchase shares of other collective investment schemes to the extent that such purchases are consistent with such Sub-Fund's investment objective and restrictions. As a shareholder of another collective investment scheme, a Sub-Fund would bear, along with other shareholders, its pro rata portion of the other collective investment scheme's expenses, including management fees. These expenses would be in addition to the expenses that a Sub-Fund would bear in connection with its own operations.

### **UNDERLYING FUNDS**

The identification of Underlying Funds in which a Sub-Fund may invest and the ability of such Underlying Funds to find attractive investment opportunities is difficult and involves a high degree of uncertainty. The Sub-Funds may be subject to those risks common to Underlying Funds investing in publicly traded securities, including market volatility. Also, although intended to protect capital and enhance returns in varying market conditions, certain trading and hedging techniques which may be employed by Underlying Funds such as leverage and investments in options or commodity or financial futures could increase the adverse impact to which Underlying Funds may be subject.

There can be no assurance that the Investment Manager or Sub-Investment Managers can successfully select suitable Underlying Funds or that the managers of the Underlying Funds selected will be successful in their investment strategies.

### **SPECIAL RISKS OF FUND OF FUNDS AND FEEDER FUNDS**

As the Sub-Funds may be constituted as fund of funds and feeder funds (ie, a collective investment scheme the principal object of which is investment in a single collective investment scheme), some or all of a Sub-Fund's investments will be subject to fees and charges of a similar nature to those set out in this Prospectus in respect of the Sub-Funds (i.e. investment management, administration and custodial fees). By investing in the Underlying Funds indirectly through the Sub-Funds, Unitholders bear asset-based fees at both the Sub-Fund level and the Underlying Fund level.

A Sub-Fund may also bear, indirectly through its investment in Underlying Funds, a proportion of the offering, organisational and operating expenses of any such Underlying Funds.

Underlying Funds may be permitted to redeem their interests in-kind. Thus, upon a Sub-Fund's withdrawal of all or a portion of its interest in an Underlying Fund, the Sub-Fund may receive securities that are illiquid or difficult to value. In these circumstances, the Sub-Fund would seek to dispose of these securities in an appropriate manner.

### **MARKET RISK**

The investments of a Sub-Fund are subject to normal market fluctuations and the risks inherent in investment in international securities markets and there can be no assurances that appreciation or preservation will occur.

## **INTERNATIONAL INVESTING**

Investing in securities issued by companies and governments in different countries involves considerations and possible risks not associated with investing in issuers of one country. The values of investments denominated in currencies other than the Base Currency of a Sub-Fund are affected by changes in currency rates. Investing in multiple jurisdictions involves consideration of different exchange control regulations, tax law, including withholding taxes, changes in governmental administration or economic or monetary policy or changed circumstances in dealings between nations. The Sub-Funds may be liable to taxes (including withholding taxes) in countries other than Ireland on income earned and capital gains arising on its investments. The Sub-Funds may not be able to benefit from a reduction in the rate of such foreign tax by virtue of the double taxation treaties between Ireland and other countries. The Sub-Funds may not, therefore, be able to reclaim any foreign withholding tax suffered by it in particular countries. If this position changes and a Sub-Fund obtains a repayment of foreign tax, the Net Asset Value of the relevant Sub-Fund will not be restated and the benefit will be allocated rateably to the Unitholders in that Sub-Fund at the time of repayment. Currency rates may fluctuate significantly over short periods of time causing a Sub-Fund's Net Asset Value to fluctuate as well. Costs are incurred in connection with conversions between various currencies. In addition, brokerage commissions, custody fees and other costs of investing are higher in certain countries and less developed markets may be less liquid, more volatile and less subject to governmental supervision than elsewhere. Investments in some issuers could be affected by factors such as expropriation, confiscatory taxation, lack of uniform accounting and auditing standards and potential difficulties in enforcing contractual obligations. Securities transactions in some countries are subject to settlement delays or risk of loss.

## **POTENTIAL IMPLICATIONS OF BREXIT**

On 23 June 2016 the United Kingdom held a referendum and voted to leave the European Union. This has led to volatility in the financial markets of the United Kingdom and more broadly across Europe and may also lead to weakening in consumer, corporate and financial confidence in such markets. The extent and process by which the United Kingdom will exit the European Union, and the longer term economic, legal, political and social framework to be put in place between the United Kingdom and the European Union are unclear at this stage and are likely to lead to ongoing political and economic uncertainty and periods of exacerbated volatility in both the United Kingdom and in wider European markets for some time. This mid to long term uncertainty may have an adverse effect on the economy generally and on the ability of the Fund and its investments to execute their respective strategies and to receive attractive returns.

Leaving the European Union may also result in significant changes to law and regulation in the United Kingdom. It is not currently possible to assess the effect of these changes on the Fund, its investments or the position of the Unitholders. Investors should be aware that these and other similar consequences following from the referendum result may adversely affect the value of the Shares and the Fund's performance.

## **EMERGING MARKETS**

Certain of the Sub-Funds or Underlying Funds may invest in securities issued in Emerging Markets. Investing in Emerging Markets, in particular, involves exposure to economic structures that generally are less diverse and mature, and to political systems that have less stability, than those of developed countries. Other characteristics of Emerging Markets that may affect investment include certain national policies that may restrict investment by foreigners and the absence of developed legal structures governing private and foreign investments and private property. Moreover, individual economies of Emerging Market countries may differ favourably or unfavourably from the economies of non-emerging market countries in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. The typically small size of the markets for securities issued by issuers

located in Emerging Markets and the possibility of a low or non-existent volume of trading in those securities may also result in a lack of liquidity and in price volatility of those securities. Investors should note that an investment in those Sub-Funds or Underlying Funds which may invest in Emerging Markets should not necessarily constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors. Certain Emerging Market countries are known to experience long delays between the trade and settlement dates of securities purchased or sold. In addition, with respect to certain Emerging Market countries, there is a possibility of expropriation, nationalisation, confiscatory taxation and limitations on the use or removal of funds or other assets of a Sub-Fund or Underlying Fund, including the withholding of dividends.

## **FRONTIER MARKETS RISK**

Frontier market countries generally have smaller economies and even less developed capital markets or legal, regulatory and political systems than traditional emerging markets. As a result, the risks of investing in emerging market countries are magnified in frontier market countries. Frontier market economies are less correlated to global economic fluctuations than developed economies and have low trading volumes and the potential for extreme price volatility and illiquidity. The government of a frontier market country may exercise substantial influence over many aspects of the private sector, including by restricting foreign investment, which could have a significant effect on economic conditions in the country and the prices and yields of securities in a Sub-Fund's portfolio. Economies in frontier market countries generally are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries with which they trade. Brokerage commissions, custodial services and other costs relating to investment in frontier market countries generally are more expensive than those relating to investment in more developed markets. The risk also exists that an emergency situation may arise in one or more frontier market countries as a result of which trading of securities may cease or may be substantially curtailed and prices for investments in such markets may not be readily available.

## **CREDIT RISK**

A Sub-Fund or Underlying Fund will have a credit risk on the issuer of debt securities in which it invests which will vary depending on the issuer's ability to make principal and interest payments on the obligation. Not all of the securities in which a Sub-Fund or Underlying Fund may invest that are issued by sovereign governments or political subdivisions, agencies or instrumentalities thereof, will have the explicit full faith and credit support of the relevant government. Any failure by any such government to meet the obligations of any such political subdivisions, agencies or instrumentalities will have adverse consequences for a Sub-Fund or Underlying Fund and will adversely affect the Net Asset Value per Unit in a Sub-Fund or Underlying Fund.

A Sub-Fund or Underlying Fund will also have a credit risk on the parties with which it trades including for example, counterparties to repurchase agreements or securities lending contracts. In the event of the insolvency, bankruptcy or default of the seller under a repurchase agreement, a Sub-Fund or Underlying Fund may experience both delays in liquidating the underlying securities and losses, including the possible decline in the value of securities, during the period while it seeks to enforce its rights thereto, possible sub-normal level of income, lack of access to income during the period and expenses in enforcing its rights. The risks associated with lending portfolio securities include the possible loss of rights against the collateral for the securities should the borrower fail financially.

A Sub-Fund or Underlying Fund's foreign exchange, futures and other transactions also involve counterparty credit risk and will expose the Sub-Fund or Underlying Fund to unanticipated losses to the extent that counterparties are unable or unwilling to fulfil their contractual obligations. With respect to futures contracts and options on futures, the risk is more complex in that it involves the potential default of the clearing house or the clearing broker.

The Investment Manager will have contractual remedies upon any default pursuant to the agreements related to the transactions. Such remedies could be inadequate, however, to the extent that the collateral or other assets available are insufficient.

S&P and Moody's ratings and ratings of other recognised rating agencies are relative and subjective and are not absolute standards of quality. Although these ratings are initial criteria for selection of investments, the Investment Manager also make their own evaluation of these securities. Among the factors that are considered are the long-term ability of the issuers to pay principal and interest and general economic trends.

#### **UNIT CURRENCY DESIGNATION RISK**

A Class of Units of a Sub-Fund or Underlying Fund may be designated in a currency other than the Base Currency of that Sub-Fund or Underlying Fund. Changes in the exchange rate between the Base Currency and such designated currency may lead to a depreciation of the value of such Units as expressed in the designated currency. A Sub-Fund or Underlying Fund's Investment Manager or Sub-Investment Manager may or may not try to mitigate this risk by using any of the efficient portfolio management techniques and instruments, including currency options and forward currency exchange contracts described in Appendix II and within the conditions and limits imposed by the Central Bank.

Foreign exchange hedging may be utilised for the benefit of Classes of Units created with currency other than Base Currency of the Sub-Fund (the "**Hedged Unit Classes**") and its cost and related liabilities and/or benefits shall be for the account of such Class of Units only. The Investment Manager will seek to hedge the relevant Class Currency against any investments held in the Sub-Fund which are denominated in a currency other than the Class Currency. This is to seek to ensure that Unitholders in the Hedged Units Classes receive a return in the relevant Class Currency which is not materially affected by changes between the value of the relevant Class Currency and the currency or currencies in which the assets of the Sub-Fund are denominated, although there is no guarantee that the Investment Manager will be successful in this regard. As foreign exchange hedging will be utilised solely for the benefit of Hedged Unit Classes, its costs and related liabilities and/or benefits will be for the account of the relevant Hedged Unit Classes only. Investors should be aware that this strategy may substantially limit Unitholders of the relevant Class of Units from benefiting if the relevant Class Currency falls against the Base Currency for the Sub-Fund and/or the currency/currencies in which the assets of the Sub-Fund or an Underlying Fund are denominated. Unitholders of the Class of Units of a Sub-Fund or Underlying Fund may be exposed to fluctuations in the Net Asset Value per Unit reflecting the gains/loss on and the costs of the relevant financial instruments. Investors should note that, while not the intention of the Investment Manager, over-hedged or under-hedged positions may arise due to factors outside the control of the Investment Manager.

In the case of an unhedged Class of Units, a currency conversion will take place on subscriptions, redemptions, exchanges and distributions at prevailing exchange rates.

Although hedging strategies may not necessarily be used in relation to each Class of Units within a Sub-Fund or Underlying Fund, the financial instruments used to implement such strategies shall be assets / liabilities of the Sub-Fund as a whole. However, the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant Class of Units of the Sub-Fund. Any currency exposure of this Class of Units may not be combined with or offset with that of any other Class of Units of the Sub-Fund. The currency exposures of the assets of the Sub-Fund or Underlying Fund will not be allocated to separate Classes of Units.

#### **COMMON CONTRACTUAL FUNDS**

The Fund is a Common Contractual Fund. The Fund is an unincorporated entity which does not have a legal personality. Accordingly, the Fund has certain features which differentiate it from other types of collective investment schemes. For example, the Fund will not hold Unitholder meetings and no voting rights will attach to Units. Units may be redeemed but they are not freely

transferable as this may result in the Fund incurring a tax liability or suffering pecuniary disadvantage.

## TAXATION RISK

Potential investors' attention is drawn to the taxation risks associated with investing in the Fund and in a Sub-Fund. See section under the heading "TAXATION".

Without prejudice to the generality of the foregoing, the Fund should be regarded as fiscally transparent for Irish tax purposes and in investing, each Unitholder agrees to represent that it is not a Non Fund Qualified Investor. On this basis, the income and gains of the Fund will be treated as arising directly to the beneficial owners of Units from an Irish perspective. It is intended that the Fund will not be subject to an entity level tax.

Tax may be suffered and tax reporting may be required before the receipt of any cash in the jurisdictions in which the Fund is investing. Where other jurisdictions do not consider the Fund to be fiscally transparent, distributions, interest or gains derived from securities may be subject to taxes, including withholding taxes, imposed by the country of source. The Fund will be unable to benefit from a reduction in the rate of withholding tax by virtue of double taxation agreements concluded between Ireland and other countries because the Fund is expected to be treated as a transparent entity for Irish tax purposes.

Where withholding tax has been suffered the recovery or otherwise of that withholding tax will depend on the particular circumstances of each Unitholder in the Fund. The Fund's fiscal transparency may allow favourable withholding tax treatment in respect of the income and gains of the Fund. However, no guarantee can be given that the Fund definitively is or continues to be fiscally transparent in respect of the aforementioned countries either as a whole or as regards an individual Unitholder. As a consequence in particular withholding tax benefits may either not be available or may cease to be available and investor tax reporting may be incorrect.

Each investor is advised to consult its own tax advisor as to the tax consequences of an investment in the Fund and should carefully review the tax matters discussed under the section headed "Taxation".

Potential investor's attention is drawn to the following specific tax related risks:

- (a) should any Unitholder be (or become) a Non Fund Qualified Investor, it may be liable to the Fund for any actions, proceedings, claims, liabilities, costs, demands, charges, losses, damages or expenses arising as a result of such Unitholder acquiring or holding Units and may be called upon to indemnify the Fund, the relevant Sub-Fund, the Directors, the Manager, the Depositary, the Administrator, the Investment Manager, the Sub-Investment Managers and the other Unitholders for all actions, proceedings, claims, costs, demands, liabilities, charges, losses, damages or expenses directly or indirectly suffered as a result of such person or persons acquiring or holding Units in the Fund;
- (b) furthermore if the Manager, Depositary (or any of their delegates), the Fund, any Sub-Fund or any Unitholder becomes liable to tax in any jurisdiction as a result of a Unitholder (such term being deemed for the purpose of this clause as including former Unitholders) or beneficial owner or former beneficial owners of a Unit (i) having received a distribution in respect of his or her Units, (ii) being treated as in receipt of income and/or gains or (iii) having disposed, redeemed of his/her Units in any way (or being deemed to have so received the distribution income and/or gains, or being deemed to have so disposed or redeemed of his/her Units) ("**Taxable Event**"), the Manager shall be entitled in respect of such Sub-Fund to deduct from any payment to a Unitholder arising on a Taxable Event an amount equal to the appropriate tax and any interest or penalties thereon and/or appropriate, cancel or compulsorily repurchase such number of Units held by the Unitholder or beneficial owner as are required to discharge this liability. The relevant Unitholder shall indemnify and keep the Manager, the Depositary (and their delegates), the Fund and each Sub-Fund (the "**Indemnified Parties**"), indemnified against losses, actions, pleadings and claims and against all costs, demands and expenses which may be brought against,

suffered or incurred by any of the Indemnified Parties by reason of the Indemnified Parties or any of them becoming liable to tax or to account for tax in any jurisdiction on the happening of a Taxable Event;

- (c) a person who the Manager or its delegate suspects may be a Non Fund Qualified Investor may be compulsorily redeemed from the Fund at the prevailing Net Asset Value in accordance with Clause 13.00 of the Deed;
- (d) a Non Fund Qualified Investor may cause the Fund as a whole to cease to be fiscally transparent under the provisions of Irish law which in turn may prejudice the treatment of the Fund as fiscally transparent for the purposes of withholding taxes in respect of dividends and gains;
- (e) a Non Fund Qualified Investor may cause the relevant profits of the Fund (broadly, the income and profits of the Fund) to be liable to Irish taxation; and
- (f) should the Fund not prove to be fiscally transparent for UK or Irish tax purposes resulting in a retrospective liability of tax or the Fund being liable for increased withholding taxes, the Unit price will not be retrospectively reinstated and remaining Unitholders in the Fund will accordingly rateably bear any additional liability.

## **LOAN PARTICIPATIONS**

Participations typically will result in a Sub-Fund or Underlying Fund having a contractual relationship only with the lender, not with the borrower. A Sub-Fund or Underlying Fund will have the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the participation and only upon receipt by the lender of the payments from the borrower. In connection with purchasing participations, a Sub-Fund or Underlying Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan, nor any rights of set-off against the borrower, and a Sub-Fund or Underlying Fund may not directly benefit from any collateral supporting the loan in which it has purchased the participation. As a result, a Sub-Fund or Underlying Fund will assume the credit risk of both the borrower and the lender that is selling the participation. In the event of the insolvency of the lender selling a participation, a Sub-Fund or Underlying Fund may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower.

A Sub-Fund or Underlying Fund may have difficulty disposing of participations. The liquidity of such instruments is limited, and they may be sold only to a limited number of institutional investors. The lack of a liquid secondary market could have an adverse impact on the value of such securities and on a Sub-Fund or Underlying Fund's ability to dispose of particular participations when necessary to meet its liquidity needs or in response to a specific economic event, such as a deterioration in the creditworthiness of the borrower. The lack of a liquid secondary market for participations also may make it more difficult to assign a value to those securities for the purposes of valuing a Sub-Fund or Underlying Fund's portfolio and calculating its Net Asset Value.

## **REGULATORY DEVELOPMENTS IN SECURITISATION THAT MAY AFFECT THE FUND**

Certain risk retention and due diligence requirements (the "**EU Risk Retention and Due Diligence Requirements**") currently apply to various types of EU regulated investors including credit institutions, authorised alternative investment fund managers, including the Manager, investment firms, insurance and reinsurance undertakings and institutions for occupational retirement schemes. Amongst other things, such requirements restrict an investor who is subject to the EU Risk Retention and Due Diligence Requirements from investing in securitisations unless: (i) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed that it will retain, on an on-going basis, a net economic interest of not less than five per cent in respect of certain specified credit risk tranches or securitised exposures; and (ii) such investor is able to demonstrate that they have undertaken certain due diligence in respect of various matters including but not limited to its note position, the underlying assets and (in the case of certain types of investors) the relevant sponsor or originator.



Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation (the “**Securitisation Regulation**”) entered into force on 17 January 2018 and will apply to the Manager from 1 January 2019.

When the Securitisation Regulation comes into force and becomes applicable, the Manager (and the Investment Manager on its behalf) will be required to take steps to ensure that they are in compliance with it and any regulatory technical standards that are imposed on the Manager pursuant to it. In particular, the Securitisation Regulation will require that the Manager ensure that each relevant Sub-Fund’s holdings of securitisations (including certain securitisations issued prior to the Securitisation Regulation coming into force) are compliant and the Manager or its delegate may be required to dispose of any such holdings that are non-compliant. Under such circumstances, a Sub-Fund could sustain losses.

### **NON-PUBLICLY TRADED AND RULE 144A SECURITIES**

Non-publicly traded and Rule 144A Securities may involve a high degree of business and financial risk and may result in substantial losses. These securities may be less liquid than publicly traded securities, and a Sub-Fund or Underlying Fund may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realised from these sales could be less than those originally paid by a Sub-Fund or Underlying Fund. Further, companies whose securities are not publicly traded may not be subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly traded. A Sub-Fund or Underlying Fund’s investment in illiquid securities is subject to the risk that should the Sub-Fund or Underlying Fund desire to sell any of these securities when a ready buyer is not available at a price that is deemed to be representative of their value, the Net Asset Value of the Sub-Fund or Underlying Fund could be adversely affected.

### **INFLATION-PROTECTED SECURITIES RISKS**

The value of inflation-protected securities (“**IPS**”), including U.S. Treasury Inflation-Protected Securities (“**U.S. TIPS**”), generally fluctuates in response to changes in real interest rates. Real interest rates are tied to the relationship between nominal interest rates and the rate of inflation. If nominal interest rates increase at a faster rate than inflation, real interest rates might rise, leading to a decrease in value of IPS. Conversely, if inflation rises at a faster rate than nominal interest rates, real interest rates might decline, leading to an increase in value of IPS.

If the Sub-Fund or Underlying Fund purchases IPS in the secondary market whose principal values have been adjusted upward due to inflation since issuance, the Sub-Fund or Underlying Fund may experience a loss if there is a subsequent period of deflation. Additionally, if the Sub-Fund or Underlying Fund purchases IPS in the secondary market whose price has been adjusted upward due to real interest rates increasing, the Sub-Fund or Underlying Fund may experience a loss if real interest rates subsequently increase. If inflation is lower than expected during the period the Sub-Fund or Underlying Fund holds an IPS, the Sub-Fund or Underlying Fund may earn less on the security than on a conventional bond. If the Sub-Fund or Underlying Fund sells U.S. TIPS in the secondary market prior to maturity however, the Sub-Fund or Underlying Fund may experience a loss.

If real interest rates rise (i.e., if interest rates rise for reasons other than inflation (for example, due to changes in currency exchange rates)), the value of the IPS in the Sub-Fund or Underlying Fund’s portfolio will decline. Moreover, because the principal amount of IPS would be adjusted downward during a period of deflation, the Sub-Fund or Underlying Fund will be subject to deflation risk with respect to its investments in these securities. IPS are tied to indices that are calculated based on the rates of inflation for prior periods. There can be no assurance that such indices will accurately measure the real rate of inflation.

Additionally, the market for IPS may be less developed or liquid, and more volatile, than certain other securities markets. Although the U.S. Treasury is contemplating issuing additional IPS, there is no guarantee that it will do so. There are a limited number of IPS that are currently available for

the Sub-Fund or Underlying Fund to purchase, thus making the market less liquid and more volatile than the U.S. Treasury and agency markets.

The U.S. Treasury currently issues U.S. TIPS in only ten-year maturities, although it is possible that U.S. TIPS with other maturities will be issued in the future. Previously, U.S. TIPS have been issued with maturities of five, ten or thirty years. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed even during a period of deflation. However as with IPS generally, because the principal amount of U.S. TIPS would be adjusted downward during a period of deflation, the Sub-Fund or Underlying Fund will be subject to deflation risk with respect to its investments in these securities. In addition, the current market value of the bonds is not guaranteed, and will fluctuate. If the Sub-Fund or Underlying Fund purchases U.S. TIPS in the secondary market whose principal values have been adjusted upward due to inflation since issuance, the Sub-Fund or Underlying Fund may experience a loss if there is a subsequent period of deflation. If inflation is lower than expected during the period the Sub-Fund or Underlying Fund holds a U.S. TIPS, the Sub-Fund or Underlying Fund may earn less on the security than on a conventional bond.

### **MORTGAGE RELATED SECURITIES**

Certain of the Sub-Funds or Underlying Funds may invest in mortgage related securities, which include certain risks. The monthly cash flow from the underlying loans may not be sufficient to meet the monthly payment requirements of the mortgage related security. Prepayment of principal by the mortgagors or mortgage foreclosures shorten the term of the underlying mortgage pool for a mortgage related security. The occurrence of mortgage prepayments is affected by the level of interest rates, general economic conditions, the location and age of the mortgage and other social and demographic conditions. In periods of rising interest rates, the rate of prepayment tends to decrease, thereby lengthening the average life of a pool of mortgage related securities. Conversely, in periods of falling interest rates the rate of prepayment tends to increase, thereby shortening the average life of a pool. Reinvestment of prepayments may occur at higher or lower interest rates than the original investment, thus affecting yield. Because prepayments of principal generally occur when interest rates are declining, the proceeds of prepayments must be invested. If this occurs, a Sub-Fund or Underlying Fund's yield correspondingly declines. Thus, mortgage related securities have less potential for capital appreciation in periods of falling interest rates than other fixed income securities of comparable maturity, and they have a higher risk of decline in market value in periods of rising interest rates. To the extent that mortgage related securities are purchased at a premium, unscheduled prepayments, which are made at par, result in a loss equal to any unamortised premium.

### **INTEREST ONLY SECURITIES**

Stripped mortgage securities have greater volatility than other types of mortgage securities. Although stripped mortgage securities are purchased and sold by institutional investors through several investment banking firms acting as brokers or dealers, the market for such securities has not yet been fully developed. Accordingly, stripped mortgage securities are generally illiquid.

The yield to maturity on interest only securities and principal only securities that are purchased at a substantial premium or discount generally are extremely sensitive not only to changes in prevailing interest rates but also to the rate of principal payments (including prepayments) on the related underlying mortgage assets, and a rapid rate of principal payments may have a material adverse effect on such securities' yield to maturity. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Sub-Fund or Underlying Fund may fail to fully recoup its initial investment in these securities even if the securities have received the highest rating by a nationally recognised statistical rating organisations.

### **LOWER QUALITY AND LOWER RATED DEBT SECURITIES**

Debt securities rated in the fourth highest category by S&P or Moody's or given equivalent credit ratings by other recognised rating agencies, although considered investment grade, may possess speculative characteristics, and changes in economic or other conditions are more likely to impair

the ability of their issuers to make interest and principal payments than is the case with respect to issuers of higher grade debt securities.

Generally, medium or lower rated securities and unrated securities of comparable quality offer a higher current yield than is offered by higher rated securities, but also (i) are likely have some quality and protective characteristics that, in the judgement of the rating organisations, are outweighed by large uncertainties or major risk exposures to adverse conditions; and (ii) are predominantly speculative with respect to the issuers capacity to pay interest and repay principal in accordance with the terms of the obligation. The market values of certain of these securities also tend to be more sensitive to individual corporate developments and changes in economic conditions than higher quality bonds. In addition, medium and lower rated securities and comparable unrated securities generally present a higher degree of credit risk. The risk of loss due to default by these issuers, is significantly greater because medium and lower rated securities and unrated securities of comparable quality generally are unsecured and frequently are subordinated to the prior payment of senior indebtedness. In light of these risks, the relevant Investment Manager or Sub-Investment Manager, in evaluating the creditworthiness of an issue, whether rated or unrated, takes various factors into consideration, which may include, as applicable, the issuer's financial resources, its sensitivity to economic conditions and trends, the ability of the issuer's management and regulatory matters.

The market value of securities in lower rated categories is more volatile than that of higher quality securities, and the markets in which medium and lower rated or unrated securities are traded are more limited than those in which higher rated securities are traded. The existence of limited markets may make it more difficult to obtain accurate market quotations for purposes of valuing the securities held by, and calculating the Net Asset Value of, a Sub-Fund or Underlying Fund. Moreover, the lack of a liquid trading market may restrict the availability of securities for purchase and may also have the effect of limiting the ability of a Sub-Fund or Underlying Fund to sell securities at their fair value either to meet withdrawal requests or to respond to changes in the economic or the financial markets.

Lower rated debt obligations also present risks based on payment exceptions. If an issuer calls the obligation for redemption, the obligation may have to be replaced with a lower yielding security, resulting in a decreased return for investors. In the event of rising interest rates the value of the securities held by a Sub-Fund or Underlying Fund may decline proportionately more than higher rated securities. If a Sub-Fund or Underlying Fund experiences unexpected net withdrawals, higher rated bonds may have to be sold, resulting in a decline in the overall credit quality of the securities held by the Sub-Fund or Underlying Fund and increasing the exposure of the Sub-Fund or Underlying Fund to the risks of lower rated securities.

Subsequent to purchase, an issue of securities may cease to be rated or its rating may be reduced below the minimum required for purchase by a Sub-Fund or Underlying Fund. Neither event requires sale of these securities by the relevant Sub-Fund or Underlying Fund, but the relevant Investment Manager or Sub-Investment Manager considers the event in its determination of whether the securities should continue to be held.

A Sub-Fund or Underlying Fund may invest in securities which are not investment grade. Such securities may have a higher yield than securities with an investment grade rating, but are more likely to react to developments affecting market and credit risk than such higher rated securities, which primarily react to movements in the general level of interest rates. Lower rated or unrated securities are generally subject to a greater default risk than such higher rated securities.

## **WHEN-ISSUED AND DELAYED-DELIVERY SECURITIES**

Each Sub-Fund or Underlying Fund may purchase securities on a when-issued or delayed-delivery basis for the purposes of efficient portfolio management or for investment purposes. Purchase of securities on such basis may expose a Sub-Fund or Underlying Fund to risk because the securities may experience fluctuations in value prior to their actual delivery. Income is not accrued for a Sub-Fund or Underlying Fund with respect to a when-issued or delayed-delivery security prior to its stated delivery date. Purchasing securities on a when-issued or delayed-delivery basis can involve the additional risk that the yield available in the market when the delivery takes place may be

higher than that obtained in the transaction itself. There is also a risk that the securities may not be delivered and that the Sub-Fund or Underlying Fund may incur a loss.

## **FOREIGN EXCHANGE RISK**

Where a Sub-Fund or Underlying Fund engages in foreign exchange transactions which alter the currency exposure characteristics of its investments the performance of such Sub-Fund or Underlying Fund may be strongly influenced by movements in exchange rates as currency positions held by a Sub-Fund or Underlying Fund may not correspond with the securities positions held.

The Net Asset Value per Unit of a Sub-Fund or Underlying Fund will be computed in its Base Currency whereas the investments held for the account of a Sub-Fund or Underlying Fund may be acquired in other currencies. A Sub-Fund or Underlying Fund's Net Asset Value may change significantly when the currencies other than the Base Currency in which some of the Sub-Fund or Underlying Fund's investments are denominated strengthen or weaken against the Base Currency. Currency exchange rates generally are determined by supply and demand in the foreign exchange markets and the perceived relative merits of investments in different countries. Currency exchange rates can also be affected unpredictably by intervention by government or financial regulators or by currency controls or political developments.

In addition currency hedging transactions, while potentially reducing the currency risks to which a Sub-Fund or Underlying Fund would otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty, as described above. In addition, where a Sub-Fund or Underlying Fund enters into "cross-hedging" transactions (e.g., utilising a currency different than the currency in which the security being hedged is denominated), a Sub-Fund or Underlying Fund will be exposed to the risk that changes in the value of the currency used to hedge will not correlate with changes in the value of the currency in which the securities are denominated, which could result in loss on both the hedging transaction and a Sub-Fund or Underlying Fund securities.

Forward currency contracts involve the possibility that the market for them may be limited with respect to certain currencies and, upon a contract's maturity, the possible inability to negotiate with the dealer to enter into an offsetting transaction. There is no assurance that an active forward currency contract market will always exist. These factors restrict the ability to hedge against the risk of devaluation of currencies in which a substantial quantity of securities are being held for a Sub-Fund and are unrelated to the qualitative rating that may be assigned to any particular security.

## **DERIVATIVE INSTRUMENTS**

Derivative instruments (which are instruments that derive their value from another instrument, security, index or currency) may be purchased or sold to enhance return (which may be considered speculative), to hedge against fluctuations in securities prices, market conditions or currency exchange rates, or as a substitute for the purchase or sale of securities or currencies. Such transactions may include the purchase or sale of futures contracts on securities, securities and other indices, other financial instruments or currencies, including exotic options; options on futures contracts and stock index futures, exchange-traded and over-the-counter options on securities, indices or currencies, the purchase of put options and the sale of call options on securities held, equity swaps, and the purchase and sale of currency futures, forward foreign currency exchange contracts; warrants; interest rate, total return, credit default and currency swaps. Transactions in derivative instruments involve a risk of loss or depreciation due to: unanticipated adverse changes in securities prices, interest rates, indices, the other financial instruments' prices or currency exchange rates; the inability to close out a position; default by the counterparty; imperfect correlation between a position and the desired hedge; tax constraints on closing out positions; risks relating to settlement default; legal risk; and portfolio management constraints on securities subject to such transactions. The loss on derivative instruments (other than purchased options) may substantially exceed an investment in these instruments. In addition, the entire premium paid for purchased options may be lost before they can be profitably exercised. Transaction costs are incurred in opening and closing positions. Derivative instruments may sometimes increase or leverage exposure to a particular market risk, thereby increasing price volatility of derivative instruments a Sub-Fund or Underlying Fund holds. A Sub-Fund or Underlying Fund's success in

using derivative instruments to hedge portfolio assets depends on the degree of price correlation between the derivative instruments and the hedged asset. Imperfect correlation may be caused by several factors, including temporary price disparities among the trading markets for the derivative instrument, the assets underlying the derivative instrument and the Sub-Fund or Underlying Fund's assets.

OTC derivative instruments involve an enhanced risk that the issuer or counterparty will fail to perform its contractual obligations. Some derivative instruments are not readily marketable or may become illiquid under adverse market conditions. In addition, during periods of market volatility, a commodity exchange may suspend or limit trading in an exchange-traded derivative instrument, which may make the contract temporarily illiquid and difficult to price. Commodity exchanges may also establish daily limits on the amount that the price of a futures contract or futures option can vary from the previous day's settlement price. Once the daily limit is reached, no trades may be made that day at a price beyond the limit. This may prevent the closing out of positions to limit losses. The ability to terminate OTC derivative instruments may depend on the cooperation of the counterparties to such contracts. For thinly traded derivative instruments, the only source of price quotations may be the selling dealer or counterparty. The use of derivatives are highly specialised activities that involve skills different from conducting ordinary portfolio securities transactions. There can be no assurance that an Investment Manager or Sub-Investment Manager's use of derivative instruments will be advantageous to a Sub-Fund.

Foreign exchange traded futures contracts and options thereon may be used only if an Investment Manager or Sub-Investment Manager determines that trading on such foreign exchange does not entail risks, including credit and liquidity risks, that are materially greater than the risks associated with trading on CFTC-regulated exchanges.

A put option on a security may be written only if an Investment Manager or Sub-Investment Manager intends to acquire the security.

## **FUTURES AND OPTIONS CONTRACTS**

A Sub-Fund or Underlying Fund may use futures and options and swaps for efficient portfolio management purposes which includes hedging against market movements, currency exchange or interest rate risks or otherwise, and for investment purposes. An Investment Manager or Sub-Investment Manager's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations. Use of these strategies involves certain special risks, including (i) dependence on an Investment Manager or Sub-Investment Manager's ability to predict movements in the price of securities and movements in interest rates; (ii) imperfect correlation between movements in the securities or currency on which a futures or options contract is based and movements in the securities or currencies in the relevant Sub-Fund or Underlying Fund; (iii) the absence of a liquid market for any particular instrument at any particular time; (iv) the degree of leverage inherent in futures trading, i.e., the low margin deposits normally required in futures trading means that futures trading may be highly leveraged, accordingly, a relatively small price movement in a futures contract may result in an immediate and substantial loss to a Sub-Fund or Underlying Fund; and (v) possible impediments to effective portfolio management or the ability to meet redemption requests or other short-term obligations because of the percentage of a Sub-Fund or Underlying Fund's assets segregated to cover its obligations.

For derivative instruments other than purchased options, any loss suffered may exceed the amount of the initial investment made or the premium received by a Sub-Fund or Underlying Fund. Over-the-counter ("**OTC**") derivative instruments involve an enhanced risk that the counterparty will fail to perform its contractual obligations. Some derivative instruments are not readily marketable or may become illiquid under adverse market conditions. In addition, during periods of market volatility, a commodity exchange may suspend or limit trading in an exchange-traded derivative instrument which may make the contract temporarily illiquid and difficult to price. Commodity exchanges may also establish daily limits on the amount that the price of a futures option or futures contract can vary from the previous day's settlement price. Once the daily limit is exceeded, no trades may be made that day at a price beyond the limit. This may prevent a Sub-Fund or Underlying Fund from closing out positions and limiting its losses.

## **DERIVATIVES ON ECONOMIC INDICES**

A Sub-Fund or Underlying Fund may trade derivatives on economic data releases, such as, but not limited to, employment, retail sales, industrial production, inflation, consumer sentiment and economic growth to minimise exposure to adverse market movements in response to the release of economic data and to enhance return. Derivatives on economic indices are currently offered in an auction format and are booked and settled as OTC options. Participants buy and sell these options by submitting limit order bids and offers. Auctions take place at least 24 hours prior to the release of the applicable economic data. At the close of the auction, orders are filled at the best available price, but within the parameters of the order. Prices of the options are based on the relative demand for their implied outcome. Derivatives on economic statistics are subject to risks similar to those applicable to the derivative instruments described above but may also be subject to additional liquidity risk.

## **CREDIT DEFAULT SWAPS**

From time to time, a Sub-Fund or Underlying Fund may use credit default swaps to buy or sell credit protection on an individual issuer or a basket of issuers of bonds. The issuer of the bonds underlying a credit default swap may be a corporation, the federal or state government or any of their agencies or instrumentalities, or a foreign government or any of its agencies or instrumentalities. A Sub-Fund or Underlying Fund may also purchase credit linked notes. In a credit default swap, the buyer of credit protection agrees to pay the seller a periodic premium payment in return for the seller paying the amount under par at which a bond is trading if an event occurs that impacts the payment ability of the issuer of the underlying bonds. If such a transaction is to be physically settled, the buyer of the protection delivers to the seller a credit instrument that satisfies the delivery conditions outlined in the trade confirmation. The seller of the credit protection then pays the buyer the par value of the delivered instrument. In a cash settled transaction, the buyer of protection receives from the seller the difference between the market value of the credit instrument and the par value. Credit linked notes are collateralised with a portfolio of securities having an aggregate AAA rating. Credit linked notes are purchased from a trust or other special purpose vehicle that pays a fixed or floating coupon during the life of the note.

At maturity, investors receive par unless the referenced credit defaults or declares bankruptcy, in which case they receive an amount equal to the recovery rate. The trust enters into a default swap with a counterparty, and in the event of default, the trust pays the counterparty par minus the recovery rate in exchange for an annual fee that is passed on to the investors in the form of a higher yield on the notes. Credit linked notes are collateralised with a portfolio of securities having an aggregate AAA rating. Credit linked notes are purchased from a trust or other special purpose vehicle that pays a fixed or floating coupon during the life of the note. At maturity, investors receive par unless the referenced credit defaults or declares bankruptcy, in which case they receive an amount equal to the recovery rate. The trust enters into a default swap with a counterparty, and in the event of default, the trust pays the counterparty par minus the recovery rate in exchange for an annual fee that is passed on to the investors in the form of a higher yield on the notes. These transactions involve certain risks, including the risk that the seller may be unable to fulfil the transaction.

A Sub-Fund or Underlying Fund may engage in options, futures contracts and options on futures contracts on high yield corporate bond indices, as well as stock indices, in order to hedge exposure to the high yield bond market. The Fund may enter into stock index futures and options only when a Sub-Investment Manager believes there is a correlation between the composition of part of the Fund and the underlying index. Hedging transactions may not be effective because of imperfect correlation and other factors. These transactions also involve a risk of loss or depreciation due to counterparty risk, unexpected market, interest rate or security price movements, and tax and regulatory constraints.

## **COLLATERAL RE-USE AND REINVESTMENT RISK**

A Sub-Fund may be exposed to the risk that cash collateral re-use or reinvestment could lead to a reduction of the value of the eligible collateral capital. This, in turn may causes losses to the Fund and the relevant Sub-Fund because it is obliged to return collateral to the counterparty.

## **PORTFOLIO TURNOVER**

When circumstances warrant, securities may be sold without regard to the length of time held. Active trading increases a Sub-Fund or Underlying Fund's rate of turnover, which may increase brokerage commissions paid and certain other transaction expenses.

## **NO INVESTMENT GUARANTEE EQUIVALENT TO DEPOSIT PROTECTION**

An investment in a Sub-Fund or Underlying Fund is not in the nature of a deposit in a bank account and is not protected by any government, government agency or other guarantee scheme which may be available to protect the holder of a bank deposit account.

## **CONVERTIBLE SECURITIES**

An Underlying Fund may from time to time invest in debt securities and preferred stocks which are convertible into, or carry the right to purchase, common stock or other equity securities. Convertible securities may be purchased where an Investment Manager or Sub-Investment Manager believes that they have appreciation potential on the basis that the relevant Investment Manager or Sub-Investment Manager is of the opinion that they yield more than the underlying securities at the time of purchase or considers them to present less risk of principal loss than the underlying securities. Generally speaking, the interest or dividend yield of a convertible security is somewhat less than that of a non-convertible security of similar quality issued by the same company.

## **EMERGING COMPANIES**

The investment risk associated with emerging companies is higher than that normally associated with larger, older companies due to the greater business risks associated with small size, the relative age of the company, limited product lines, distribution channels and financial and managerial resources. Further, there is typically less publicly available information concerning smaller companies than for larger, more established ones. The securities of small companies are often traded only over-the-counter and may not be traded in the volumes typical of trading on national securities exchange. Nonetheless, an Underlying Fund will not invest more than 10% of its net assets in securities traded over the counter as provided under paragraph 16 of Appendix III "INVESTMENT RESTRICTIONS". As a result, in order to sell this type of holding, an Underlying Fund may need to discount the securities from recent prices or dispose of the securities over a long period of time. The prices of this type of security may be more volatile than those of larger companies which are often traded on a national securities exchange.

## **EXCHANGE-TRADED INDEX SECURITIES**

Subject to the limitations on investment in collective investment schemes and a Sub-Fund's own investment objective, each Sub-Fund may invest in exchange-traded index securities that are currently operational and that may be developed in the future. Exchange-traded index securities generally trade on Recognised Market and are subject to the risks of an investment in a broadly based portfolio of common stocks, including the risk that the general level of stock prices may decline, thereby adversely affecting the value of the Sub-Fund's investment. These securities generally bear certain operational expenses. To the extent that a Sub-Fund invests in these securities, the Sub-Fund must bear these expenses in addition to the expenses of its own operation.

## **REITs**

A Sub-Fund may invest in Real Estate Investment Trust securities ("REITs") which are pooled investment vehicles that invest primarily in either real estate or real estate related loans. There are particular risks associated with the direct ownership of real estate by REITs in which a Sub-Fund may invest. For example, real estate values may fluctuate as a result of general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, changes in zoning laws, casualty or condemnation losses, regulatory limitations on rents, changes in neighbourhood values, changes in how appealing properties are to tenants and increases in interest rates. As well as changes in the value of their underlying properties, the value of REITs may also be affected by defaults by borrowers or tenants.

Furthermore, REITs are dependent on specialised management skills. Some REITs may have limited diversification and may be subject to risks inherent in financing a limited number of properties. REITs depend generally on their ability to generate cash flows to make distributions to shareholders or unitholders, and may be subject to defaults by borrowers and to self-liquidations. In addition, the performance of a U.S regulated REIT may be adversely affected if it fails to qualify for tax-free pass-through of income under U.S. tax law or if it fails to maintain exemption from registration under the 1940 Act.

## **ECONOMIC AND POLITICAL RISKS**

The economies of individual Emerging Market countries may differ favourably or unfavourably from the economy in industrialised countries in such respects as growth of gross domestic product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency, accounting standards and balance of payments position. Further, the economies of Emerging Market countries generally are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade.

With respect to any Emerging Market country, there is the possibility of nationalisation, expropriation or confiscatory taxation, political changes, government regulation, social instability or diplomatic developments (including war) which could affect adversely the economies of such countries or the value of a Sub-Fund's investments in those countries. In addition, it may be difficult to obtain and enforce a judgment in a court in those countries.

## **SECURITIES MARKETS OF EMERGING MARKETS COUNTRIES**

Trading volume in the securities markets of Emerging Markets countries is substantially less than that in industrialised countries. Further, securities of some companies in Emerging Markets are less liquid and more volatile than securities of comparable companies in industrialised countries. As a result, obtaining prices or portfolio securities of independent sources may be more difficult. In addition, brokerage expenses and other transaction costs generally are higher in Emerging Market countries than in industrialised countries. Securities markets, broker-dealers, and issuers in Emerging Markets generally are subject to less government supervision and regulation than in



industrialised countries. Further, disclosure and reporting requirements are minimal and anti-fraud and insider trading legislation is generally rudimentary.

## **CUSTODIAL RISK**

Those assets of the Fund which are required to be held in custody by the Depositary and identified as belonging to the Fund in the Depositary's books are segregated from assets of the Depositary. This mitigates but does not prevent the risk of non-return in the event of bankruptcy of the Depositary. On the other hand, cash deposits placed with the Depositary are no different in legal characteristics than any other bank deposit and are therefore exposed to increased risk in the event of bankruptcy with the Fund being a general creditor of the Depositary.

The Depositary may appoint sub-custodians to hold the assets in countries where the Sub-Funds invest and, notwithstanding compliance by the Depositary with its legal obligations, such assets are therefore exposed to the risk of bankruptcy of those sub-custodians. In jurisdictions where legal and regulatory protections covering the holding of assets may be weaker, there may be a risk that the Depositary may not have an established sub-custodian in such market and therefore impact the Sub-Funds' ability to invest in that market. Whilst the Depositary's liability for return of those assets will generally be unaffected by investment in such markets, in certain circumstances (and subject to certain conditions), the Depositary's liability for return of those assets may be transferred to the sub-custodian.

Where the Manager or the Depositary entrusts all or part of the assets of the Fund to a sub-custodian and assets are held by the sub-custodian, in an omnibus account, a number of considerations must be taken into account in addition to the requirement that the property is identified as that of the relevant Sub-Fund including the operating model of the sub-custodian, settlement efficiencies, cost aspects for the Depositary and/or the Fund, complexity of account set-ups, instruction flows, reconciliation aspects and subject to local laws, regulations and market practice.

## **ENHANCED REGULATION OF THE OTC DERIVATIVES MARKET**

The European Market Infrastructure Regulation ("EMIR") seeks comprehensively to regulate the OTC derivatives market in Europe for the first time including, in particular, imposing mandatory central clearing, trade reporting and, for non-centrally cleared trades, risk management obligations on counterparties. Similarly, the Dodd-Frank Act includes provisions that comprehensively regulate the OTC derivatives markets for the first time. The Dodd-Frank Act will require that a substantial portion of OTC derivatives must be executed in regulated markets and submitted for clearing to regulated clearinghouses. Although the Dodd-Frank Act includes limited exemptions from the clearing and margin requirements for so-called "end-users", the Fund may not be able to rely on such exemptions. In addition, the OTC derivative dealers with which the Fund executes the majority of its OTC derivatives will not be able to rely on the end-user exemptions under the Dodd-Frank Act and therefore such dealers will be subject to clearing and margin requirements notwithstanding whether the Fund is subject to such requirements. Taken together, these regulatory developments will increase the OTC derivative dealers' costs, and these increased costs are expected to be passed through to other market participants in the form of higher upfront and mark-to-market margin, less favourable trade pricing, and possible new or increased fees. The US Securities and Exchange Commission (the "SEC") or the US Commodity Futures Trading Commission (the "CFTC") may also require a substantial portion of derivatives transactions that are currently executed on a bi-lateral basis in the OTC markets to be executed through a regulated securities, futures, or swap exchange or execution facility. Similarly, under EMIR, European regulators may require a substantial proportion of such derivatives transactions to be brought on exchange and / or centrally cleared. Such requirements may make it more difficult and costly for investment funds, including the Fund, to enter into highly tailored or customised transactions. They may also render certain strategies in which the Fund might otherwise engage impossible or so costly that they will no longer be economical to implement. They may also increase the overall costs for OTC derivative dealers, which are likely to be passed along, at least partially, to market participants in the form of higher fees or less advantageous dealer marks. The overall impact of

EMIR and the Dodd-Frank Act on the Fund is highly uncertain and it is unclear how the OTC derivatives markets will adapt to these new regulatory regimes.

## **RUSSIAN MARKETS RISK**

There are significant risks inherent in investing in Russia. There is no history of stability in the Russian market and no guarantee of future stability. The economic infrastructure of Russia is poor and the country maintains a high level of external and internal debt. Tax regulations are ambiguous and unclear and there is a risk of imposition of arbitrary or onerous taxes. Banks and other financial systems are not well developed or regulated and as a result tend to be untested and have low credit ratings. Bankruptcy and insolvency are a commonplace feature of the business environment. Foreign investment is affected by restrictions in terms of repatriation and convertibility of currency.

The concept of fiduciary duty on the part of a company's management is generally non-existent. Local laws and regulations may not prohibit or restrict a company's management from materially changing the company's structure without shareholder consent. Foreign investors cannot be guaranteed redress in a court of law for breach of local laws, regulations or contracts. Regulations governing securities investment may not exist or may be applied in an arbitrary and inconsistent manner.

Equity securities in Russia are issued only in book entry form and ownership records are maintained by registrars who are under contract with the issuers. Although a Russian sub-custodian will maintain copies of the registrar's records ("**Share Extracts**") on its premises, such Share Extracts may not, however, be legally sufficient to establish ownership of securities. Further a quantity of forged or otherwise fraudulent securities, share extracts or other documents are in circulation in the Russian markets and there is therefore a risk that the Sub-Fund's purchases may be settled with such forged or fraudulent securities.

## **INTEREST RATE RISK**

The fixed-income securities in which a Sub-Fund may invest are interest rate sensitive and may be subject to price volatility due to such factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. The magnitude of these fluctuations will be greater when the maturity of the outstanding securities is longer. An increase in interest rates will generally reduce the value of fixed-income securities, while a decline in interest rates will generally increase the value of fixed-income securities. When interest rates are falling the inflow of net new money to a Sub-Fund from the continuous sale of Units in a Sub-Fund tends to be invested in instruments producing lower yields than the balance of the obligations held by the Sub-Fund, thereby reducing the Sub-Fund's current yield. In periods of rising interest rates the opposite can be expected to occur.

The performance of a Sub-Fund will therefore depend in part on the ability of the relevant Sub-Investment Manager to anticipate and respond to such fluctuations in market interest rates and to utilise appropriate strategies to maximise returns, while attempting to minimise the associated risks to investment capital.

## **GOVERNMENT SECURITIES**

Certain government securities are supported by the full faith and credit of their respective jurisdictions of issue. Others are not supported by the full faith and credit of their respective jurisdictions of issue but are supported by: (i) the right of the issuer to borrow from a government body of the jurisdiction of issue; (ii) the discretionary authority of a governing body of their respective jurisdictions of issue to purchase the issuing body's obligations, or (iii) only the credit of

the issuer. No assurance can be given to investors in Sub-Funds or Underlying Funds which may invest in such securities that the relevant government will provide financial support in the future to government agencies, authorities or instrumentalities that are not supported by the full faith and credit of their respective governments.

## **SUPRANATIONAL ENTITIES**

A Sub-Fund may invest in debt securities issued by supranational organisations. As supranational organisations do not possess taxing authority, they are dependent upon their members' continued support in order to meet interest and principal payments.

## **SOVEREIGN DEBT**

Investments in sovereign debt securities of Emerging Market nations involve special risks. The issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due in accordance with the terms of such debt. Periods of economic uncertainty may result in the volatility of market prices of sovereign debt, and in turn a Sub-Fund's Net Asset Value, to a greater extent than the volatility inherent in developed market debt securities.

A sovereign debtor's willingness or ability to repay principal and pay interest in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward principal international lenders and the political constraints to which a sovereign debtor may be subject. Emerging Market nations could default on their sovereign debt. Such sovereign debtors also may be dependent on expected disbursements from foreign governments, multilateral agencies and other entities abroad to reduce principal and interest arrears on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a sovereign debtor's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due, may result in the cancellation of such third parties' commitments to lend funds to the sovereign debtor, which may further impair such debtor's ability or willingness to service its debts in a timely manner.

The occurrence of political, social or diplomatic changes in one or more countries issuing sovereign debt could adversely affect a Sub-Fund's investments. Emerging Market nations are faced with social and political issues and some have experienced high rates of inflation in recent years and have extensive internal debt. Among other effects, high inflation and internal debt service requirements may adversely affect the cost and availability of future domestic sovereign borrowing to finance governmental programs, and may have other adverse social, political and economic consequences. Political changes or a deterioration of a country's domestic economy or balance of trade may affect the willingness of countries to service their sovereign debt.

The ability of Emerging Market nations to make timely payments on their sovereign debt securities is likely to be influenced strongly by a country's balance of trade and its access to trade and other international credits. A country whose exports are concentrated in a few commodities could be vulnerable to a decline in the international prices of one or more of such commodities. Increased protectionism on the part of a country's trading partners could also adversely affect its exports. Such events could diminish a country's trade account surplus, if any. To the extent that a country receives payments for its exports in currencies other than hard currencies, its ability to make hard currency payments could be affected.

Investors should also be aware that certain sovereign debt instruments in which a Sub-Fund may invest involve great risk. Sovereign debt obligations issued by Emerging Market nations generally are deemed to be the equivalent in terms of quality to securities rated below investment grade by a Recognised Rating Agency. Such securities are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk. Some of such securities, with respect to which the issuer currently may not be paying interest or may be in payment default, may be comparable to

securities rated D by S&P or C by Moody's. A Sub-Fund may have difficulty disposing of and valuing certain sovereign debt obligations because there may be a limited trading market for such securities. Because there may be no liquid secondary market for many of these securities, the Sub-Investment Managers anticipate that such securities could be sold only to a limited number of dealers or institutional investors.

## **HEDGING TRANSACTIONS**

Hedging techniques involve a variety of derivative transactions, including futures contracts, exchange-listed and over-the-counter put and call options on securities, financial indices, forward foreign currency contracts, and various interest rate transactions (collectively, "**Hedging Instruments**"). Hedging techniques involve risks different than those of underlying investments. In particular, the variable degree of correlation between price movements of Hedging Instruments and price movements in the position being hedged creates the possibility that losses on the hedge may be greater than gains in the value of a Sub-Fund's positions. In addition, certain Hedging Instruments and markets may not be liquid in all circumstances. As a result, in volatile markets, transactions in certain of these instruments may not be able to be closed out without incurring losses substantially greater than the initial deposit. Although the contemplated use of these instruments should tend to minimize the risk of loss due to a decline in the value of the hedged position, at the same time they tend to limit any potential gain which might result from an increase in the value of such position. The ability of a Sub-Fund to hedge successfully will depend on the Investment Manager's ability to predict pertinent market movements, which cannot be assured. The Investment Manager is not required to hedge and there can be no assurance that hedging transactions will be available or, if undertaken, will be effective. Finally, the daily variation margin deposit requirements in futures contracts that may be sold by the Sub-Fund would create an on-going greater potential financial risk than would options transactions, where the exposure is limited to the cost of the initial premium and transaction costs paid by the Sub-Fund.

## **SUBSTANTIAL REDEMPTIONS/SUBSCRIPTIONS**

In the event of substantial redemptions/subscriptions, the Investment Manager may not be able to liquidate/invest sufficient investments in a single Dealing Day. Some or all of a redemption request may be deferred until a subsequent Business Day (see "*Redemption Requests*" below) and a subscription application may be rejected by the Manager (see "*Subscriptions*" below). Investors are advised to notify the Investment Manager in advance of substantial redemptions or subscriptions.

## **PROVISIONAL ALLOTMENTS**

As the Fund may, where specified in the Relevant Supplement, provisionally allot Units to proposed investors prior to receipt of the requisite subscription monies for those Units the Fund may suffer losses as a result of the non-payment of such subscription monies.

## **LEGAL, TAX AND REGULATORY RISKS**

Legal, tax and regulatory changes could occur during the term of the Fund. For example, the regulatory and tax environment for derivative instruments is evolving, and changes in the regulation or taxation of derivative instruments may adversely affect the value of derivative instruments held by the Sub-Funds and the ability of the Sub-Funds to pursue their trading strategies. Similarly, the regulatory environment for leveraged investments is evolving, and changes in the direct or indirect regulation of leveraged investments may adversely affect the ability of the Sub-Funds to pursue their trading strategies.

## **UNIT CLASS RISK**

As there is no segregation of liabilities between Classes of a Sub-Fund, there is a risk that, under certain limited circumstances, the liabilities of a particular Class might affect the Net Asset Value of other Classes. In particular, while the Manager will seek to ensure that gains/losses on and the costs of the relevant hedging transactions associated with any currency hedging strategy used for the benefit of particular Class will accrue solely to this Class and will not be combined with or offset

with that of any other Class of the Sub-Fund, there can be no guarantee that the Manager will be successful in this.

## **SWING PRICING**

As described in the “Determination of Net Asset Value” section, the Directors may, where they so determine, “swing” the Net Asset Value of a Sub-Fund to attempt to mitigate the potentially dilutive effects of dealing on the Net Asset Value on any Dealing Day on which there are net subscriptions or redemptions in the relevant Sub-Fund. In such cases, investors should be aware that swing pricing may not always prevent the dilution of the Net Asset Value through dealing costs and the adjustments made to the Net Asset Value may also benefit certain investors relative to the Unitholders in the Sub-Fund as a whole. For example a subscriber into a Sub-Fund on a day on which the Net Asset Value is swung downwards as a result of net redemptions from the Sub-Fund may benefit from paying a lower Net Asset Value per Unit in respect of his subscription than he would otherwise have been charged. In addition, the Sub-Fund’s Net Asset Value and short-term performance may experience greater volatility as a result of this valuation methodology.

## **FORCE MAJEURE**

The Manager, the Fund and the service providers will not be liable for action taken or failure to take action required under, in the case of the service providers, the relevant material contract, in the event and to the extent that the taking of such action or such failure arises out of or is caused by or directly or indirectly due to a “Force Majeure” event which may include war, terrorism, insurrection, riot, civil commotion, act of God, accident, fire, water damage, explosion, mechanical breakdown, computer or system failure or other failure of equipment, or malfunction or failures caused by computer virus, failure or malfunctioning of any communications media for whatever reason, interruption (whether partial or total) of power supplies or other utility of service, strike or other stoppage (whether partial or total) of labour, any law, decree, regulation or order of any government or governmental body (including any court or tribunal) of competent jurisdiction beyond the reasonable control of the Manager, the relevant service provider or its delegate, provided that the Manager or the relevant service provider shall take reasonable measures to minimise the effect of any such Force Majeure event, including the maintenance at all times, and regular testing of, adequate disaster recovery arrangement and to restore usual services as possible after a Force Majeure event. It is therefore possible that the Fund or a Sub-Fund may suffer loss as a result of such a Force Majeure event. The specific Force Majeure events in respect of each service provider are set out in each of the respective material contracts.

## **CYBER SECURITY**

The Sub-Funds, the Manager and the service providers are susceptible to cyber security risks that include, among other things, theft, unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential and highly restricted data; denial of service attacks; unauthorised access to relevant systems, compromises to networks or devices that the Sub-Fund, the Manager and the service providers use to service; or operational disruption or failures in the physical infrastructure or operating systems that support the Sub-Fund, the Manager and the service providers. Cyber-attacks against or security breakdowns may adversely impact a Sub-Fund and its shareholders. The Sub-Funds, the Manager and the service providers may incur additional costs for cyber security risk management and remediation purposes. In addition, cyber security risks may also impact issuers of securities in which the Underlying Funds invest, which may cause losses. There can be no assurance that a Sub-Fund, the Manager and the service providers will not suffer losses relating to cyber-attacks or other information security breaches in the future.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund. Prospective Unitholders should read this entire Prospectus and Relevant Supplements and consult with their own advisers before deciding whether to invest in the Fund.**

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## **BORROWING POLICY**

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Under the Deed, the Directors are empowered to exercise all of the borrowing powers of the Fund, and the Depositary is empowered to charge the assets of the Fund as security for any such borrowings.

Leverage is any method by which a Sub-Fund's exposure is increased, whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means. Any additional means through which each Sub-Fund will employ leverage, the circumstances in which each Sub-Fund may use leverage, the types and sources of leverage permitted for each Sub-Fund and the associated risks, any restrictions on the use of leverage applicable to each Sub-Fund, any collateral and asset reuse arrangements for each Sub-Fund and the maximum level of leverage which the Manager is entitled to employ on behalf of each Sub-Fund, as determined by the Directors, will be specified in the Relevant Supplement.

Each Sub-Fund may trade in derivatives for efficient portfolio management and short term investment purposes and this may result in a Sub-Fund forwarding margin to brokers and this will not constitute borrowing for the purposes of the above restriction.

As of the date of this Prospectus, the Fund does not have any loan capital (including long term loans) outstanding or created but unissued, or any outstanding mortgages, charges, debentures or other borrowings, including bank overdrafts, liabilities under acceptances or acceptance credit, hire purchase or finance lease, guarantee or other contingent liabilities.

A Sub-Fund may not grant loans or act as guarantor on behalf of third parties or borrow money except for temporary borrowings in an amount not exceeding 25% of its net assets. A Sub-Fund may acquire foreign currency by means of a back-to-back loan agreement. Foreign currency obtained in this manner is not classed as borrowings for the purposes of the borrowing restriction set out above.

Any interest on any borrowing effected in accordance with the above, any expenses incurred in negotiating, entering into, varying and carrying into effect with or without variation and in terminating the borrowing arrangements shall be payable out of the relevant Sub-Funds.

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## THE FUND

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The Fund is a Common Contractual Fund constituted on 16 March 2009 by the Deed entered into by the Manager and the Depositary. The Fund is not an incorporated entity and does not have legal personality. As a Common Contractual Fund, the Fund will not hold Unitholder meetings and although Units may be redeemed, they are not freely transferable as this may result in the Fund incurring a tax liability or suffering pecuniary disadvantage. In addition, investors should note that income arising to the benefit of the Fund must be distributed annually to Unitholders.

These and other rules of the Fund are set out in the Deed and are binding on all persons acquiring Units in the Fund, and all persons claiming through the Unitholder, as if such persons had been parties to the Deed. The Fund is authorised in Ireland by the Central Bank pursuant to the Act. This authorisation does not, however, 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 sole purpose of the Fund is the collective investment of its assets in securities with the aim of spreading investment risk and giving Unitholders the benefit of the results of the management of its assets.

### **SUB-FUNDS**

The Fund has been structured as an umbrella fund in that the Manager may from time to time, with the prior approval of the Central Bank, issue different series of Units representing a separate portfolio of assets which will comprise a Sub-Fund.

### **CO-OWNERSHIP**

To invest in the Fund is to purchase Units in a Sub-Fund. A Unit in a Sub-Fund represents the beneficial ownership of an undivided share in the assets of the relevant Sub-Fund in proportion to the value of the Unit. Unitholders in a Sub-Fund or Class are entitled as co-owners with other Unitholders to an undivided co-ownership interest in the assets of the relevant Sub-Fund in proportion to their respective holdings of Units.

All Unitholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Deed, copies of which are available as described in the section under the heading "DOCUMENTS FOR INSPECTION" in this Prospectus. The provisions of the Deed are binding on the Depositary, the Manager and the Unitholders and all persons claiming through them respectively as if all such Unitholders and persons had been party to the Deed. Unitholders shall not have any recourse to or claim against or right of action in respect of any of the assets of the Fund or any Sub-Fund or any part thereof other than the assets of the Sub-Fund in which they hold Units and in respect of which the claim arises (see "SEGREGATION OF ASSETS AND LIABILITIES" below).

### **SEGREGATION OF ASSETS AND LIABILITIES**

Under the Deed, the assets and liabilities attributable to each Sub-Fund established by the Manager will be segregated by the Depositary and the Deed provides that there will be no cross-liabilities among the Sub-Funds. Each Sub-Fund will bear its own liabilities.

The following provisions shall apply to each Sub-Fund established by the Manager:

- (i) separate records and accounts shall be maintained for each Sub-Fund in the Base Currency of the relevant Sub-Fund as the Manager and the Depositary shall from time to time determine;
- (ii) the proceeds from the issue of Units in each Sub-Fund shall be recorded in the accounts of the Sub-Fund established for those Units and the assets and liabilities and income and expenditure attributable thereto shall be applied to such Sub-Fund subject to the provisions of the Deed;

- (iii) where any asset is derived from any other asset, such derivative asset shall be applied in the records and accounts of the Sub-Fund to the same Sub-Fund as the asset from which it was derived and on each revaluation of an asset, the increase or diminution in value of that asset shall be applied to the relevant Fund;
- (iv) in the case of any asset of the Fund (or amount treated as a notional asset) which the Depositary does not consider as attributable to a particular Sub-Fund or Sub-Funds, the Manager shall, acting in good faith and with due care and diligence, have discretion to determine the basis upon which any such asset shall be allocated between Sub-Funds and the Manager shall be entitled at any time and from time to time, subject to the approval of the Depositary, to vary such basis provided that the approval of the Depositary shall not be required in any case where the asset is allocated between all Sub-Funds pro rata to their Net Asset Values at the time when the allocation is made;
- (v) the Manager shall, acting in good faith and with due care and diligence, shall have discretion to determine the basis upon which any liability not attributable to a specific Sub-Fund shall be allocated between Sub-Funds (including conditions as to the subsequent re-allocation thereof if circumstances so permit) and shall be entitled at any time and from time to time to vary such basis, provided that the approval of the Depositary shall not be required in any case where a liability is allocated to the Sub-Fund or Sub-Funds to which in the opinion of the Manager it relates or if in the opinion of the Manager it does not relate to any particular Sub-Fund or Sub-Funds, between all the Sub-Funds pro rata to their Net Asset Values, provided that, when any costs or expenses or liabilities are incurred by the Manager or the Depositary and are specifically attributable to a particular Sub-Fund they will be borne by that Sub-Fund; where they are not specifically attributable to a Sub-Fund, such costs, expenses or liabilities will be borne by each Sub-Fund, or as the case may be by the Sub-Funds in question, in the proportion in which the Net Asset Value of each such Sub-Fund bears to the aggregate Net Asset Value of the Fund as at the date that such costs, expenses or liabilities are incurred, or in such other manner as is most equitable in the opinion of the Manager and approved by the Depositary; and
- (vi) the assets of each Sub-Fund shall belong exclusively to that Sub-Fund and shall not be used or available to discharge directly or indirectly the liabilities of or claims against any other Sub-Funds.

#### **PAYMENTS OUT OF THE ASSETS OF A FUND**

Without prejudice to any other charges, fees, expenses or liabilities expressly authorised by the Deed to be charged against Unitholders or against the assets of the Fund or any Sub-Fund thereof or any Class within a Fund, if and to the extent that the Manager, with the approval of the Depositary, so determines, there will be payable out of the assets of the Fund and attributed to each Sub-Fund in respect of which they are incurred or, where the Manager determines, attributed to a particular Class as may be created from time to time or, where the Manager does not consider them as having been incurred in respect of any particular Sub-Fund, attributed to all Sub-Funds pro rata to their Net Asset Values in accordance with the Deed:

- (i) all duties, fees, charges and expenses of every kind including, administration expenses, save to the extent that any such duties, fees, charges and expenses shall have been charged to and paid by the Unitholders, or any of them, and all expenses incurred in establishing the Sub-Fund and in connection with the initial issue of Units;
- (ii) the expenses incurred in obtaining, maintaining or terminating any listing of any Units on any markets or exchanges or in complying with any undertaking given, or agreement entered into, in connection with, or any rules governing, any such listing (if applicable);
- (iii) all costs of printing and distributing all explanatory memoranda, prospectuses (including any supplement or addendum thereto), statements, notices, accounts and reports relating to the Fund and any Sub-Fund and all costs and expenses of publishing issue prices and redemption prices of Units and all other costs and expenses deemed by the Manager to have been incurred in compliance with, or in connection with, any change in or introduction



of, any law or regulation (whether or not having force of law) or the compliance with any request or directive (whether or not having the force of law) of any governmental or other regulatory authority or agency;

- (iv) all remuneration, fees and expenses of the Manager, the Depositary, the Administrator and any other service providers to the Fund authorised by the Deed to be paid out of the relevant Fund;
- (v) all legal and professional fees and charges incurred by the Depositary and the Manager wholly and exclusively in the performance of their duties under the Deed and all professional fees relating to the calculation, agreeing and/or contesting of taxation liabilities and reliefs;
- (vi) all fees and charges payable by or in respect of the Fund or any Sub-Funds to the competent authority or any regulatory authority in Ireland or in any other country or territory in which Units are issued, marketed or sold and the costs and expenses (including all legal and professional fees and charges and printing costs) incurred in meeting on a continuing basis any applicable notification, registration and other requirements of each such competent or regulatory authority and any fees and expenses of representatives or agents in any such country or territory in relation thereto, and all costs and expenses of and incidental to preparing supplemental deeds for the purpose of ensuring that the Fund or any Sub-Funds complies with legislation coming into force after the date of the Deed including costs and expenses incurred in relation to the modification of the Deed and the holding of any meetings of Unitholders in relation thereto;
- (vii) the fees and expenses of the Auditors;
- (viii) all costs and expenses incurred by the Manager, the Depositary and/or any of their delegates including sub-custodians or appointees which are permitted by the Deed;
- (ix) all expenses incurred in the collection of income and the administration of the Fund;
- (x) all taxation payable in respect of the holding of or dealing with income from assets of the Fund or any Sub-Funds and in respect of allocation and distribution of income to Unitholders; and
- (xi) all charges and expenses incurred in relation to the registration of any investments into and the transfer of any investments out of the name of the Depositary or its nominee or the holding of any investments or the custody of investments and/or any documents of title thereto, including, without limitation, bank charges, insurance of documents of title against loss in shipment, transit or otherwise and charges made by the registrar or agents of the Depositary for acceptance of documents for safe custody, retention and/or delivery.

## THE MANAGER

The Manager of the Fund is Mercer Global Investments Management Limited, which was incorporated in Ireland as a private limited company on 8 March 2006 under registration number 416689. The authorised share capital of the Manager is €100,000,000 divided into 100,000,000 ordinary shares of €1.00 each. The issued share capital of the Manager is €1 all of which is held by Mercer Ireland Holdings Limited and is fully paid. Mercer Global Investments Management Limited is an indirect wholly owned subsidiary of Marsh & McLennan Companies, Inc. and part of Mercer's Investments business. The Manager is engaged in the business of providing management and administrative services to collective investment schemes. The Manager is also manager of MGI Funds plc, Mercer PIF Fund plc and Mercer QIF Fund plc. Located in Boston, New York, Chicago, Dublin, London, Toronto, Montreal, Melbourne, and Sydney, Mercer professionals apply their experience and expert knowledge of investment managers to offer a series of multi-manager products to investors worldwide. Mercer's global investment management business had approximately €87,234,191,232 in assets under management as of 31 August 2018. The company secretary of the Manager is Matsack Trust Limited. The directors of the Manager are Tom Finlay, Paul Sullivan, Michael Dempsey and Tom Geraghty details of whom are set out below.

**Tom Finlay** (Irish) is a barrister by profession who worked for 26 years (February 1975 to May 2001) for Bank of Ireland Asset Management (the Fund Management division of the Bank of Ireland Group). His most recent role was head of Bank of Ireland Asset Management's Irish Business. In the early 1990's, Mr Finlay had a direct involvement in setting up Bank of Ireland Group's fund administration and custodial services to international clients. Over the last 17 years, Mr Finlay's main professional activity has been acting as an independent director on a number of Funds' and Management Company Boards. He also operates as an executive coach. Mr Finlay has a long-standing involvement with the Irish Association of Pension Funds (IAPF) being a Council Member from 1981-1986 and again from 1990-2001. He was Chairman of the Association from 1999-2001. Between 2001 and 2005, Mr Finlay was a member of the Irish Pension Board; In addition, he chaired their key Policy Committee.

**Paul Sullivan** has been a non-executive director of several Irish based UCITS and professional investor investment funds since 2005. Between 2002 and 2005 he acted as an independent financial adviser specialising in treasury, financial risk management and the management of sovereign debt. He has over thirty years international and domestic professional experience in finance. Before becoming a non-executive director and an independent adviser in 2002, he spent over ten years as an executive director of the Irish sovereign debt management office, the National Treasury Management Agency ("NTMA"), which he helped to establish in 1991. His responsibilities as a director at NTMA included strategy, risk management and financial management. Before joining NTMA in 1991, he was for over ten years a Vice President at Chase Manhattan Bank, primarily in London and New York; during this period he held a number of senior positions in the management of the Bank's Treasury, Asset-Liability and Capital Markets businesses in Europe. He is an economist by professional background, with post-graduate degrees in both economics and in finance.

**Michael Dempsey** is a Senior Partner and European Head of Mercer's Delegated Solutions & Specialist Segments for Mercer, including Insurance and Wealth Management. Under Michael's leadership, Mercer's business has grown to \$100bn+ in AUM and to a market leading position across Europe. In his role, Michael operates as CEO of Mercer's investment management business and sits on the Board of Mercer's regulated investment entities, based in Ireland. Since joining Mercer in 1999, Michael has held a number of senior positions across Mercer, including EMEA Head of Investment Management, has developed a number of high growth business/client solutions and has led a number of key Mercer relationships as a senior consultant. He has extensive market and client experience across the full breadth of wealth and investment related issues. Michael is a CFA charterholder, holds a Business and Finance degree from Dublin City University and a Masters degree in Business from the Michael Smurfit, UCD Business School.

**Tom Geraghty** is CEO of Mercer Ireland and Marsh & McLennan's Country Corporate Officer in Ireland. Tom joined Mercer in 2000 and has held a number of positions including Head of Mercer's Investments business in Ireland as well as leading both Mercer's European Investments and

Retirement businesses. Tom resumed the role of CEO in Ireland in January 2017 having previously held the position from July 2013 – June 2015. Tom also serves on the Boards of the Irish Mercer entities as a Director. In October 2017 he was appointed President of the Marsh & McLennan Companies Innovation Centre, Tom has been involved with the Centre since its inception and currently serves on its Board, as both Director and Chairman. Prior to Mercer, Tom was a VP within Mellon Financial Corporation in the US. Tom has a BA and Masters in Business from Dublin City University, Ireland.

The Manager covers potential professional liability risks resulting from those activities which it carries out pursuant to the AIFMD Regulations through additional own funds which are appropriate to cover potential liability risks arising from professional negligence.

The Deed between the Manager and the Depositary pursuant to which the Fund was established provides for the constitution of the Fund and the appointment of the Manager to act as AIFM to the Fund.

The Deed contains provisions governing the responsibilities of the Manager in relation to the management and administration of the Fund and the issue and redemption of Units. Under the Deed certain powers in relation to the management and administration of the Fund's affairs, and the promotion of its Units are vested in the Manager with certain powers of sub-delegation. The Manager has sub-delegated responsibility for the preparation and maintenance of the books and records of the Fund and for calculating Net Asset Value and Net Asset Value per Unit and transfer agency services to the Administrator. The Manager has also sub-delegated responsibility for the portfolio management to the Investment Manager and such sub-delegation is detailed in the Relevant Supplement.

The Deed provides that in the absence of negligence, fraud, wilful default or failure in a material respect to comply with its obligations under the Deed or the Act, neither the Manager, nor any of its affiliates (and their respective directors, officers, employees or agents), shall be liable for any actions, proceedings, claims, costs, demands, charges, losses, damages or expenses suffered or borne by the Fund or any of the Sub-Funds, a Unitholder or any other person arising out of the performance of its obligations and duties under the Deed.

The Deed further provides that the Manager shall, in accordance with the requirements of the Central Bank, be entitled to delegate to any person, firm or corporation upon such terms and conditions as it may think fit all or any of its powers and discretions in relation to the distribution, management, investment management and administration of the affairs of the Fund and of its Sub-Funds and the keeping, maintenance of the Registers and the valuation of Assets provided that, subject and without prejudice to the preceding paragraph, the Manager shall not be held liable for any actions, costs, charges, losses, damages or expenses arising as a result of the acts or omissions of its officers, servants, delegates or sub-contractors.

The Deed further provides that the Manager shall, in accordance with the requirements of the Central Bank, be entitled to delegate to the Investment Manager upon such terms and conditions as it may think fit all or any of its powers, authorities and discretions in relation to the selection, acquisition, holding and realisation of Investments and the application of any moneys forming part of the Assets provided that subject and without prejudice to the above, the Manager shall not be held liable for any actions, costs, charges, losses, damages or expenses arising as a result of the acts or omissions of the Investment Manager, its officers, servants, delegates or sub-contractors or, where applicable, for its own acts or omissions in bona fide following the advice or recommendations of an Investment Manager its officers, servants, delegates or sub-contractors.

Under the Deed, the Manager may retire at any time upon the appointment of a successor with the approval of the Depositary and the Central Bank save that the approval of the Depositary shall not be required where the Manager retires in favour of an affiliate or Associate of the Manager. The successor to the Manager must be approved by the Central Bank. The Central Bank may replace the Manager under the Act.

The Manager may be removed by the Depositary in certain circumstances described in the Deed, such as following the service of written notice signed by Unitholders holding 75% of the Units in issue in the Fund requiring the Manager to resign, if the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously

approved by the Unitholders), or if a receiver or examiner is appointed in respect of the Manager or if the Manager is no longer permitted by the Central Bank to perform its duties or exercise its powers. In accordance with the requirements of the Central Bank, the Depositary shall appoint some other corporation (approved by the Central Bank) to be the Manager of the Fund upon and subject to such corporation entering into such deed or deeds as the Depositary may be advised is or are necessary or desirable to be entered into by such corporation in order to secure the due performance of its duties as Manager.

## **THE INVESTMENT MANAGER AND DISTRIBUTOR**

The Investment Manager of the Fund is Mercer Global Investments Europe Limited, which was incorporated in Ireland as a private limited company on 8 March 2006 under registration number 416688 and is authorised under the Markets in Financial Instruments Directive 2007 to provide investment management and related services. The authorised share capital of the Investment Manager is 100,000,000 divided into 100,000,000 ordinary shares of €1.00 each. The issued share capital of the Investment Manager is €1.00 which is held by Mercer Ireland Holdings Limited and is fully paid. Mercer Global Investments Europe Limited is a wholly owned subsidiary of Marsh & McLennan Companies, Inc. and is part of Mercer's Investment business. The Investment Manager is engaged in the business of providing discretionary investment management services to institutional clients, including collective investment schemes. The Investment Manager had approximately U.S.\$103,454,414,959 in assets under management at 31 August 2018.

Under the Investment Management Agreement, the Investment Manager will provide or procure the provision of discretionary portfolio management services to the Fund.

The Investment Management Agreement provides that neither the Investment Manager nor any of its shareholders, directors, officers, employees or agents shall be liable to the Manager or any of its shareholders, directors, officers, employees or agents for any loss or damage suffered or incurred by them arising out of the performance by the Investment Manager of its duties under the Investment Management Agreement, unless such loss or damage arose out of or in connection with the negligence, wilful default, bad faith or fraud of or by the Investment Manager.

The Manager is obliged to indemnify and keep indemnified the Investment Manager and each of its shareholders, directors, officers, employees or agents, from and against all actions, proceedings, claims, demands, liabilities, losses, damages, costs and expenses (including legal and professional fees and expenses arising therefrom) which may be made or brought against or directly suffered or incurred by the Investment Manager arising out of or in connection with the performance by the Investment Manager of its duties thereunder other than due to the negligence, wilful default, bad faith or fraud of or by the Investment Manager in the performance of its duties thereunder.

The Investment Management Agreement shall continue in force unless and until either party terminates the agreement upon ninety days prior written notice to the other party. The Investment Management Agreement may be terminated by either party at any time by notice in writing if the other party shall (i) commit any material breach of the Investment Management Agreement which is either incapable of remedy or has not been remedied within thirty days of notice requiring the remedying of the default; (ii) be the subject of any petition for the appointment of an examiner or similar officer to it; (iii) be unable to pay its debts as they fall due; (iv) have a receiver appointed; or (v) be the subject of an effective resolution for its winding up.

Under the Investment Management Agreement, the Investment Manager may, subject to the prior approval of the Manager and the Central Bank, appoint one or more Sub-Investment Managers from time to time to perform and/or exercise all or any of its functions, powers, discretions, duties and obligations under the Investment Management Agreement. Where appropriate, the Investment Manager may pay the fees of any such Sub-Investment Manager out of its own fees.

The Manager has also appointed the Investment Manager to act as the distributor of the Fund pursuant to the Distribution Agreement. Under the Distribution Agreement, the Distributor shall be responsible for the distribution, placing and sale of Units of such of the Sub-Funds of the Fund as

may be agreed in writing between the parties from time to time in jurisdictions in which the Units may legally be offered for sale.

The Distribution Agreement provides that neither the Distributor nor any of its shareholders, directors, officers, employees or agents shall be liable to the Manager or any of its shareholders, directors, officers, employees or agents for any loss or damage suffered or incurred by them arising out of the performance by the Distributor of its duties under the Distribution Agreement, unless such loss or damage arose out of or in connection with the negligence, wilful default, bad faith or fraud of or by the Distributor.

The Manager is obliged to indemnify and keep indemnified the Distributor and each of its shareholders, directors, officers, employees or agents, from and against all actions, proceedings, claims, demands, liabilities, losses, damages, costs and expenses (including legal and professional fees and expenses arising therefrom) which may be made or brought against or directly suffered or incurred by the Distributor arising out of or in connection with the performance by the Distributor of its duties thereunder other than due to the negligence, wilful default, bad faith or fraud of or by the Distributor in the performance of its duties thereunder.

The Distribution Agreement shall continue in force unless and until either party terminates the agreement upon ninety days prior written notice to the other party. The Distribution Agreement may be terminated by either party at any time by notice in writing if the other party shall (i) commit any material breach of the Distribution Agreement which is either incapable of remedy or has not been remedied within thirty days of notice requiring the remedying of the default; (ii) be the subject of any petition for the appointment of an examiner or similar officer to it; (iii) be unable to pay its debts as they fall due; (iv) have a receiver appointed; or (v) be the subject of an effective resolution for its winding up.

Under the Distribution Agreement, the Distributor may, subject to the prior approval of the Manager and the Central Bank, appoint one or more sub-distributors from time to time to perform and/or exercise all or any of its functions, powers, discretions, duties and obligations under the Distribution Agreement. Where appropriate, the Distributor may pay the fees of any such sub-distributor out of its own fees.

## **THE SUB-INVESTMENT MANAGERS**

A Sub-Investment Manager or Sub-Investment Managers may be appointed by the Investment Manager to manage the assets of a Sub-Fund. Information relating to any such Sub-Investment Manager appointed by the Investment Manager is available upon request to the Investment Manager. Furthermore, details of all Sub-Investment Managers will be disclosed in the most recent financial reports of the Fund. The fees of the Sub-Investment Managers will either be paid out of the assets of the relevant Sub-Fund or out of the Investment Manager's fee. Details of how the Sub-Investment Manager's fees will be paid will be disclosed in the Relevant Supplement.

## **PAYING AGENTS**

Local regulations in EEA countries may require the appointment of paying agents or representatives and the maintenance of accounts by such agents through which subscriptions and redemption monies may be paid. Unitholders who choose or are obliged under local regulations to pay/receive subscription/redemption monies via an intermediary entity rather than directly to or from the Depositary bear a credit risk against that intermediate entity with respect to (a) subscription monies prior to the transmission of such monies to the Depositary and (b) redemption monies payable by such intermediate entity to the relevant investor. Fees of sub-distributors and paying agents will be borne by the Fund and will be at normal commercial rates.

## **THE DEPOSITARY**

The Manager has appointed State Street Custodial Services (Ireland) Limited to act as depositary of all of the assets of the Fund and each Sub-Fund and to provide trustee services to each Sub-

Fund in accordance with the AIF Rulebook, pursuant to the Depositary agreement. The Depositary Agreement is governed by the laws of Ireland.

The Depositary is a limited liability company incorporated in Ireland on 22 May 1991 and is ultimately owned by the State Street Corporation. The Depositary is regulated by the Central Bank.

The Depositary is a limited liability company incorporated in Ireland on 22 May 1991 with registered number IE174330. Its authorised share capital is GBP 5,000,000, and it has an issued and paid-up capital of GBP 200,000. As at 31 August 2018, the Depositary held funds under custody in excess of \$100,668,256,681. The Depositary's principal business is the provision of custodial and depositary services for collective investment schemes and other portfolios.

The Depositary Agreement contains provisions governing the responsibilities of the Depositary, including its primary responsibilities which are acting as depositary and ensuring the safekeeping of the cash and assets of the Fund. The Depositary is obliged to enquire into the conduct of the Fund and each Sub-Fund in each annual accounting period and to report thereon to the Unitholders. Such report should state whether, in the Depositary's opinion, the Fund and each Sub-Fund has been managed in that period in accordance with the limitations imposed on the investment and borrowing powers of the Fund and each Sub-Fund and the Depositary by the Deed and the Act and otherwise in accordance with the Deed and the Act.

The Depositary's duties include, amongst others, the following:

- (i) ensuring that each Sub-Fund's cash flows are properly monitored, and that all payments made by or on behalf of investors upon the issue of Units have been received;
- (ii) safekeeping the assets of the Sub-Funds, 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 ("**financial instruments held in custody**"); and (b) for other assets, verifying the ownership of the relevant Sub-Fund or the Manager acting on behalf of that Sub-Fund of such assets and maintain a record accordingly (collectively the "**Safekeeping Function**");
- (iii) ensuring that the sale, issue, redemption and cancellation of Units of each Sub-Fund are carried out in accordance with applicable Irish law and the Deed;
- (iv) ensuring that the value of the Units of each Sub-Fund are calculated in accordance with the applicable laws and the Deed;
- (v) carrying out the instructions of the Manager, unless they conflict with the applicable Irish law or the Deed;
- (vi) ensuring that in transactions involving each Sub-Fund's assets any consideration is remitted to the relevant Sub-Fund within the usual time limits; and
- (vii) ensuring that the Sub-Funds' income is applied in accordance with the applicable Irish law and the Deed.

Pursuant to the Depositary Agreement, the Depositary shall exercise due care and diligence in the discharge of its duties. Other than in respect of the loss of financial instruments held in custody, in respect of which the Depositary is liable to return to the relevant Sub-Fund a financial instrument of identical type or the corresponding amount, the Depositary shall be liable to the relevant Sub-Fund and the Unitholders for any loss arising from the Depositary's negligence or its intentional failure to properly fulfil its obligations pursuant to the AIFMD, the AIFMD Regulations and the Depositary Agreement. The Depositary shall not, however, be liable to the Manager or to any other person if it can provide that the loss of financial instruments held in custody has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary, in accordance with the AIFMD. The Manager shall inform the Unitholders without delay of any changes with respect to the Depositary's liability.

The Depositary may, in the future and with the prior written consent of the Manager, discharge itself of liability for loss of financial instruments held in custody in certain circumstances. The Depositary has not to date contractually discharged itself of liability but in time may. The Manager will inform investors before they invest, of any arrangement made by the Depositary to contractually discharge itself of any liability. The Manager will also inform Unitholders of any changes with respect to the Depositary's liability without delay.

Under the terms of the Depositary Agreement, the Depositary may appoint sub-custodians in respect of the Safekeeping Function. Save as provided in the Depositary Agreement, the Depositary's liability shall not be affected by any delegation of its Safekeeping Function to any third party. In order for the Depositary to meet its responsibility in respect of delegation to third parties, the delegation must not be with the intention of avoiding the requirements of the AIFMD and the Depositary must be able to demonstrate that there is an objective reason for the delegation. The Depositary must exercise all due skill, care and diligence in the selection and the appointment of a third party, must continue to exercise all due skill, care and diligence in the periodic review and on-going monitoring of a third party and of the arrangements of that third party in respect of the matters delegated to it, and must ensure that the third party at all times complies with the conditions set down in the Depositary Agreement.

The Depositary has entered into a written agreement with State Street Bank and Trust Company (the "**Sub-Custodian**") under which it has delegated the performance of its Safekeeping Function in respect of certain investments (the "**Sub-Custodian Agreement**"). Details of any written agreements entered into by the Sub-Custodian with its own sub-custodians (which shall be entities within the State Street group), under which the Sub-Custodian has delegated the performance of any of its obligations under the Sub-Custodian Agreement, shall be available to Unitholders and prospective investors on request.

Pursuant to the Depositary Agreement, the Manager undertakes to hold harmless and indemnify the Depositary out of the assets of the relevant Sub-Fund against all direct third party actions, proceedings and claims (including claims of any person purporting to be the beneficial owner of any part of the investments of the Sub-Funds) and against all reasonable costs, demands and reasonable expenses (including reasonable legal and professional expenses) arising therefrom which may be brought against, suffered or incurred by the Depositary by reason of the performance of the Depositary's duties under the terms of the Depositary Agreement, save where any such direct third party actions, proceedings, claims, reasonable costs, demands or reasonable expenses arise as a result of the Depositary's negligence, intentional failure to perform its obligations, wilful default, fraud, bad faith or recklessness.

The Depositary Agreement shall continue for an initial term of six (6) months. After the expiration of the initial term, either party may terminate the Depositary Agreement on ninety (90) days' prior written notice to the other party. Either party may also terminate the Depositary Agreement by notice in writing to the other party if at any time: (a) the party notified is unable to pay its debts as they fall due or goes into liquidation or receivership or an examiner shall be appointed; (b) the party notified commits any material breach of the provisions of the Depositary Agreement if it has not remedied that breach within thirty (30) days after the service of written notice requiring it to be remedied; or (c) if any of the representations, warranties, covenants or undertakings contained in the Depositary Agreement cease to be true or accurate in any material respect in relation to the party notified. The Depositary Agreement may also be terminated by the Fund if the Depositary is no longer permitted to act as a depositary or trustee by the Central Bank.

Pursuant to the Depositary Agreement, the Manager may not terminate the appointment of the Depositary and the Depositary may not retire from such appointment unless and until a successor depositary has been appointed in accordance with the Memorandum and Articles provided such appointment and successor depositary is approved in advance by the Central Bank.

In the event that notice to terminate the Depositary Agreement is given by either party pursuant to the Depositary Agreement and in the event that no successor depositary approved by the Central Bank is appointed by the Manager prior to the expiry of the notice, the Manager shall (i) apply to

the Central Bank for the revocation of the Fund's authorisation under the Act; and (ii) terminate the Fund in accordance with the provisions of the Deed.

The Depositary will comply with applicable laws, including provisions of the AIFMD that relate to depositary roles and responsibilities in relation to each Sub-Fund.

## **THE ADMINISTRATOR**

The Manager has appointed State Street Fund Services (Ireland) Limited to act as administrator, registrar and transfer agent of the Fund with responsibility for performing the day to day administration of the Fund, including the calculation of the Net Asset Value and the Net Asset Value per Unit of each Sub-Fund. The Administrator is a limited liability company incorporated in Ireland on 23 March 1992 and, like the Depositary, is ultimately a wholly owned subsidiary of the State Street Corporation. The authorised share capital of the Administrator is GBP 5,000,000, and it has an issued and paid-up capital of GBP 350,000. The Administrator's principal business is the provision of administration and transfer agency to collective investment schemes such as the Fund.

State Street Corporation is a leading world-wide specialist in providing sophisticated global investors with investment servicing and investment management. State Street Corporation is headquartered in Boston, Massachusetts and trades on the NYSE under the symbol "STT".

The Administrator has been appointed pursuant to the Administration Agreement. The Administration Agreement will continue in full force and effect unless and until terminated by either party by giving the other party ninety (90) days' prior written notice of termination. Either party may terminate the Administration Agreement by giving notice in writing to the other party if at any time: (i) the party notified shall go into liquidation or receivership or an examiner shall be appointed pursuant to the Companies Act (except for a voluntary liquidation for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the notifying party) or be unable to pay its debts as they fall due; (ii) the party notified shall commit any material breach of the provisions of the Administration Agreement and shall not have remedied that within 30 days after the service of written notice requiring it to be remedied; or (iii) the party notified shall no longer be permitted by the Central Bank to perform its duties and obligations under the Administration Agreement.

The Administrator shall exercise reasonable care in the performance of its duties under the Administration Agreement and shall not be liable for any loss of any nature whatsoever suffered by the Manager or the Unitholders in connection with the performance of its obligations under the Administration Agreement, except where that loss results directly from negligence, fraud, bad faith, wilful misconduct, recklessness or wilful default on the part of the Administrator. The Administrator shall not be liable for any indirect, special or consequential loss howsoever arising out of or in connection with the Administration Agreement.

Pursuant to the Administration Agreement, the Manager undertakes to hold harmless and indemnify the Administrator solely out of the assets of the relevant Sub-Fund on its own behalf and on behalf of its permitted delegates, servants and agents against all direct third party actions, proceedings and claims (including claims of any person purporting to be the beneficial owner of any part of the investments of the Fund or Units) and against all reasonable costs, demands and expenses (including reasonable legal and professional expenses) (properly vouched) arising therefrom which may be brought against, suffered or incurred by the Administrator, its permitted delegates, servants or agents in the proper performance of its obligations and duties under the Administration Agreement and from and against all taxes on profits or gains of a Sub-Fund which may be assessed upon or become payable by the Administrator or its permitted delegates, servants or agents provided that such indemnity shall not be given in the case of the Administrator's, its delegates', servants' or agents' negligence, fraud, bad faith, wilful misconduct, recklessness or wilful default in the proper performance or non-performance of its duties under the Administration Agreement.

Subject to the requirements of the Central Bank, the Administrator shall have full power to delegate or sub-contract any administrative functions it deems necessary to perform its obligations under the Administration Agreement, including, without limitation, the valuation of Units provided, however, that the Administrator shall not delegate or sub-contract any such functions to any person without the prior written consent of the Manager. Except in the case of affiliated delegates or sub-



contractors, the Administrator shall not be liable to the Manager for any loss of whatsoever nature occasioned by any act or omission of any delegate appointed pursuant to the Administration Agreement provided that the Administrator has taken all reasonable steps to satisfy itself as to the ability and competence of the delegate or sub-contractor to discharge the duties delegated to it. The Administrator shall remain liable to the Manager for the performance of any duties or functions so delegated or sub-contracted by the Administrator to any affiliated delegates or sub-contractors and shall be liable for the acts and omissions of such affiliated delegates or sub-contractors as if such acts or omissions were those of the Administrator.

## **CONFLICTS OF INTEREST**

The Directors, Depositary, the Manager, the Administrator, the Investment Manager and the Sub-Investment Managers may from time to time act as manager, registrar, administrator, transfer agent, trustee, custodian, depositary, investment manager, alternative investment fund manager or advisor or distributor in relation to, or be otherwise involved in, other funds or collective investment schemes which have similar investment objectives to those of the Fund or any Sub-Fund. It is, therefore, possible that any of them may, in the due course of their business, have potential conflicts of interests with the Fund or any Sub-Fund. Each will at all times have regard in such event to its obligations under the Deed and/or any agreements to which it is party or by which it is bound in relation to the Fund or any Sub-Fund and, in particular, but without limitation to its obligations to act in the best interests of the Unitholders when undertaking any investments where conflicts of interest may arise and they will each respectively endeavour to ensure that such conflicts are resolved fairly and, in particular, the Investment Manager and each Sub-Investment Manager has agreed to act in a manner which it in good faith considers fair and equitable in allocating investment opportunities to the Fund or the Sub-Funds as appropriate.

Each of the Manager, Investment Manager, Depositary and Administrator also acts as manager, investment manager, custodian, administrator and distributor respectively of MGI Funds plc. The terms upon which each of the Investment Manager and the Administrator act for MGI Funds plc are materially similar to the terms on which they act in respect of the Fund, save that the fees payable in respect of MGI Funds plc are disclosed in each Relevant Supplement. The terms upon which each of the Manager and the Depositary act for MGI Funds plc are different insofar as required by the UCITS Regulations.

The Deed provides that the Administrator may accept the estimate of a competent person, approved by the Depositary, when determining the probable realisation value of unlisted securities. The Administrator may accept an estimate provided by the Investment Manager or Sub-Investment Manager, or any other affiliate of the Manager for these purposes and investors should be aware that in these circumstances a possible conflict of interest may arise as the higher the estimated probable realisation value of the security, the higher the fees payable to the Manager and the Investment Manager or Sub-Investment Manager.

There is no prohibition on dealing in the assets of the Fund by entities related to the Depositary, the Manager, the Investment Manager, the Sub-Investment Managers and the Administrator, and/or any of their delegates or associated or group companies, provided that such transactions are carried out as if negotiated at arm's length and in the best interests of the Unitholders. Transactions permitted are subject to: (a) a certified valuation by a person approved by the Depositary (or by the Directors in the case of transactions involving the Depositary) as independent and competent; or (b) execution on best terms on organised investment exchanges under their rules; or (c) where (a) and (b) are not practical, transactions executed on terms which the Depositary is satisfied (or by the Directors in the case of transactions involving the Depositary) conform to the principles set out above.

In placing orders with brokers and dealers to make purchases and sales for the Sub-Funds, the Investment Manager or Sub-Investment Manager will obtain best execution for the Sub-Funds. In determining what constitutes best execution, the Investment Manager or Sub-Investment Manager may consider factors it deems relevant, including, but not limited to, the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer and the reasonableness of the commission, if any, for the specific transaction, on a continuing basis. When consistent with the objectives of best price and execution, business may

be placed with broker-dealers who furnish investment research or services to the Investment Manager or Sub-Investment Manager. The commissions on such brokerage transactions with investment research or services may be higher than another broker might have charged for the same transaction in recognition of the value of research or services provided. Such research or services include advice, both orally and in writing, as to the value of securities; the advisability of investing in, purchasing, or selling securities; the availability of securities, or purchasers or sellers of securities; as well as analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts. In addition, for the Investment Manager or Sub-Investment Manager, such research or services may include advice concerning the allocation of assets among any underlying investment funds the relevant Sub-Funds may invest in. To the extent portfolio transactions are effected with broker-dealers who furnish research and/or other services to the Investment Manager or Sub-Investment Manager, the Investment Manager receives a benefit, not capable of evaluation in dollar amounts, without providing any direct monetary benefit to the Fund from these transactions. Such research or services provided by a broker-dealer through whom the Investment Manager or Sub-Investment Manager effects securities transactions for a Sub-Fund may be used by the Investment Manager or Sub-Investment Manager in servicing all of its accounts. In addition, the Investment Manager or Sub-Investment Manager may not use all of the research and services provided by such broker-dealer in connection with a Sub-Fund. The Investment Manager or Sub-Investment Manager may pay any amount of commission for effecting a securities transaction in excess of the amount of commission another member of an exchange, broker, or dealer would have charged for effecting that transaction, if they determine in good faith that such amount of commission was reasonable in relation to the value of the brokerage and research services provided by such member, broker, or dealer, viewed in terms of either that particular transaction or its overall responsibilities with respect to the Sub-Fund and/or other accounts over which the Investment Manager or Sub-Investment Manager exercise investment discretion. The benefits provided under any soft commission arrangements must assist in the provision of investment services to the relevant Sub-Fund. Any soft commission arrangements will be disclosed in the periodic reports of the relevant Sub-Fund. A Director may be a party to, or otherwise interested in, any transaction or arrangement in which the Fund is interested. At the date of this Prospectus other than as disclosed under the heading "MANAGEMENT INFORMATION - THE MANAGER" above, no Director nor any connected person of a Director has any interest, beneficial or non-beneficial, in the Fund or any material interest in any agreement or arrangement relating to the Fund. The Directors shall endeavour to ensure that any conflict of interest is resolved fairly.

## **REMUNERATION POLICIES AND PRACTICES**

The Manager is subject to remuneration policies, procedures and practices (together, the "**Remuneration Policy**"). The Remuneration Policy is consistent with and promotes sound and effective risk management. It is designed not to encourage risk-taking which is inconsistent with the risk profile of the Sub-Funds. The Remuneration Policy is in line with the business strategy, objectives, values and interests of the Manager, the Fund and the Sub-Funds, and includes measures to avoid conflicts of interest. The Remuneration Policy applies to staff whose professional activities have a material impact on the risk profile of the Manager or the Sub-Funds, and ensures that no individual will be involved in determining or approving their own remuneration. The Remuneration Policy will be reviewed annually.

## **DECISION-MAKING PROCESS**

### **Decision-Making Process of the board of Directors**

The board of Directors of the Manager (the "**Board**"), as a whole, is responsible for the management of the Fund as set out in the Manager's programme of activities. The Board has delegated responsibility for each of the managerial functions to a particular Director, as set out in the programme of activities, with each director being the "designated person" for that particular managerial function. The designated persons identified in the programme of activities are responsible for ensuring that issues arising within the scope of their areas of responsibility are escalated to the full Board as required.

The Board will exercise its function by considering relevant reports from appropriate service providers or delegates on a regular basis.

Any member of the Board may convene a Board meeting to consider any of the matters raised in the reports. The Board may address material matters by, among other things, (i) permitting the relevant delegate to attend to the issue and to conduct a “watching brief,” or (ii) nominating one or more Directors to become directly involved with the delegate to pro-actively pursue and resolve the issue.

The Board will not fetter its discretion by pre-determining its response to any particular matter. Moreover, the Board will pay close attention to any matter that may have material financial consequences for investors, reputational issues for the Mercer Group or a significant regulatory impact.

Decisions of the Board will be recorded in the minutes of the Board meetings or by way of written resolution of the Board. The Board will ensure that any decisions taken by it are implemented, inter alia, by requiring from the Fund’s delegates ad hoc written reports, or verbal reports at Board meetings, as necessary. These action items are followed up at subsequent board meetings to ensure that all decisions have been implemented.

There are at minimum, quarterly board meetings held in Ireland. Delegates and others are invited to attend these physical board meetings. Delegates are required to attend Board meetings where material issues have arisen with respect to the functions delegated to them.

The Company Secretary will liaise with the Board and the delegates with regard to the agenda and preparation of the Board papers for meetings and will ensure that they are sent out on a timely basis in advance of each Board meeting.

#### **Decision-Making Process for Determining Remuneration Policy**

The Fund has been organised by the Manager. The Manager is a wholly owned subsidiary of Mercer Ireland Holdings Limited which in turn is a subsidiary Marsh & McLennan Companies Inc. and therefore is subject to the Mercer Ireland Holdings Limited and Marsh & McLennan Companies Inc. remuneration policy.

The Mercer Group Remuneration Committee (the “**Remuneration Committee**”) oversees the Manager’s remuneration process. The Remuneration Committee meets annually or as required throughout the year and, inter alia, is responsible for determining and agreeing with the Manager the Remuneration Policy for the remuneration of the Manager’s employees.

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## INVESTING IN UNITS

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The Directors have authority to effect the issue of Units in any Class in respect of a Sub-Fund and to create new Sub-Funds or Classes of Units on such terms as they may from time to time determine in relation to any Sub-Fund. The creation of further Classes of Units must be notified in advance to and cleared in advance by the Central Bank. The creation of further Sub-Funds requires the prior approval of the Central Bank. Issues of Units will be made with effect from a Dealing Day in accordance with the subscription and settlement details and procedures below, unless otherwise specified in a Supplement. The Net Asset Value per Unit will be calculated separately for each Class of Units. The Net Asset Value per Unit is available to Unitholders on request from the Administrator. Units will be issued at the Net Asset Value per Unit. The historical performance of each of the Sub-Funds shall be available on request from the Administrator.

The Directors offer various Classes of Units for investment in the Sub-Funds. Certain information regarding the Classes of Units available for each Sub-Fund and how to buy, sell and exchange such Units is contained in the Relevant Supplement. The minimum subscription amount is €100,000 (or the foreign currency equivalent thereof). Knowledgeable Investors will not be subject to the minimum subscription amount. The Fund shall not accept subscriptions from persons that group amounts of less than €100,000 for individual investors.

Subscriptions for Units must be in the relevant Class Currency or such other currency as may be specified in a Relevant Supplement, unless the Directors otherwise agree to accept subscriptions in any freely convertible currency approved by the Directors, in which case such subscriptions will be converted into the relevant Class Currency or such other currency as will be specified in a Relevant Supplement at the rate of exchange available to the Manager or the Administrator as its delegate and the cost of conversion will be deducted from the subscription monies. Payment for Units should be made to the account specified in the original subscription form.

The Sub-Funds in which the different Classes of Units are available, as of the date of this Prospectus, are set out below:

<b>Sub-Fund</b>
Mercer High Income UK Property CCF
Mercer Return Seeking Fund I
Mercer Fundamental Indexation Global Equity CCF
Mercer Passive Global Equity CCF
Mercer Investment Fund 2
Mercer Investment Fund 3 CCF
Mercer Investment Fund 5 CCF
Mercer Investment Fund 9
Mercer Investment Fund 10
Mercer Investment Fund 11
Mercer Investment Fund 12
SH Pension Investment Fund

The Investment Manager, or a Sub-Investment Manager, may hedge the foreign currency exposure of Classes denominated in a currency other than the Base Currency of a Sub-Fund in order that investors in that Class receive a return in the currency of that Class substantially in line with the investment objective of the Sub-Fund. As foreign exchange hedging may be utilised for the benefit of a particular Class, transactions will be clearly attributable to that Class and the cost and related liabilities and/or benefits shall be for the account of that Class only. Accordingly, such costs and related liabilities and/or benefits will be reflected in the Net Asset Value per Unit for Units of any such Class.

Unless otherwise specified in a Relevant Supplement in relation to any Class, all Units issued will be in registered form and written confirmation of ownership will be sent to Unitholders within such period as is set out in the Relevant Supplement (such confirmation may be sent or otherwise made available electronically). Unit certificates will not be issued. The number of Units issued will be

rounded to two decimal places and any surplus amounts will be retained for the benefit of the relevant Sub-Fund.

### **Subscriptions for Units**

Applications for Units may be made on any Dealing Day in writing by completing the attached Application Form and submitting the completed original signed Application Form to the Administrator. In the case of faxed Application Forms, the original signed Application Form must be received promptly thereafter by the Administrator. All documentation required in connection with anti-money laundering procedures must also be received promptly thereafter if such documentation has not already been received. Subject to the minimum initial subscription for Units in the Fund set out in the Prospectus, the Directors may, at their discretion, determine the minimum initial subscription and subsequent subscriptions for Units in respect of a particular Sub-Fund, and such minimums shall be set forth in the Supplement for the relevant Sub-Fund. The Directors and/or the Investment Manager, in their discretion, may waive any of the minimum initial or incremental investment requirements. Under certain circumstances, the Directors may suspend Unit transactions, as described more fully below under the heading "TEMPORARY SUSPENSION OF DEALINGS". Applications once received shall be irrevocable provided however that the Manager reserves the right to reject in whole or in part any application for Units.

Redemption proceeds will not be paid until the original signed Application Form has been received by the Administrator and all anti-money laundering procedures have been completed. Amendments to an investor's registration details and payment instructions will only be effected on receipt of original documentation. If a subscription request is received after the Dealing Deadline on any Dealing Day, the Units will be issued at the Net Asset Value per Unit calculated as of the Valuation Point on the next Dealing Day.

The Directors may, in their discretion and on an exceptional basis only, waive the Dealing Deadline either generally or in relation to any specific subscription provided that applications are received prior to the time at which the Net Asset Value is calculated for that particular Dealing Day.

### **Subsequent Purchases**

Subsequent purchases may be made in writing or electronically in such form as the Directors may from time to time determine and should be posted or sent by facsimile or by electronic transmission to the address, fax number or electronic transmission address specified in the Application Form and will be deemed effective at the relevant Net Asset Value per Unit for that Dealing Day after receipt in proper form by the Administrator. Unitholders are not obliged to submit original subscription documentation on subsequent applications for Units unless the Application Form has changed since the initial purchase of Units or if any information relating to an applicant is required to be updated.

### **Payment For Units**

Payment for Units must be made as specified in the Supplement for the relevant Sub-Fund. The Fund shall not issue Units, or if issued shall cancel such Units, if the payment for the Units is not made within a reasonable time, as determined by the Directors and specified in the Relevant Supplement. Applicants may be required to compensate the Fund at the discretion of the Directors for any loss resulting from late settlement or a failure or default in connection with the settlement of a purchase order for Units. Payment for Units must be in the relevant Class Currency or such other currency as may be specified in a Relevant Supplement, unless the Directors otherwise agree to accept subscriptions in any freely convertible currency approved by the Manager, in which case such subscriptions will be converted into the relevant Class Currency or such other currency as will be specified in a Relevant Supplement at the rate of exchange available to the Manager or the Administrator as its delegate and the cost of conversion will be deducted from the subscription monies. Payment for Units should be made to the account specified in the original subscription form.

Fractional Units may be issued where any part of the subscription monies for Units represents less than the offer price of a Unit, provided however, that fractions shall not be less than .0001 of a

Unit. Subscription monies representing less than .0001 of a Unit will not be returned to a Unitholder, but will be retained for the benefit of the relevant class of the Sub-Fund.

Certain distributors or other financial intermediaries may impose certain conditions or charges on their clients which are in addition to those described in this Prospectus. Any such conditions or charges shall be imposed only after written agreement with respect thereto has been reached between the distributor or financial intermediary and its client. The Fund will not be responsible for any such conditions or charges imposed.

In circumstances where an applicant does not provide subscription monies in accordance with the timelines set out in the Relevant Supplement and the applicant is or becomes a Unitholder, the Manager may redeem or sell all or part of that Unitholder's Units and use the proceeds to satisfy and make good any loss, cost, expense or fees suffered by the Fund or any Sub-Fund as a result of the applicant's failure to transmit the subscription monies in a timely fashion.

Subscription into a Sub-Fund must be paid into the relevant Umbrella Cash Collection Account or the relevant IMR Account (both as defined in the section of the Prospectus headed "GENERAL"), and applicants should note the information in relation to the operation of the IMR Accounts and to the operation and risks associated with the Umbrella Cash Collection Accounts set out in the section headed "GENERAL". The Manager will arrange for an applicant to be notified in advance as to which bank account to direct their subscription monies.

### **Anti-Money Laundering Provisions**

Due to anti-money laundering and prevention of terrorist financing requirements operating within various jurisdictions and within Ireland, the Administrator or the Manager (as the case may be) will require identification and verification of the underlying investors and may require information as to the source of wealth and beneficial ownership before an application may be processed. Depending on the circumstances of each application, a detailed verification might not be required where (i) the applicant is a regulated credit or financial institution or (ii) the application is made through a regulated financial intermediary. These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognised by Ireland as having equivalent anti-money laundering and prevention of terrorist financing regulations **and are made in the sole discretion of the Fund's money laundering reporting officer.** The Manager and the Administrator reserve the right in its and their sole discretion to refuse any application for Units where the applicant is or is an immediate family member or close associate of a politically exposed person ("PEP") namely an individual who is, or has at any time in the preceding twelve month period been, entrusted with a prominent public function.

By way of example an individual may be required to produce a copy of a passport or identification card duly certified by a notary public, together with two items of evidence of his/her address such as a utility bill or bank statement and date of birth. In the case of corporate applicants this may require production of a certified copy of the certificate of incorporation (and any change of name), memorandum and articles of association (or equivalent), the names, occupations, dates of birth and residential and business addresses of all directors.

On an ongoing basis during any period during which Units are held, the Manager or the Administrator may require further identification and verification of the Unitholder, any underlying investor and/or beneficial owners.

Units cannot be applied to an account unless full details of registration and anti-money laundering formalities have been completed. Units cannot be sold from an account unless they have been previously applied to such account. No redemption payment may be made until the original signed Application Form has been received and all documentation required by the Manager or the Administrator (including any documents in connection with anti-money laundering and prevention of terrorist financing procedures) and the relevant anti-money laundering and prevention of terrorist financing procedures (including those relating to ongoing monitoring) have been completed.

Each applicant for Units will be required to make such representations as may be required by the Directors in connection with anti-money laundering and prevention of terrorist financing

programmes, including, without limitation, representations that such applicant is not a prohibited individual or entity or resident in a prohibited country or territory listed on the U.S. 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 applicable laws and regulations, including anti-money laundering and prevention of terrorist financing laws and regulations.

The Fund, the Manager and the Administrator each shall be held harmless and indemnified by the applicant against any loss arising as a result of a failure to process a subscription or application if such information as has been requested by the Manager or the Administrator has not been provided by any distributor or the applicant.

The Manager or the Administrator on its or their behalf reserves the right to accept any application for shares or to refuse to make any redemption payment or distribution to a Unitholder if any of the Directors, the Manager or the Administrator suspects or is advised that the source of subscription monies or the payment of any redemption or distribution moneys to such Unitholder might result in a breach or violation of any applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or such refusal is considered necessary or appropriate to ensure the compliance by the Fund, the Manager, its Directors or the Administrator with any such laws or regulations in any relevant jurisdiction.

### **Limitations on Purchases**

The Manager and the Administrator reserve the right to reject an application, for any reason, in whole or in part in which event the application monies or any balance thereof will be returned to the applicant (without interest) by transfer to the applicant's designated account or by post at the applicant's risk.

The Directors will not knowingly issue, or approve the transfer of, any Units to any U.S. Person or Non Fund Qualified Investor. Each applicant for Units will be required to provide such representations, warranties or documentation as may be required by the Manager to ensure that these requirements are met prior to the issue of Units.

The Manager or the Administrator as its delegate, may issue Units in exchange for assets in which the Fund may invest in accordance with the particular investment objective and policies of the relevant Sub-Fund. No Units may be issued in exchange for such assets unless the Directors are satisfied that (i) the number of Units issued in the relevant Sub-Fund will not be more than the number which would have been issued for settlement in cash having valued the assets to be exchanged in accordance with the valuation provisions set out in the Articles and summarised herein; (ii) all fiscal duties and charges arising in connection with the vesting of such assets in the Depository for the account of the relevant Sub-Fund are paid by the person to whom the Units in such Sub-Fund are to be issued or, at the discretion of the Directors, partly by such person and partly out of the assets of such Sub-Fund; (iii) and the Depository is also satisfied that the terms of such exchange shall not materially prejudice the Unitholders in the relevant Sub-Fund; and (iv) the assets have been vested in the Depository or its nominees or agents.

### **Privacy Information**

Prospective investors should note that by completing the Application Form they are providing to the Manager personal information, which may constitute personal data within the meaning of the Data Protection Legislation. The personal data of prospective investors and registered Unitholders shall be processed in accordance with the Privacy Statement.

Any information furnished in the Fund's Unit Application Form or in connection with the investment in the Fund shall be held and processed by the Manager. The Manager will use this information for the purposes of processing the Application Form and managing and administering any of the services provided in relation to the investment in the Fund (including any statutory reporting obligations). Such information may be processed on behalf of the Fund by the Administrator. This

information may also be disclosed to the Investment Manager, a Sub-Investment Manager and the Depositary for the purposes of them providing services to the Fund in relation to the investment pursuant to their contracts with the Manager. The information may also be processed and disclosed as necessary to meet legal and regulatory requirements which may include disclosure to the Central Bank, foreign regulator and auditors.

## REDEEMING UNITS

Unitholders may redeem their Units in one of three ways - by mail, by facsimile or electronically. Redemption requests once received shall be irrevocable. Unitholders may request the Manager to redeem their Units on and with effect from any Dealing Day at a price based on the relevant Net Asset Value per Unit on such Dealing Day less any applicable duties and charges. In the case of redemptions by mail, the original Application Form in respect of the redemption request must be sent to the Administrator. Redemption requests received by facsimile or electronically will only be processed if the redemption proceeds are to be paid to the account of record of the redeeming Unitholder. Please consult "HOW TO REDEEM UNITS" of the Relevant Supplement for further information regarding redeeming Units. The Directors may compulsorily redeem all of the outstanding Units in any Sub-Fund at the then prevailing Net Asset Value per Unit, if the Depositary has served notice of its intention to retire under the terms of the Deed (and has not revoked such notice) and no new depositary has been appointed by the Manager with the approval of the Central Bank within 90 days of the date of service of such notice.

All outstanding Units in the Fund, any Sub-Fund or a Class may be redeemed by the Manager by not less than four weeks' notice in writing, or such longer notice period as may be specified in the Relevant Supplement, to the appropriate Unitholders if at any time the Net Asset Value of the Fund, the Sub-Fund or the Class on any Dealing Day falls below an amount which the Manager, on the advice of the Investment Manager or the Administrator, believe is economically viable for the relevant Sub-Fund.

The Manager maintains a liquidity risk management policy to monitor the liquidity risk of the Sub-Funds, which includes, among other tools and methods of measurement, the use of stress tests under both normal and exceptional liquidity conditions. The liquidity management systems and procedures employed by the Manager allow the Manager to apply various tools and arrangements necessary to respond appropriately to redemption requests. In normal circumstances, redemption requests will be processed as set out in this section.

Other arrangements may also be used in response to redemption requests (as set out below) which, if activated, will restrict the redemption rights from which Unitholders benefit in the ordinary course. The Fund may also temporarily suspend redemptions in certain circumstances as set out below under the section headed "Temporary Suspension of Dealings".

Redemption proceeds in respect of each Sub-Fund will be paid within the maximum period set out in the Relevant Supplement by electronic transfer (at the Unitholder's risk and expense) to the account designated by the Unitholder in the application form, or, in the discretion of the Directors by a distribution in specie of assets of the Fund to the Unitholder, provided that the Depositary is satisfied that the terms of the exchange will not be such as are likely to result in any material prejudice the remaining or redeeming Unitholders and provided the Unitholder consents to the distribution in specie. The nature and type of assets to be transferred shall be determined by the Directors on such basis as they and the Depositary deem equitable and not prejudicial to the interests of the remaining Unitholders. Any such asset allocation is subject to the approval of the Depositary. Unitholders who receive redemption proceeds *in specie* will be responsible for liquidating any securities received, including bearing any transaction costs involved in the sale of such securities.

For redemption orders of 5% or more in value of the total Units in a Sub-Fund in issue, the Directors may at their absolute discretion following reasonable notice to the redeeming Unitholder distribute underlying investments equivalent to the value of the Unitholder's Units, rather than cash, in satisfaction of the redemption with the cost of the sale being charged to the Unitholder, which action shall be made in good faith and shall not prejudice the interests of existing Unitholders. In such circumstances, the Unitholder has the right to instruct the Directors to sell such underlying



investments on its behalf (in either case the amount that the Unitholder receives after such a sale will be net of all usual sale charges).

Further rights for Unitholders in a Sub-Fund in respect of redemptions in specie may be set out in the Relevant Supplement in respect of that Sub-Fund.

Notwithstanding the foregoing, the Deed provides that if the Manager receives a request for the repurchase of Units in respect of 10% or more of the outstanding Units of any Sub-Fund on any Dealing Day, the Manager may elect to restrict the total number of Units repurchased to 10% or more of the outstanding Units, in which case, redemption requests will be scaled down pro rata and the balance of outstanding redemption requests shall be treated as if they were received on each subsequent Dealing Day until all the Units to which the original request related have been redeemed. Such deferred repurchase requests will have priority over repurchase requests received on subsequent Dealing Days. The Manager shall not be obliged to redeem more than 10% of the Net Asset Value of Units of a Fund outstanding on any Dealing Day, until all the Units to which the original request related have been redeemed. A Unitholder may withdraw his redemption request by notice in writing to the Administrator if the Manager exercises its discretion to refuse to redeem any Units to which the request relates.

Restrictions on the ability of the Manager, as set out in the preceding paragraph, to restrict the total number of Units repurchased in a Sub-Fund on any Dealing Day may be set out in the Relevant Supplement in respect of a Sub-Fund.

Unitholders are required to notify the Manager immediately in the event that they become U.S. Persons or Non Fund Qualified Investors or hold Units for the account or benefit of U.S. Persons or Non Fund Qualified Investors. Unitholders are also required to notify the Manager immediately if they otherwise hold Units in breach of any law or regulation or otherwise in circumstances having or which may have adverse tax, fiscal, legal, regulatory or pecuniary consequences or material administrative disadvantage for the Fund or the Unitholders as a whole.

Where the Manager become aware that a Unitholder (a) is a U.S. Person or Non Fund Qualified Investor or is holding Units for the account or benefit of a U.S. Person or Non Fund Qualified Investor in contravention of the relevant provisions of the Deed; or (b) is holding Units in breach of any law or regulation or otherwise in circumstances having or which may have adverse tax, fiscal, legal, regulatory or pecuniary consequences or material administrative disadvantage for the Fund or the Unitholders as a whole; the Manager shall either (i) direct the Unitholder to request a redemption of the relevant Units or (ii) redeem the relevant Units at the Net Asset Value per Unit as at the Valuation Point immediately following the date of notification of such mandatory redemption to the Unitholder and the proceeds of such redemption may be applied to in the discharge of any taxation or withholding tax arising as a result of the holding or beneficial ownership of Units by such person including any interest or penalties thereon. If any such person upon whom such a notice is served as aforesaid does not within 30 days after such notice request the Manager to redeem such Units as aforesaid he shall be deemed forthwith upon the expiration of 30 days to have requested the Manager to redeem his Units and the Manager shall be entitled to appoint any person to sign on his behalf such documents as may be required for the purposes of the redemption of the said Units by the Manager in accordance with the Deed. The Manager may apply the proceeds of such redemption in the discharge of any taxation or withholding tax arising as a result of the holding or beneficial ownership of Units by such person including any interest or penalties payable thereon.

Under the Deed, any person who becomes aware that he is holding Units in contravention of any of the above provisions or the Deed shall indemnify and hold harmless each of the Fund, the relevant Sub-Fund, the Directors, the Manager, the Depositary, the Administrator, the Investment Manager, the Sub-Investment Managers and the other Unitholders from any actions, claims, demands, proceedings, liabilities, damages, losses, charges, costs and expenses directly or indirectly suffered or incurred by such indemnified party arising out of or in connection with the failure of such person to comply with his obligations pursuant to any of the provisions of the Deed or the Prospectus.

All redemption and dividend proceeds shall be paid through the Umbrella Cash Collection Accounts, and applicants should note the information in relation to the operation of and risks associated with the Umbrella Cash Collection Accounts set out in the section headed "GENERAL".

## **HOW TO EXCHANGE UNITS**

### **Exchanges within the Fund**

Generally, Unitholders may exchange Units in a Sub-Fund for Units of such Class or Classes in another Sub-Fund of the Fund as may be determined by the Directors from time to time. An exchange request will be treated as an order to redeem the Units held prior to the exchange and a purchase order for new Units with the redemption proceeds. The original Units will be redeemed at their Net Asset Value per Unit and the new Units will be issued at the Net Asset Value per Unit of the corresponding Class of the applicable Sub-Fund. Exchange requests for Units must be made through the Distributor in accordance with such detailed instructions regarding exchange procedures as are furnished by the Distributor.

No exchange fee will be charged by the Manager on behalf of the Fund.

### **Other Exchanges**

Unitholders may request a switch of Units from one Sub-Fund or class of Units of the Fund to another sub-fund or class of shares of any other funds in Mercer's Irish fund range, which as of the date hereof includes Mercer PIF Fund plc, Mercer QIF Fund plc and MGI Funds plc (the "**Mercer Funds**"). Such switch request will be treated as a redemption of Units and a simultaneous purchase of shares in the other Mercer Fund. Consequently, any Unitholder requesting such switch must comply with the procedures of redemption and subscription as well as all other requirements, notably relating to investor qualifications and minimum investment and holding thresholds applicable to each of the funds or classes of shares concerned in the other Mercer Fund.

Switches must be effected by submission of a Stock Transfer Form (or such other method and medium acceptable to the Manager and the relevant Mercer Fund) in writing. Unless otherwise stated on a Stock Transfer Form, redemption proceeds will not be paid to the Unitholder's bank account outlined on the Application Form and will instead be paid to the appropriate bank account for the Mercer Fund in which the Unitholder wishes to subscribe. The Directors or their delegates may decline to register any switch of Units unless the Stock Transfer Form is deposited at the registered office of the Manager, or such other place as the Directors or their delegates may reasonably require, accompanied by such other evidence as the Directors, the Manager (or the Administrator on their behalf) may reasonably require.

Unitholders should note that while receipt of verification documents are pending, transactions may be rejected or delayed.

A Unitholder must satisfy the eligibility requirements applicable to the classes of shares of the relevant Mercer Fund (for example, a Unitholder seeking to switch into MGI Funds plc should note that this Mercer Fund is a UCITS). All costs (including potential tax liability which might be applicable because of the country of citizenship, residence or domicile of the relevant Unitholder) associated with such switch will be borne by the relevant Unitholder.

No exchange fee will be charged by the Manager on behalf of the Fund.

## **TRANSFER OF UNITS**

Unitholders are not permitted to freely transfer their ownership of Units as to do so may result in the Fund incurring a tax liability or suffering a pecuniary disadvantage.

## **SIDE POCKETS**

From time to time, a portion of the Fund's assets may consist of one or more illiquid investments (including investments that are illiquid at the time of purchase) that the Directors determine, in their

sole discretion, to be subject to practical, regulatory, contractual or legal restrictions on disposition (each such investment or portfolio of investments is referred to herein as a “**Side Pocket Investment**”). Upon identifying an investment or portfolio of investments as a Side Pocket Investment, a pro-rata portion of each existing Unitholder's units (and, if such Unitholder holds more than one class of units, pro-rata according to such Unitholder's holdings of such units) will be converted to Units of a new side pocket, without any obligation on the Unitholders or the Fund to take any other action and without the requirement for any notice to be served on such Unitholder. This may include the conversion of Units in respect of which a suspension or a partial suspension of redemptions is in effect on the date on which such redemption and re-issue occurs and the entire holding of any relevant Unitholders on the Dealing Day prior to the implementation of the suspension or partial suspension of redemptions may be taken into account in calculating the pro rata portion of units held by such Unitholder which are to be redeemed and re-issued. Each separate class of side pocket Units will represent a separate Sub-Fund. Unitholders who purchase units after a Sub-Fund acquires a Side Pocket Investment are not entitled to receive any Units or to participate in the gain, loss or income relating to such Side Pocket Investment.

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## GROSS INCOME PAYMENTS

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The Manager may if it thinks fit, declare and pay Gross Income Payments in respect of any Units in the Sub-Fund as appear to the Manager to be justified with respect to any Sub-Fund or Class. The Manager may, in its absolute discretion, differentiate between the Units in any Sub-Fund and Units in different Classes within the same Sub-Fund as to the Gross Income Payment declared on such Units, provided that any Gross Income Payments paid shall be relative to the Unitholder's participation in the relevant Class as set out in the Supplement for the relevant Sub-Fund. The Manager shall have the absolute right to decide whether a Gross Income Payment shall be made or not.

It is anticipated that Units in each Sub-Fund will be accumulating and accordingly, earning and gains will be reinvested on behalf of Unitholders. The Gross Income Payment policy for each Sub-Fund shall be set out in the Supplement to the Prospectus. In the event that the Gross Income Payment policy for a Sub-Fund changes, such that the Units in the Sub-Fund will be distributing, such change shall be set out in a revised Prospectus or Supplement and shall be notified in advance to the Unitholders in the relevant Sub-Fund.

The Unitholders are absolutely entitled to the income of relevant Sub-Fund as it arises whether or not a Gross Income Payment is made. In determining the Gross Income Payment that may be made, the Manager shall be entitled to deduct from the income of the relevant Sub-Fund any expenses in respect of that Sub-Fund. Gross Income of the relevant Sub-Fund shall include income in the form of dividends, interest or otherwise. Gross Income Payments may only be paid out of funds available for the purpose which may be lawfully distributed and they may be adjusted as the Manager deems appropriate as follows:

- (a) addition or deduction of a sum by way of adjustment to allow for the effect of sales or purchases cum or ex dividend;
- (b) addition of a sum representing any interest or dividends or other income accrued but not received by the Manager at the end of the Gross Income Period and deduction of a sum representing (to the extent that an adjustment by way of addition has been made in respect of any previous Gross Income Period) interest or dividends or other income accrued at the end of the previous Gross Income Period;
- (c) addition of the amount (if any) available for payment in respect of the last preceding Gross Income Period but not distributed in respect thereof;
- (d) addition of a sum (if relevant) representing the estimated or actual repayment of tax resulting from any claims in respect of income tax relief or double taxation relief or otherwise (if relevant);
- (e) deduction of the amount of any tax or other estimated or actual liability properly payable out of the income of the Sub-Fund including any withholding tax suffered;
- (f) deduction of a sum representing participation in income paid upon the cancellation of Units during the Gross Income Period; and
- (g) deduction of such amount as the Manager or its delegate may certify necessary in respect of any expenses, remunerations or other payments (including without limitation, Administration Expenses and Disbursements) accrued during the Gross Income Period and properly payable out of the income or capital of the Sub-Fund unless otherwise stated in the Prospectus.

provided always that in the absence of negligence, fraud or wilful default, the Manager shall not be responsible for any error in any estimates of tax repayments or double taxation relief expected to be obtained or of any sums payable by way of taxation or receivable as income, but if the same shall not prove in all respects correct it shall ensure that any consequent deficiency or surplus shall be provided for in the Gross Income Period (which may, if the Manager determines in its absolute

discretion, be paid out of the Gross Income available) in which a further or final settlement or determination is made of such tax repayment or relief or amount payable or receivable and no adjustment shall be made to any payment previously made.

Any Gross Income Payments made shall be paid by means of bank transfer, at the expense of Unitholder, to Unitholders on the register as of the Gross Income Date.

Gross Income Payments not claimed within six years from their due date will lapse and revert to the relevant Sub-Fund.

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## **FEES AND EXPENSES**

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Information regarding the fees and expenses of each Sub-Fund are primarily described in "FEES AND EXPENSES" in the Relevant Supplement.

The aggregate fees and expenses of the Manager, Administrator, Depository and Investment Manager will not exceed such amount as may be specified in the Relevant Supplement.

The Manager shall be responsible for the payment of the Investment Manager's fee (including reasonable out of pocket expenses) out of its fees. The Manager will also be entitled to be reimbursed out of the assets of the Sub-Funds for reasonable out-of-pocket expenses incurred by it or any of its delegates in respect of the Sub-Funds. The Sub-Investment Manager's fees shall be paid out of the assets of the relevant Sub-Fund or by the Investment Manager out of its fees. The fees and expenses of the Administrator and Depository (including reasonable out of pocket expenses) shall be paid by the Manager out of the assets of the relevant Sub-Fund. The Manager shall also reimburse the Depository solely out of the assets of the relevant Sub-Fund for the reasonable fees and customary agents charges paid by the Depository to any sub-custodian (which shall be charged at normal commercial rates) together with value added tax, if any, thereon.

Any commission received by the Manager or Investment Manager in respect of an investment by one Sub-Fund in another Sub-Fund will be paid into the assets of the Sub-Fund making the investment.

### **OPERATING EXPENSES**

Certain costs and expenses incurred in the operation of a Sub-Fund will be borne out of the assets of the relevant Sub-Fund, including without limitation, registration fees and other expenses relating to regulatory, supervisory or fiscal authorities in various jurisdictions, management, investment management, administrative and custodial services; client service fees; writing, typesetting and printing the Prospectus, sales, literature and other documents for investors; taxes and commissions; issuing and purchasing Units; Directors' fees; transfer agents, dividend dispersing agents, Unitholder servicing agents and registrars; printing, mailing, auditing, accounting and legal expenses; reports to Unitholders and governmental agencies; meetings of Unitholders and proxy solicitations therefore (if any); insurance premiums ; association and membership dues; and such non-recurring and extraordinary items as may arise.

The expenses of each Sub-Fund are deducted from the total income of such Sub-Fund before Gross Income is paid. Expenses will be allocated to the Sub-Fund or Sub-Funds to which in the opinion of the Directors or their delegates, they relate. If an expense is not readily attributable to any particular Sub-Fund, the expense will be allocated to all Sub-Funds pro rata to the value of the Net Asset Value of the relevant Sub-Fund. The Directors' remuneration in respect of daily dealing Sub-Funds will accrue daily, and be paid monthly in arrears, and in respect of monthly dealing funds, will accrue monthly and be paid in arrears every two months.

The Manager may, at its discretion, contribute directly towards the expenses attributable to the operation of the Fund or any particular Sub-Fund and/or the marketing, distribution and/or sale of Units and may from time to time at its sole discretion waive any or all of the management fees in respect of any particular payment period.

### **ANTI-DILUTION LEVY**

In calculating the subscriptions and redemption price for the Sub-Funds the Directors may in their discretion, on a Sub-Fund by Sub-Fund basis and on any Dealing Day when there are net subscriptions or redemptions, adjust the subscription or redemption price by adding or deducting an anti-dilution levy to cover dealing costs and to preserve the value of the underlying assets of the respective Sub-Funds. Each Shareholder may be subject to an anti-dilution levy of up to 3% of the subscription proceeds or redemption proceeds, as applicable. The anti-dilution levy will be paid to the Sub-Fund for the benefit of all Shareholders and will not be paid to the Manager or Investment Manager. The anti-dilution levy will be deducted from subscription proceeds and will

correspondingly reduce the number of Shares purchased by the investor or will be deducted from redemption proceeds and will correspondingly reduce the amounts received by a Shareholder upon redeeming its Shares from the Sub-Fund. Investors should note that the anti-dilution levy will only be paid on net subscriptions and redemptions on any Dealing Day. Details of any such anti-dilution levy (where applicable) will be notified to relevant Shareholders in advance of such levy being charged.

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## DETERMINATION OF NET ASSET VALUE

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The Net Asset Value per Unit in any Sub-Fund shall be calculated by the Administrator in the Base Currency of that Sub-Fund (which shall be so specified in the Relevant Supplement) to the nearest two decimal places as at each Valuation Point in accordance with the valuation provisions set out in the Deed and summarised below. The Net Asset Value of a Sub-Fund shall be calculated by ascertaining the value of the assets of the relevant Sub-Fund and deducting from such amount the liabilities of the Sub-Fund, which shall include all fees and expenses payable and/or accrued and/or estimated to be payable out of the assets of the Sub-Fund as specified in the Relevant Supplement. The Net Asset Value per Unit of a Class of Units in a Sub-Fund shall be calculated by establishing the number of Units issued in the Class on the relevant Valuation Day and allocating the relevant fees and Class expenses to the Class and making appropriate adjustments to take account of distributions, if any, paid out of the Sub-Fund and apportioning the Net Asset Value of the Sub-Fund accordingly.

The Net Asset Value per Unit in respect of any Dealing Day with respect to each Sub-Fund will be calculated at the time set out in the Relevant Supplement. The Net Asset Value per Unit will be available promptly on request from the office of the Administrator. The Manager shall be responsible for the valuation of the assets of the Fund and the publication of the Net Asset Value. For the avoidance of doubt, the time at which the Net Asset Value is calculated will always be after the Dealing Deadline.

The "Valuation Point" as at which prices shall be used when valuing the assets of the Fund shall be as defined in the Relevant Supplement or such other time as the Directors may determine from time to time and notify to Unitholders.

### DETERMINATION OF NET ASSET VALUE

The Manager is responsible for the valuation function in respect of the Fund. A valuation policy in respect of the Fund has been agreed between the Investment Manager, the Administrator and the Manager in accordance with the Deed and this Prospectus and the requirements of the AIFMD Regulations and has been adopted by the Manager in respect of the Fund (the "**Valuation Policy**").

The purpose of the Valuation Policy is to ensure: (a) a consistent framework and methodology for the determination, validation, approval, regular monitoring and review of pricing; (b) that fair, correct and transparent pricing models and valuation systems are utilised; (c) that the calculation of the Net Asset Value of the Fund is accurately effected, on the basis of the accounting and that subscription and redemption orders can be properly executed at the Net Asset Value; and (d) the proper and accurate valuation of the assets and liabilities of the Fund in accordance with the valuation rules as set out in the AIFMD Regulations.

The Manager shall undertake the valuation function impartially and will exercise due skill, care and diligence in its discharge. In carrying out this function, the Manager shall make use of safeguards set out in its Valuation Policy in order to ensure that the valuation function is functionally independent from the portfolio management function.

The Investment Manager has responsibility for the on-going monitoring of investments within each of the Sub-Funds. This includes, but is not limited to, reviewing information on stale and static prices, suspended securities and securities in liquidation and securities valued at cost. If the Investment Manager has reasonable belief that a particular security's valuation may not reflect fair market value, the fair value pricing committee of the Investment Manager will consider the security in question and its appropriate value. The Investment Manager may then make recommendations to the Manager, which may take this recommendation into account in determining fair value pricing.

In accordance with the Valuation Policy, the Manager may further develop the Valuation Policy and fair value assets in conjunction with the Investment Manager, and is responsible for the development, implementation and oversight of the Valuation Policy. The Manager's Remuneration Policy and other measures shall also ensure that conflicts of interest are mitigated and that undue influence upon employees is prevented.



The Manager has appointed the Administrator with responsibility for calculating the Net Asset Value and for each class of Units as of each relevant Dealing Day. The calculation and publication of Net Asset Value shall be undertaken by the Administrator in accordance with the Administration Agreement and the Valuation Policy. The Manager is permitted to delegate the performance of certain valuation functions to an External Valuer in accordance with the requirements of the AIFMD. The Manager does not currently intend on delegating the performance of its valuation functions to any such External Valuer. In the event that the Manager delegates any of its valuation functions to an External Valuer in the future, Unitholders shall be notified.

The Manager shall be responsible for the proper valuation of the Fund's assets and the Manager's liability towards to the Fund and its Unitholders will not be affected by the appointment an External Valuer. The appointment of an External Valuer by the Manager shall be notified to the Central Bank. Any External Valuer appointed by the Manager shall not be permitted to delegate the valuation function to a third party, and shall, irrespective of any contractual arrangements providing otherwise, be liable to the Manager for any losses suffered by the Manager as a result of the External Valuer's negligence or intentional failure to perform its tasks.

The assets of a Sub-Fund will be valued to the nearest two decimal places as at the Valuation Point as follows:-

- (i) equity, fixed income and money market assets listed or traded on a Recognised Market (other than those referred to at (v) and (ix) below) for which market quotations are readily available shall be valued at the last traded price on the principal exchange or market for such investment provided that the value of any investment listed on a Recognised Market but acquired or traded at a premium or at a discount outside or off the relevant Recognised Market may be valued taking into account the level of premium or discount as at the date of valuation of the investment and the Depositary must ensure the adoption of such a procedure is justifiable in the context of establishing the probable realisation value of the security. If for specific assets the last traded prices do not, in the opinion of the Manager or the External Valuer, reflect their fair value, or are not available the value shall be estimated with care and in good faith by the Manager, in consultation with the relevant Sub-Investment Manager or an External Valuer with a view to establishing the probable realisation value for such assets as at the Valuation Point;
- (ii) if the assets are listed or traded on several Recognised Markets, the last traded price (in the case of equity assets) or the latest mid-market price (in the case of fixed income and money market assets) on the Recognised Market which, in the opinion of the Manager or an External Valuer, constitutes the main market for such assets, will be used;
- (iii) in the event that any of the investments are not listed or traded on any Recognised Market, such securities shall be valued at their probable realisation value as at the Valuation Point estimated with care and in good faith by the Manager in consultation with the relevant Sub-Investment Manager or by an External Valuer;
- (iv) cash and other liquid assets will be valued at their face value with interest accrued, where applicable, up to the Valuation Point;
- (v) units or shares in open-ended and closed-ended collective investment schemes not valued in accordance with (i) above will be valued at the latest available net asset value as published by the collective investment schemes as at the Valuation Point, or, if unavailable, at the probable realisation value, as estimated with care and in good faith and as may be recommended by the Manager or an External Valuer;
- (vi) the Manager or an External Valuer (as relevant) may adjust the value of any investment if it considers such adjustment is required to reflect the fair value thereof in the context of currency, marketability, dealing costs and/or such other considerations which are deemed relevant with the approval of the Depositary;
- (vii) any value expressed otherwise than in the Base Currency of the relevant Sub-Fund (whether of an investment or cash) and any non-Base Currency borrowing shall be

converted into the Base Currency at the rate (whether official or otherwise) which the Manager or an External Valuer deems appropriate in the circumstances;

- (viii) exchanged traded derivative instruments will be valued at the settlement price for such instruments on such market as at the Valuation Point; if such price is not available such value shall be the probable realisation value estimated with care and in good faith by the Manager or an External Valuer. Over-the-counter derivative instruments will be valued on each Dealing Day at the settlement price as at the Valuation Point as provided by the counterparty on a weekly basis and verified at least on a monthly basis by the Manager or an External Valuer (being independent from the counterparty). Forward foreign exchange contracts shall be valued with reference to the prevailing market maker quotations, namely, the price at which a new forward contract of the same size and maturity could be undertaken;
- (ix) Money market instruments held by a Sub-Fund with a remaining maturity or interest rate reset of 6 months or less will be valued, where possible, by the amortised cost method, which approximates market value. The Manager, or its delegate, shall review each week any discrepancies between the market value of the assets and the value as determined by the amortised cost method of valuation. If at any time, however, the market value of any of the assets of any Sub-Fund deviates by more than 0.5% from its value determined on an amortised cost basis, the pricing of such security will be reviewed. If the deviation is greater than 0.3% the Manager, or its delegate, will review the discrepancies on each Business Day until the deviation is less than 0.3%. The Manager will monitor the use of the amortised cost method of valuation in order to ensure that this method continues to be in the best interests of the Unitholders and to provide a fair valuation of the investments of the Sub-Fund. There may be periods during which the stated value of an instrument determined under the amortised cost method of valuation is higher or lower than the price which the Sub-Fund would receive if the instrument were sold, and the accuracy of the amortised cost method of valuation can be affected by changes in interest rates and the credit standing of issuers of the Sub-Fund's investments.

In the event of it being impossible, impractical or incorrect to carry out a valuation of a specific investment in accordance with the valuation rules set out in paragraphs (i) to (ix) above, or if such valuation is not representative of the securities fair market value, the Manager or an External Valuer is entitled to adopt an alternative valuation method which has been approved by the Depositary in order to reach a proper valuation of that specific investment.

Any value expressed otherwise than in the Base Currency (whether of an investment or cash) and any non-Base Currency borrowing shall be converted into the Base Currency at the rate (whether official or otherwise) which the Administrator deems appropriate in the circumstances.

Where a Class is designated in a currency other than the Base Currency, the Net Asset Value of Units in that Class shall be calculated in the Base Currency and converted into the currency of designation of that Class at the rate (whether official or otherwise), which the Administrator deems appropriate in the circumstances. Changes in the exchange rate between the Base Currency of a Sub-Fund and such designated currency may lead to a depreciation of the value of such Units as expressed in the designated currency.

Dividends, interest and capital gains (if any) which the Fund receives with respect to its 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 Unitholders rateably at the time of the repayment.

## **Swing Pricing**

Notwithstanding the above provisions, on any Dealing Day on which there are net subscriptions into or net redemptions out of a Sub-Fund, the actual cost of acquiring or disposing of assets on behalf of the relevant Sub-Fund, due to dealing charges, taxes, and any spread between acquisition and disposal prices of assets, may be such as to affect the Net Asset Value of the Sub-Fund to the detriment of Unitholders in the Sub-Fund as a whole. The adverse effect that these costs could have on the Net Asset Value is known as “dilution”.

In order to seek to mitigate the effect of dilution the Directors may determine, at their discretion, to “swing” the Net Asset Value to counter the possible negative effects of dilution. Where they so determine, the Administrator will calculate the Net Asset Value for the relevant Sub-Fund, as described above, and then adjust (“swing”) the Net Asset Value by a pre-determined amount. The direction of the swing will depend on whether there are net subscriptions or redemptions in the relevant Sub-Fund on the relevant Dealing Day, while the magnitude of the swing will be based on pre-determined estimates of the average trading costs in the relevant asset class(es) in which the Sub-Fund is invested. For example, if the relevant Sub-Fund is experiencing net inflows, its Net Asset Value will be swung upwards, so that the incoming Unitholders are effectively bearing the costs of the dealing that their subscriptions generate by paying a higher Net Asset Value per Unit than they would otherwise be charged. Conversely, where there are net redemptions in the Sub-Fund, the Net Asset Value will be swung downwards, so that the outgoing investors are effectively bearing the costs of the dealing that their redemptions generate by receiving a lower Net Asset Value per Unit than they would otherwise receive. These swings are intended to protect non-dealing Unitholders from the impact of trading costs triggered by dealing investors.

The determination to swing the Net Asset Value in respect of a Sub-Fund will be made following a consideration of the dealing activity (i.e. level of subscriptions and redemptions) in the relevant Sub-Fund on a Dealing Day, in accordance with criteria set by the Directors from time to time. These criteria will include whether the costs of investing or divesting the net inflows into or outflows from a Sub-Fund on a Dealing Day will create, in the Directors’ opinion, a material dilutive impact. Swing pricing will only be exercised for the purpose of reducing dilution in the interests of the Unitholders in a Sub-Fund as a whole and will be applied consistently in respect of a Sub-Fund and in respect of all assets of that Sub-Fund.

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## TEMPORARY SUSPENSION OF DEALINGS

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The Manager may at any time, with prior notification to the Depositary, temporarily suspend the issue, valuation, sale, purchase, redemption, repurchase and exchange of Units in any Sub-Fund during:

- (i) any period when any Recognised Market on which a substantial portion of the investments for the time being comprised in the relevant Sub-Fund are quoted, listed or dealt in is closed otherwise than for ordinary holidays, or during which dealings in any such Recognised Market are restricted or suspended;
- (ii) any period where, as a result of political, military, economic or monetary events or other circumstances beyond the control, responsibility and power of the Manager, the disposal or valuation of investments for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, be effected or completed normally or without prejudicing the interest of Unitholders;
- (iii) any breakdown in the means of communication or computing normally employed in determining the value of any investments for the time being comprised in the relevant Sub-Fund or during any period when for any other reason the value of investments for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, be promptly or accurately ascertained;
- (iv) any period when the Manager is unable to repatriate funds for the purposes of making redemption or purchase payments or during which the realisation of investments for the time being comprised in the relevant Sub-Fund, or the transfer or payment of funds involved in connection therewith cannot, in the opinion of the Manager, be effected at normal prices or normal rates of exchange;
- (v) any period when, as a result of adverse market conditions, the payment of redemption proceeds may, in the opinion of the Manager, have an adverse impact on the relevant Sub-Fund or the remaining Unitholders in such Sub-Fund; or
- (vi) any period when the issue, valuation, sale, purchase, redemption, repurchase and exchange of shares in any Underlying Fund in which a Sub-Fund has invested a substantial portion of its assets is suspended.

In addition, where expressly stated in the Relevant Supplement in respect of a Sub-Fund, the Manager may at any time, with prior notification to the Depositary, temporarily suspend the issue, valuation, sale, purchase, redemption, repurchase and exchange of Units in the Sub-Fund during any period when the Manager determines it is in the best interests of Unitholders to do so.

Notice of any such suspension by the Manager shall be notified immediately, and in any event within the same Dealing Day on which the suspension took effect, to the Central Bank. Unitholders who have requested issue, purchase or redemption of Units in any Sub-Fund will have their request dealt with on the first Dealing Day after the suspension has been lifted unless such requests have been withdrawn prior to the lifting of the suspension. All reasonable steps will be taken to bring any period of suspension to an end as soon as possible. If in the opinion of the Manager the suspension is likely to exceed thirty days, it shall be notified as soon as practicable thereafter to any Unitholders affected by such suspension.

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## TERMINATION OF THE FUND, A SUB-FUND OR A CLASS

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The Manager may terminate the Fund or any Sub-Fund or Class in its absolute discretion by notice in writing to the Unitholders:

- (i) if the Manager determines that the continuation of the Fund or any Sub-Fund or Class is not economically viable;
- (ii) if the Fund shall cease to be an authorised Common Contractual Fund under the Act or if any of its Sub-Funds or Classes shall cease to be approved by the Central Bank;
- (iii) if any law shall be passed which renders it illegal or in the reasonable opinion of the Manager impracticable or inadvisable to continue the Fund or any of its Sub-Funds or Classes;
- (iv) if the Manager determines that it is in the best interests of Unitholders in the relevant Sub-Fund or Class;
- (v) if within a period of three months from the date of the Manager expressing in writing to the Depositary its desire to retire, a replacement manager shall not have been appointed; or
- (vi) if within a period of three months from the date of the sole remaining Investment Manager expressing in writing to the Manager its desire to retire the Manager shall have failed to appoint a new Investment Manager.

The Fund will be terminated by the Manager by notice in writing to the Unitholders if within a period of three months from the date of the Depositary expressing in writing to the Manager its desire to retire the Manager shall have failed to appoint a new Depositary.

Notwithstanding the above, the Manager shall have power upon notice to the Central Bank to close any Sub-Fund by serving not less than thirty days' notice of such closure on the holders of Units in that Sub-Fund.

In the event of the termination of a Fund, a Sub-Fund or a Class, the Deed provides that the party terminating the Fund or a Portfolio or a Class shall give notice thereof to the Unitholders in the manner set out below and by such notice fix the date on which such termination is to take effect which date shall not be less than thirty days' after the service of such notice.

After the giving of notice of such termination the Manager shall procure the sale of all Investments then remaining in the hands of the Depositary or of the Depositary's nominee as part of the assets and such sale shall be carried out and completed in such manner and within such period before or after the termination of the Fund, the Sub-Fund or the Class as the Manager and the Depositary think desirable.

The Manager shall at such time or times as it shall deem convenient and at its entire discretion procure the distribution to the Unitholders, of all net cash proceeds derived from the realisation of the investments of the relevant Sub-Fund or attributable to the relevant Class and any cash then forming part of the relevant Sub-Fund or attributable to the relevant Class so far as the same are available for the purpose of such distribution. Every such distribution shall be made only after such form of request for payment and receipt as the Manager shall in its absolute discretion require, have been lodged with the Manager, provided that:

- (a) the Manager acting in good faith, shall be entitled to retain out of any moneys held by the Depositary full provision for all reasonable costs, charges, expenses, claims, liabilities and demands relating to the relevant Sub-Fund or Class for which the Manager or the Depositary is or may become liable or incurred, made or expended by the Manager or the Depositary in connection with the liquidation of the Fund or of the Sub-Fund or of the

Class, as the case may be, and out of the moneys so retained to be indemnified and saved harmless against any such costs, charges, expenses, claims and demands; and

- (b) any unclaimed net proceeds or other cash held by the Depositary may at the expiration of twelve months from the date on which the same were payable be paid into court subject to the right of the Depositary to deduct therefrom any expenses it may incur in giving effect to this provision.

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## TAXATION

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The following is a summary of certain Irish tax consequences of the purchase, ownership and disposal of Units. The summary does not purport to be a comprehensive description of all of the Irish tax considerations that may be relevant. The summary relates only to the position of persons who are the absolute beneficial owners of Units and may not apply to certain other classes of persons. The summary is based on Irish tax laws and the practice of the Irish Revenue Commissioners in effect on the date of this Prospectus (and is subject to any prospective or retroactive change). Potential investors in Units should consult their own advisors as to the Irish or other tax consequences of the purchase, ownership and disposal of Units.

### **Taxation of the Fund**

The Fund is authorised in Ireland as a common contractual fund and the Fund intends to conduct its affairs so that no Units are held by Non Fund Qualified Investors. On the basis that no Units are held by Non Fund Qualified Investors, the Fund should be treated as fiscally transparent for Irish tax purposes and will not be chargeable to Irish tax on its income and gains.

### **Taxation of Unitholders**

No Irish tax will be deducted from distributions made by the Fund to Unitholders.

The income and gains of the Fund will be treated for Irish tax purposes as arising (or accruing) to each Unitholder in proportion to the value of Units beneficially owned by each Unitholder, as if the relevant income and gains had arisen (or accrued) to the Unitholders without passing through the hands of the Fund.

### **Stamp duty**

No Irish stamp duty (or other Irish transfer tax) will apply to the issue, transfer or redemption of Units. If a Unitholder receives a distribution *in specie* of assets from the Fund, a charge to Irish stamp duty could potentially arise.

### **Gift and inheritance tax**

Irish capital acquisitions tax (at a rate of 33%) can apply to gifts or inheritances of Irish situate assets or where either the person from whom the gift or inheritance is taken is Irish domiciled, resident or ordinarily resident or the person taking the gift or inheritance is Irish resident or ordinarily resident. However, any gift or inheritance of Units will be exempt from Irish gift or inheritance tax once:

1. the Units are comprised in the gift or inheritance both at the date of the gift or inheritance and at the "valuation date" (as defined for Irish capital acquisitions tax purposes);
2. the person from whom the gift or inheritance is taken is neither domiciled nor ordinarily resident in Ireland at the date of the disposition; and
3. the person taking the gift or inheritance is neither domiciled nor ordinarily resident in Ireland at the date of the gift or inheritance.

## **FOREIGN ACCOUNT TAX COMPLIANCE ACT**

### ***Certain Withholding Taxes and Information Reporting Requirements.***

The Hiring Incentives to Restore Employment (HIRE) Act added Sections 1471 through 1474 to the U.S. Internal Revenue Code of 1986 (the "Code"). These provisions, known as the Foreign Account Tax Compliance Act or "FATCA", impose a withholding tax of 30% on: (i) U.S. source interest, dividends and certain other types of income; and (ii) the gross proceeds from the sale or disposition of assets which produce such types of income, which are received by a foreign financial

institution, unless such foreign financial institution enters into a FATCA reporting agreement with the Internal Revenue Service (the “**IRS**”) and provides certain information pursuant to that FATCA reporting agreement to the IRS as to the identity of the direct and indirect owners of accounts in such institution. In addition, a FATCA withholding tax may be imposed on payments to certain non-financial foreign entities which do not obtain and provide information as to their direct and indirect owners.

Although these FATCA provisions became effective by statute after 31 December 2012, withholding on U.S. source interest, dividends and certain other types of income will not apply until after 30 June 2014 and withholding on gross proceeds will not apply until after 31 December 2016. In addition, the IRS recently released proposed regulations which, if enacted as final, would be used by the IRS in implementing the FATCA provisions and these contain a number of phased-in dates for compliance with their various provisions. It is uncertain when and in what form final regulations regarding FATCA will be promulgated. At this time, IRS guidance is incomplete as to the types of accounts and institutions to which these rules would apply, and as to the form and content of the information which would be required to be obtained in order to avoid the withholding tax. Accordingly, there are substantial uncertainties as to the effect that these rules will have on the Fund or its Unitholders. The Directors believe, however, that the Fund (and other non-U.S. corporations in which or through which it invests) is likely to be classified as a foreign financial institution and required to comply with the FATCA provisions (in the manner described below).

The IRS has developed an intergovernmental approach to the implementation of FATCA. In this regard, the Irish and U.S. Governments signed an intergovernmental agreement (“**Irish IGA**”) on the 21 December 2012 in respect of FATCA. Irish tax law permits FATCA regulations to be made by the Irish Revenue Commissioners to implement the FATCA matters covered by the Irish IGA into Irish tax law. These FATCA regulations have not yet been published in final form and are anticipated to be enacted into Irish tax law during 2014.

The Irish IGA and the anticipated Irish FATCA regulations are intended to reduce the burden for Irish foreign financial institutions of complying with FATCA by simplifying the compliance process and minimising the risk of FATCA withholding tax. Under the Irish IGA and the anticipated Irish FATCA regulations, information about relevant U.S. Unitholders or other reportable accounts will be provided on an annual basis by each Irish foreign financial institution directly to the Irish Revenue Commissioners (unless exempted from the FATCA requirements). The Irish Revenue Commissioners will provide such information to the IRS, without the need for the Irish foreign financial institution to enter into a FATCA reporting agreement with the IRS, although some form of FATCA registration with the IRS may still be necessary.

Under the Irish IGA, Irish foreign financial institutions should generally not be subject to FATCA withholding on payments to them and should generally not be obliged to apply FATCA withholding on payments to any investors, provided such Irish foreign financial institutions comply with their FATCA obligations under Irish tax law. In this regard, it is anticipated that the Fund will not be subject to the 30% FATCA withholding tax on U.S. source income (including dividends and interest) and gross proceeds from the sale or other disposal of property that can produce U.S. source interest or dividends paid to the Fund, provided it complies with the requirements of the anticipated Irish FATCA regulations and the Irish IGA. The Directors, in their sole discretion, will determine how to comply with these FATCA rules, taking into account the possible burden to Unitholders of collecting and providing information as well as the cost of not providing it.

Among the possible effects of FATCA (including the Irish IGA and anticipated Irish FATCA regulations), depending on how it is interpreted and on how the Directors choose to cause the Fund to comply, are the following:

- (a) In order to comply with its FATCA obligations, the Fund might require certain of its Unitholders to provide information as to their direct and indirect owners, and to certify such information in such form as may be required;



- (b) In order to comply with its FATCA obligations, the Fund will likely be required to register with the IRS and will be required to report information on certain Unitholders to the Irish Revenue Commissioners (who will, in turn, report this information to the IRS);
- (c) If the Fund does not comply with its FATCA obligations under Irish tax law by virtue of the Irish IGA and the anticipated Irish FATCA regulations, or cannot comply because Unitholders do not provide the required information as to their direct and indirect owners, it is possible that:
  - (i) a withholding tax might be imposed in respect of certain of the Fund's income, to the extent that such income is attributable to such Unitholders; or
  - (ii) in certain circumstances, a withholding tax might be imposed in respect of certain of the Fund's income, not limited to the portion attributable to Unitholders who do not provide identifying information. In this case, all Unitholders in the Fund could be adversely affected by FATCA withholding tax in certain circumstances.

#### ***Investor Tax Filings and Record Retention.***

The U.S. Treasury Department has adopted regulations designed to assist the IRS in identifying abusive tax shelter transactions. In general, these regulations require investors in specified transactions (including certain shareholders in non-U.S. corporations and partners in partnerships that engage in such transactions) to satisfy certain special tax filing and record retention requirements. Significant monetary penalties may be imposed as a result of a failure to comply with these tax filing and record retention rules. The regulations are broad in scope and it is conceivable that the Fund may enter into transactions that will subject the Fund and certain Unitholders to the special tax filing and record retention rules. The Directors intend to use reasonable efforts to provide information to the Unitholders necessary to enable the Unitholders to satisfy any tax filing and record retention requirements that may arise as a result of any transactions entered into by the Fund. Prospective investors should consult their own tax advisors about their obligation to report or disclose to the IRS information about their investment in the Fund with respect to transactions or investments subject to these rules.

#### **OECD Common Reporting Standard**

The automatic exchange of information regime known as the "Common Reporting Standard" developed by the Organisation for Economic Co-operation and Development applies in Ireland. Under this regime, the Manager is required to report information to the Irish Revenue Commissioners relating to all Unitholders, including the identity, residence and tax identification number of Unitholders and details as to the amount of income and sale or redemption proceeds received by Unitholders in respect of the Units. This information may then be shared by the Irish Revenue Commissioners with tax authorities in other EU member states and other jurisdictions which implement the OECD Common Reporting Standard.

The OECD Common Reporting Standard replaces the previous European information reporting regime in respect of savings income under Directive 2003/48/EC (commonly known as the EU Savings Directive regime).

## **VOTING RIGHTS**

No voting rights shall attach to the Units.

## **INVESTOR MONEY ACCOUNTS AND UMBRELLA CASH COLLECTION ACCOUNTS**

### **Investor Money Account – Subscriptions**

The Manager has established a number of investor money collection accounts (designated by currency) in the name of the Manager (the “**IMR Account(s)**”) for the benefit of the Fund. Subscription monies which are received into the relevant IMR Account will thereafter be moved to the relevant Umbrella Cash Collection Account (as defined below) upon reconciliation by the Administrator of the monies received against the related subscription instruction.

Subscription monies held in the IMR Accounts to which investors are beneficially entitled will qualify for the protections afforded by the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 for Fund Service Providers, are kept separate from assets of the Manager and of the Fund and the Sub-Funds, and will be protected from the insolvency of the Manager and the Sub-Fund.

### **Umbrella Cash Collection Account – Subscriptions, Redemptions and Distributions**

The Manager has also established a number of collection accounts (designated by currency) at umbrella level in the name of the Fund (the “**Umbrella Cash Collection Account(s)**”). Subscriptions into Sub-Funds and all redemptions and distributions due from the Sub-Funds will be paid into the relevant Umbrella Cash Collection Account, except for those subscriptions that are required to be routed first to an IMR Account.

Monies in the Umbrella Cash Collection Accounts, including early subscription monies received in respect of a Sub-Fund, do not qualify for the protections afforded by the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 for Fund Service Providers. Pending the issue of Units, and pending payment of redemption proceeds or distributions, the relevant investor will be an unsecured creditor of the Sub-Fund in respect of amounts paid by or due to it.

Subscriptions (including subscriptions received in advance of the issue of Units) attributable to a Sub-Fund will be channelled and managed through either the relevant IMR Account and / or the relevant Umbrella Cash Collection Account. All redemptions, dividends or cash distributions payable from the Sub-Funds will be channelled and managed through the relevant Umbrella Cash Collection Account.

Subscription amounts entering an Umbrella Cash Collection Account (including those routed through an IMR Account and then transferred to an Umbrella Cash Collection Account) will be paid into the relevant Sub-Fund account in the name of the Manager on behalf of the relevant Sub-Fund on the contractual settlement date. Where subscription monies are received in an IMR Account and/or an Umbrella Cash Collection Account without sufficient documentation to identify the applicant or the relevant Sub-Fund, such monies shall be returned to the applicant within 5 business days. Investors should note that the return of monies in such circumstances may be subject to an administrative charge imposed by the relevant credit institutions.

Redemptions and distributions, including blocked redemptions or distributions, will be held in the relevant Umbrella Cash Collection Account until payment due date (or such later date as blocked payments are permitted to be paid), and will then be paid to the relevant or redeeming Unitholder.

Failure to provide the necessary complete and accurate documentation in respect of subscriptions, redemptions or dividends is at the applicant’s risk.

The Umbrella Cash Collection Accounts have been opened by the Manager in either (i) the name of the Manager on behalf of the Fund (for any accounts denominated in Japanese Yen); or (ii) the name of the Fund (for all other accounts). The Depositary will be responsible for safe-keeping and oversight of the monies in the Umbrella Cash Collection Accounts, and for ensuring that relevant amounts in the Umbrella Cash Collection Accounts are attributable to the appropriate Sub-Funds.

The Manager and the Depositary have agreed operating procedures in respect of the Umbrella Cash Collection Accounts and the IMR Accounts, which identify the participating Sub-Funds of the Fund, the procedures and protocols to be followed in order to transfer monies from and between both the Umbrella Cash Collection Accounts and the IMR Accounts, the daily reconciliation processes, and the procedures to be followed where there are shortfalls in respect of a Sub-Fund due to late payment of subscriptions, and / or transfers to a Sub-Fund of monies attributable to another Sub-Fund due to timing differences.

### **UMBRELLA CASH COLLECTION ACCOUNTS AND IMR ACCOUNTS**

Subscription monies received in respect of a Sub-Fund in advance of the issue of Units will be held in either an IMR Account or an Umbrella Cash Collection Account in the name of the Fund. Investors whose monies are in an Umbrella Cash Collection Account will be unsecured creditors of such Sub-Fund with respect to the amount subscribed until such Units are issued. In the event of an insolvency of the Sub-Fund or the Fund, there is no guarantee that the Sub-Fund or Fund will have sufficient funds to pay unsecured creditors in full.

Investors in either an IMR Account or an Umbrella Cash Collection Account will not benefit from any appreciation in the Net Asset Value of the Sub-Fund or any other Unitholder rights (including dividend entitlement) until such time as Units are issued.

Payment by the Sub-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 Unitholders will cease to be Unitholders, with regard to the redeemed Units, from the relevant redemption date. Redeeming Unitholders and Unitholders entitled to distributions will, from the redemption or distribution date, as appropriate, be unsecured creditors of the Sub-Fund, and will not benefit from any appreciation in the Net Asset Value of the Sub-Fund or any other Unitholder rights (including further dividend entitlement), with respect to the redemption or distribution amount. In the event of an insolvency of the Sub-Fund or the Fund during this period, there is no guarantee that the Sub-Fund or Fund will have sufficient funds to pay unsecured creditors in full. Redeeming Unitholders and Unitholders entitled to distributions should therefore ensure that any outstanding documentation and information is provided to the Administrator promptly. Failure to do so is at such Unitholder's own risk.

In the event of the insolvency of another Sub-Fund of the Fund, recovery of any amounts to which a Sub-Fund is entitled, but which may have transferred to such other Sub-Fund as a result of the operation of the Umbrella Cash Collection Accounts, will be subject to the principles of Irish trust law and the terms of the operational procedures for the Umbrella Cash Collection Accounts. There may be delays in effecting and / or disputes as to the recovery of such amounts, and the insolvent Sub-Fund may have insufficient funds to repay amounts due to the relevant Sub-Fund. Accordingly, there is no guarantee that such Sub-Fund or the Fund will recover such amounts. Furthermore, there is no guarantee that in such circumstances such Sub-Fund or the Fund would have sufficient funds to repay any unsecured creditors.

### **FAIR TREATMENT OF INVESTORS**

The Fund will at all times seek the fair treatment of Unitholders. The Supplement for the Sub-Funds shall describe any instance where a Unitholder may receive preferential treatment, a description of that preferential treatment, the type of Unitholders who may obtain such preferential treatment and where relevant their legal and economic links with the Fund.

Such preferential treatment may include rebate arrangements between the Manager and a particular investor or investors and arrangements for the provision of additional information or

reporting to a particular investor or to investors, including, by way of example where such information or reporting is required by the investor or investors for the purpose of complying with a specific regulatory or legal obligation. Further details of any such arrangement for the provision of preferential treatment will be disclosed in the Relevant Supplement.

## **UNITHOLDER RIGHTS**

In order to subscribe for Units, investors must complete an Application Form in accordance with the section titled "INVESTING IN UNITS - Subscriptions for Units" above. By doing so, Unitholders agree to subscribe for Units and to be bound by the terms of this Prospectus and the Deed (the Application Form, Prospectus and Deed together being the "**Subscription Documents**"). The Subscription Documents are governed by Irish law and the courts of Ireland shall have such jurisdiction in relation to them as is determined in accordance with Council Regulation (EC) No 44/2001 as set out below in the section titled "GOVERNING LAW AND RECOGNITION AND ENFORCEMENT OF JUDGMENTS IN IRELAND" below.

## **RIGHTS AGAINST SERVICE PROVIDERS**

Unitholders have generally no direct rights against the Fund's service providers. As set out in the Depositary Agreement, the Depositary will be liable to the Manager and the Unitholders for any loss arising from the Depositary's negligence or its intentional failure to properly fulfil its obligations pursuant to the AIFMD, and for any loss of financial instruments held in custody unless the Depositary can establish that such loss was due to an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

The Manager is reliant on the performance of third party service providers, including the Investment Manager, the Depositary, the Administrator and the Auditors, whose details are set out above. No Unitholder will have any direct contractual claim against any service provider with respect to such service provider's default. Any Unitholder who believes they may have a claim against any service provider in connection with their investment in a Sub-Fund, should consult their legal advisers.

## **GOVERNING LAW AND RECOGNITION AND ENFORCEMENT OF JUDGMENTS IN IRELAND**

The 1980 Rome Convention on the Law Applicable to Contractual Obligations (other than Article 7(1)), Regulation (EC) 593/2008 (Rome I) and Regulation (EC) 864/2007 (Rome II), all have force of law in Ireland (together the "**Rome Regulations**"). Accordingly, the choice of a governing law in any given agreement is subject to the provisions of the Rome Regulations. Under the Rome Regulations, the courts of Ireland may apply any rule of Irish law which is mandatory irrespective of the governing law and may refuse to apply a rule of governing law if it is manifestly incompatible with the public policy of Ireland. The courts of Ireland determine what the public policy of Ireland is on a case by case basis. The fact that contractual parties choose a foreign law, whether or not accompanied by the choice of a foreign tribunal, shall not, where all the other elements relevant to the situation at the time of the choice are connected with one country only, prejudice the application of rules of the law of that country, which cannot be derogated from by agreement.

Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters has force of law in Ireland. In accordance with its provisions, a judgment obtained in the courts of a foreign jurisdiction will in general be recognised and enforced in Ireland without review as to its substance, save in certain exceptional circumstances.

## **MODIFICATION OF DEED AND VARIATION OF UNITHOLDERS RIGHTS**

With respect to any proposed modification to the Deed, the Depositary and the Manager may, subject to the requirements of the Central Bank, modify, alter or add to the provisions of the Deed in such manner and to such extent as they may consider necessary or expedient for any purpose

other than one which would cause the Fund to cease to be an authorised Common Contractual Fund. The Depositary must certify in writing that in its opinion such modification, alteration or addition of the Deed does not materially prejudice the interests of the Unitholders or any of them nor operate to release the Depositary or the Manager from any responsibility to the Unitholders. If the Depositary does not issue such certification, unless such modification, alteration or addition shall be required by virtue of legislation or any regulation made or notice issued by the Central Bank under the Act, no such modification, alteration or addition shall be made unless, of the Unitholders in the Fund or, in the case of a modification, alteration or addition affecting only one or more Sub-Funds, the relevant Sub-Fund or Sub-Funds, responding to a request for confirmation, at least 50% of written responses, by Net Asset Value, consent to the change and provided also that no such modification, alteration or addition shall impose upon any Unitholder any obligation to make any further payment in respect of his Units or to accept any liability in respect thereof.

In the event of any such modification, alteration or addition as aforesaid in the provisions of the Deed, the Manager shall, within 21 days of the execution of such supplemental Deed, deposit with the Central Bank a copy of the Deed as so modified, altered or added to, or containing the said modifications, alterations or additions.

The rights attaching to Units issued in the Fund or any Sub-Fund or Class may be varied or abrogated provided, of the Unitholders in the Fund or the relevant Sub-Fund or Class in question responding to a request for confirmation, at least 50% of written responses, by Net Asset Value, consent to the variation or abrogation, provided always that the rights conferred upon the holders of Units in the Fund or any Sub-Fund or Class which have been issued with other rights shall not, unless otherwise expressly provided by the terms of issue of Units in the Fund or relevant Sub-Fund or Class be deemed to be varied by the creation or issue of further Units ranking *pari passu* therewith.

## **MEETINGS**

As a Common Contractual Fund, the Fund is an unincorporated entity which does not have a legal personality and the Fund will not hold Unitholder meetings.

## **REPORTS AND ACCOUNTS**

The Fund will prepare an annual report and audited accounts as of 30 June in each year and a half-yearly report, unaudited accounts (if required, in accordance with the requirements of the Central Bank), as of 31 December in each year. Copies of the audited annual report and accounts of the Fund will be made available to the Unitholders via the following website address <https://www.delegated-solutions.mercer.com/our-funds-general-information.html> within the timeframes prescribed by the Central Bank after the end of the relevant financial period. Copies of the annual report will be provided to the Unitholders on request and will be available to the public at the registered office of the Manager in Ireland.

The following information will be made available to Unitholders as part of each Sub-Fund's periodic reporting process (but will not be in audited form unless required by law):

- (i) the percentage of each Sub-Fund's assets which are subject to special arrangements arising from their illiquid nature;
- (ii) the current risk profile of each Sub-Fund and the risk management systems employed by the Manager to manage those risks; and
- (iii) the total amount of leverage employed by each Sub-Fund.

The above information will be provided to Unitholders at the same time as the annual report produced in the Sub-Fund's periodic reporting cycle.

Unitholders will also be provided with information regarding changes to (i) the maximum level of leverage which the Manager may employ on behalf of a Sub-Fund; or (ii) the rights for reuse of

collateral or any guarantee granted under a Sub-Fund's leveraging arrangements; or (iii) any guarantee granted under a Sub-Fund's leveraging arrangements.

This information will be made available to Unitholders, without undue delay following the occurrence of that change, by way of update to this Prospectus or the relevant Supplement. Where required, such change will be preceded by notification to Unitholders.

It is intended that Unitholders will be notified if a Sub-Fund activates gates or similar arrangements or if the Manager decides to suspend redemptions. Unitholders will also be notified whenever the Manager makes material changes to liquidity risk management systems and procedures employed in respect of a Sub-Fund.

As at the date of this Prospectus, an annual report which complies with the AIFM's obligations under the AIFMD has not yet been prepared. The first such annual report will be prepared in respect of the financial year ending 30 June 2015 and will be made available no later than 31 October 2015, in accordance with the AIFMD.

## **MATERIAL CONTRACTS**

The following contracts, which are summarised in the "The Fund" and "Fees and Expenses" section of this Prospectus, have been entered into and are, or may be, material:

- (i) Deed of Constitution;
- (ii) Administration Agreement;
- (iii) Depositary Agreement;
- (iv) Investment Management Agreement; and
- (v) Distribution Agreement.

Details of other material contracts may be provided in the Relevant Supplement.

## **DOCUMENTS FOR INSPECTION**

Copies of the following documents may be inspected at the registered office of the Administrator at 78 Sir John Rogerson's Quay, Dublin 2 during normal business hours on any Business Day:

- (a) the material contracts referred to above; and
- (b) the Act.

Copies of the Prospectus, Deed and of any annual audited accounts and half-yearly accounts of the Fund may be obtained from the Administrator free of charge or may be inspected at the registered office of the Administrator during normal business hours on any Business Day.

The Manager will, on request provide supplementary information to Unitholders 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.

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## DEFINITIONS

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**In this Prospectus the following words and phrases have the meanings set forth below:**

“Accounting Date”	means the date by which the annual accounts of the Fund and each Sub-Fund are prepared which shall be 30 June in each year.
“Act”	means the Investment Funds, Companies and Miscellaneous Provisions Act 2005 as may be amended from time to time and any and all applicable regulations or notices made or conditions imposed or derogations granted by the Central Bank thereunder;
“Administration Expenses”	means the sums payable out of the assets necessary to provide for all costs, charges and expenses including, but not limited to courier’s fees, telecommunication costs and expenses, out-of-pocket expenses, legal, marketing and expenses in connection with the establishment of or ongoing administration of the Fund or any of its Sub-Funds or otherwise together with the costs, charges and expenses, including translation costs, of any notices including but not limited to reports, prospecti, listing particulars (if applicable) and newspaper notices given to Unitholders in whatever manner and all properly vouched fees and reasonable out-of-pocket expenses of the Manager and/or any delegate of the Manager, duly appointed in accordance with the requirements of the Central Bank plus value added tax (if any) on any such costs, charges and expenses;
“Administrator”	means State Street Fund Services (Ireland) Limited or such other company in Ireland as may from time to time be appointed as administrator of the Fund in accordance with the requirements of the Central Bank;
“Administration Agreement”	means the administration agreement dated 20 November 2009 (as amended), between the Manager and the Administrator pursuant to which the Administrator was appointed to provide administration, accounting, Unitholder registration and transfer agency services to the Fund;
“AIF”	means an alternative investment fund as defined in the AIFMD Regulations’
“AIF Rulebook”	means the rulebook issued by the Central Bank as may be amended from time to time which sets out the Central Bank’s regulatory regime for AIFs and other relevant entities that fall to be regulated by the AIFMD Regulations;
“AIFM”	means an alternative investment manager under the AIFMD Regulations which may be the Manager or a third party;
“AIFMD”	means the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) as amended and includes as appropriate Commission Delegated Regulation (EU) 231/2013 of 19 December 2012;
“AIFMD Regulations”	means the European Communities (Alternative Investment Funds Managers Directive) Regulations 2013;

“Application Form”	means the Unitholder account application form for each Sub-Fund, as attached to each Relevant Supplement and as may be amended by the Manager from time to time;
“Approved Credit Institution”	means (i) a credit institution authorised in the European Economic Area (EEA) (i.e. European Union Member States, Norway, Iceland or Liechtenstein); (ii) a credit institution authorised within a signatory state, other than a EU Member State or a Member of EEA, to the Basle Capital Convergence Agreement of July 1988 (i.e. Switzerland, Canada, Japan or the United States); or (iii) a credit institution authorised in Australia, Guernsey, Isle of Man Jersey or New Zealand;
“Auditors”	means KPMG or such other firm of chartered accountants as may from time to time be appointed as auditors to the Fund;
“Base Currency”	means the currency in which the Units in each Sub-Fund are denominated and specified in the Relevant Supplement or such other currency as the Directors may determine from time to time and notify to Unitholders of that Sub-Fund;
“Business Day”	means, unless otherwise specified in the Relevant Supplement, a day on which the banks in Ireland or the United Kingdom are open for normal business or days as may be determined by the Directors;
“Central Bank”	means the Central Bank of Ireland or any successor entity;
“CFTC”	means the U.S. Commodity Futures Trading Commission;
“Class”	means Units of a particular Series representing an interest in the Fund maintained in respect of such Series but designated as a class of Units within such Series for the purposes of attributing different proportions of the Net Asset Value of the relevant Series to such Units to accommodate different subscription, conversion and redemption charges, dividend arrangements, base currencies and/or fee arrangements specific to such Units;
“Class Currency”	means, in relation to each Class in each Sub-Fund, the currency in which the Units of such Class are designated as specified herein or in a Supplement;
“Common Contractual Fund”	means a collective investment undertaking, being an unincorporated body established by a management company, under which the participants by contractual arrangement participate and share in the property of the collective investment undertaking as co-owners and authorised by the Central Bank pursuant to the Act;
“Companies Act”	means the Companies Act 2014, as may be amended, and all applicable Central Bank regulations made or conditions imposed or derogations granted thereunder;
“Data Protection Legislation”	means (i) the Data Protection Acts 1988 and 2003 or any other legislation or regulations implementing Directive 95/46/EC, (ii) the European Communities (Electronic Communications Networks and Services) (Privacy and Electronic Communications) Regulations 2011, (iii) the General Data Protection Regulation (Regulation (EU) 2016/679 of the European Parliament and the Council of 27 April 2016) and any consequential national data protection legislation



and (iv) any guidance and/or codes of practice issued by the Irish Data Protection Commissioner or other relevant supervisory authority, including without limitation the European Data Protection Board;

- “Dealing Day” means, unless otherwise specified in the Relevant Supplement, such Business Day or Business Days as the Directors may from time to time determine in relation to any Sub-Fund or any Class of Units and notify to Unitholders in advance, provided that there shall be at least one such day in every calendar month;
- “Dealing Deadline” means such time as the Directors may from time to time determine in relation to any Sub-Fund provided that such time shall be before the Valuation Point, and notify to Unitholders as may be specified in a Supplement;
- “Deed” means the Deed of Constitution entered into between the Manager and Depositary, as may be amended from time to time;
- “Depositary” means State Street Custodial Services (Ireland) Limited or such other company in Ireland as may from time to time be appointed as depositary of all the assets of the Fund with the prior approval of the Central Bank;
- “Depositary Agreement” means the amended and restated depositary agreement dated 22 July 2014 (as may be amended from time to time) between the Manager and the Depositary pursuant to which the Depositary has been appointed as depositary of the Fund’s assets;
- “Developed Market” means a jurisdiction included in the Morgan Stanley Capital International, or other reputable global index provider, a free-float-adjusted market capitalisation-weighted index designed to measure global developed market, and/or such other markets as the Directors may from time to time determine;
- “Direct Investments” means any securities, instruments or obligations of whatsoever nature in which a Sub-Fund may invest;
- “Directors” means the board of directors of the Manager for the time being and any duly constituted committee thereof;
- “Disbursements” means all disbursements, costs, charges and expenses of every kind properly incurred by the Manager, the Depositary, or any delegate of each of them, in connection with the Fund and each of its Sub-Funds hereunder including (but not limited to) its establishment costs, courier’s fees, telecommunication costs and expenses, the remuneration (at normal commercial rates) and out-of-pocket expenses of the Manager, the Depositary or each of them or any delegate appointed by either of them and all legal and other professional expenses in relation to or in any way arising out of the Fund and of each of its Sub-Funds (including the establishment thereof) together with any value added tax liability on such disbursements, costs, charges and expenses;
- “Distribution Agreement” means the Distribution Agreement dated 24 April 2015 (as may be amended from time to time) between the Manager and the Investment Manager pursuant to which the Investment Manager was appointed to provide distribution services to the Fund;
- “Emerging Markets” means those countries set out in the Morgan Stanley Capital International Emerging Markets Index and/or such other markets as

	the Directors may from time to time determine;
“External Valuer”	means a legal or natural person independent from the Fund, the Manager and from any other person with close links to the Fund or the Manager to whom the Manager has delegated the performance of certain valuation functions in accordance with the requirements of the AIFMD;
“EU Member State”	means a Member State of the European Union from time to time;
“Euro”	means the single currency of participating EU Member States of the European Monetary Union introduced on 1 January 1999;
“Eurozone”	means those Member States of the European Union from time to time participating in European economic and monetary union as contemplated by the Treaty of Rome, comprising, as of the date of this Prospectus, Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.
“Financial Conduct Authority”	means the UK Financial Conduct Authority or any successor or replacement body as shall for the time being carry out and perform the functions and responsibilities of the Financial Conduct Authority in respect of the prudential and/or conduct of business regulation or supervision of any party to this Agreement and/or any of its products or services;
“FSMA”	means the UK Financial Services and Markets Act, 2000;
“Gross Income Date”	means such date as may be specified in the Relevant Supplement;
“Gross Income Payments”	means the amount that may be paid to Unitholders as set out under “Gross Income Payments”.
“Gross Income Period”	means any period ending on an Accounting Date or a Gross Income Date as the Manager may select and beginning on the day following the last preceding Accounting Date or the day following the last preceding Gross Income Date or the date of the initial issue of Units of a Sub-Fund as the case may be.
“Initial Sub-Fund”	means Mercer High Income UK Property CCF;
“Investment Manager”	means Mercer Global Investments Europe Limited;
“Investment Management Agreement”	means the investment management agreement dated 16 March 2009 (as may be amended from time to time) between the Manager and the Investment Manager pursuant to which the Investment Manager was appointed to provide investment management services to the Fund with respect to the Sub-Funds;
“Irish Stock Exchange”	means the Irish Stock Exchange Limited;
“Knowledgeable Investor”	means an investor who: <ul style="list-style-type: none"> <li>(a) is the Manager, the Investment Manager, the promoter of the Fund or an entity within the promoter’s group, or a company appointed to provide investment management or advisory services to the Fund;</li> </ul>

who certifies in writing to the Manager that:

- (1) it is availing of the exemption from the minimum subscription requirement of €100,000 (or such other amount as may be specified by the Central Bank) on the basis that he is a “Knowledgeable Investor”;
- (2) it is aware that the Fund is usually marketed to Qualifying Investors who are normally subject to a minimum subscription requirement of €100,000 (or such other amount as may be specified by the Central Bank);
- (3) it is aware of the risk involved in the proposed investment;  
and
- (4) it is aware that inherent in such investment is the potential to lose all of the sum invested;

and provided further that, where relevant, the Manager is satisfied that the investor satisfies the conditions at (c) above; or

- (d) such alternative or additional categories of investor as may be permitted by the Central Bank from time to time;

“Manager”	means Mercer Global Investments Management Limited, who is the alternative investment fund manager, or AIFM, of the Fund pursuant to the AIFMD Regulations, or such other entity as may for the time being be appointed as AIFM of the Fund in accordance with the requirements of the Central Bank;
“Net Asset Value”	means the Net Asset Value of a Sub-Fund calculated as described or referred to herein;
“Net Asset Value per Unit”	means, in relation to any Series or Class of Units, the Net Asset Value divided by the number of Units in the relevant Series or Class of Units in issue or deemed to be in issue in respect of that Sub-Fund at the relevant Valuation Point subject to such adjustments, if any, as may be required in relation to any Series or Class of Units in the relevant Sub-Fund;
“Non Fund Qualified Investor”	means an investor who is not:  (a) a pension fund; or  (b) a person (other than an individual) beneficially holding Units of the Fund or of a Sub-Fund; or  (c) a custodian or trustee holding Units of the Fund or of a Sub-Fund for the benefit of such person(s) as referred to in (b).
“OECD Member State”	means a Member State of the Organisation for Economic Co-operation and Development from time to time. At the date of this Prospectus the OECD Member States are the EU Member States, Australia, Canada, Chile, Iceland, Israel, Japan, Korea, Mexico, New Zealand, Norway, Switzerland, Turkey and United States;
“Privacy Statement”	means the privacy statement adopted by the Manager in respect of the Fund, as amended from time to time. The current version is

available via the website <https://www.delegated-solutions.mercer.com/corporate-policies.html>;

“Professional Investor”

means a client that is considered to be a professional client within the meaning of Annex II of Directive 2004/39/EC (Markets in Financial Instruments Directive) (“MiFID”), which includes but is not limited to:

- (a) entities which are required to be authorised or regulated to operate in the financial markets;
- (b) other institutional investors whose main activity is to invest in financial markets;

or a client who may, on request, be treated as a professional client within the meaning of Annex II of MiFID;

“Prospectus”

means this document, any Supplement designed to be read and construed together with and to form part of this document and the Fund’s most recent annual report and accounts (if issued) or, if more recent, its interim report and accounts;

“QIAIF”

means a qualifying investor alternative investment fund in accordance with the AIFMD Regulations;

“Qualifying Investor”

means:

- (a) a Professional Investor; or
- (b) an investor who receives an appraisal from an EU credit institution, a MiFID firm or a UCITS management company that the investor has the appropriate expertise, experience and knowledge to adequately understand the investment in the Fund; or
- (c) an investor who certifies that they are an informed investor by providing the following:
  - (i) confirmation (in writing) that the investor has such knowledge of and experience in financial and business matters as would enable the investor to properly evaluate the merits and risks of the prospective investment; or
  - (ii) confirmation (in writing) that the investor’s business involves, whether for its own account or the account of others, the management, acquisition or disposal of property of the same kind as the property of the Fund; or
- (d) is a Knowledgeable Investor; or
- (e) such alternative or additional categories of investor as may be permitted by the Central Bank from time to time.

“Recognised Market”

means any recognised exchange or market listed or referred to in the Articles in accordance with the requirements of the Central Bank, which does not issue a list of approved markets. The recognised markets are listed in Appendix I hereto;

“Relevant Supplement”	in relation to a Sub-Fund, the Supplement published in respect of that Sub-Fund and any addendums thereto;
“Series”	means Units designated as a particular series of Units representing a particular Sub-Fund which shall be maintained and kept separate in respect of such series of Units and which may be further subdivided into Classes;
“Sterling” or “STG£”	means pounds Sterling, the lawful currency of the U.K.;
“Stock Transfer Form”	means such form as may be approved by the Directors and the Administrator from time to time to exchange the Units;
“Sub-Fund/s”	means such portfolio or portfolios of assets as the Directors may from time to time establish with the prior approval of the Depositary and the Central Bank, constituting in each case a separate fund with segregated liability and represented by a separate Series of Units and invested in accordance with the investment objective and policies applicable to such Sub-Fund and described in this Prospectus or in the Relevant Supplement;
“Sub-Investment Manager”	means a Sub-Investment Manager or Sub-Investment Managers appointed by the Investment Manager in accordance with the requirements of the Central Bank in respect of a Sub-Fund;
“Supplement”	means a document which contains specific information supplemental to this document in relation to a particular Sub-Fund;
“TCA”	means the Taxes Consolidation Act 1997;
“Tranched Securitisation”	<p>means a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranced, and having the following characteristics:</p> <ul style="list-style-type: none"> <li>(a) payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; and</li> <li>(b) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.</li> </ul>
“UCITS Regulations”	means the European Communities (Undertaking for Collective Investment in Transferable Securities) Regulations 2011 and all applicable Central Bank regulations made or conditions imposed or derogations granted thereunder, as may be amended from time to time;
“Underlying Fund”	means any collective investment scheme in which any Sub-Fund may from time to time invest having regard to the requirements of the Central Bank;
“Unit” or “Units”	means one undivided interest in the assets of a Sub-Fund which may be further divided into different Classes of Unit.;
“Unitholder”	means a person, including the holder of an office for the time being, entered on the register maintained by the Fund with respect to a Sub-Fund as the holder for the time being of Units and includes persons so entered as joint holders of a Unit, such holder or holders being entitled to an undivided co-ownership interest as tenants in common with the other holders in the assets of a Sub-

Fund;

“U.S.” or “United States” means the United States of America, its territories and possessions including the States and the District of Columbia;

“U.S.\$” or “U.S. Dollars” means the lawful currency of the United States;

“U.S. Benefit Plan Investor” “U.S. Benefit Plan Investor” is used as defined in U.S. Department of Labor Regulation 29 C.F.R. §2510.3-101 and Section 3(42) of ERISA (collectively, the “Plan Asset Rule”), and includes (i) any employee benefit plan subject to Part 4, Subtitle B of Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended; (ii) any plan to which Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) applies (which includes a trust described in Code Section 401(a) that is exempt from tax under Code Section 501(a), a plan described in Code Section 403(a), an individual retirement account or annuity described in Code Section 408 or 408A, a medical savings account described in Code Section 220(d), a health savings account described in Code Section 223(d) and an education savings account described in Code Section 530); and (iii) any entity whose underlying assets include plan assets by reason of a plan’s investment in the entity (generally because 25% or more of a class of equity interests in the entity is owned by plans). An entity described in (iii) immediately above will be considered to hold plan assets only to the extent of the percentage of the equity interests in the entity held by U.S. Benefit Plan Investors. U.S. Benefit Plan Investors also include that portion of any insurance company’s general account assets that are considered “plan assets” and (except if the entity is an investment company registered under the U.S Investment Company Act of 1940) also include assets of any insurance company separate account or bank common or collective trust in which plans invest.

“U.S. Person” means 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 of Regulation S under the U.S. Securities Act of 1933 (“1933 Act”) or (b) a person excluded from the definition of a “Non- United States person” as used in Rule 4.7 of the U.S. Commodity Futures Trading Commission (“CFTC”). For the avoidance of doubt, a person is excluded from this definition of U.S. Person only if he or it does not satisfy any of the definitions of “U.S. person” in Rule 902 and qualifies as a “Non-United States person” under CFTC Rule 4.7.

U.S. person under Rule 902 of Regulation S under the 1933 Act includes the following:

- (i) any natural person resident in the United States;
- (ii) any partnership or corporation organised or incorporated under the laws of the United States;
- (iii) any estate of which any executor or administrator is a U.S. person;
- (iv) any trust of which any trustee is a U.S. person;

- (v) any agency or branch of a non-U.S. entity located in the United States;
- (vi) any non-discretionary account 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;
- (vii) 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 United States; or
- (viii) any partnership or corporation if:
  - (a) organised or incorporated under the laws of any non-U.S. jurisdiction; and
  - (b) 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 in Rule 501(a) of Regulation D under the 1933 Act) who are not natural persons, estates or trusts.

Notwithstanding the preceding paragraph, "U.S. person" under Rule 902 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 United States; (ii) any estate of which any professional fiduciary acting as executor or administrator is a U.S. person, if (A) 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 (B) 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 United States and customary practices and documentation of such country; (v) any agency or branch of a U.S. person located outside the United States if (a) the agency or branch operates for valid business reasons, and (b) 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; and (vi) certain international organisations as specified in Rule 902(k)(2)(vi) of Regulation S under the 1933 Act, including their agencies, affiliates and pension plans.

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

- (i) a natural person who is not a resident of the United States;
- (ii) 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;

- (iii) estate or trust, the income of which is not subject to U.S. income tax regardless of source;
- (iv) 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 10% 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
- (v) a pension plan for the employees, officers or principals of an entity organised and with its principal place of business outside the United States.

"Valuation Point"

means such time as defined in the Relevant Supplement or such other time as the Directors may from time to time determine in relation to any particular Sub-Fund.



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**APPENDIX I**  
**RECOGNISED MARKETS**

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The following exchanges and markets constitute Recognised Markets for the purposes of this Prospectus:

Any stock exchange, over the counter market or other securities market in any part of the world.

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**APPENDIX II**  
**EFFICIENT PORTFOLIO MANAGEMENT**

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**This section of the Prospectus clarifies the instruments and/or strategies which the Fund may use for efficient portfolio management purposes or for short term investment purposes.**

Each of the Sub-Funds may use the techniques and instruments for efficient portfolio management which are set out below. If this is intended, this will be indicated in the Relevant Supplement, which shall cross refer to this Appendix II. Investors should note that the Fund shall comply with the conditions and limits set out below.

The Fund may employ investment techniques and instruments for efficient portfolio management of the assets of the Fund or of any Sub-Fund and for short term investment purposes under the conditions and within the limits described below. The Fund may, for the purposes of hedging (whether against currency exchange or interest rate risks or otherwise), enter into put and call options, spot and forward contracts, financial futures, stock and bond index futures contracts, repurchase and reverse repurchase agreements and securities lending agreements. In particular, a Sub-Fund may seek to hedge its investments against currency fluctuations which are adverse to its Base Currency by utilising currency options, futures contracts and forward foreign exchange contracts.

A Sub-Fund may also from time to time make use of exchange traded stock index and other futures contracts for the purpose of efficient portfolio management to enable it to maintain the appropriate exposure to stock markets in accordance with the relevant Investment Manager's recommended overall asset allocation.

**Use of Repurchase/Reverse Repurchase Agreements**

A Sub-Fund may enter into repurchase agreements subject to the conditions and limits set out in the below under which it acquires securities from a seller (for example, a bank or securities dealer) who agrees, at the time of sale, to repurchase the security at a mutually agreed-upon date (usually not more than seven days from the date of purchase) and price, thereby determining the yield to the relevant Sub-Fund during the term of the repurchase agreement. The resale price reflects the purchase price plus an agreed upon market rate of interest which is unrelated to the coupon rate or maturity of the purchased security. A Sub-Fund may enter into reverse repurchase agreements under which it sells a security and agrees to repurchase it at a mutually agreed upon date and price.

A Sub-Fund may enter into repurchase agreements and reverse repurchase agreements ("repo contracts") only in accordance with normal market practice and provided that collateral obtained under the repo contract is in the form of cash, government or other public securities, certificates of deposit issued by an Approved Credit Institution, bonds/commercial paper issued by Approved Credit Institutions or by non-bank issuers where the issue and issuer are rated A1 or equivalent; equity securities traded on a stock exchange in the EEA, Switzerland, Canada, Japan, the United States, Jersey, Guernsey, the Isle of Man, Australia or New Zealand or letters of credit with a residual maturity of three months or less, which are unconditional and irrevocable and which are issued by Approved Credit Institutions. A Sub-Fund may only enter into repo contracts with counterparties which have a minimum credit rating of A/2 or equivalent or which, if unrated, have in the opinion of the Investment Manager an implied rating of A2 or better. Alternatively, an unrated counterparty is acceptable where the relevant Sub-Fund is indemnified against losses suffered as a result of a failure by the counterparty, by an entity which maintains a rating of A2 or equivalent.

Until the expiry of a repo contract, collateral obtained must: (a) equal or exceed, in value, at all times, the value of the amount invested or securities loaned; (b) be transferred to the Depositary, or its agent; (c) be marked to market daily; and (d) be immediately available to the relevant Sub-Fund, without recourse to the counterparty, in the event of default by the counterparty. Non-cash collateral (i) cannot be sold or pledged by the Fund; (ii) must be issued by an entity independent of

the counterparty; and (iii) must be held at the credit risk of the counterparty. Cash received as collateral may only be invested in the following:

- deposits with Approved Credit Institutions;
- government or other public securities;
- certificates of deposit as set out above;
- letters of credit as set out above;
- repurchase agreements subject to the provisions herein; and
- daily dealing money market funds which have and maintain a rating of AAA or equivalent. If investment is made in a linked fund, as described in paragraph 8(c) of Non-UCITS Notice 13, no subscription, conversion or redemption charge can be made by the underlying money market fund.

Invested cash collateral held at the credit risk of the Fund, other than cash collateral invested in government or other public securities or money market funds, must be invested in a diversified manner. A Sub-Fund must be satisfied, at all times, that any investment of cash collateral will enable it to meet with its repayment obligations. Invested cash collateral may not be placed on deposit with, or invested in securities issued by, the counterparty or a related entity.

Where appropriate the credit quality of non-cash collateral may be consistent with the investment objective and policies of the relevant Sub-Fund.

### **Securities Lending Agreements**

A Sub-Fund may lend its securities to brokers, dealers and other financial organisations in accordance with normal market practice subject to the conditions and limits set out below. Any gain or loss in the market price of the securities loaned that might occur during the term of the loan would be for the account of the relevant Sub-Fund.

Collateral obtained under such contracts or transactions must comply with the restrictions outlined under "Use of Repurchase/Reverse Repurchase Agreements" above. That notwithstanding, a Sub-Fund may enter into stock lending programmes organised by generally recognised International Central Securities Depositories Systems provided that the programme is subject to a guarantee from the system operator.

A Sub-Fund may only enter into securities lending agreements with counterparties with a minimum credit rating of A/2 or equivalent or which, if unrated have in the opinion of the Investment Manager an implied rating of A2 or better. Alternatively, an unrated counterparty is acceptable where the relevant Sub-Fund is indemnified against losses suffered as a result of a failure by the counterparty, by an entity which maintains a rating of A2 or equivalent.

In addition, the relevant Sub-Fund must have the right at any time to terminate any securities lending agreement entered into by it, and to demand the return of any or all securities lent within five Dealing Days or such other period observed as normal market practice. Any interest or dividends paid on securities which are the subject of such securities lending agreements shall accrue to the benefit of the relevant Sub-Fund.

Where appropriate the credit quality of non-cash collateral must be consistent with the investment objective and policies of the relevant Sub-Fund. Any interest or dividends paid on securities which are the subject of such securities lending agreements shall accrue to the benefit of the relevant Sub-Fund.

### **Use of Options, Futures and Swaps**

Uncovered call options may be purchased by the Fund for the account of the relevant Sub-Fund. Generally, call options may be written on condition that the Fund at all times maintains ownership of the security which is the subject of the call option. Index call options may be written provided that all of the assets of the Sub-Fund, or a proportion which may not be less in value than the exercise value of the call option written, can reasonably be expected to behave in terms of price movement in the same manner as the options contract. However, uncovered call options may be written on the condition that the aggregate exercise value of all call options sold in this way does not exceed 10 per cent of the Net Asset Value of the relevant Sub-Fund.

Put options may be purchased on condition that the security which is the subject of the put option remains at all times in the ownership of the Fund. This requirement does not apply where the options are cash settled. Index put options may be purchased provided that all of the assets held by the Fund for the account of the relevant Sub-Fund, or a proportion of such assets, which may not be less in value than the exercise value of the put option purchased, can reasonably be expected to behave in terms of price movement in the same manner as the options contract. Uncovered put options may be purchased on the condition that the exercise price of the put options purchased in this way does not exceed 10 per cent of the Net Asset Value of the relevant Sub-Fund. Put options may be sold on condition that the exercise value of the option is at all times held by the Fund for the account of the relevant Sub-Fund in liquid assets.

Futures contracts may be sold on condition that either the security which is the subject of the contract remains at all times in the ownership of the Fund for the account of the relevant Sub-Fund, or on condition that all of the assets of the relevant Sub-Fund or a proportion, which may not be less in value than the exercise value of the futures contract sold, can reasonably be expected to behave in terms of price movement, in the same manner as the futures contract. Futures contracts may be purchased on condition that the exercise value of the contract is at all times held by the Fund for the account of the relevant Sub-Fund, in liquid assets or readily marketable securities. However, a Sub-Fund which invests directly in both fixed income and equity markets may purchase futures contracts on condition that the aggregate net exposure of the Sub-Fund is not greater than that which would be achieved through direct investment of all of the Sub-Fund's assets in the underlying securities. In such cases the Sub-Fund must clearly provide for such an active asset allocation strategy in its investment objectives.

The total amount of premium paid or received for an option along with the amount of initial margin paid for futures contracts may not exceed 10 per cent of the net asset value of the relevant Sub-Fund.

The conditions referred to above do not apply to a transaction which is being effected to close out an existing position.

A Sub-Fund may enter into a total return swap in order to exchange the exposure of an asset, a basket of assets or an index for an exposure or cashflow generally referring commonly observed cash rates (e.g LIBOR, SONIA, EURIBOR etc), or vice versa. The terms of the cashflows to be exchanged (paid or received) by a Sub-Fund will be negotiated prior to entering the total return swap and will remain fixed throughout the term of the swap. A Sub-Fund may enter into total return swaps in order to manage market exposure in circumstances where it is not practical or economical to use direct investments or other forms of derivatives such as futures.

Options and swaps may be bought or sold on an organised exchange or off-exchange on an over-the-counter market ("OTC Contracts"). OTC Contracts are permitted provide that: (i) the OTC Contracts must not expose the Sub-Fund to risks which it would not otherwise assume (e.g. gain exposure to an instrument/issuer to which the Sub-Fund cannot have a direct exposure or subject the Sub-Fund to a potential loss greater than that which it could obtain in the cash market); (ii) the obligations of the Sub-Fund under the OTC Contracts must, at all times, be held in liquid assets; (iii) the counterparty must have a minimum credit rating of A2 or equivalent or, have, in the opinion of the Investment Manager, an implied rating of A2 or better. Alternatively, an unrated counterparty is acceptable where the Sub-Fund is indemnified against losses suffered, as a result of a failure by the counterparty, by an entity which maintains a rating of A2; (iv) exposure to the counterparty (which must take account of all exposure which the relevant Sub-Fund might have to the counterparty) must not exceed 20% of the net assets of the relevant Sub-Fund (or 30% in the

case of an Approved Credit Institution); (v) the Investment Manager must be satisfied that the counterparty has agreed to value the transaction as necessary and will close out the transaction at the request of the Investment Manager at a fair value; (vi) the periodic reports of the Fund must provide information on the OTC Contracts entered into during the reporting period, the names of the counterparties and the resulting amount of commitments.

Where the Sub-Fund acts as protection seller and the swap instrument is a credit default swap (“CDS”), the following additional conditions apply:

- (i) the contract must be subject to daily valuations by the Fund and be independently valued at least once a month; and
- (ii) the risks attached to the contract must be independently assessed (i.e. by a party independent to the counterparty) on a semi-annual basis and the independent report must be submitted to the Fund for review. Our assessment may be carried out by a party related to the management of the Fund, provided that the party is independent of the counterparty.

#### **“Delayed Delivery” and “When Issued” Securities**

Subject to the investment restrictions, a Sub-Fund may purchase debt obligations on a “delayed delivery” or “when-issued” basis, that is, for delivery to the Sub-Fund later than the normal settlement date for such securities, at a stated price and yield. Such securities are termed “delayed delivery” when traded in the secondary market, or “when-issued” in the case of an initial issue of securities. The Sub-Fund generally would not pay for such securities or start earning interest on them until they are received. However, when the Sub-Fund undertakes a delayed delivery or when-issued purchase obligation, it immediately assumes the risk of ownership, including the risk of price fluctuation. Failure by the issuer to deliver the securities may result in a loss or missed opportunity for the Sub-Fund to make an alternative investment.

#### **Currency Transactions**

A Sub-Fund is permitted to invest in securities denominated in a currency other than the Base Currency of the Sub-Fund and may purchase currencies to meet settlement requirements. In addition, a Sub-Fund may enter into various currency transactions, i.e. forward foreign currency contracts, currency swaps, foreign currency or currency index futures contracts and put and call options on such contracts or on currencies, to protect against uncertainty in future exchange rates. Forward foreign currency contracts are agreements to exchange one currency for another - for example, to exchange a certain amount of Euro for a certain amount of US Dollars - at a future date. The date (which may be any agreed-upon fixed number of days in the future), the amount of currency to be exchanged and the price at which the exchange will take place are negotiated and fixed for the term of the contract at the time that the contract is entered into.

A Sub-Fund may “cross-hedge” one foreign currency exposure by selling a related foreign currency into the Base Currency of the Sub-Fund. Also, in emerging or developing markets, local currencies are often expressed as a basket of major market currencies such as the U.S. Dollar, Euro, Sterling or Japanese Yen; a Sub-Fund may hedge the exposure to currencies other than its Base Currency in the basket by selling a weighted average of those currencies forward into the Base Currency.

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**APPENDIX III**  
**INVESTMENT RESTRICTIONS**

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As the minimum initial subscription to the Fund will not be less than €100,000 (or the foreign currency equivalent thereof), the Fund qualifies as a qualifying investor scheme for the purposes of the Central Bank's Notices on collective investment schemes. Accordingly, while the Fund is authorised by the Central Bank, the Central Bank had not set any limits or other restrictions on the investment and borrowing restrictions which may be employed by the Fund. Notwithstanding this, each Sub-Fund will, to the extent specified in the Relevant Supplement, be subject to the following investment restrictions:

- 1 no more than 20 per cent of the Net Asset Value of a Sub-Fund will be invested in or allocated to securities which are not traded in or dealt on a Recognised Market;
- 2 where a Sub-Fund is deemed to be a fund of funds having regard to the Central Bank's Guidance Note 1/01 and subject to 3 below, no more than 10 per cent of the Net Asset Value of that Sub-Fund will be invested in or allocated to fund of funds;
- 3 there is no restriction on the percentage of the Net Asset Value of a Sub-Fund which is a feeder fund which can be invested in or allocated to fund of funds;
- 4 where a Sub-Fund is not specified in the Relevant Supplement to be a fund of funds or a feeder fund, no more than 40 per cent of the Net Asset Value of that Sub-Fund may be invested in or allocated to any one collective investment scheme as defined in the Central Bank's Guidance Note 1/01;
- 5 where a Sub-Fund is specified in the Relevant Supplement to be a fund of funds, no more than 40% of the Net Asset Value of that Sub-Fund may be invested in or allocated to any one regulated collective investment scheme and no more than 35% of the Net Asset Value of the Sub-Fund may be invested in any one unregulated collective investment scheme but up to 100% of the Net Assets of that Sub-Fund may be invested in aggregate in collective investment schemes.
- 6 no more than 35 per cent of the Net Asset Value of a Sub-Fund will be invested in or allocated to investment funds which provide less than quarterly redemption facilities or have minimum holding periods of greater than twelve months. Investment in investment funds which have a minimum holding period will not be made if this is likely to impact on the ability of the Sub-Fund to meet permitted redemption requests. For the avoidance of doubt, where the minimum holding period applicable to all or a portion of a Sub-Fund's investment in an investment fund has expired, such investment shall no longer be included for the purposes of these restrictions;
- 7 where a Sub-Fund invests in a fund managed by an associated or related company the manager of the fund in which investments are being made must waive the preliminary/initial charge which it is entitled to charge for its own account in relation to the acquisition of those units. Where a commission is received by an associate or related company of the Manager by virtue of investment of the Sub-Fund in the units of such other fund this commission must be paid into the property of the relevant Sub-Fund;
- 8 no more than 20 per cent of the Net Asset Value of a Sub-Fund may be kept on deposit or in securities issued or guaranteed by any one institution. This limit is increased to 30 per cent in the case of an Approved Credit Institution. For the purposes of this paragraph related companies/institutions within the meaning of section 2(10) of the Companies Act are regarded as a single institution;

- 9 a Sub-Fund may not acquire shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body nor will it take legal or management control of an issuing body;
- 10 a Sub-Fund must hold liquid assets with a total minimum value, at all times, at least equal to the sum of all margin deposited and all premiums paid in respect of transactions which have not been closed out;
- 11 a Sub-Fund may not hold an open position in any one futures or options contract or in contracts concerning a single commodity or single financial instrument for which the margin or premium requirement represents 10 per cent or more of the Net Asset Value of a Sub-Fund;
- 12 a Sub-Fund may not hold more than 20 per cent of any class of security issued by a single issuer (this requirement does not apply to investment in other collective investment schemes);
- 13 a Sub-Fund may not be leveraged in excess of 100% of the Net Asset Value of that Sub-Fund through the use of techniques and instruments permitted for the purposes of efficient portfolio management or short term investment purposes;
- 14 futures must be bought or sold on an organised exchange. Options may be bought or sold on an organised exchange. Forward, option, interest rate swap, total return swap and exchange rate swap contracts transacted on an over-the-counter market ("OTC Contracts") are permitted provided that (a) the OTC Contracts must not expose a Sub-Fund to risks which it could not otherwise assume (e.g. gain exposure to an instrument/issuer to which a Sub-Fund cannot have a direct exposure or subject the Sub-Fund to a potential loss greater than that which it could obtain in the cash market); (b) obligations of the Sub-Fund under the transaction must, at all times, be held in liquid assets; (c) the counterparty must have a credit rating of A2 or equivalent from S&P or an equivalent rating from any other Recognised Rating Agency, or if unrated, have, in the opinion of the Investment Manager, an implied rating of A2. Alternatively, an unrated counterparty is acceptable if a Sub-Fund is indemnified against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A2; (d) the net exposure of a Sub-Fund to a single institution (being a counterparty with which an OTC Contract has been executed with respect to a Sub-Fund and not being an exchange, clearing house or clearing broker in respect of exchange-traded derivative contracts) may not exceed 30 per cent of its Net Asset Value, provided that the institution is an Approved Credit Institution. In the event that the institution is not an Approved Credit Institution, this limit shall be reduced to 20 per cent of its Net Asset Value. In addition, the net exposure of a Sub-Fund to a single counterparty is calculated by adding (a) the value of securities issued by the counterparty held by the Sub-Fund; (b) the outstanding indebtedness of the counterparty to the Sub-Fund (including any deposits with the counterparty); and (c) any collateral passed by the Sub-Fund to the counterparty, and deducting (i) any outstanding indebtedness of the Sub-Fund to the counterparty; and (ii) any collateral passed to the Sub-Fund by the counterparty; (e) the Investment Manager must be satisfied that the counterparty has agreed to value the transaction as necessary and to close out the transaction at its request at a fair value; and (f) the periodic reports of the Sub-Fund must provide information on the OTC Contracts entered into during the reporting period, the names of the counterparties and the resulting amount of commitments.

A Sub-Fund may derogate from the foregoing investment restrictions for a period of six months following the date of its launch, provided that it observes the principle of risk spreading. The Directors may at their absolute discretion from time to time impose such further investment restrictions as shall be compatible with or in the interests of Unitholders including, without limitation, in order to comply with the laws and regulations of the countries where Unitholders are located.

The investment restrictions referred to above are deemed to apply at the time of purchase of the investments. If these investment limits and restrictions are subsequently exceeded for reasons beyond the control of the relevant Sub-Fund or as a result of the exercise of subscriptions rights by

Unitholders, the relevant Sub-Fund will record such matters and adopt as a priority objective the remedying of that situation, taking due account of the interests of Unitholders.