**Davy Funds p.l.c.**

An open-ended umbrella investment company
with variable capital and segregated liability between sub-funds
incorporated with limited liability in Ireland
under the Companies Act 2014
with registration number 533779

# SUPPLEMENT

# Davy Global Focus Fund

Dated 17 December 2021

# 1 IMPORTANT INFORMATION

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

This Supplement contains information relating specifically to Davy Global Focus Fund (the "**Fund**"), a Fund of Davy Funds p.l.c. (the "**Company**"), an open-ended umbrella fund with segregated liability between sub-funds authorised by the Central Bank as a UCITS pursuant to the Regulations.

**This Supplement forms part of and should be read in the context of and in conjunction with the Prospectus for the Company dated 17 December 2021 (the "Prospectus").**

**The Fund is suitable for investors who are prepared to accept a high level of volatility.**

**The Fund may invest in Financial Derivative Instruments ("FDIs") for investment, currency hedging and efficient portfolio management purposes. (See "Borrowing and Leverage" below for details of the leverage effect of investing in FDIs).**

## 2 DEFINITIONS

**Base Currency** means Euro;

**Business Day** means any day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in Dublin and/or such other day or days as may be determined by the Directors from time to time and as notified to Shareholders in advance;

**Dealing Day** means each Business Day and/or such other day or days as the Directors may in their absolute discretion determine and notify in advance to Shareholders provided that there shall be at least two Dealing Days in each Month (with at least one Dealing Day per two week period);

**Dealing Deadline** in respect of subscriptions and repurchases means before 16.00 p.m. (Irish time) on the Business Day immediately preceding the relevant Dealing Day, or such other time for the relevant Dealing Day as may be determined by Directors and notified in advance to Shareholders provided always that the Dealing Deadline is no later than the Valuation Point;

**EURIBOR** means the Euro InterBank Offered Rate;

**ESTER** means Euro Short-Term Rate;

**Hurdle Rate** is equal to: (i) prior to 1 January 2022, the three month EURIBOR rate (BB Ticker EUR003M) over the Performance Period on a twelve months basis. The Hurdle Rate is re-set as at the last Business Day of each month and does not compound from one Performance Period to the next; and (ii) from 1 January 2022, 3% of the High Water Mark (as defined in section 3.11 of this Supplement) over the Performance Period. The Hurdle Rate does not compound from one Performance Period to the next;

**Investment Grade** means any investment with a rating of at least Baa3 from Moody's BBB – from Standard & Poor's or BBB – from Fitch or higher;

**Investment Manager** means Davy Global Fund Management Limited;

**Manager** means Davy Global Fund Management Limited or such other person as may be designated, in accordance with the Central Bank Rules, as the Company’s fund management company;

**Minimum Fund Size** means €5,000,000 or such other amount as the Directors may in their absolute discretion determine;

**Performance Period** means a period of 12 calendar months commencing in January in each year, provided that the first Performance Period in respect of any Share Class will be the period commencing on the date such Share Class is issued and ending on the last Business Day in December of the same year that such Share Class is issued;

**Regulated Funds** means UCITS and AIFs as set out in the Central Bank's Guidance on UCITS acceptable investments in other investments funds; where AIFs means an alternative investment fund as defined in the European Communities (Alternative Investment Fund Managers Directive) Regulations (S.I. 257 of 2013), as may be amended from time to time;

**Settlement Date** in respect of subscriptions and repurchases respectively shall have the meaning outlined in the section entitled "**Key Information for Buying and Selling Shares**" below;

**Valuation Point** means the close of business in the market which last closes on the first Business Day immediately preceding the relevant Dealing Day by reference to which the Net Asset Value per Share of the Fund is determined provided such point will in no case precede the close of business in the relevant market that closes first on the relevant Business Day and further provided that it is a market where assets of the Sub-Fund are listed and traded.

All other defined terms used in this Supplement shall have the same meaning as in the Prospectus.

## 3 INFORMATION ON THE FUND

3.1 **Investment Objective, Investment Policies and Investment Strategy**

(a) **Investment Objective:**

The investment objective of the Fund is to generate absolute returns over the medium term.

Absolute returns are specific consistent positive returns which are not necessarily dependent upon specific asset class exposure or upon continuous rising markets.

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

(b) **Investment Policies:**

The Fund intends to achieve its investment objective by investing in a diversified portfolio which will be represented by the asset classes referred below, in accordance with its investment strategy (as discussed below), with the principal focus being on a long-short global equity strategy. The Fund may not invest more than 15% of its net assets in emerging markets.

The Fund may hold long positions in each of the below asset classes ranging between 0% and 125% of Net Asset Value of the Fund and short positions in equity securities ranging from 0% to -125% of Net Asset Value of the Fund. For the avoidance of doubt, any such short positions will be achieved synthetically; i.e. through the use of FDI.

The asset classes that the Fund may invest in, on a long and short basis, are:

1) Equity securities: The Fund may invest between 0% to +/- 125% of its Net Asset Value in equity securities. The Fund may take long and synthetic short positions in equity securities including ordinary shares, common stock preference shares, global depositary receipts, American depositary receipts on a global basis and real estate investment trusts ("**REITs**");

2) Fixed income securities: The Fund may also invest up to 60% of its Net Asset Value in fixed income securities. The Fund may take long positions in fixed income securities in the form of fixed and floating rate government and corporate bonds and commercial paper below Investment Grade and above Investment Grade. There will be no more than 30% of the Fund invested in below Investment Grade securities;

3) Regulated Funds: The Fund may also invest up to 20% of its Net Asset Value in other Regulated Funds where is it considered consistent with the investment objective of the Fund. The Fund may invest in exchange traded funds ("**ETFs**") to gain exposure to the asset classes set out above. Any investment in ETFs shall not exceed in aggregate 10% of the Net Asset Value of the Fund;

4) Unlisted securities: The Fund may also invest up to 10% of its Net Asset Value in unlisted securities; and

5) Cash Equivalents: The Fund may invest up to 100% in cash equivalents in the form of commercial paper (i.e. investment grade short-term paper issued by credit institutions) and money market obligations such as short and medium-term treasury bills and treasury notes (both fixed and floating rate), certificates of deposit and bankers' acceptances.

The securities acquired by the Fund (other than permitted unlisted investments) will be listed or traded on the exchanges and markets set out in Appendix II to the Prospectus.

<u>Derivatives</u>

The Fund may also invest in exchange traded or over-the-counter ("**OTC**") FDIs for investment, currency hedging and/or efficient portfolio management purposes. The FDIs that the Fund may use include (i) forward currencies contracts (ii) currency future contracts (iii) swaps on equities and currencies swaps (iv) contracts for differences (v) warrants (vi) options on equity securities, equity indices (such as S&P, EURO STOXX and FTSE indices), fixed income securities and currencies.

The equity indices which the Fund will have exposure to through the use of options will at all times comply with the provisions of the Regulations and the requirements of the Central Bank in respect of UCITS financial indices, in particular in respect of their rebalancing frequency, diversification and publication requirements.

The Fund may use any of these derivatives to create synthetic short positions. Short positions can enhance returns if taken in a market or security that declines in value. As such short position may also help to offset a long position and thus provide protection when a market or security declines in value.

For further information on the use of FDIs see "**Use of Derivative and Efficient Portfolio Management Techniques**" below.

Cash Management

The Fund may also invest in cash and cash equivalents, including but not limited to, short-term fixed income securities including commercial paper (i.e. investment grade short-term paper issued by credit institutions) and money market obligations such as short and medium-term treasury bills and treasury notes (both fixed and floating rate), certificates of deposit and bankers' acceptances. The Fund may hold up to 100% of its Net Asset Value in cash at any one time, depending on market conditions and pending investment opportunities.

(c) **Investment Strategy**

The Investment Manager will invest in the asset classes described above (or a combination of asset classes) which it considers will generate absolute returns. As described in the Investment Policies above (1) to (5), it is expected that the Fund will focus primarily on equities, with fixed income securities and Cash Equivalents principally used to mitigate the Fund's exposure to market risk.

The equity portfolio will be diversified across sectors, avoiding over-concentration in any single sector or issuer. The composition of the Fund's portfolio will be reviewed regularly and changed when appropriate and in accordance with its investment objective, policies and restrictions.

In managing the portfolio, the Investment Manager seeks to exploit market inefficiencies by employing both fundamental (i.e. bottom up analysis in respect of the relevant equity securities) and quantitative (i.e. statistical or mathematical analysis to identify anomalies or investment opportunities in such equity securities) research to identify value gaps between the underlying Company's stated intrinsic value and the market price of such companies.

The Fund will seek to go long on securities which are identified by the Investment Manager as being undervalued and short on equity securities which are overvalued.

Global equity securities from listed and/ or recognised exchanges will be assessed using such fundamental and quantitative research, and long positions taken in the stocks determined most likely to deliver a positive return, and short positions taken in the stocks determined most likely to deliver a negative return.

Investments can be made directly by purchasing physical holdings and/or indirectly by entering into financial derivative instruments.

The investment process focuses equally on managing risk and generating returns, at all times seeking to create a diversified portfolio of assets. Positions will be scaled according to a security's market impact (size, liquidity and volatility) to ensure that appropriate risk adjusted positions are taken within the Fund. Positions will be monitored regularly and assessed against geographic and sector exposures by the Investment Manager.

The Fund will seek to avoid investment in securities of issuers which are considered by a third-party data provider to be violating fundamental humanitarian principles or violating human rights (and where the third-party data provider's assessment does not cover a particular issuer, the Investment Manager will establish on a best-efforts basis whether the issuer is in violation of these principles). Additionally, the Fund will seek to avoid investment in securities of issuers that manufacture cluster munitions or landmines or issuers that derive more than 10% of their revenue from the production of thermal coal.

## 3.2 Use of Derivatives and Efficient Portfolio Management Techniques

The Fund may engage in transactions in FDI for the purposes of investment, efficient portfolio management and/or to protect against currency exchange risks within the conditions and limits laid down by the Central Bank from time to time. The Investment Manager will look to ensure that the techniques and instruments used are economically appropriate in that they will be realised in a cost-effective way.

*Options*

The Fund may purchase and sell put and call exchange traded options or may enter into options traded OTC. The Fund may use options on assets in lieu of purchasing and selling the underlying assets. The Fund may purchase and sell put and call options on equity securities and fixed income securities and eligible equity indices for investment purposes.

Currency options may be used to hedge against currency fluctuations in the portfolio.

For example: (i) put options and index put options may be purchased to provide an efficient, liquid and effective mechanism for "locking in" gains and/or to protect against future declines in value on securities that it owns; and (ii) call options and index call options may be purchased to provide an efficient, liquid and effective mechanism for taking positions in securities.

The purpose behind the purchase of put options by the Fund is to hedge against a decrease in the market generally or to hedge against a decrease in the price of particular securities or other assets held by the Fund. The purpose behind the purchase of call options by the Fund is to provide exposure to increases in the market or to hedge against an increase in the price of securities or other assets that the Fund intends to purchase at a later date. The purpose behind the Fund selling (or writing) covered call options is typically to generate increased returns from the reference underlying asset.

*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 arisen from holding assets in that currency.

*Futures*

A futures contract is an agreement between two parties to buy or sell a specified quantity of the financial instrument called for in the contract at a pre-determined price in the future. Futures can be cash settled as well as physically settled.

For example: currency futures may be utilised to hedge against a possible increase in the price of a currency in which securities the Fund anticipates purchasing is denominated.

The purchase of futures contracts can serve as a long hedge and the sale of futures contracts can serve as a limited short hedge. Futures contracts allow the Fund to hedge against market risk or gain exposure to the underlying market. Since these contracts are marked-to-market daily, the Fund can, by closing out its position, exit from its obligation to buy or sell the underlying assets prior to the contract's delivery date.

*Swaps*

Currency swaps are agreements between two parties to exchange future payments in one currency for payments in another currency. These agreements are used to transform the currency denomination of assets and liabilities. Unlike interest rate swaps, currency swaps must include an exchange of principal at maturity.

Swaps are entered into for various reasons. Currency swaps can be used to transform the exposure to one currency against the exposure to another currency. This can be done for hedging purposes as well as gaining exposure to another currency. Equity swaps are typically entered into for gaining exposure to certain reference assets in order to avoid transaction costs (including tax), to avoid locally based dividend taxes. They can also be used for hedging purposes.

*Contract for difference*

A contract for difference ("**CFD**") is a contract the object of which is to secure a profit or avoid a loss by reference to fluctuations in the value or price of equities or in an index of such equities.

CFDs are synthetic instruments which mirror the profit (or loss) effect of holding (or selling) securities directly without buying the actual securities themselves. A CFD on a company's shares will specify the price of the shares when the contract was started. The contract is an agreement to pay out cash on the difference between the starting share price and the share price when the contract is closed. Accordingly, under such an instrument the Fund will make a profit if it has a purchase position and the price of the underlying security rises (and make a loss if the price of the underlying security falls). Conversely if the Fund has a sale position, it will make a profit if the price of the underlying security falls (and make a loss if the price of the underlying security rises). As part of the normal market terms of trade the Fund must comply with market participants' terms and conditions and in particular initial margin has to be paid to cover potential losses (on set up) and variation margin on adverse price movements (during the term of the CFD).

The Fund may use CFDs and apply these to certain types of assets held by the Fund. The rationale for the use of CFDs is set out below. There is no restriction on the proportion of assets that may be subject to CFDs. In any case the most recent semi-annual and annual report of the relevant Fund will express as an absolute amount and as a percentage of the Fund's assets the amount of Fund assets subject to CFD.

CFDs may be used either as a substitute for direct investment in the underlying equity security or as an alternative to and for the same purposes as futures and options, particularly in cases where there is no futures contract available in relation to a specific security, or where an index option or index future represents an inefficient method of gaining exposure because of pricing risk. Where the Investment Manager wishes to take short positions in equities, it may do so synthetically through the use of contracts for difference and options (including equity options). The use of equity futures will allow the Investment Manager to take positive and negative views on the direction of equity prices. For long exposures to equities, the Investment Manager will utilise equity derivatives where it considers that such instruments are the most appropriate or cost-effective means of accessing the relevant underlying equities.

*Warrants*

The Fund may use warrants to obtain exposure to, or acquire, the underlying equity or other securities of an issuer consistent with the Fund's investment policy.

For example: warrants may be used to obtain exposure to, or acquire, the underlying equity or other securities of an issuer.

Direct and indirect operational costs and/or fees (which do not include hidden revenue) arising from use of FDIs for EPM purposes may be deducted from the revenue delivered to the Company. Such costs and/or fees are payable to the relevant counterparty to the FDI in question and such counterparty may or may not be related to the Investment Manager or the Depositary. All revenues generated from such FDIs, net of direct and indirect operational costs, will be returned to the Company.

Collateral or margin may be passed by the Fund to a counterparty or broker in respect of OTC FDI transactions. Please refer to the section of the Prospectus entitled "**Collateral Policy**" for further details.

Please refer to the section of the Prospectus entitled "**Efficient Portfolio Management**" for further details.

The use of FDI and efficient portfolio management techniques for the purposes outlined above will expose the Fund to the risks disclosed under the section of the Prospectus entitled "**Risk Factors**".

## 3.3 Borrowing and Leverage

(a) Borrowing

The Company may only borrow on a temporary basis for the account of the Fund and the aggregate amount of such borrowings may not exceed 10% of the Net Asset Value of the Fund. In accordance with the provisions of the Regulations, the Company may charge the assets of the Fund as security for borrowings of the Fund.

(b) Leverage

The Fund may utilise FDI as referred to in the section headed "**Use of Derivatives and Efficient Portfolio Management Techniques**" above. The Fund will engage in FDI and to the extent that the commitment approach does not adequately capture the global exposure of the portfolio, the Value at Risk ("**VaR**") methodology will be considered the appropriate methodology to calculate the Fund's global exposure and market risk, taking into account the investment objective and policies of the Fund and the complexity of the FDI used.

The Fund will be leveraged as a result of its use of FDI and may therefore generate a notional exposure above 100 per cent of the Net Asset Value of the Fund when calculated using VaR methodology. VaR is the advanced risk measurement methodology used to assess the Fund's market risk. This leverage effect entails greater risk for investors.

Investors should be aware that VaR is a way of measuring the maximum potential loss at a given confidence level (probability) over a specific time period under normal market conditions. The Fund could however be exposed to losses which are much greater than envisaged by VaR, more so under abnormal market conditions. It should be noted that VaR does not explicitly measure leverage; rather, VaR is a statistical risk measure and the actual loss of a particular transaction or to the Fund overall may materially exceed the loss indicated by the use of VaR.

The level of leverage (calculated as a sum of the notional exposure of FDI being utilised by the Fund) under normal circumstances is not expected to be more than 125% of the Net Asset Value of the Fund. It is possible that leverage may exceed this range and the Fund may be subject to higher leverage levels from time to time. The expected level of leverage range is calculated based on the sum of the absolute value of notionals of the derivatives used, in accordance with the Central Bank Rules. This figure does not take into account any netting and hedging arrangements that the Fund has in place at any time even though these netting and hedging arrangements are used for risk reduction purposes and is therefore not a risk-adjusted method of measuring leverage which means this figure is higher than it otherwise would be if such netting and hedging arrangements were taken into account. As these netting and hedging arrangements, if taken into account, may reduce the level of leverage, this calculation may not provide an accurate measure of the Fund's actual leverage position. There are limitations in using VaR as a statistical measure of risk because it does not directly limit the level of leverage in the Fund and only describes the risk of loss in prevailing market conditions and would not capture future significant changes in volatility.

The Fund will use the absolute VaR model. In applying the VaR model, the following quantitative standards are used:

- the 'one-tailed' confidence level is 99%;
- the holding period is 20 days; and
- the historical observation period is longer than one year.

The VaR shall not exceed 20% of the Net Asset Value of the Fund, based on the above quantitative standards. VaR is calculated daily.

The absolute VaR model is considered appropriate as the Fund does not define the investment target in relation to a benchmark.

The Company on behalf of the Fund has filed with the Central Bank its risk management process which enables it to accurately measure, monitor and manage the various risk associated with the use of FDI. Any FDI not included in the risk management process will not be utilised until such time as a revised submission has been provided to the Central Bank. 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.

3.4 **Investment Restrictions**

Investors must note that the Company and the Fund adhere to the restrictions and requirements set out under the Regulations, as may be amended from time to time. These are set out in Appendix I to the Prospectus.

Notwithstanding this, the Fund will not invest more than 10% of its Net Asset Value in other UCITS or CIS in aggregate.

3.5 **Profile of a Typical Investor**

A typical investor will be seeking to achieve a return on their investment in the medium to long term.

3.6 **Risk Factors**

Investors should read and consider the sections of the Prospectus entitled "**RISK FACTORS**" and "**SFDR-related Disclosures (a) Sustainability Risk**" before investing in the Fund. However, not all of the risks disclosed in the "**RISK FACTORS**" section of the Prospectus will be material to an investment in this particular Fund.

The risks described in the Prospectus should not be considered to be an exhaustive list of the risks which potential investors should consider before investing in the Fund. Potential investors should be aware that an investment in the Fund may be exposed to other risks from time to time.

3.7 **Key Information for Buying and Selling Shares**

Details of all share classes are set out in the table below.

| **Class** | **Class Currency** | **Initial Offer Period*** | **Initial Issue Price** | **Minimum Shareholding**** | **Minimum Initial Investment Amount**** | **Minimum Additional Investment Amount**** |
|---|---|---|---|---|---|---|
| A Accumulating | Euro | Initial offer period is closed. | Initial offer period is closed | €500 | €500 | €100 |

*The Initial Offer Period may be shortened or extended by the Directors. The Central Bank will be notified in advance of any such shortening or extension if subscriptions for Shares have been received and otherwise shall be notified subsequently, on an annual basis.

**Subject to the discretion of the Directors (or their delegate) in each case to allow lesser amounts.

Applications for Shares and applications for the repurchase of Shares along with all required anti-money laundering documentation must be received by the Dealing Deadline. Applications for Shares will only be accepted on a cleared funds basis in the Base Currency.

Applications received after the Dealing Deadline for the relevant Dealing Day shall be deemed to have been received by the next Dealing Deadline, save in exceptional circumstances where the Directors may in their absolute discretion (reasons to be documented) determine and provided the applications are received before the Valuation Point for the relevant Dealing Day. Repurchase requests received after the Dealing Deadline shall be treated as having been received by the following Dealing Deadline, save in exceptional circumstances where the Directors may in their absolute discretion (reasons to be documented) determine and provided they are received before the Valuation Point for the relevant Dealing Day.

Subscription Settlement Date: Subscription monies should be paid to the account specified in the Application Form (or such other account specified by the Administrator) so as to be received by no later than three Business Days after the relevant Dealing Day. If payment in full and/or a properly completed Application Form along with all required anti-money laundering documentation have not been received by the relevant times stipulated above, the application may be refused.

Repurchase Settlement Date: Payment of Repurchase Proceeds will be made by electronic transfer to the account of the redeeming Shareholder at the risk and expense of the Shareholder normally within three Business Days of the relevant Dealing Day and, in all cases, will be paid within ten Business Days of the Dealing Deadline for the relevant Dealing Day, provided that all the required documentation has been furnished to and received by the Administrator.

### 3.8 Dividend Policy

The Fund does not intend to distribute dividends to Shareholders. The income and profit will be accumulated and reinvested in the Fund on behalf of the Shareholders.

### 3.9 Exchange of Shares

Shareholders may exchange between similar Classes of Shares in accordance with the provisions set out under the heading "**Exchange of Shares**" in the Prospectus. The Directors can refuse an application to exchange between Classes of Shares in accordance with the provisions set out under the heading "**Exchange of Shares**".

### 3.10 Fees and Expenses

The following fees and expenses will be incurred by the Company on behalf of the Fund and will affect the Net Asset Value of the relevant Share Class of the Fund.

| Class | Investment Management Fee | Administrator Fee | Depositary Fee |
|---|---|---|---|
| A Accumulating | 1.00% | 0.085%<br>Per annum of the NAV of the Fund | 0.0175%<br>Per annum of the NAV of the Fund |

**Investment Management Fee & Expenses**

The Investment Manager shall be entitled to the maximum annual Investment Management Fee equal to a percentage of the Net Asset Value of the relevant Class detailed in the above table.

Such fee shall be calculated and accrued at each Valuation Point and payable monthly in arrears.

The Investment Manager is also entitled to its reasonable out-of-pocket expenses out of the assets of the Fund.

**Depositary Fee & Expenses**

The Depositary shall be entitled to an annual Depositary Fee equal to a percentage of the Net Asset Value of the relevant Class, detailed in the above table, subject to a minimum monthly fee of €600 together with reasonable costs and expenses incurred by the Depositary in the performance of its duties as Depositary of the Fund. These fees shall accrue and be calculated on each Dealing Day and shall be payable monthly in arrears.

The Depositary shall also be entitled to be reimbursed out of the assets of the Fund all agreed sub-custodian fees, expenses and transaction charges (which will be charged at normal commercial rates) as agreed with the Directors.

**Administrator Fee & Expenses**

The Administrator shall be entitled to the maximum annual Administrator Fee equal to a percentage of the Net Asset Value of the relevant Class detailed in the above table. Such fee shall be calculated and accrued at each Valuation Point and payable monthly in arrears. The Administrator shall be also be entitled to a minimum annual fee of €30,000 per year and a transaction fee for each transaction conducted pursuant to the Administration Agreement which will be charged at normal commercial rates.

The Administrator is also entitled to its reasonable out-of-pocket expenses out of the assets of the Fund.

**Performance Fee**

3.11 **Performance Fee**

The Investment Manager will also be entitled to receive a performance-based fee out of the assets of the Fund (the "**Performance Fee**"). The Performance Fee in respect of each of the relevant Share Classes for each Performance Period will be equal to 15% of the appreciation in the Net Asset Value in excess of the High Water Mark, subject to the Net Asset Value being in excess of the High Water Mark as increased by the Hurdle Rate.

For the avoidance of doubt, a Performance Fee shall only be payable where the Net Asset Value of the relevant Share Class exceeds the High Water Mark as increased by the Hurdle Rate. The Hurdle Rate is non-cumulative and any underperformance versus the Hurdle Rate in the Performance Period is not carried forward from one Performance Period to the next.

The High Water Mark of the relevant Share Class is the higher of:

(i) the initial offer price multiplied by the initial shares issued to the relevant Share Class; and

(ii) the highest Net Asset Value of the relevant Share Class in the Fund as at the last Valuation Point of any previous Performance Period.

The Performance Fee will be calculated and accrued as at each Valuation Day and paid annually in arrears. The Performance Fee in respect of each Performance Period will be calculated by reference to the Net Asset Value before deduction for any accrued Performance Fee.

The Performance Fee will be paid to the Investment Manager in arrears as soon as reasonably practicable after the end of each Performance Period.

If Shares are redeemed during a Performance Period, the Performance Fee will be calculated as though the relevant Redemption Day was the end of a Performance Period and an amount equal to any accrued Performance Fee in respect of such Shares will be paid to the Investment Manager. The accrued Performance Fee in respect of those Shares will be paid to the Investment Manager as soon as reasonably practicable after the date of redemption.

If the Investment Management Agreement is terminated during a Performance Period, the Performance Fee in respect of the then current Performance Period will be calculated and paid as though the date of termination were the end of the relevant Performance Period.

The Performance Fee is based on net realised and net unrealised gains and losses as at the end of each Performance Period and, as a result the Performance Fee may be paid on unrealised gains which may subsequently never be realised.

The Performance Fee shall be calculated by the Administrator and verified by the Depositary following the year end.

The checks implemented in respect of the Performance Fee are in place to prevent the Performance Fee from being open to the possibility of manipulation.

**Management Fee**

Investors are referred to the Prospectus for details of the Manager's fee.

3.12 **Benchmark Regulation**

The Fund uses ESTER to measure the performance of the Fund in accordance with Article 3(1)(7)(e) of the Benchmark Regulation. The Fund also uses the MSCI World Index (together with ESTER, each a "**Benchmark**") to measure the performance of the Fund for comparison purposes only.

Each Benchmark, administered by the European Money Markets Institute, has been added to the list of critical benchmarks pursuant to Article 10(1) of the Benchmark Regulation.

### 3.13 Other Fees and Expenses

This section should be read in conjunction with the section entitled "**Fees and Expenses**" in the Prospectus.

#### (a) Establishment Expenses

The fees and expenses incurred in connection with the establishment of the Fund will not exceed €15,000. These fees and expenses will be paid out assets of the Fund and will be amortised over the first five years.

### 3.14 Miscellaneous

Additional Funds of the Company may be added in the future with the prior approval of the Central Bank. The names of the other Funds are disclosed in the Prospectus.

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