

This document is sent to you as a shareholder of the Principal Asset Allocation Fund, a sub-fund of GemCap Investment Funds (Ireland) plc (the "Circular"). It is important and requires your immediate attention. If you are in doubt as to the action you should take you should seek advice from your stockbroker, bank manager, solicitor, accountant or other independent financial advisor. If you have sold or transferred all of your shares in the Principal Asset Allocation Fund, please pass this document to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee as soon as possible.

This document is not required to be and has not been reviewed by the Central Bank of Ireland (the "Central Bank").

Unless otherwise indicated, all capitalised terms in this Circular shall have the meaning ascribed to them in the prospectus for GemCap Investment Funds (Ireland) plc dated 04 October 2017 (the "Prospectus"). For the purposes of interpretation, in the event of any conflict between this Circular and the Prospectus, any such conflict shall be resolved in favour of this Circular.

19 June 2018

Dear Shareholder

We are writing to inform you that the Directors of GemCap Investment Funds (Ireland) plc (the "**Company**") have resolved to convene an extraordinary general meeting ("**EGM**") of the Shareholders of the Principal Asset Allocation Fund, a sub-fund of the Company (the "**Fund**") to be held on 10 July 2018 at 10.00 a.m. (Irish time) at the registered office of the Company, 4th Floor, 76 Baggot Street Lower, Dublin 2, Ireland.

The purpose of the EGM is to consider, and if thought fit, approve changes to the investment objective and investment policies of the Fund.

## **1. Proposed changes to the investment policies of the Fund**

The Directors of the Company, along with the Investment Manager to the Fund, Mansard Capital Management Limited, have carried out a strategic review of the investment policies of the Fund and the investment manager team for the Fund and the proposed amendments are set out in Appendix I, which contains a full overview of the proposed amendments, highlighting the changes in black line format to be incorporated into the revised Supplement of the Fund.

A summary of the changes is as follows:

### **1. Proposed changes to the Investment Policies of the Fund**

The Directors of the Company believe that it will be in the best interests of Shareholders in the Fund to amend the investment policies so that under the new investment policies the Fund may:

- 1.1 Include FX to the asset classes through which investments may be allocated;
- 1.2 expose the Fund to equities between -40% and 70% of the Net Asset Value of the Fund;
- 1.3 expose the Fund to government bonds between -100% and 100% of the Net Asset Value of the Fund;
- 1.4 be managed to operate in normal circumstances within a gross range of 50%-150% long exposure and -50% and 150% net exposure.
- 1.5 The removal of the disclosure that the Company will not use the VaR approach for the purposes of calculating the global exposure for the Fund

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Company Registration Number 485081. Registered Tax Number 9768443A

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**It should be noted that the proposed changes to the investment objective and investment policies of the Fund are subject to the approval of the Central Bank.**

Subject to the resolution proposed being passed, it is expected that the changes will take effect on or about 24<sup>th</sup> July 2018. This will allow Shareholders of the Fund an opportunity to redeem their Shares prior to any approved changes becoming effective. Shareholders will be advised by way of an announcement on the Irish Stock Exchange as to the outcome of the EGM vote thereafter.

## **2. SHAREHOLDERS' APPROVAL**

As outlined above, the Directors would like to obtain the approval of the Shareholders of the Fund to the above proposals and accordingly have convened an EGM of the Shareholders of the Fund which will take place at the registered office of the Company at 4th Floor, 76 Baggot Street Lower, Dublin 2, Ireland on 10 July 2018 at 10:00 a.m. A formal notice of the EGM is attached hereto.

The attached notice sets out the text of the resolution to be proposed at the EGM. The resolution will be proposed as an ordinary resolution; an ordinary resolution cannot be passed unless it receives the support of a majority of the total number of votes cast. If the resolution is passed by the requisite majority, it will be binding on all Shareholders irrespective of how (or whether) they voted.

The quorum for the EGM is two persons entitled to vote upon the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporate member. If a quorum is not present within half an hour from the time appointed for the EGM, or if during the EGM a quorum ceases to be present, it will be necessary to adjourn it. In that event, it will stand adjourned to the same day in the next week, at the same time and place or to such other day and such other time and place as the Directors may determine. If at the relevant adjourned extraordinary general meeting the quorum is not present within half an hour from the time appointed for holding the meeting, one person entitled to be counted in a quorum present at the relevant general meeting shall be a quorum.

## **3. PROXY FORMS**

A proxy form to enable you as a Shareholder of the Fund to vote at the EGM is enclosed with this Circular. Please read the notes printed on the form which will assist you in completing and returning the form. To be valid, your form of proxy must be received at the registered office of the Company before the holding of the relevant extraordinary general meeting or the adjourned extraordinary general meeting. You may attend and vote at the relevant meeting even if you have appointed a proxy, but in such circumstances, the proxy is not entitled to vote.

## **4. ENQUIRIES**

Copies of the existing Prospectus and Supplement of the Fund and this proposed amended Supplement of the Fund are available on request, at any time up to and including the time of, and during the EGM, from the registered office of the Company or by emailing [Caroline.McGonagle@sannegroup.com](mailto:Caroline.McGonagle@sannegroup.com).

## **5. COSTS**

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The costs of implementing the changes, as well as the costs of securing all necessary regulatory and other approvals, will be borne by the Fund.

## 6. RECOMMENDATION

The Directors are of the opinion that the proposed resolution is in the best interests of Shareholders of the Fund as a whole and accordingly recommend that you vote in favour of the resolution set out in the notice of EGM.

We would be grateful of your support for the resolution either in person at the meeting or by proxy. If you do not wish to attend the EGM please complete the enclosed proxy and return it to us at any time before the relevant meeting.

The Directors of the Company accept responsibility for the information contained in this circular.

We thank you for your continuing support of the Company.

Yours faithfully

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Director  
for and on behalf of  
**GEMCAP INVESTMENT FUNDS (IRELAND) PLC**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**OF**

**PRINCIPAL ASSET ALLOCATION FUND (THE "FUND"),  
A SUB-FUND OF GEMCAP INVESTMENT FUNDS (IRELAND) PLC (THE "COMPANY")**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Shareholders of the Fund, will be held on 10 July 2018 at 10:00 a.m. (Irish time) at the registered office of the Company which is 4th Floor, 76 Baggot Street Lower, Dublin 2, Ireland to consider, and if thought fit, pass the following resolution as an ordinary resolution:

Ordinary Resolution:

To amend the investment objective and investment policies of the Principal Asset Allocation Fund as set out in Appendix I to the Circular to Shareholders dated 11<sup>th</sup> June 2018, subject to the incorporation of any amendments that may be requested by the Central Bank of Ireland or the Irish Stock Exchange as may be approved by any one Director for and on behalf of the Company.

And to transact any other business which may properly be brought before the meeting.

By order of the Board

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**Director**  
**GemCap Investment Funds (Ireland) plc**

Dated 19 June 2018

**Note:** A member entitled to attend, speak and vote is entitled to appoint a proxy to attend, speak and vote on his behalf. A proxy need not be a member of the Company.



1. You may appoint a proxy of your own choice by inserting the name of the person appointed as proxy (who need not be a Shareholder) in the space provided.
2. If you wish to appoint a proxy of your choice, insert their details and cross out the proposed proxies.
3. **Please insert your name(s) and address in BOLD TYPE and sign and date the form.**
4. In the case of joint Shareholders, the vote of the Shareholder whose name first appears in the register of members will be accepted to the exclusion of all others.
5. In the case of a corporation, the Form of Proxy must be either under its seal or under the hand of an officer or attorney duly authorised.
6. **Indicate by placing a cross in the appropriate box how you wish your votes to be cast in respect of the resolution. If no mark is made, your proxy may vote or abstain at his/her discretion.**
7. **To be valid this Form of Proxy and any powers of attorney under which they are signed must be completed and deposited at the registered office of the Company, 4th Floor, 76 Baggot Street Lower, Dublin 2 before the time appointed for the holding of the meeting. Alternatively, Shareholders may send their proxies by email to [Caroline.McGonagle@sannegroup.com](mailto:Caroline.McGonagle@sannegroup.com) or by fax to +353 (0) 1 906 2201 provided the original signed form is sent immediately by post to the above mentioned address.**
8. Completion and return of this proxy form will not prevent a Shareholder of the relevant Fund from attending and voting in person at the relevant meeting.

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## APPENDIX I

Summary of amendments to the investment policies of the Principal Asset Allocation Fund

Blackline Extract

Please find below the relevant extract from the investment policies of the Principal Asset Allocation Fund highlighting the amendments thereto.

Legend

[Text which has been inserted](#)

~~[Text which has been deleted](#)~~

Principal Asset Allocation Fund

### *Investment Policy*

The Fund expects to achieve the investment objective through the allocation of investments across predominantly four main asset classes – equities, fixed-income, FX and alternatives (the "**Asset Classes**") as further described below.

### *Equities*

Equities refer to a stock or any other security representing an ownership interest in an entity. Such investments may be directly held by the Fund through investment in transferable securities which are (i) shares in companies and other securities equivalent to shares in companies; (ii) bonds and other forms of securitised debt (securitised debt is a grouping of assets which provide a cash flow into one vehicle which investors may invest in to gain exposure to such cash flows); and (iii) convertible bonds – which give a holder the right to convert a corporate bond into shares in that company on the happening of a specified event. The Fund intends to invest in or gain exposure to a range of liquid global equities. There will be no regional, industrial or capitalisation bias in the Investment Manager's selection of equities and the Fund may gain exposure to equities directly, through the use of FDIs (as detailed in the 'Investment Policy' section below) or through investment in another collective investment scheme which meets the requirements of the Central Bank by gaining exposure through the use of FDIs or by investing in the components of eligible financial indices such as the S&P 500, the MSCI World Index, Eurostoxx and the Goldman Sachs Equity Factor Index World Net Total Return USD which at all times meet the requirements of the Central Bank.

### *Foreign Exchange*

Although Units in the Fund may be denominated in a particular Base Currency, the Fund may invest its assets in securities denominated in a wide range of currencies, some of which may not be freely convertible. The Net Asset Value of the Fund as expressed in the Base Currency will fluctuate in

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accordance with the changes in the foreign exchange rate between the Base Currency and the currencies in which the Fund's investments are denominated. The Fund may, therefore, be exposed to a foreign exchange/currency risk. Where hedging of these currency risks is not undertaken the performance of the Fund may be strongly influenced by movements in foreign exchange rates because currency positions held by the Fund may not correspond with the assets positions held.

The Fund may enter from time to time into currency exchange transactions either on a spot (i.e. cash) basis or by buying currency exchange forward contracts.

### *Fixed Income*

Fixed income refers to investment in securities or instruments for which real return rates or periodic income is received at regular intervals at reasonably predictable levels including government bonds and corporate bonds with either fixed or floating interest rates. Such investments may be directly held by the Fund (through investing directly in fixed income instruments (being contracts in relation to securities or instruments for which real return rates or periodic income is received at regular intervals at reasonably predictable levels including government bonds and corporate bonds)) or gained exposure through one or more of the instruments described in the Investment Policy below (e.g. through a swap or a future as described below). There will be no regional, industrial or capitalisation bias in the Investment Manager's selection of government bonds or corporate bonds. In the case of government bonds they shall be issued by governments globally including G20 countries (including emerging markets and guest nations). Such fixed income securities shall be rated by at least one of Standard and Poor's, Moody's or Fitch. In the case of corporate bonds they shall be rated BB or higher by Standard and Poor's, and the Fund shall not invest more than 25% of its Net Asset Value in corporate bonds.

### *Alternatives*

Alternatives refer to an investment that is not one of the three traditional asset types (equities, fixed income and cash) which in the case of the Fund may include:

1. 9  
gaining exposure indirectly to commodities through eligible financial indices (through the use of one or more of the FDIs described in the 'Investment Policy' section below) which meet the requirements of the Central Bank Rules. Where exposure is gained to commodities through financial indices (which, in order to be sufficiently diversified will be made up of exposure to different commodities e.g. oil, gas, gold, wheat) and which will be comprised of FDI relating to commodities (e.g. futures (as described below) relating to commodities or options (as described below) relating to commodities) such indices will be submitted for review and cleared by the Central Bank prior to any such investment and details of any such indices through which exposure is gained to commodities shall be included in this Supplement;
2. 0  
other eligible collective investment schemes including units of other UCITS and eligible non-UCITS in accordance with the Central Bank Rules which have structured their return or investments towards a particular risk/reward level which the Fund seeks exposure to such as credit funds (whose primary investment objective is the investment in loans or debt securities

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of governments or corporate bodies), property funds (which invest in real estate through special purpose vehicles or real estate related equities), macro-economic funds (which invest based on considerations of the overall economic positions of economies and the global economic climate) and certain types of equity funds (which may invest on a long only basis - meaning that they buy and hold equities in anticipation of such equities increasing in value, or a long/short basis – meaning that as well as investing in equities which they believe will rise in value they also make investments based on the anticipation of a fall in value of certain equities). The collective investment schemes in which the Fund may invest may embed derivatives and/or leverage. Any indirect leverage created through such investments will be included in calculating the overall leverage of the Fund and will not exceed the leverage limit as set out under the 'Leverage' section below;

3. R  
Real Estate Investment Trusts (REITS) which are liquid investment structures that invest in real estate or real estate linked assets;

4. C  
Certificates (meaning a security which gives the Fund exposure to an underlying asset such as an eligible index and which would in the Investment Manager's view assist the Fund in meeting its investment objective by giving the Fund indirect exposure to the various Asset Classes and which meets the requirements of the Central Bank Rules) which qualify as transferable securities (as such term is understood pursuant to the Central Bank Regulations) and may be listed on a Recognised Exchange or unlisted but which will always meet the liquidity requirements as set out in the Central Bank Rules. Where such certificates are unlisted the Fund may not invest more than 10% of its Net Asset Value in such instrument; and

5. t  
Transferable securities in the form of structured financial instruments ("**SFI**") selected by the Investment Manager. The SFI are a type of instrument which are linked to or derive their value from an underlying asset which falls within the categorisation of transferable securities as contemplated by the Central Bank Regulations and the Regulations. The Fund may invest in the following SFI:

(i) S  
SFI providing exposure to real estate and other commodities. The SFI shall be issued by special purpose vehicles ("**SPVs**") (initially, one or more such vehicles shall be established in Malta under the Securitisation Act 2006 as a securitisation company) whose share capital will be held by a charitable trust. The SFI shall be independently valued by a third-party administrator (initially, Argentarius ETI Management Ltd. (the "**Third-Party Administrator**") located in Malta) and shall be listed on one or more of the Markets set out in Appendix II of the Prospectus. The value of the SFI shall provide exposure on a 1:1 basis to interests in the SPVs and shall be 1:1 linked to the value of the performance-linked bonds issued by a wholly-owned subsidiary of the SPVs, where the underlying exposure is to real estate in London in the United Kingdom. The SFI shall not embed leverage or derivatives. Securitisation Consultancy Ltd., located in Malta, shall act in its capacity as dealer for the SFI (the "**Dealer**") and shall commit to purchase the SFI from the Fund at their most recent

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net asset value, as calculated by the Third-Party Administrator, in the absence of Market Disruption Events which give rise to the temporary suspension or termination of the Fund (further details of which are set out under the heading Market Disruption Events below), subject to receiving two Business Days' prior notice from the Fund; and

(ii)

S

FI issued by Société Générale and SG Issuer SA or any affiliated entity, with Société Générale as guarantor. Such SFI shall be independently valued by a third-party administrator and shall be listed on the EURO MTF Luxembourg Stock Exchange or on one or more of the Markets set out in Appendix II of the Prospectus and will be issued by issuers located notably in Luxembourg, Ireland or France. The SFI shall provide exposure on a 1:1 basis to interests in a Cayman fund entity which intends to employ an investment management strategy providing exposure to global markets and more specifically to the agricultural, energy and metal and other commodity sectors. 1:1 exposure to the Cayman fund is achieved through the issuance of a debt security by a special purpose vehicle (the "**Debt Issuer**") and the commitment by the Debt Issuer to paying the return on the debt giving 1:1 exposure to the Cayman fund. Exposure to any other entity or security other than the Debt Issuer and the securities issued by it will not be achieved through the SFI. The SFI shall not have embedded leverage or embed a derivatives component. Société Générale and SG Issuers SA or any affiliated entity, acting in its capacity as dealer for the SFI (the "**Dealer**"), shall commit to purchase the SFI from the Fund at their most recent net asset value as calculated by the third-party valuer in the absence of Market Disruption Events which give rise to the temporary suspension or termination of the Fund, subject to receiving two Business Days' prior notice from the Fund.

To achieve the investment objective the Investment Manager, following its decision to allocate investment to a particular Asset Class, selects a form of investment listed below to achieve the most efficient route to investment in an Asset Class.

The Fund measures its performance against the 3 month British pound sterling LIBOR (London Interbank Offer Rate) interest rate, which is the average interest rate at which a selection of banks in London are prepared to lend to one another in British pounds with a maturity of 3 months. Any change to the above referenced benchmark will be disclosed in the annual or half yearly report of the Company subsequent to the change. The Investment Manager targets a gross return of 5% per annum above the 3 month British pound sterling LIBOR, over the relevant rolling three-year period. The Investment Manager aims to achieve this return with less than the long term volatility of global equities through a diversified portfolio of medium-term Asset Classes.

The Investment Manager selects its investments and allocate investment to an Asset Class by conducting market research in respect of the pricing of securities and the volatility of markets and which focuses on a long term approach to investing by forecasting volatility in markets. The Investment Manager then selects the Asset Class which in its opinion provides the greatest return for the Fund relative to its risk. Individual securities within an Asset Class are selected based on the Investment Manager's opinion of their ability to provide the greatest return for the Fund while maintaining the desired volatility in the portfolio.

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In focusing on the volatility of a security or Asset Class the Investment Manager aims to balance risk and reward of its investments by apportioning the Fund's assets to achieve the desired percentage of volatility for the Fund reflecting the Fund's appetite for risk and its long term investment objective. The Asset Classes have different levels of risk and return, so each will behave differently over time.

In order to assist the Investment Manager in achieving the investment objective and allocate the Fund's investments efficient to each Asset Class the Fund may invest up to 100% of its Net Asset Value in other eligible collective investment schemes (including eligible exchange traded funds which may give the Fund exposure to any of the Asset Classes). The maximum level of management fees which may be charged by a collective investment scheme in which a Fund invests is 4% per annum of the net asset value of that collective investment scheme. The jurisdictions in which the collective investment schemes will be domiciled are each of the EU Member States and the United States of America and they shall be collective investment schemes established as UCITS or other eligible collective investment schemes in accordance with the Central Bank Rules.

The allocation of assets amongst the Asset Classes is reviewed on at least a quarterly basis and it is the Investment Manager's intention that the Fund's exposure to the Asset Classes will be in line with the below target exposures. The Fund may however have an exposure outside of the below targets at times (for example due to market conditions or market movements). The target exposures are that:

- (i) the exposure of the Fund to equities will be between -40% and 70% of the Net Asset Value of the Fund;
- (ii) the exposure of the Fund to government bonds will be between -100% and 100% of the Net Asset Value of the Fund;
- (iii) the exposure of the Fund to corporate bonds will be between 0% and 25% of the Net Asset Value of the Fund;
- (iv) the exposure of the Fund to alternatives will be between 0% and 100% of the Net Asset Value of the Fund;
- (v) the exposure of the Fund to cash will be between 0% and 100% of the Net Asset Value of the Fund; and
- (vi) the exposure of the Fund to SFI will be between 0% and 20% of the Net Asset Value of the Fund, with a maximum of 10% in any one SFI.

It is intended that the Fund will be managed to operate in normal circumstances within a gross range of 50%-150% long exposure and -50% and 150% net exposure.

The specific investments within each Asset Class are selected based on the Investment Manager's opinion of the effect that global economic events may have on a security. In assessing such economic events the Investment Manager will have regard to global economic indicators (such as growth or unemployment in economies) and the monetary policy (meaning the policy which a Government or authority is pursuing in respect of the amount on money in supply in an economy) which various countries are pursuing.

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The Fund may also engage in transactions in financial derivative instruments (as described below) to protect against exchange risks within the conditions and limits laid down by the Central Bank from time to time. The Fund may enter into spot foreign exchange transactions which involve the purchase of one currency with another, a fixed amount of the first currency being paid to recover a fixed amount of the second currency.

Along with direct investment in securities within an Asset Class the forms of investment instrument which the Investment Manager may use (and which shall be selected by taking into account the relative cost of such instruments and market practise in gaining exposure to an Asset Class) as part of the Investment Policy are:

- (i) Swaps referencing one of the Asset Classes, being an agreement between the Fund and an approved counterparty to exchange one stream of cash flows against another stream pursuant to a master agreement in accordance with the requirements of the International Swaps and Derivatives Association. Exchange rate swaps may be used in order to protect the Fund against foreign exchange rate risks. Swaps can be used to gain direct market access that is unhedged. The following is a list of swaps which may be utilised by the Fund:

#### *Total Return Swaps*

A Total Return Swap may be used if it provides exposure to an equity or index (which is eligible pursuant to the Central Bank Rules and which may provide exposure to any one of the Asset Classes e.g. equity indices (which is an index of equities), bond indices (which is an index of bonds – government, corporate or both and which may be rated or unrated), Alternative indices (such as commodities indices (which is an index related to commodities commonly made up FDI relating to commodities))) in a more cost-efficient manner than a direct investment in that equity or other forms of gaining exposure to an index (such as directly investing the index's components). In a swap, the gross returns to be exchanged or "swapped" between the parties are calculated with respect to a "notional amount", i.e. the return or increase in value of the index. Total Return Swap agreements may be used by the Fund to gain exposure to an index, whereby the Fund agrees to pay a stream of payments based on an agreed interest rate in exchange for payments representing the total economic performance, over the life of the swap, of the asset or assets underlying the swap, in this case, the economic performance of the index. The counterparty to the Fund in a Total Return Swap will be an internationally recognised investment bank/broker. A Fund may diversify its exposure to counterparties by trading with several internationally recognised investment banks/brokers at any given time.

#### *Forward Exchange Swaps*

The Fund may from time to time enter into forward currency exchange swap transactions to protect against fluctuations in the relative value of its portfolio positions as a result of changes in currency exchange rates.

#### *Credit Default Swaps*

The Fund may from time to time enter into credit default swaps for both efficient portfolio management purposes and investment purposes. The Fund may enter into these contracts for the purposes of hedging credit exposure inherent within the participation notes listed below, or for the purposes of taking more efficient credit exposure to issuers.

- (ii) Futures, through which the Fund will invest directly in equity futures as opposed to entering into a Swap as detailed at (i) above or index futures whereby the Fund may gain exposure to the performance of an index (which may provide exposure to any one of the Asset Classes e.g. equity indices (which is an index of equities), bond indices (which is an index of bonds – government, corporate or both and which may be rated or unrated), Alternative indices (such as commodities indices (which is an index related to commodities commonly made up FDI relating to commodities)) and currency indices (which is an index made up of currencies). The prime criterion for selecting the individual equity futures or index futures is not their perceived attractiveness or potential growth or value but rather their suitability in terms of attaining the investment objective. The following is a list of futures which may be utilised by the Fund:

*Exchange Traded Futures*

The Fund may enter into futures contracts for both efficient portfolio management purposes and investment purposes. Index futures may be used to change the sensitivity to market price movements, with reference to the market represented by the index underlying the contract.

*OTC Futures*

The Fund may enter into OTC futures contracts for both efficient portfolio management purposes and investment purposes. OTC (meaning over-the-counter) Futures are a type of Future which allow the two parties to the contract to choose the terms by which they are bound (in contrast to a Future which is available on an exchange). OTC futures may be used to change the sensitivity to market price movements, with reference to the market represented by the index underlying the contract. The underlying to the OTC Futures will include equities, equity index, bonds, interest rates and foreign exchange.

- (iii) Options – the Fund may enter into option contracts in relation to equities, equity indices, bonds (government or corporate), interest rates and foreign exchange. An option contains the right to buy or sell a specific quantity of a specific asset at a fixed price at or before a specified future date. There are two forms of options: put or call options. Put options are contracts sold for a premium that give to the buyer the right, but not the obligation, to sell to the seller a specified quantity of a particular asset (or financial instrument) at a specified price. Call options are similar contracts sold for a premium that give the buyer the right, but not the obligation, to buy from the seller a specified quantity of a particular asset (or financial instrument) at a specified price. The Fund may use such instruments to hedge against market risk or to gain exposure to a relevant underlying equity. The following is a list of options which may be utilised by the Fund:

*Exchange Traded Options*

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The Fund may from time to time enter into option contracts for both efficient portfolio management purposes and investment purposes. The types of option contract are limited to equity option contracts, equity index option contracts, bonds, interest rates and foreign exchange.

#### *OTC Options*

The Fund may from time to time enter into OTC option contracts for both efficient portfolio management purposes and investment purposes. OTC (meaning over-the-counter) Options are a type of Option which allow the two parties to the contract to choose the terms by which they are bound (in contrast to an Option which is available on an exchange). The types of OTC option contract are limited to equity option contracts, equity index option contracts, bonds, interest rates and foreign exchange.

- (iv) Forwards – Forward currency contracts could be used to hedge against currency risk that has resulted from assets held by the Fund that are not in the Base Currency. The Fund, may, for example, use forward currency contracts by selling forward a foreign currency against the Base Currency to protect the Fund from foreign exchange rate risk that has risen from holding assets in that currency.
- (v) Participation Notes – the Fund may from time to time purchase participation notes where access to the underlying security (which will be fixed income instruments as described above) is difficult or more risk is involved in the local settlement process. The participation note will only be used to obtain access to a specific security in, specifically Germany, the United Kingdom, the United States, Luxembourg and Ireland, where the Investment Manager is of the opinion that use of participation notes is more advantageous to the Fund or where such securities are not directly available. The local security will be purchased by a local branch of an internationally recognised investment bank/broker who will issue a participation note on the underlying security. The counterparty to the Fund is the internationally recognised investment bank/broker. A Fund will diversify its exposure to counterparties by trading with several internationally recognised investment banks/brokers at any given time. The participation note will be monitored on a daily basis by reviewing the price of the participation note to the price, or the movement in the price, of the underlying security.
- (vi) The Fund may invest in financial instruments that may be assumed to embed a FDI such as:
  - Credit linked notes (which is a type of security that allows one party to transfer a credit risk or exposure to another party); and
  - Convertible or exchangeable bonds (which are bonds that can be converted into a predetermined amount of a company's equity at certain times during its life, usually at the discretion of the bondholder).

The Fund may use Securities Financing Transactions in accordance with the requirements of SFTR and the Central Bank Rules. Any type of assets that may be held by the Fund in accordance with its investment objective and policies may be subject to such Securities Financing Transactions. The Fund may also use Total Return Swaps and apply these to certain types of assets held by the Fund as disclosed above. The expected proportion of assets that will be subject to Securities Financing Transactions and Total Return Swaps is 35%, while the maximum proportion may be 100%. In any

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case, the most recent semi-annual and annual report of the Fund will express as an absolute amount and as a percentage of the Fund's assets the amount of Fund assets subject to Securities Financing Transactions and Total Return Swaps. Please refer to the section of the Prospectus entitled "Efficient Portfolio Management" for further details.

If the Fund does invest in an instrument that embeds an FDI, then the global exposure, issuer-concentration and leverage calculation rules will be applied to the embedded FDI. Any leverage that may be embedded in the above instruments is considered when the global exposure of the Fund is being calculated.

### **Market Disruption Events**

A Market Disruption Event is the occurrence or existence of one or more of the following events, which occur in relation to the SFI:

- a. it is not possible to obtain a price or value (or an element of such price or value) of the SFI according to the rules or normal accepted procedures for the determination of such price or value (whether due to the non-publication of such price or value or otherwise);
- b. the calculation of the price or value of the SFI is, at the relevant time, in the opinion of the Dealer in respect of SFI impractical or impossible to make;
- c. any suspension of or limitation is imposed on trading on any exchanges, quotation systems or over-the-counter market where the SFIs are traded; and/or there exists an event or circumstance that prevents or materially limits transactions in the SFI. For the purpose of this definition, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, provided however that where a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Dealer in respect of the SFI constitute a Market Disruption Event;
- d. the occurrence of any event that generally makes it impossible or impractical to convert any currency which was, immediately prior to the occurrence of such event, a foreign exchange currency, as determined by the Dealer in respect of the SFI;
- e. the occurrence of any event that generally makes it impossible or impractical to convert the currency of the country of issue and/or country of payment of the SFI into the Base Currency through customary legal channels, as determined by the Dealer in respect of the SFI;
- f. the occurrence of any event that generally makes it impossible or impractical to deliver or transfer (a) the currency from accounts inside the country of issue and/or country of payment of the SFI to accounts outside such country of issue and/or country of payment or (b) the currency of the country of issue and/or country of payment of the SFI between accounts inside such country of issue and/or country of payment, or to a party that is a non-resident of the country of issue and/or country of payment, as determined by the Dealer in respect of the SFI;

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- g. a general moratorium is declared in respect of banking activities in London, Dublin, Malta or New York;
- h. the occurrence of any early termination event or event of default or illegality affecting the SFI or other breach of obligations by the issuer of the SFI; and/or
- i. a change in law or regulations (including, without any limitation, any tax law), or the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), which affect the holding, acquisition, trading, transfer or hedging of the SFI.

As set out above, upon the occurrence of a Market Disruption Event the Directors will temporarily suspend the calculation of the Net Asset Value and any subscription, redemption and exchange of Shares; and/or the Directors may, in certain circumstances, terminate the Fund. For the avoidance of doubt, a Market Disruption Event which relates to assets of the Fund other than the SFIs and their underlyings will not impact on the Dealer's commitment to purchase the SFIs from the Fund at their most recent net asset value as calculated by the Third-Party Administrator.

### **Leverage**

The Fund may be leveraged up to 200% of its Net Asset Value. Such leverage is calculated on a sum of the notionals basis. The total exposure of the Fund will not exceed 300% of its Net Asset Value. This is comprised of the investment of cash received as subscriptions by the Fund in the Asset Classes (which makes up 100% of the total exposure) together with the leveraged exposure within the derivative contracts which may form part of the Asset Classes (which is limited to 200% of Net Asset Value).

### **Risk Management**

The Company has filed with the Central Bank its risk management policy ("**RMP**") which enables it to measure, monitor and manage the various risks associated with the use of FDIs. The Company will, on request, provide supplementary information to Shareholders relating to the risk management methods employed, including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments.

As outlined in the RMP, the Company will use the relative VaR approach for the purposes of calculating global exposure for the Fund.

The Fund will use the relative VaR approach whereby the VaR of the Fund shall not exceed twice the VaR of the MSCI World Index, being the reference portfolio for the purposes of the relative VaR calculation.

When calculating the relative VaR daily the Investment Manager will take into account the following quantitative standards:

- The one-tailed confidence level will be 99%;

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- The holding period should be 20 days;
- The historical observation period will not be less than 1 year, however a shorter observation period may be used if justified, (for example, as a result of significant recent changes in price volatility);
- Quarterly data set updates, or more frequent when market prices are subject to material changes;
- at least daily calculation.

## Investor Profile

A typical investor in the Fund is an investor who wishes to allocate a portion of its total assets to investment in a portfolio with asset allocation of equity, fixed income, alternatives and cash and **who is seeking an investment which has a medium to long term horizon.**

Summary of additional amendments to the supplement of the Principal Asset Allocation Fund

Blackline Extract

Please find below the relevant extract from supplement of the Principal Asset Allocation Fund highlighting the amendments thereto, which do not require shareholder approval.

Legend

[Text which has been inserted](#)

~~[Text which has been deleted](#)~~

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Class A GBP, Class A USD, Class A EUR, Class A PLN, Class A CZK, Class B GBP, Class B USD, Class B EUR, Class B PLN Shares, Class B CZK, Class C GBP, Class C USD, Class C EUR, Class C PLN and Class C CZK Shares of the Fund are being offered.

The Investment Manager may hedge any foreign currency exposure in any Share Class. Therefore, in relation to Classes that are not designated in the Base Currency, a currency conversion may take place on subscriptions, redemptions, switches and distributions at prevailing exchange rates. Accordingly, any Class that is not designated in the Base Currency may have an exposure to currency fluctuations.

Where the Company seeks to hedge against currency fluctuations at Class level, while not intended, this could result in over-hedged or under-hedged positions due to external factors outside the control of the Company. However, over-hedged positions will not exceed 105% of the Net Asset Value of the Class and under-hedged positions shall not fall short of 95% of the portion of the Net Asset Value of the Class which is to be hedged against currency risk. Hedged positions will be kept under review to ensure that over-hedged or under-hedged positions do not exceed/fall short of the permitted levels outlined above and are not carried forward from month to month.

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## **Investment Manager for the Fund**

The Investment Manager of the Fund is Mansard Capital Management Limited (the "**Investment Manager**"), authorised and regulated by the Malta Financial Services Authority (the "**MFSA**"). The Investment Manager is licensed to carry on investment management in accordance with the Investment Services Act, 1994 and is constituted under the Companies Act, 1995.

The Investment Manager is a specialist investment manager providing discretionary management services, multi asset solutions and alternative investment funds to private clients and institutions. The Investment Manager was founded with the primary aim of providing innovative investment solutions to the market. The Investment Manager has corporate relationships and partnerships with some of the biggest financial firms globally. It is with these relationships that the Investment Manager is able to offer tailored investment products to both retail and institutional clients.

The Investment Manager was constituted in Malta on 13 July 2010 as a limited liability company under company number C50163 and its registered address is at 85 St. John Street, Valletta, VLT 1165, Malta.

The key personnel of the Investment Manager who are involved in the day to day investment management decisions of the Fund are:

### Leon Diamond, Partner

Mr. Diamond is a co-founder of the Investment Manager. He sits on the investment committee focusing on portfolio construction, risk management and trading strategies. Previously Mr. Diamond held the position of principal trader/ co-portfolio manager of the Porcupine Global Macro Fund and was part of the investment committee of Castlestone Management. He has also held positions with Folkes Asset Management and E.L. & C. Baillieu in Australia. Mr. Diamond holds a BA (Hons) Business in Finance from Queensland University of Technology, Australia.

### Shafraaz Razick, Finance Director

Shafraaz Razick a chartered accountant by profession and his career experience has been wide ranging from finance, investment management, operations, audit and compliance. He has over 16 years' experience in financial services including various senior management positions at Schrodgers, PricewaterhouseCoopers, Deloitte & Touche, AJ Bell, Mansard Capital LLP and Guardian Managers UK Ltd. Shafraaz has distinctive depth of experience, working with businesses in the UK, Bermuda, Sri Lanka, Malta, Luxembourg, German, Poland, Hungary, Slovakia and British Virgin Islands.

### Claire Camilleri Gauci, Compliance Officer

Claire Camilleri Gauci is the founder of AID Compliance. Claire is a director, MLRO and compliance officer for Mansard Capital Management. She is a leading Compliance Specialist in the financial sector and serves as Compliance Officer and Director for various licensed financial entities in Malta. Ms. Camilleri Gauci also provides compliance consultancy to major financial entities on the implementation of European Union Directives such as MIFID and AIFMD.

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Ms. Camilleri Gauci has an extensive background in this sector. She started her career at the Central Bank of Malta in the Banking Regulation and Compliance Section. Following the change to a single regulatory body Ms. Camilleri Gauci moved to the Malta Financial Services Authority (MFSA) where for a number of years worked on on-site supervisions, drafting of banking and financial services legislation and in the due diligence process of prospective bank applications.

After leaving the MFSA, Ms. Camilleri Gauci's past experience included working with major financial entities namely Global Capital plc, FXDD Malta and Active Services (Malta) Limited. Education and affiliations include earning an MBA degree from the Grenoble Graduate School of Business, Post Grad in Marketing and the Diploma in Operations and Compliance from the London School of Economics. Ms. Camilleri Gauci has also completed the Diploma of the UK Chartered Institute of Insurance and the IFSP Trust Course. She is currently finalising her Advanced Applied Insurance Studies Diploma.

The Investment Manager makes investment decisions for the Fund and continuously reviews, supervises and administers the Fund's investment programme. The Manager supervises the Investment Manager and establishes policies that the Investment Manager must follow in its management activities.

Pursuant to the Investment Management Agreement, the Investment Manager has been appointed to provide investment management services to the Fund.

The Investment Management Agreement provides that the appointment of the Investment Manager shall continue unless and until terminated by either part giving not less than three months' notice. In certain circumstances set out in the Investment Management Agreement, either party may terminate the Investment Management Agreement on the occurrence of certain events, such as the insolvency or liquidation of the other party. The Investment Management Agreement contains certain indemnities in favour of the Investment Manager which are restricted to exclude matters to the extent that they are attributable to the negligence, fraud, wilful default or bad faith of the Investment Manager.