

# **KAMES CAPITAL ICVC**

Prospectus

3 July 2018

Prospectus of

## **KAMES CAPITAL ICVC**

(an investment company with variable capital incorporated with limited liability and registered by the Financial Conduct Authority under registered number SI000009)

**IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS, YOU SHOULD CONSULT YOUR FINANCIAL ADVISER.**

Kames Capital plc, the authorised corporate director of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by COLL to be included in it. Kames Capital plc accepts responsibility accordingly.

Copies of this Prospectus have been sent to the Financial Conduct Authority and the Depositary. Except for the information about itself as Depositary, the Depositary is not a person responsible for the information contained in this Prospectus and accordingly does not accept any responsibility for such information under COLL or otherwise.

No person has been authorised by the Company to give any information or to make any representations in connection with the offering of Shares other than those contained in the Prospectus or any Key Investor Information Document prepared by the ACD and, if given or made, such information or representations must not be relied on as having been made by the Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

This Prospectus has been prepared solely for, and is being made available to investors for the purposes of evaluating an investment in Shares in the Sub-funds. Investors should only consider investing in the Sub-funds if they understand the risks involved including the risk of losing all capital invested.

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

The Shares in the Company which are described in this Prospectus have not been and will not be registered under the United States Securities Act of 1933, the United States Investment Company Act of 1940 or the securities laws of any of the states of the United States of America and may not be directly or indirectly offered or sold in the United States of America to or for the account or benefit of any U.S. Person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States Securities Act of 1933, the United States Investment Company Act of 1940 and similar requirements of such state securities laws.

Neither the Company nor the Sub-funds have been or will be registered under the United States Investment Company Act of 1940, as amended.

Investment in Shares by or on behalf of US Persons is not permitted.

Distribution of this Prospectus in certain jurisdictions will require that this Prospectus be translated into the official language of those jurisdictions. Where such translation is required, the translated version of this Prospectus shall only contain the same information and shall only have the same meaning as in this Prospectus.

Shares in the Company are not listed on any investment exchange.

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

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

This Prospectus has been approved for the purpose of section 21 of the Financial Services and Markets Act 2000 by Kames Capital plc. Kames Capital plc is authorised and regulated by the Financial Conduct Authority.

**This Prospectus is based on information, law and practice at the date hereof. The Company cannot be bound by an out of date prospectus when it has issued a new prospectus, and investors should check with the ACD that this is the most recently published Prospectus.**

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## Directory

### The Company and Head Office

Kames Capital ICVC  
Kames House  
3 Lochside Crescent  
Edinburgh  
EH12 9SA

### Authorised Corporate Director

Kames Capital plc

#### **Registered and Head Office:**

Kames House  
3 Lochside Crescent  
Edinburgh  
EH12 9SA

#### **Correspondence Address:**

Kames Capital  
PO Box 3733  
Royal Wootton Bassett  
SN4 4BG

### Depository

National Westminster Bank plc

#### **Registered and Head Office:**

135 Bishopsgate  
London  
EC2M 3UR

#### **Principal Place of Business:**

Trustee and Depository Services  
Second Floor  
Drummond House  
1 Redheughs Avenue  
Edinburgh  
EH12 9RH

### Custodian

Citibank N.A., London Branch

#### **Principal Place of Business in the UK:**

Citigroup Centre  
Canada Square  
Canary Wharf  
London  
E14 5LB

### Registrar

Northern Trust Global Services Limited  
50 Bank Street  
London  
E14 5NT

### Auditors

PricewaterhouseCoopers LLP  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

## Definitions

In this Prospectus each of the words and expressions in the left-hand column of the table set out below has the meaning set opposite it in the right-hand column of that table:

<b>ACD</b>	Kames Capital plc the authorised corporate director of the Company
<b>Act</b>	The Financial Services and Markets Act 2000 (as amended and/or re-enacted from time to time)
<b>Cancellation</b>	The process of removing Shares in issue where the net effect of purchases and sales of Shares is negative
<b>Class or Classes</b>	In relation to Shares, means (according to the context) all of the Shares related to a single Sub-fund or a particular class of Share related to a single Sub-fund
<b>COBS</b>	The Conduct of Business Sourcebook published by the Financial Conduct Authority as part of their handbook of rules made under the Act (as amended and/or re-issued from time to time), which shall, for the avoidance of doubt, not include guidance or evidential provisions in the said Sourcebook
<b>COLL</b>	The Collective Investment Schemes Sourcebook published by the Financial Conduct Authority as part of their handbook of rules made under the Act (as amended and/or re-issued from time to time), which shall, for the avoidance of doubt, not include guidance or evidential provisions in the said Sourcebook
<b>Company</b>	Kames Capital ICVC
<b>Conversion</b>	The exchange of Shares of one Class in a Sub-fund for Shares of another Class in the same Sub-fund and (as the context may require) the act of so “Converting” shall be interpreted accordingly.
<b>Dealing Day</b>	Monday to Friday (except for, unless the ACD otherwise decides, the last working day before Christmas Day, bank holidays in England and Wales and other days at the ACD’s discretion). (The ACD may determine that any day shall not be a Dealing Day. Such a determination would generally only be made in respect of a particular day if that day were a holiday on a stock exchange which was the principal market for a significant portion of the Sub-fund’s portfolio or was a holiday elsewhere which impeded the calculation of the fair market value of the portfolio.)
<b>Derivatives</b>	An option, or a swap, or a future, or a forward transaction or a contract for difference
<b>Depository</b>	The depository of the Company from time to time, currently being the National Westminster Bank plc
<b>Dilution Adjustment</b>	An adjustment to the price of a Share, as more fully set out in Part 6 of this Prospectus

<b>EPM or Efficient Portfolio Management</b>	Efficient portfolio management meaning techniques and instruments which relate to transferable securities and approved money-market instruments and which fulfil the following criteria: (a) they are economically appropriate in that they are realised in a cost effective way; (b) they are entered into for one or more of the following specific aims: (i) reduction of risk; (ii) reduction of cost; (iii) generation of additional capital or income for the Sub-fund(s) with a risk level which is consistent with the risk profile of the Sub-fund(s) and the risk diversification rules in COLL
<b>Ex-Dividend Date</b>	For investors intending to hold income Shares, the Ex-Dividend Date is the cut-off date for income accrued. Shares acquired before this date qualify for the next distribution. Shares acquired on or after this date will accrue income for the subsequent accounting period. The Share price will usually fall on this date, to reflect the impending distribution payable
<b>the FCA</b>	The Financial Conduct Authority and any successor body or bodies
<b>FCA Handbook</b>	The FCA's handbook of rules made under the Act
<b>Financial Services Register</b>	The public register of firms, individuals and other bodies that the FCA and the Prudential Regulation Authority regulate
<b>GAPS</b>	Government and public securities as defined in COLL
<b>Income Allocation Date or Pay Date</b>	For each Sub-fund, in any accounting period, the date on or before which any income is paid out (income Shares) or accumulated (accumulation Shares).
<b>Instrument of Incorporation</b>	The instrument of incorporation of the Company, as amended from time to time, registered by the Company in accordance with the OEIC Regulations and COLL
<b>IOSCO</b>	The International Organisation of Securities Commissions
<b>ISA Regulations</b>	Individual Savings Account Regulations 1998 (SI 1998/1870) (as amended, supplemented or re-enacted from time to time)
<b>Issue</b>	The process of creating new Shares in issue where the net effect of purchases and sales of Shares is positive
<b>KIID</b>	Key Investor Information Document
<b>Member State</b>	A member state of the European Union and any other state which is within the European Economic Area
<b>Net Asset Value or NAV</b>	The value of the Scheme Property of the Company (or of any Sub-fund or Class of Shares, as the context requires) less the liabilities of the Company (or of the Sub-fund or Class of Shares concerned) as calculated in accordance with the Instrument of Incorporation
<b>OECD</b>	The Organisation for Economic Co-operation and Development

<b>OEIC Regulations</b>	The Open-Ended Investment Companies Regulations 2001 (as amended, supplemented or re-enacted from time to time)
<b>Prospectus</b>	A prospectus of the Company prepared pursuant to the requirements of COLL. (For the avoidance of doubt, "Prospectus" includes an existing Prospectus as extended by an addendum or supplement.)
<b>Register</b>	The register of Shareholders
<b>Registrar</b>	The registrar of the Company from time to time, currently being Northern Trust Global Services Limited
<b>RSP</b>	Kames Capital ICVC Regular Savings Plan
<b>Scheme Property</b>	The property of the Company to be given for safe-keeping to the Depositary in accordance with COLL
<b>Share or Shares</b>	A Share or Shares in the Company (including larger denomination shares and smaller denomination Shares)
<b>Shareholder(s)</b>	The holder(s) of a Share (whether in registered or bearer form)
<b>Sub-fund</b>	A sub-fund of the Company (being part of the Scheme Property of the Company which is pooled separately) and to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to such sub-fund
<b>Switch</b>	The exchange of Shares of one Sub-fund for Shares of another Sub-fund or (as the context may require) the act of so exchanging and "Switching" shall be interpreted accordingly
<b>US</b>	The United States of America (including the States and District of Columbia), its territories, possessions and all other areas subject to its jurisdiction
<b>US Person</b>	Unless otherwise determined by the ACD: <ul style="list-style-type: none"> <li>(i) a citizen or resident of the US;</li> <li>(ii) a partnership, limited liability company, corporation or other entity organised in or under the laws of the US or any State, or any entity taxed as such or required to file a tax return under the US Federal income tax laws;</li> <li>(iii) any estate or trust the executor, administrator or trustee of which is a US Person (as defined above), in the cases of a trust of which any professional fiduciary acting as a trustee is a US Person, a trustee who is not a US Person has sole or shared investment discretion with respect to trust assets and no beneficiary of the trust (and no settler if the trust is revocable) is a US Person and no income or beneficiaries of which are subject to US Federal income tax;</li> <li>(iv) any agency or branch of a foreign entity located in the US;</li> </ul>

	<ul style="list-style-type: none"> <li>(v) certain accounts held by a dealer or other fiduciary where the person exercising discretion over the account is a US Person;</li> <li>(vi) any partnership, corporation or other entity if it is: (a) organised or incorporated under the laws of any foreign jurisdiction; and (b) owned or formed by a US Person or Persons principally for the purpose of investing in securities not registered under the US Securities Act of 1933;</li> <li>(vii) any employee benefit plan (unless such employee benefit plan is: (a) established and administered in accordance with: (i) the laws of a country other than the US; and (ii) the customary practices and documentation of such country; and (b) is maintained primarily for the benefit of persons substantially all of whom are non-resident aliens with respect to the US); and</li> <li>(viii) any other person or entity whose ownership of Shares or solicitation for ownership of Shares the ACD through its officers or directors shall determine may violate any securities laws of the US or any state or other jurisdiction thereof.</li> </ul> <p>Except that a US Person shall not include corporations, partnerships or other entities which are organised or incorporated under the laws of any non-US Person (as described above), unless such corporation, partnership or other entity was formed by such US Person principally for the purpose of investing in securities not registered under the US Securities Act of 1933, as amended</p>
<b>Valuation Point</b>	<p>The point, whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for the Company or a Sub-fund (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled, sold or redeemed.</p>

## 1. The Company and its Structure

Kames Capital ICVC is an open-ended investment company with variable capital, incorporated in Scotland under the OEIC Regulations. It is governed by the OEIC Regulations, COLL and its Instrument of Incorporation. The registered number of the Company is SI000009.

The Company is a collective investment scheme as defined in the Act. It is authorised by the Financial Conduct Authority as complying with the conditions necessary for it to enjoy rights conferred by the EU Directive on Undertakings for Collective Investment in Transferable Securities ("UCITS"). All communications in relation to this Prospectus shall be in English unless otherwise agreed.

The Company was authorised on 14 April 1999 and its Instrument of Incorporation was registered with the Registrar of Companies for Scotland on 27 April 1999. The Company has an unlimited duration.

The object of the Company is to invest the Scheme Property in transferable securities, money market instruments, derivative instruments and forward transactions, deposits, units and shares in collective investment schemes, cash and near cash in accordance with COLL applicable to the Company and each Sub-fund according to the types of authorisation of the Company with the aim of spreading investment risk and giving its Shareholders the benefit of the results of the management of that property.

The Shareholders have no interest in the Scheme Property, and are not liable for the debts of the Company.

The address of the head office of the Company is Kames House, 3 Lochside Crescent, Edinburgh, EH12 9SA. This is also the address where notices, or other documents can be served.

The maximum size of the Company's issued share capital is £100,000,000,000. The minimum size of the Company's issued share capital is £100. Shares in the Company have no par value. The share capital of the Company at all times equals the Net Asset Value of the Company.

The base currency of the Company is pounds Sterling.

The sole director of the Company is Kames Capital plc, which acts as the authorised corporate director.

The Company is a UCITS scheme and is structured as an umbrella company, in that different Sub-funds may be established from time to time by the ACD with the approval of the Financial Conduct Authority. On the introduction of any new Sub-fund, a revised prospectus will be prepared setting out the relevant details of each Sub-fund.

Each Sub-fund represents a segregated portfolio of assets and accordingly the assets of a Sub-fund belong exclusively to that Sub-fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body including any other Sub-fund and shall not be available for any such purpose. Each Sub-fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Sub-fund. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which is fair to the Shareholders of the Company generally, but they will normally be allocated to all Sub-funds pro rata to the value of the net assets of the relevant Sub-funds.

The assets of each Sub-fund will be treated as separate from those of every other Sub-fund and will be invested in accordance with the investment objective and investment policy applicable to that Sub-fund.

The current Sub-funds as at the date of this Prospectus are:

• Kames Diversified Growth Fund	• Kames High Yield Bond Fund	• Kames UK Opportunities Fund
• Kames Diversified Monthly Income Fund	• Kames Investment Grade Bond Fund	• Kames UK Smaller Companies Fund
• Kames Ethical Cautious Managed Fund	• Kames Sterling Corporate Bond Fund	• Kames UK Equity Absolute Return Fund
• Kames Ethical Corporate Bond Fund	• Kames Strategic Bond Fund	
• Kames Ethical Equity Fund	• Kames UK Equity Fund	
• Kames Global Equity Fund	• Kames UK Equity Income Fund	

## 2. Management and Administration

### Authorised Corporate Director

The Authorised Corporate Director (ACD) is Kames Capital plc whose registered office and head office is Kames House, 3 Lochside Crescent, Edinburgh, EH12 9SA. The ACD is a public limited company with issued share capital of 15,000,000 ordinary Shares of £1 each fully paid. The Company was incorporated under the laws of Scotland on 21 September 1988 with Registered Number 113505.

The ACD is authorised and regulated by the Financial Conduct Authority and is permitted to carry on investment business in the UK by virtue of that authorisation.

The ACD is responsible for managing and administering the affairs of the Company in compliance with COLL.

At present, the Company has no directors other than the ACD.

The ACD Agreement provides for the appointment of the ACD, subject to termination, upon twelve months' written notice by either the ACD or the Company, although in certain circumstances the Agreement may be terminated forthwith by notice in writing by the ACD to the Company or by the Company or the Depositary, to the ACD. Termination cannot take effect until the Financial Conduct Authority has approved the change of director.

The ACD is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or concluding any outstanding obligations. No compensation for loss of office is provided for in the Agreement. The ACD Agreement provides indemnities to the ACD to the extent permitted by the OEIC Regulations.

The ACD is under no obligation to account to the Depositary or the Shareholders for any profit on the Issue or re-issue of Shares or Cancellation of Shares which it has redeemed. The fees to which the ACD is entitled are set out in Part 7 below.

The ACD may delegate investment management, administration and marketing functions in accordance with COLL. Notwithstanding such delegation the ACD remains responsible for any functions so delegated. At present certain functions are delegated as detailed below.

## **Depositary**

National Westminster Bank Plc is the Depositary of the Kames Capital ICVC.

The Depositary is incorporated in England as a public limited company. Its registered and head office is at 135 Bishopsgate, London EC2M 3UR and its principal place of business is at Trustee & Depositary Services, Second Floor, Drummond House, 1 Redheughs Avenue, Edinburgh EH12 9RH. The ultimate holding company of the Depositary is the Royal Bank of Scotland Group plc, which is incorporated in Scotland.

The principal business activity of the Depositary is banking. The Depositary is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. By virtue of its authorisation, the Depositary is permitted to carry on investment business in the United Kingdom

### **Duties of the Depositary**

The Depositary is responsible for the safekeeping of Scheme Property, monitoring the cash flows of each Sub-fund, and has a duty to take reasonable care to ensure that the Company is managed in accordance with the provisions of COLL relating to the pricing of, and dealing in, Shares and the allocation and distribution of income of the Company and that decisions about the investment of the Scheme Property of each Sub-fund do not infringe any of the investment restrictions set out in COLL.

### **Conflicts of interest of the Depositary**

The Depositary may act as the depositary of other open-ended investment companies and as trustee or custodian of other collective investment schemes.

It is possible that the Depositary and/or its delegates and sub-delegates may in the course of its or their business be involved in other financial and professional activities which may on occasion have potential conflicts of interest with the Company or a particular Sub-fund and/or other funds managed by the ACD or other funds for which the Depositary acts as the depositary, trustee or custodian. The Depositary will, however, have regard in such event to its obligations under the Depositary Agreement and the Regulations and, in particular, will use reasonable endeavours to ensure that the performance of its duties will not be impaired by any such involvement it may have and that any conflicts which may arise will be resolved fairly and in the best interests of Shareholders collectively so far as practicable, having regard to its obligations to other clients.

Nevertheless, as the Depositary operates independently from the Company, Shareholders, the ACD and its associated suppliers and the Custodian, the Depositary does not anticipate any conflicts of interest with any of the aforementioned parties.

Up to date information regarding (i) the Depositary's name, (ii) the description of its duties and any conflicts of interest that may arise between the Company, the Shareholders or the ACD and the Depositary, and (iii) the description of any safekeeping functions delegated by the Depositary, the description of any conflicts of interest that may arise from such delegation, and the list showing the identity of each delegate and sub-delegate, will be made available to Shareholders on request.

### **Delegation by the Depositary of Safekeeping Functions**

The Depositary is permitted to delegate (and authorise its delegate to sub-delegate) the safekeeping of Scheme Property.

In general, whenever the Depositary delegates any of its custody functions to a delegate, the Depositary will remain liable for any losses suffered as a result of an act or omission of the delegate as if such loss had arisen as a result of an act or omission of the Depositary.

The Depositary has delegated safekeeping of the Scheme Property to the Custodian.

### **Updated Information on the Depositary**

Up-to-date information regarding the Depositary, its duties, its conflicts of interest and the delegation of its safekeeping functions will be made available to Shareholders on request.

### **Depositary Terms of Appointment**

The Depositary was appointed under a Depositary Agreement dated 17<sup>th</sup> March 2016 between the ACD, the Company and the Depositary (the "Depositary Agreement").

Under the Depositary Agreement, the Depositary is free to render similar services to others and the Depositary, the Company and the ACD are subject to a duty not to disclose confidential information.

The powers, duties, rights and obligations of the Depositary, the Company and the ACD under the Depositary Agreement shall, to the extent of any conflict, be overridden by the FCA Rules.

Under the Depositary Agreement, the Depositary will be liable to the Company for any loss of financial instruments held in Custody or for any liabilities incurred by the Company as a result of the Depositary's negligent or intentional failure to fulfil its obligations.

However, the Depositary Agreement excludes the Depositary from any liability except in the case of fraud, wilful default, negligence or failure to exercise due care and diligence in the performance or non-performance of its obligations.

It also provides that the Company will indemnify the Depositary for any loss suffered in the performance or non-performance of its obligations except in the case of fraud, wilful default, negligence or failure to exercise due care and diligence on its part.

The Depositary Agreement may be terminated on three months' written notice by the Company or the Depositary or earlier on certain breaches or the insolvency of a party. However, termination of the Depositary Agreement will not take effect, nor may the Depositary retire voluntarily, until the appointment of a new Depositary. The Depositary Agreement provides for indemnities in favour of the Depositary, and exempts it from liability, in certain circumstances.

The Depositary is entitled to the fees, charges and expenses as set out in more detail below in Section 7.

### **Investment Advisers**

#### *Kames Diversified Monthly Income Fund and Kames Diversified Growth Fund*

The ACD has appointed AEGON Investment Management B.V. ("**AIM B.V.**") to assist it in the investment management of Kames Diversified Monthly Income Fund and Kames Diversified Growth Fund.

AIM B.V. is a private limited liability company organised under Dutch law and recorded in the Commercial Registry of The Hague with registered office AEGONplein 50, 2591 TV The Hague, Netherlands. AIM B.V. is a wholly owned subsidiary of AEGON Asset Management Holding B.V and is, together with the ACD, part of the AEGON Group.

The principal activities of AIM B.V. are that of management of investment funds and individual portfolio management and investment advice. AIM B.V. is regulated by the Netherlands Authority for the Financial Markets for the purposes of carrying out investment management and, in accordance with the FCA rules has completed the necessary notifications to carry it out.

AIM B.V.'s services are currently provided to the ACD pursuant to an Investment Management Agreement between the ACD and AIM B.V. dated 31 October 2017. The Investment Management Agreement may be terminated by either party giving 30 days written notice to the other, and with immediate effect by the ACD where required to do so by COLL (which rules include a provision that the mandate must be withdrawn with immediate effect where it is in the interests of Shareholders to do so). The Investment Management Agreement is governed by the laws of England and Wales and may be enforced by the ACD in the English courts.

The ACD and AIM B.V. shall work together in the formal portfolio decision making in relation to each of Kames Diversified Monthly Income Fund and Kames Diversified Growth Fund subject to and in

accordance with their respective investment objectives and policies, the terms of this Prospectus and the instrument of incorporation of the Company (as may be varied from time to time). The ACD shall retain the sole responsibility in deciding on investing or disinvesting for the relevant Fund. In addition, the ACD may give AIM B.V. specific directions or instructions from time to time (whether set out in the Investment Management Agreement or other agreed format). The ACD will monitor the performance of the Sub-funds and will remain ultimately responsible for the management of the scheme property.

AIM B.V. may, from time to time, advise other companies or funds which follow similar investment objectives to those of the Sub-funds. In that event, AIM B.V. will manage any conflict of interest as detailed in the paragraph headed "Conflicts of Duty or Interest".

No commission is payable to AIM B.V. for any deal done or which could be done on behalf of the Company. The fees payable to AIM B.V. will be paid by the ACD and will not be charged to the Company.

*Kames Ethical Equity Fund, Kames Ethical Corporate Bond Fund and Kames Ethical Cautious Managed Fund*

The ACD employs EIRIS Services Limited ("EIRIS") to provide research on investments for Kames Ethical Equity Fund, Kames Ethical Corporate Bond Fund and Kames Ethical Cautious Managed Fund. EIRIS is registered in England at 80 - 84 Bondway, London SW8 1SF.

EIRIS is not an authorised person. Its principal activity is the provision of ethical research and data.

EIRIS advises the ACD concerning the ethical criteria followed by the ACD from time to time in relation to the investment by the said Sub-funds and in relation to the monitoring and assessment of companies for the purpose of determining whether they fulfil such criteria. The agreement between the ACD and EIRIS is a one year rolling contract and contains termination provisions in respect of serious breach. Fees payable to EIRIS are met by the ACD.

EIRIS may, from time to time, advise other companies or funds which follow similar investment objectives to those of the Sub-funds. In that event, EIRIS will manage any conflict of interest as detailed in the paragraph headed "Conflicts of Duty or Interest".

## **Registrar**

The Company has appointed Northern Trust Global Services Limited, to assist in the functions of registrar to the Company. The Register is maintained at, 50 Bank Street, London, E14 5NT, where it may be inspected during normal business hours by any Shareholder or any Shareholder's duly authorised agent. The Register is prima facie evidence of entitlement to Shares except in the case of bearer Shares. No notice of any trust shall be entered in the Register.

The Registrar's appointment is governed by an agreement dated 19 February 2016 between the ACD and the Registrar ("**the Registrar Agreement**").

## **Administration**

The ACD has also engaged Northern Trust Global Services Limited to carry out transfer agency and other associated administration services and Citibank N.A., London Branch, a national banking association organised in the US with its principal place of business in the United Kingdom at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB ("Citibank N.A.") to provide fund reporting and accounting services on behalf of the ACD and the Company.

The ACD reserves the right to outsource other administration services on behalf of the ACD and the Company.

## **Auditors**

The Auditors of the Company are PricewaterhouseCoopers LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX.

## **Custodian**

The Depositary has retained the services of Citibank N.A. to assist the Depositary to perform its functions of custodian of documents of title or documents evidencing title to the Scheme Property of the Company. The relevant arrangements prohibit the Custodian from releasing the documents into the possession of a third party without the consent of the Depositary.

## **Conflicts of Duty or Interest**

The ACD and other companies within the group of companies of which it is a member may, from time to time, act as investment managers or advisers to other companies or funds which follow similar investment objectives to those of the Sub-funds. It is therefore possible that the ACD and/or the other service providers may in the course of their business have potential conflicts of interest with the Company or a particular Sub-fund. Each of the ACD and the other service providers will, however, have regard in such event to its obligations under the ACD Agreement and the agreements with the ACD respectively and, in particular, to their obligation to act in the best interest of the Company so far as practicable, having regard to their obligation to other clients when undertaking any investment where potential conflicts of interest may arise.

The ACD maintains a written conflict of interest policy. The ACD acknowledges that there may be some situations where the organisational or administrative arrangements in place for the management of conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Company or its Shareholders will be prevented. Should any such situations arise the ACD will, as a last resort if the conflict cannot be avoided disclose these to Shareholders in an appropriate format.

The Depositary may, from time to time, act as the depositary of other companies or funds.

The corporate activities of the AEGON group of companies may result in some minor restriction to the investable universe. (For example, in certain countries, the combined investments of the ACD and other companies in the AEGON Group may mean holding limits in a particular company are reached, meaning no additional shares in that company could be purchased.)

## **3. Investment Objectives and Policies of the Sub-funds and use of benchmarks**

Investment of the Scheme Property of each Sub-fund must be in accordance with the investment objective and policy of the relevant Sub-fund and must comply with the investment restrictions and requirements set out in COLL. Details of the investment objectives and policies are set out in Appendix D in respect of each Sub-fund and the eligible securities and derivatives markets through which the Sub-funds may invest are set out in Appendix A. A summary of the general investment and borrowing powers is set out in Appendix B.

The Company will not have any interest in any immovable property (e.g. an office) or tangible property (e.g. office equipment).

The EU Benchmark Regulation requires the ACD to produce and maintain a robust contingency plan setting out the actions that it would take in the event that a benchmark (as defined by the EU Benchmark Regulation) which is used materially changes or ceases to be provided. The ACD shall comply with this obligation.

The ACD is required under the EU Benchmark Regulation to use only benchmarks which are provided by authorised benchmark administrators that are present in the register of administrators maintained by the European Securities and Markets Authority, pursuant to Article 36 of the Benchmarks Regulation. The ACD shall comply with this obligation.

## **4. Shares and Classes**

More than one Class of Share may be Issued in respect of each Sub-fund. The ACD may make available the following Classes of Share in respect of each Sub-fund:

<b>Share Class</b>	<b>Features</b>
Class A net accumulation	Designated in Sterling
Class A net income	Designated in Sterling
Class A gross accumulation	Designated in Sterling
Class A gross income	Designated in Sterling
<b>"Class A Shares"</b>	
Class B net accumulation	Designated in Sterling
Class B net income	Designated in Sterling
Class B gross accumulation	Designated in Sterling
Class B gross income	Designated in Sterling
<b>"Class B Shares"</b>	
Class C net accumulation	Designated in Sterling
Class C net income	Designated in Sterling
Class C gross accumulation	Designated in Sterling
Class C gross income	Designated in Sterling
<b>"Class C Shares"</b>	
Class D net accumulation	Designated in Sterling
Class D net income	Designated in Sterling
Class D gross accumulation	Designated in Sterling
Class D gross income	Designated in Sterling
<b>"Class D Shares"</b>	
Class E net accumulation	Designated in Euros and not available to UK investors
Class E net income	Designated in Euros and not available to UK investors
Class E gross accumulation	Designated in Euros and not available to UK investors
Class E gross income	Designated in Euros and not available to UK investors
<b>"Class E Shares"</b>	
Class G net accumulation	Designated in Sterling
Class G net income	Designated in Sterling
Class G gross accumulation	Designated in Sterling
Class G gross income	Designated in Sterling
<b>"Class G Shares"</b>	
Class S net accumulation	Designated in Sterling
Class S net income	Designated in Sterling
Class S gross accumulation	Designated in Sterling
Class S gross income	Designated in Sterling
<b>"Class S Shares"</b>	
Class Z net accumulation	Designated in Sterling
Class Z net income	Designated in Sterling
Class Z gross accumulation	Designated in Sterling
Class Z gross income	Designated in Sterling
<b>"Class Z Shares"</b>	

Appendix D contains a description of the Classes currently available. New Share Classes (including gross accumulation Shares and gross income Shares) may be established by the ACD from time to time, subject to compliance with COLL. If a new Class of Share is introduced, a new Prospectus will be prepared to set out the required information in relation to that Class.

Where a Sub-fund has different Classes, each Class may attract different charges and expenses and so monies may be deducted from Classes in unequal proportions. In these circumstances the proportionate interests of the Classes within a Sub-fund will be adjusted in accordance with the terms of issue of Shares of those Classes. Also, each Class may have its own investment minima or other features, such as (in the case of the second of further Class of Shares in a Sub-fund) restricted access, at the discretion of the ACD. Any such different charges or features are set out above and in Appendix D in relation to each of the Sub-funds.

A net income Share is one where income is distributed periodically to Shareholders net of any tax deducted or accounted for by the Company. A net accumulation Share is one in respect of which income (net of any tax deducted or accounted for by the Company) is credited periodically to capital within the relevant Sub-fund. A gross income Share is one in respect of which income is distributed periodically to Shareholders but in accordance with relevant tax laws without deduction or otherwise by the Company of some or any tax. A gross accumulation Share is one in respect of which income is credited periodically to capital of the relevant Sub-fund but in accordance with relevant tax law without deduction or otherwise by the Company of some or any tax.

Holders of income Shares are entitled to be paid the income attributed to such Shares of the appropriate Class on the interim and annual income allocation dates applying to the relevant Sub-fund.

Holders of accumulation Shares are not entitled to be paid the income attributable to such Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the relevant Sub-fund at the end of the relevant accounting period and is reflected in the price of an accumulation Share. Where there are both net accumulation Shares and gross accumulation Shares within one Class, the proportions of the Sub-fund within the Class will be adjusted at the end of each accounting period.

The rights attaching to Shares of each Class will be expressed in two denominations - smaller denomination and larger denomination. Each smaller denomination Share represents one ten-thousandth of a larger denomination Share.

Shareholders are entitled (subject to certain restrictions) to Switch all or part of their Shares in a Sub-fund for Shares in another Sub-fund. Details of this Switching facility and the restrictions are set out below under "Switching between different Sub-funds" in Part 6 below.

Shareholders are entitled (subject to certain restrictions) to Convert all or part of their Shares in a Class of a Sub-fund for Shares in another Class within the same Sub-fund. Details of this Converting facility and the restrictions are set out below under "Conversion between Classes of the same Sub-fund" in Part 6 below.

The Instrument of Incorporation provides for the issue of bearer Shares. However, currently the Company does not issue bearer Shares. If these are issued, they will be issued subject to the discretion of the ACD and subject to such conditions as the ACD may from time to time decide (including in respect of the multiples in which they may be issued). There will be no minimum denomination.

## **5. Pricing of Shares**

The price of a Share in the Company is calculated by reference to the Net Asset Value (or the relevant proportion of the Net Asset Value) of the Sub-fund to which it relates. Each Sub-fund will have a regular Valuation Point at 12 noon on each Dealing Day. The ACD may create an additional Valuation Point for any Sub-fund at any time.

The Scheme Property attributed to each Sub-fund will be valued at each Valuation Point of that Sub-fund to determine the proportion of the Net Asset Value attributable to each Class in that Sub-fund for the purpose of calculating the price of each Class in that Sub-fund.

The value of the Scheme Property attributed to each Sub-fund will be the value of its assets less the value of its liabilities as determined in accordance with the Instrument of Incorporation. Information regarding the calculation of the Net Asset Value of each Sub-fund and the apportionment of that Net Asset Value between each Class of Shares in relation to that Sub-fund is set out in Appendix C.

The Price of a Share of each Class in any Sub-fund will be calculated by reference, as at the Valuation Point on each Dealing Day, to the value of the property of the Sub-fund to which it is linked. Share prices are calculated as follows:-

- (1) by taking the proportion attributable to the Shares of the Class concerned of the value of the relevant Sub-fund as at the most recent valuation of that Sub-fund;
- (2) by dividing the result by the number of Shares of the relevant Class in issue immediately before the valuation concerned; and
- (3) where necessary, adjusting the price to take account of any dilution to the Sub-fund in accordance with the dilution policy set out below.

On purchase of a Share, the amount payable will equal the aggregate of:-

- (1) the price of the Share calculated on the above basis; and
- (2) any initial charge;

On the redemption of a Share, the amount received will equal the price per Share calculated on the above basis.

The most recent prices of Shares can be obtained on the website of the ACD at [www.kamescapital.com](http://www.kamescapital.com) or by calling the ACD's freephone telephone number 0800 358 3009. The prices published will not be the current prices as Shares are issued and redeemed on a forward pricing basis (by reference to the valuation at the next Valuation Point after the issue or redemption has been agreed) and not on the basis of the published prices.

In the event that, for any reason, the ACD is unable to calculate the Net Asset Value of any Sub-fund at the normal time, the prices effective from that time will be calculated using the earliest available valuation thereafter.

Information regarding the initial charge, redemption charge and SDRT provision is set out below under "Dealing Charges, Dilution Adjustment" and "SDRT Provision" in Part 6 below.

## **6. Buying, Redeeming, Switching and Conversion of Shares**

Shares may normally be dealt in with the ACD between 8.30 am and 5.30 pm on any Dealing Day (or other times at the ACD's discretion). If requested the ACD may deal as agent between the investor and the Company.

All dealing will be forward to the prices calculated at the next Valuation Point.

A contract note confirming the transaction will be dispatched by the close of business on the first working day after the Valuation Point at which the transaction was priced.

Telephone calls and electronic communications may be recorded by the ACD, its delegates, their duly appointed agents and any of their respective related, associated or affiliated companies for records keeping, security and/or training purposes, please see paragraph "Telephone and Electronic Communication Recording" below for further information.

### **Buying Shares**

Shares may be bought through intermediaries or direct from the ACD as principal or agent. An intermediary who recommends Shares in the Company to a prospective investor may be entitled to receive commission from the ACD, subject to COBS. Requests to buy Shares may be made in writing or, at the ACD's discretion, by telephone or by fax, or by approved electronic dealing platforms, to the

ACD's dealing department on any Dealing Day. Telephone calls and electronic communications may be recorded by the ACD, its delegates, their duly appointed agents and any of their respective related, associated or affiliated companies for records keeping, security and/or training purposes, please see paragraph "Telephone and Electronic Communication Recording" below for further information.

Payment for the purchase of Shares can be made by cheque or telegraphic transfer, and must reach the ACD within three working days. Instructions must be confirmed by sending a duly completed and signed application form to the ACD's dealing department. Subject to fulfilling these conditions, for telephone and fax deals received prior to 12 noon on any Dealing Day, the Shares concerned will be issued at a price based on that day's valuation: for deals placed after 12 noon, the Shares will be issued at a price based on the valuation at the next Dealing Day. Application for the purchase of Shares by post must be accompanied by a cheque or a telegraphic transfer of monies for the total amount to be invested. The Shares will be issued at a price calculated by reference to the next Valuation Point following receipt of the application. Where an application for Shares is received before the valuation point on a Dealing Day, the Shares concerned will be issued at a price based on that day's valuation and Shares to satisfy an application received after that time, or on a day which is not a Dealing Day, will be issued at a price based on the valuation made on the next Dealing Day.

A Share exchange service may, at the ACD's discretion, be made available in respect of investment amounts for £1,000 or more.

The ACD has the right to reject any application for Shares in whole or in part, and in this event the ACD will return any monies sent, or the balance of such monies at the risk of the applicant.

Certain investors have a right to cancel their deal at any time during the 14 days after the date on which they receive a cancellation notice from the ACD. If such an investor decides to cancel the contract, and the value of their investment has fallen at the time the ACD receives their completed cancellation notice, the investor will not get a full refund; an amount equal to any fall in value will be deducted from the sum originally invested.

The title to registered Shares in the Company is evidenced by entry on the Register. Certificates are not issued to Shareholders in respect of registered Shares, but only in respect of the bearer Shares. Details of a Shareholder's entry on the Register are available from the ACD on request. A statement of shareholding in respect of Shares for which no certificates are issued shall be sent to all Shareholders twice a year, but such a statement shall not constitute a document of title. In respect of joint shareholdings, such statements shall only be sent to the first named Shareholder on the Register.

If a Shareholder requires evidence of title to Shares, the Company will, upon such proof of identity as the ACD may reasonably require, supply that Shareholder with a certified copy of the entry in the Register relating to the shareholding of Shares. The ACD reserves the right to charge the Shareholder concerned for the supply of such a certified copy.

Details of the minimum initial lump sum investment in each Class of each Sub-fund and the minimum amount of any lump sum addition to a holding in the same Class of the same Sub-fund are set out in Appendix D (in the sections "Minimum Initial Lump Sum Investment" and "Minimum Subsequent Investment" respectively) but the ACD may, at its absolute discretion, accept investments lower than the relevant minimum. If the value of a Shareholder's holding of a Class of Shares falls below the minimum holding (which is set out in Appendix D in respect of each Sub-fund), his entire holding may be redeemed compulsorily by the ACD.

### **Regular Savings Plan**

The Kames Capital ICVC Regular Savings Plan ("RSP") can be started from £50 per month for Class A Shares, from £5,000 per month for Class D Shares and from £10,000 per month for Class B Shares.

A duly completed and signed application form must be received by the ACD's dealing department on or prior to the 15th day of the month in which the RSP will commence. The RSP will then commence on the 25th day of that month or the next working day where the 25th day of that month is not a working day.

Monthly contributions to purchase Shares are collected by direct debit on the 25th day of each month (or the next working day where the 25th day is not a working day) . These will be invested at the price calculated at the next Valuation Point on the day on which the direct debit operates.

Shareholders can increase, decrease or stop their monthly contributions at any time by notifying their bank and the ACD, in writing. However, if payments are not made to the RSP for more than three consecutive months, and the total value of the Shares in the RSP is less than the minimum which the ACD requires (see Appendix D), then the ACD reserves the right to buy back the Shares in that RSP at the price then applicable, close the account and return the value of the proceeds to the Shareholder.

Regular investment holidays are permitted without penalty at any time at the written request of the Shareholder. Requests must be received by the ACD at least 5 working days before the next payment date to be actioned for that payment date. However, if payments are not made for more than three consecutive months, and the value of the holding is less than the minimum investment amount permitted, the right is reserved to sell the Shares and return the value of the proceeds to the Shareholder.

A Shareholder is permitted to redirect future contributions into a different Sub-fund or Sub-funds at any time by making the request in writing to the ACD at least 5 working days before the next payment date to be actioned for that payment date.

Contract notes are not issued to RSP holders. Every six months, a statement detailing the Shares purchased since the last statement, the purchase price of those Shares and distributions of income (which are automatically reinvested in the purchase of further Shares) will be sent to all the RSP holders. In respect of joint shareholdings, such statements shall only be sent to the first named Shareholder on the Register.

### **Cancellation Rights**

Certain investors have a right to cancel their deal at any time during the 14 days after the date on which they receive a cancellation notice from the ACD. If such an investor decides to cancel the contract, and the value of their investment has fallen at the time the ACD receives their completed cancellation notice, the investor will not get a full refund; an amount equal to any fall in value will be deducted from the sum originally invested.

### **Redemption of Shares**

Instructions for the sale of Shares may be given in writing or, at the ACD's discretion, by telephone or by fax to the ACD's dealing department.

Telephone calls and electronic communications may be recorded by the ACD, its delegates, their duly appointed agents and any of their respective related, associated or affiliated companies for records keeping, security and/or training purposes, please see paragraph "Telephone and Electronic Communications Recording" below for further information.

The ACD may act as principal or agent.

Subject to COLL, the proceeds of a sale of Shares will be sent by the close of business three working days after the ACD receiving properly completed documentation. Subject to fulfilling that condition, for telephone and fax deals received prior to 12 noon on any Dealing Day, the Shares concerned will be sold at a price based on that day's valuation; for deals placed after 12 noon, the Shares will be sold at a price based on the valuation made on the next Dealing Day. Where properly completed documentation is received by post, the Shares concerned will be sold at a price calculated by reference to the next Valuation Point following receipt by the ACD of the instructions. Where the instructions are received before the Valuation Point on a Dealing Day, the Shares concerned will be sold at a price based on that day's valuation and where instructions are received after that time, or on a day which is

not a Dealing Day, the Shares will be sold at a price based on the valuation made on the next Dealing Day.

Redemption proceeds are normally payable to one or more of the Registered Shareholders. The ACD reserves the right, at all times, to require a form of renunciation to be completed. If this is necessary, it will be issued with the contract note. The ACD also reserves the right to send repurchase proceeds by cheque to the registered address.

The minimum value of Shares which may be sold in each Class of each Sub-fund is given in Appendix D. A Shareholder will not be entitled to realise part only of his holding without the approval of the ACD if by so doing his holding would be reduced to less than the minimum permitted holding in respect of each Class of each Sub-fund as set out in Appendix D.

Any Shares transferred directly to the Company, with the ACD acting as agent, will be cancelled.

### **Switching between different Sub-funds**

A Shareholder in a Sub-fund may at any time Switch all or some of his Shares in one Sub-fund ("the Original Shares") for Shares in another Sub-fund ("the New Shares").

A Shareholder wishing to Switch Shares should apply either in writing to the ACD or, at the ACD's discretion, by telephone or by fax to the ACD's dealing department, after which written confirmation signed by all Shareholders must be sent to the ACD's dealing department. Telephone calls and electronic communications may be recorded by the ACD, its delegates, their duly appointed agents and any of their respective related, associated or affiliated companies for records keeping, security and/or training purposes, please see paragraph "Telephone and Electronic Communications Recording" below for further information.

Switches will be effected at the next Valuation Point following receipt of instruction from a Shareholder to switch or at a date mutually agreed between the ACD and the Shareholder(s).

The number of New Shares issued will be determined by reference to the respective prices of Original Shares and New Shares at the next Valuation Point applicable at the time the Original Shares are repurchased and the New Shares are issued.

The Shareholder must meet any relevant minimum investment or holding criteria in respect of the Shares in the Sub-fund into which the Switch is to be made.

If a Switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Class concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares or refuse to effect any Switch of the Original Shares.

No Switch will be made during any period when the right of Shareholders to require the redemption of their Shares is suspended. The general provisions on procedures relating to redemption of Shares will apply equally to a Switch.

The ACD may adjust the number of New Shares to be issued in order to reflect the imposition of any Switching fee together with any other charges or levies in respect of the issue or sale of the New Shares or repurchase or Cancellation of the Original Shares as may be permitted pursuant to COLL.

**Please note that, under current United Kingdom taxation law and guidance, a Switch of Shares in one Sub-fund for Shares in any other Sub-fund is treated by HM Revenue & Customs as a redemption and sale and therefore will, for persons subject to United Kingdom taxation, generally be a disposal for the purposes of capital gains taxation (save in respect of a merger or reconstruction of share capital).**

**A switch of Shares between different Sub-funds may also be subject to income equalisation as referred to in Section 8 of this Prospectus. The Sub-fund into which a Switch is made may also**

**be subject to dilution adjustment as described below under the heading “Dealing Charges and Dilution Adjustment”.**

A contract note showing details of the Switch will be sent to the Shareholder on the business day following completion of the transaction.

Please note that cancellation rights will not be given on Switches between Shareholdings in different Sub-funds.

### **Conversions between Classes of the same Sub-fund**

A holder of Shares in a Sub-fund may convert all or some of his Shares (“Original Class Shares”) for Shares in another Class (“New Class Shares”) of the same Sub-fund, subject to meeting the minimum requirements for the Class into which the Conversion is to be made.

A Shareholder wishing to convert Shares must apply in writing to the ACD or by fax to the ACD’s dealing department. In each case, written confirmation signed by all Shareholders must be provided to the ACD’s dealing department.

Conversions will be effected at the next Valuation Point following receipt of instruction from a Shareholder to convert or at a date mutually agreed between the ACD and the Shareholder(s).

The number of New Class Shares issued will be determined by reference to the respective prices of Original Class Shares and New Class Shares at the Valuation Point applicable at the time the Conversion takes place.

The Shareholder must meet any relevant minimum investment or holding criteria in respect of the Shares in the Class into which the Conversion is to be made.

If the Conversion would result in the Shareholder holding a number of Original Class Shares or New Class Shares of a value which is less than the minimum holding in the Class concerned, the ACD may, if it thinks fit, convert the whole of the applicant’s holding of Original Class Shares to New Class Shares or refuse to effect the relevant Conversion of the Original Class Shares. No Conversion will be made during any period when the right of Shareholders to require the sale of their Shares is suspended.

The ACD may adjust the number of New Class Shares to be issued or converted to reflect the imposition of any charges or levies in respect of the issue of New Class Shares or the Conversion of Original Class Shares as may be permitted in accordance with COLL.

The ACD may, at its discretion, charge a fee on the Conversion of Shares between Classes as described further below.

Conversions will be effected by the ACD recording the change of Class on the Register.

**Please note that, under current United Kingdom taxation law and guidance, a Conversion of Shares between different Classes within the same Sub-fund will generally not be treated by HM Revenue & Customs as a redemption and sale and will therefore generally not be a disposal for capital gains tax purposes for investors subject to United Kingdom taxation. However, please note that in certain limited circumstances, an exchange between Classes within the same Sub-fund may be classified as a Switch (for more information on Switches, see above under the heading “Switching between Different Sub-funds”) and may be treated differently for the purposes of capital gains taxation and income equalisation may be applicable.**

**Conversions will not generally be subject to income equalisation as referred to in Section 8 of this Prospectus.**

**Please note that by performing a Conversion, the ACD may be required to convert a portion of capital to income in order to match the relevant yield in the Class into which the Shareholder is Converting. This may have the effect of creating taxable income for persons subject to United Kingdom taxation (depending upon the Shareholder’s individual circumstances).**

A confirmation letter showing details of the Conversion will be sent to the Shareholder on the business day following completion of the transaction.

Please note that cancellation rights will not be given on Conversions between Shareholdings in different Classes.

#### *Mandatory Conversion of Shares*

Shareholders may be subject to mandatory Conversions as further described below under the heading “**Other Dealing Information**”.

#### **Market Timing**

The ACD may refuse to accept applications for subscriptions, redemptions or switches of Shares in a Sub-fund which it knows or in its absolute discretion considers it to be associated with market timing activities.

In general terms, market timing activities are strategies which may include frequent purchases and sales of Shares with a view to profiting from anticipated changes in market prices between Valuation Points or arbitraging on the basis of market price changes subsequent to those used in the valuation of a Sub-fund.

Such market timing activities are disruptive to fund management, may lead to additional dealing charges which cause losses/dilution to a Sub-fund and may be detrimental to performance and to the interests of long term Shareholders. Accordingly the ACD may in its absolute discretion reject any application for subscription or switching of Shares from applicants that it considers to be associated with market timing activities.

Information on the typical investor profile for each Sub-fund is set out in Appendix D.

#### **Dealing Charges and Dilution Adjustment**

##### *Initial Charge*

The ACD may make an initial charge on subscriptions to the Sub-funds. The level of the initial charge is expressed as a percentage of the subscription amount. Once the initial charge is deducted from the subscription amount the balance will be invested in Kames Capital ICVC Shares. For example, a subscription of £10,000 that is subject to an initial charge of 2.5% results in an initial charge of £250 and the £9,750 being invested in the Shares of the relevant Sub-fund.

The current level of the initial charge in respect of each Class of each Sub-fund is set out in Appendix D. The ACD may only increase the initial charge in accordance with COLL, the relevant provisions of which are set out below in Part 7.

The ACD may, at its discretion and from time to time, waive the initial charge in whole or in part. Any decision by the ACD to waive the initial charge shall in no way obligate the ACD to waive the initial charge in the future.

##### *Redemption Charge*

The ACD may make a charge on the redemption of Shares. At present no redemption charge is levied on Shares of any Class of any Sub-fund.

The ACD may not introduce a redemption charge on the Shares of any Class of any Sub-fund, unless not less than 60 days before the introduction:-

- a. the ACD has given notice in writing to all persons who ought reasonably to be known to the ACD to have made an arrangement for the purchase of Shares of that Class at regular intervals; and

- b. the ACD has published and revised the Prospectus showing the rate of charge, and its commencement date.

Any redemption charge introduced will apply only to Shares sold since its introduction.

#### *Switching and Conversion Fees*

The ACD may charge a fee on the Switching of Shares between Sub-funds or the Conversion of Shares between Classes. This fee may be up to 1.5% of the value of the Shares being Switched or Converted, but may be charged only if Switches or Conversions are made in respect of 5 or more Shareholder accounts in a calendar year. Valuations for determining this amount will be based upon the Valuation Point in respect of which the Switch or Conversion is performed (as determined above).

#### *Dilution Adjustment*

The basis on which the Company's investments are valued for the purpose of calculating the dealing price of Shares is documented in Appendix C, as required by COLL. The actual cost of purchasing or selling a Sub-fund's investments may be higher or lower than the mid-market value used in calculating the prices at which Shares in that Sub-fund are to be sold and redeemed. This may arise, for example, due to dealing expenses or through dealing at prices other than the mid-market value. In certain circumstances (for example, large volumes of deals) this may have an adverse effect on the Shareholders' interest in the Sub-fund. This effect is called "dilution"

#### *Dilution Adjustment Policy*

The Company may suffer dilution (reduction in the value of the Scheme Property as a result of the costs incurred in dealing in its underlying investments and of any spread between the buying and the selling prices of such investments which is not reflected in the issue or redemption price paid by or to the Shareholder). With a view to countering this (which, if it is significant, disadvantages existing or continuing Shareholders), the ACD reserves the right to make a "Dilution Adjustment" to the price of a Share in the following circumstances:-

- for all sales transacted during the period between two consecutive valuation points for the purposes of calculating the price of Shares in the Sub-fund where the net sales of Shares placed during that period would result in trading activity in the Sub-fund that would be expected to have a significant impact on the Sub-fund's Net Asset Value in respect of the market conditions at that time;
- for all redemptions transacted during the period between two consecutive valuation points for the purposes of calculating the price of Shares in the Sub-fund where the net redemptions of Shares placed during that period that would be expected to have a significant impact on the Sub-fund's Net Asset Value in respect of the market conditions at that time;
- in any other case where the ACD believes that the imposition of a dilution adjustment is required to safeguard the interests of continuing holders (for example, where the Sub-fund is continually suffering net redemptions).

Where a dilution adjustment is applied the value of the dilution adjustment will be paid forthwith by the ACD to the Depositary and will become part of the property attributed to the relevant Sub-fund.

As dilution is directly related to the inflows and outflows of monies from the Sub-funds it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the ACD will need to make such a dilution adjustment. However, for illustrative purposes the table below sets out the number of recent occasions a dilution adjustment applied, the range of such adjustments and whether the adjustment was on an "offer" or "bid" basis ("offer" meaning the adjustment increased the Share price, "bid" meaning the adjustment decreased the Share price).

<b>Sub-fund</b>	<b>Period</b>	<b>Number of times price adjusted in period</b>	<b>Range of Adjustment (%)</b>	<b>Number of times Fund has applied offer adjustment</b>	<b>Number of times Fund has applied bid adjustment</b>
Kames Diversified Monthly Income Fund	1 January 2015 - 31 December 2015	248 out of a possible maximum of 250 times	Bid: 0.40 - 0.48 Offer 0.60 - 0.68	248	0
Kames Diversified Growth Fund	1 January 2017 - 31 December 2017	1 out of a possible maximum of 250 times	Bid: 0.39 - 0.50 Offer 0.65 - 0.75	0	1
Kames Ethical Cautious Managed Fund	1 January 2017 - 31 December 2017	188 out of a possible maximum of 250 times	Bid: 0.42 - 0.49 Offer 0.92 - 0.99	84	104
Kames Ethical Corporate Bond Fund	1 January 2017 - 31 December 2017	87 out of a possible maximum of 250 times	Bid: 0.46 - 0.57 Offer 0.46 - 0.56	84	3
Kames Ethical Equity Fund	1 January 2017 - 31 December 2017	84 out of a possible maximum of 250 times	Bid: 0.29 - 0.33 Offer 0.79 - 0.83	84	0
Kames Global Equity Fund	1 January 2017 - 31 December 2017	1 out of a possible maximum of 250 times	Bid: 0.23 - 0.26 Offer 0.25 - 0.30	0	1
Kames High Yield Bond Fund	1 January 2017 - 31 December 2017	105 out of a possible maximum of 250 times	Bid: 0.36 - 0.42 Offer 0.36 - 0.42	0	105
Kames Investment Grade Bond Fund	1 January 2017 - 31 December 2017	224 out of a possible maximum of 250 times	Bid: 0.43 - 0.52 Offer 0.43 - 0.52	223	1
Kames Strategic Bond Fund	1 January 2017 - 31 December 2017	250 out of a possible maximum of 250 times	Bid: 0.43 - 0.48 Offer 0.64 - 0.73	0	250
Kames Sterling Corporate Bond Fund	1 January 2017 - 31 December 2017	61 out of a possible maximum of 250 times	Bid: 0.34 - 0.44 Offer 0.33 - 0.43	27	223
Kames UK Equity Absolute Return Fund	1 January 2017 - 31 December 2017	146 out of a possible maximum	Bid: 0.45 - 0.55	21	125

		of 250 times	Offer 0.44 - 0.54		
Kames UK Equity Fund	1 January 2017 - 31 December 2017	250 out of a possible maximum of 250 times	Bid: 0.21 - 0.26 Offer 0.22 - 0.73	0	250
Kames UK Equity Income Fund	1 January 2017 - 31 December 2017	1 out of a possible maximum of 250 times	Bid: 0.25 - 0.32 Offer 0.78 - 0.82	0	1
Kames UK Opportunities Fund	1 January 2017 - 31 December 2017	2 out of a possible maximum of 250 times	Bid: 0.25 - 0.27 Offer 0.75 - 0.77	2	0
Kames UK Smaller Companies Fund	1 January 2017 - 31 December 2017	2 out of a possible maximum of 250 times	Bid: 0.26 - 0.31 Offer 0.76 - 0.81	1	1

The ACD reserves the right to apply a higher dilution adjustment to the figures quoted and will monitor the circumstances of each Sub-fund on an ongoing basis. Where it is suspected that market timing may be taking place, the ACD reserves the right to take whatever action is required in order to act in the best interests of the Shareholders.

On the occasions when the dilution adjustment is not applied there may be an adverse impact on the total assets of the relevant Sub-fund.

### **Stamp Duty Reserve Tax (SDRT)**

With effect from 30 March 2014, there will be no SDRT charge when Shareholders surrender or redeem their Shares. However, where the redemption or surrender is satisfied by a non-pro rata in specie redemption, then a charge to SDRT may apply.

### **Other Dealing Information**

#### *Money Laundering*

As a result of legislation in force in the United Kingdom to prevent money laundering, persons conducting investment business are responsible for compliance with money laundering regulations. In order to implement these procedures, in certain circumstances investors may be asked to provide proof of identity when buying Shares. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to sell Shares.

The ACD may employ a reference agency to undertake online checks of a Shareholder's identity.

*Restrictions and Compulsory Transfer, Compulsory Redemption and Compulsory Switching and Conversion*

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares in the Company are acquired or held:-

- by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- in circumstances which would require the Company, the ACD or any investment adviser appointed from time to time to be registered under any law or regulation of any country or territory or cause the Company to apply for registration or comply with any registration requirements in respect of any of its Shares whether in the US or any other jurisdiction in which it is not currently registered; or
- which would result (or would if other Shares were acquired or held in like circumstances), in the opinion of the ACD, in the Company, its Shareholders, the ACD or any investment adviser incurring any liability to taxation or suffering any other legal, regulatory, pecuniary or adverse consequence which it or they might not have otherwise suffered (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
- where such person is a US Person or is holding the Shares for the account or benefit of a US Person,

together the “relevant circumstances”.

In this connection, the ACD may, inter alia, reject in its discretion any application for the purchase, sale, Switching or Conversion of Shares.

If it comes to the notice of the ACD that any Shares (“affected Shares”) are owned directly or beneficially in any of the relevant circumstances or if it reasonably believes this to be the case, the ACD may give notice to the holder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or the Switch or Conversion, where possible, of the affected Shares for other Shares in the Company the holding of which would not fall within the relevant circumstances or that a request in writing be given for the repurchase of such Shares in accordance with COLL. If any person on whom such a notice is served does not within thirty days after the date of such notice transfer his affected Shares to a person qualified to own them or Switch or Convert his Shares for other Shares the holding of which would not fall within any of the relevant circumstances or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares, he shall be deemed on the expiration of that thirty day period to have given a request in writing for the redemption of all the affected Shares pursuant to COLL.

If the Company or the ACD becomes aware that the holder of Shares in respect of which income is allocated or paid without deduction of UK income tax (“gross paying Shares”) has failed or ceased to be entitled to have income so allocated or paid, then the Company shall, without delay, treat the Shareholder concerned as if he had served on the Company a Conversion notice requesting Conversion of all gross paying Shares owned by such Shareholder for Shares in respect of which income is allocated or paid net of tax (“net paying Shares”) of the Class or Classes which, in the opinion of the ACD, most nearly equates to the Class or Classes of gross paying Shares held by that Shareholder.

A person who becomes aware that he is holding or owns affected Shares in any of the relevant circumstances, shall forthwith, unless he has already received a notice as aforesaid, either transfer all his affected Shares to a person qualified to own them or, where possible, Switch or Convert the affected Shares for other Shares in the Company the holding of which would not fall within any of the relevant circumstances or give a request in writing for the redemption of all of his affected Shares in accordance with COLL.

If a Shareholder who holds gross paying Shares fails or ceases to be entitled to have income so allocated or paid without deduction of UK income tax, then he shall, without delay, give notice thereof to the Company and the Company shall, upon receipt of such a notice treat the Shareholder

concerned as if he had served on the Company a Conversion notice requesting Conversion of all gross paying Shares owned by such Shareholder for net paying Shares of the Class or Classes which, in the opinion of the ACD, most nearly equates to the Class or Classes of gross paying Shares held by that Shareholder.

#### *Issue of Shares in Exchange for In Specie Assets*

The ACD may arrange for the Company to issue Shares in exchange for assets but will only do so where the Depositary is satisfied that the acquisition by the Company of those assets in exchange for the Shares concerned is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

The ACD will, by the close of business on the third Dealing Day after the issue of any Shares in exchange for assets as above, ensure transfer to the Depositary of the assets to be taken in exchange.

The ACD will ensure that the beneficial interest in the assets is transferred to the Company with effect from the issue of the Shares.

The ACD will not issue Shares in any Sub-fund in exchange for assets the holding of which would be inconsistent with the investment objective or policy of that Sub-fund.

#### *In Specie Redemptions*

In specie redemptions and Cancellations of Shares will be allowed:-

- a. In the case of holdings valued at less than 5% of the value of the Scheme Property attributed to the Sub-fund, at the request of the Shareholder, and at the discretion of the ACD.
- b. In the case of holdings valued at 5% or greater of the value of the Scheme Property attributed to the Sub-fund, at the request of the Shareholder, and at the discretion of the ACD, or if the ACD so demands by written notice to the Shareholder.

The ACD will give written notice to the Shareholder before the proceeds of the Cancellation would otherwise become payable in cash in lieu of such payment the Company will transfer Scheme Property of the relevant Sub-fund to the Shareholder.

The Scheme Property to be transferred is subject to the retention by the Company of Scheme Property or cash of a value or amount equivalent to any stamp duty reserve tax or stamp duty to be paid in relation to the Cancellation of Shares.

The ACD will select the Scheme Property to be transferred in consultation with the Depositary. They must ensure that the selection is made with a view to achieving no more advantage or disadvantage to the Shareholder requesting the Cancellation/redemption than to continuing Shareholders.

#### *Suspension of Dealings in Shares*

The ACD may, with the agreement of the Depositary, or must if the Depositary so requires, and if there is good reason in the interests of all of the Shareholders, suspend the issue, Cancellation, sale and redemption of Shares of any one or more Classes in any or all of the Sub-funds.

At the time of suspension, the ACD (or the Depositary if it has required the ACD to suspend dealing in Shares) must inform the FCA immediately stating the reasons for its actions and, as soon as is practicable, give the FCA written confirmation of the suspension and the reasons for it.

The ACD will notify Shareholders of the suspension as soon as practicable after suspension commences.

During any period of suspension, the obligations relating to the issue, sale, Cancellation and redemption of Shares contained in Chapter 6 of COLL will cease to apply and the ACD must comply

with as many of the obligations relating to the valuation of assets as is practicable in light of the suspension.

During any period of suspension, the ACD may agree to issue, redeem, Switch or Convert Shares at a price calculated by reference to the first Valuation Point after the end of the suspension. Any deals outstanding prior to the suspension shall be undertaken at a price calculated by reference to the first Valuation Point after the suspension.

In accordance with Chapter 7 of COLL, a suspension of dealing Shares will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased and the ACD and the Depositary must formally review the suspension at least every 28 days and must inform the FCA of the results of this review.

The calculation of Share prices will recommence as at the next Valuation Point following the end of the suspension period.

#### *Client Money*

In accordance with the FCA Rules and in appropriate circumstances, for example where Shares cannot be allocated to Shareholders following their purchase, or the proceeds of a redemption cannot be remitted to Shareholders following their redemption, money in respect of such Shares will be transferred to a client money bank account until such transactions can be completed. Money transferred to a client money bank account will be held in accordance with the FCA Rules. No interest will be paid on money held in these client money bank accounts.

The ACD makes use of an exemption from these rules where money does not have to be transferred into a client money bank account if such money is held in relation to a Delivery versus Payment transaction. Delivery versus Payment (DvP) is a procedure the investment industry uses to settle transactions made by their clients and it permits the ACD to cease to treat money as client money in connection with Delivery versus Payment transactions.

However, use of the exemption is limited in time, and where the ACD receives client money, in connection with a DvP transaction, and the ACD has not, by close of business on the business day following the date of receipt of the money, paid this money to the Depositary, the ACD will cease to make use of the exemption and will hold client money in a client money bank account. Similarly, the proceeds of redemptions (also arising from DvP transactions) will be only be protected in a client money account if the proceeds are still held by the ACD by close of business on the day following receipt of such proceeds from the Depositary.

#### *Governing Law*

All dealings in Shares will be governed by Scottish Law.

#### *Electronic Communications*

Currently, transfers of title to Shares may not be effected on the authority of an electronic communication.

## **7. Fees and Expenses**

**The Company, the Depositary, the Custodian, the ACD, the Auditor or any other "affected person" are not liable to account to each other or to Shareholders for any profits or benefits made or received which derive from or in connection with dealings in the Shares, or any transaction in the Scheme Property or the supply of services to the Company.**

## General

The Company may pay the following expenses incurred by or on behalf of the Company out of the property of any one or more of the Sub-funds:

- (1) Broker's commission, fiscal charges and any other disbursements which are necessarily incurred in effecting transactions for the Company. This will include expenses incurred in acquiring and disposing of investments including legal fees and expenses, whether or not the acquisition or disposal is carried out.
- (2) Any costs incurred in modifying the Instrument of Incorporation or this Prospectus.
- (3) Any costs incurred in respect of meetings of the Shareholders (including meetings of Shareholders in any particular Sub-fund or Class).
- (4) Any costs incurred in establishing and maintaining the Company's Register of Shareholders and any plan register, if any, and related matters.
- (5) Interest on borrowings permitted under the Instrument of Incorporation or the Prospectus and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings.
- (6) Taxation and duties payable in respect of the Scheme Property, the Instrument of Incorporation, the Prospectus or the creation, Cancellation, sale or redemption of Shares.
- (7) The fees of the Auditors and the tax, legal and other professional advisers to the Company and to the ACD and the Depositary properly payable and any proper expenses of the Auditors, tax, legal and other professional advisers to the Company and to the ACD and the Depositary.
- (8) The fees of the FCA under Chapter 4 Annex 4R of the FCA's Fees Manual, or any corresponding periodic fee of any regulatory authority in a country or territory outside the United Kingdom in which Shares are or may be marketed.
- (9) Any expenses properly incurred by the Depositary in performing duties imposed upon it (or exercising powers conferred on it) by the OEIC Regulations or COLL. The relevant duties include (but are not limited to) the delivery of stock to the Depositary or the Custodian, the custody of assets, the collection of income, the submission of tax returns, the handling of tax claims, the preparation of the Depositary's annual report and any other duties the Depositary is required to perform by law.
- (10) Fees in respect of the publication and circulation of details of the prices and yields of Shares, and other such information which the ACD is required by law to publish.
- (11) The costs of printing and distributing reports, accounts, the Prospectus and any Key Investor Information Documents of the Company or any Sub-fund.
- (12) Insurance which the Company may purchase and/or maintain for the benefit of and against any liability incurred by any directors of the Company in the performance of their duties.
- (13) Liabilities on amalgamation or reconstruction arising where the property of a body corporate or another collective investment scheme is transferred to the Depositary in consideration for the issue of Shares to the Shareholders in that body or to participants in that other scheme, provided that any liability arising after the transfer could have been paid out of that other property had it arisen before the transfer and, in the absence of any express provision in the Instrument of Incorporation forbidding such payment, the ACD is of the opinion that proper provision was made for meeting such liabilities as were known or could reasonably have been anticipated at the time of transfer.
- (14) It is not currently proposed to seek a listing for the Shares on any stock exchange, but if a listing is sought in future, the fees connected with the listing will be payable by the Company.

- (15) Any costs incurred in forming a Sub-fund.
- (16) Any other costs or expenses that may be taken out of the Company's property in accordance with COLL.

Value added tax will be added to these payments, where applicable.

Expenses will be allocated between capital and income in accordance with COLL. Treating any fees, expenses and charges as a capital charge may erode the capital or may constrain future capital growth.

In the event that any expense, cost, charge or liability which would normally be payable out of income property attributable to a Class or Sub-fund cannot be so paid because there is insufficient income property available for that purpose, such expense, cost, charge or liability may be paid out of the capital property attributable to that Class or Sub-fund.

Any third party research received in connection with investment advisory services that an Investment Adviser or the ACD provides to the Sub-funds will be paid for by the Investment Adviser or the ACD out of its fees, as relevant in relation to each Sub-fund, and will not be charged to the Funds.

### **Charges payable to the ACD**

An annual fee is paid by the Company out of the Scheme Property to the ACD and accrues daily and is reflected in the price of each Class of each Sub-fund daily. Payment to the ACD is monthly in arrears.

The level of these charges varies for different Classes and for different Sub-funds and is expressed as a percentage of the value of the Scheme Property attributed to each Sub-fund or Class, as appropriate.

The current annual fee for each Class of each Sub-fund is given in Appendix D. The amounts shown are inclusive of any fees payable by the Company directly to any investment adviser or any administrator where the Company has contracted directly with these parties. Value added tax will be added to these payments, where applicable.

On a winding up of the Company or a Sub-fund or on the redemption of a Class of a Sub-fund the ACD is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or receiving any outstanding obligations. No compensation for loss of office is provided for in the Agreement with the ACD.

The current annual fee to the ACD for a Class of a Sub-fund may be increased for that Class of that Sub-fund 60 days after:-

- (i) the ACD has given notice in writing to all the Shareholders of that Class of that Sub-fund; and
- (ii) the ACD has published and revised the Prospectus showing the rate of charge, and its commencement date.

For the avoidance of doubt, the ACD will not be required to notify Shareholders or amend the Prospectus as indicated in (i) and (ii) above where the fees charged by any investment adviser or administrator appointed from time to time are reduced, and the fee of the ACD is increased by a corresponding amount.

The ACD is also entitled to be paid by the Company out of the Scheme Property all reasonable, properly vouched, out-of-pocket expenses incurred in the performance of its duties including set-up costs of the Company or a new Sub-fund, stamp duty and stamp duty reserve tax on transactions in Shares.

Where the investment objective of a Sub-fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, subject to approval of the Shareholders or on 60 days' notice to Shareholders, all or part of the fees of the ACD, any investment adviser and/or any administrator may be charged against capital instead of against income. This treatment of the fees will increase the amount of income available for distribution to Shareholders in the Sub-fund but may constrain capital growth. This will be done with the approval of

the Depositary. Currently, fees payable in respect of Kames High Yield Bond Fund, Kames UK Equity Income Fund and Kames Diversified Monthly Income Fund are deducted from capital. Fees from all other Sub-funds are deducted from income.

The ACD is entitled to charge the Company 15% of the value of each remedy procured for the Company's benefit, that result from successful class actions filed by the ACD, in order to cover legal fees and administration costs incurred.

The ACD or any appointed investment adviser may enter into side letters with certain Shareholders whereby the ACD or such investment adviser agrees to pay a rebate which has the effect of reducing the fee rate payable to the ACD or such investment adviser in respect of that Shareholder's investment in a Sub-Fund. The fact that the ACD or relevant investment adviser has agreed to pay such a rebate to one Shareholder shall not automatically entitle other Shareholders to receive such a rebate.

### Depositary's Fee

The Depositary receives for its own account a periodic fee which will accrue daily and is payable monthly on the last Dealing Day in each calendar month in respect of that day and the period since the last Dealing Day in the preceding month and is payable within seven days after the last Dealing Day in each month. The fee is calculated by reference to the value of each Sub-fund on the last Dealing Day of the preceding month except for the first accrual which is calculated by reference to the first Valuation Point of each Sub-fund. The rate of the periodic fee is agreed between the ACD and the Depositary is calculated on a sliding scale for each Sub-fund on the following basis:

0.02% per annum of the first £300,000,000 of the Scheme Property  
 0.015% per annum of the next £200,000,000 of the Scheme Property  
 0.01% per annum of the balance

These rates can be varied from time to time in accordance with COLL.

The first accrual in relation to any Sub-fund will take place in respect of the period beginning on the day on which the first valuation of that Sub-fund is made and ending on the last Dealing Day of the month in which that day falls.

In addition to the periodic fee referred to above, the Depositary shall also be entitled to be paid transaction and custody charges in relation to transaction handling and safekeeping of the Scheme Property as follows:

Item	Range
Transaction Charges	£3.50 to £100
Custody Charges	0.0025% to 0.45%

These charges vary from country to country depending on the markets and the type of transaction involved. Transaction charges accrue at the time the transactions are effected and are payable as soon as is reasonably practicable, and in any event not later than the last business day of the month when such charges arose or as otherwise agreed between the Depositary and the ACD. Custody charges accrue and are payable as agreed from time to time by the ACD and the Depositary.

Where relevant, the Depositary may make a charge for its services in relation to: distributions, the provision of banking services, holding money on deposit, lending money, or engaging in stocklending or repo transactions, in relation to the Sub-fund and may purchase or sell or deal in the purchase or sale of Scheme Property, provided always that the services concerned and any such dealing are in accordance with the provisions of COLL.

The Depositary will also be entitled to payment and reimbursement of all costs, liabilities and expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Instrument, COLL or by the general law.

On a winding up of the Company, or a termination of a Sub-fund the Depositary will be entitled to its *pro rata* fees, charges and expenses to the date of winding up, the termination, or the

redemption (as appropriate) and any additional expenses necessarily realised in settling or receiving any outstanding obligations.

Any value added tax on any fees, charges or expenses payable to the Depositary will be added to such fees, charges or expenses.

In each such case such payments, expenses and disbursements may be payable to any person (including the ACD or any associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it pursuant to COLL by the Depositary.

*Important Note*

Currently, depositary fees payable in respect of the Kames High Yield Bond Fund, the Kames UK Equity Income Fund and the Kames Diversified Monthly Income Fund are deducted from capital.

**Introduction or increase of remuneration of Depositary or Custodian**

Remuneration payable out of the Scheme Property to the Depositary or Custodian can only be introduced or increased in accordance with COLL.

**Investment Adviser's Fee**

Where, in respect of any relevant Sub-funds, a separate investment advisory fee is payable to any investment adviser appointed from time to time, the fee of the ACD will be reduced accordingly.

**Administrator's Fee**

Where, in respect of any relevant Sub-funds, a separate administration fee is payable to any administrator appointed from time to time, the level of this fee for each Class, where applicable, will be set out in Appendix D.

Where this occurs, the fee of the ACD will be reduced accordingly.

**8. Accounting and Income**

**Accounting Periods**

The annual accounting period of the Company ends on 31 July ("the accounting reference date") in each year. The half-yearly accounting period ends on 31 January in each year.

**Annual Reports**

The annual long reports of the Company will normally be published by 30 November and half-yearly long reports will be published by 31 March each year. Copies of the long annual and half-yearly reports are available on request from the ACD.

**Income**

Allocations of income are made in respect of the income available for allocation in each accounting period (whether annual or interim). The annual and interim income allocation dates, if any, for each Sub-fund are given in Appendix D. Allocations of income for each Sub-fund will be made on or before the relevant income allocation due date in respect of the income available for allocation in each accounting period (whether annual or interim).

Income is paid by direct credit to each Shareholder's bank or building society account or by cheque to the first named Shareholder when the distribution is paid.

The amount available for distribution or accumulation in any accounting period is calculated by taking the proportion of the aggregate of the income received or receivable for the account of the relevant Sub-fund in respect of that period attributable to the relevant Class and deducting the charges and expenses of the relevant Class paid or payable out of income in respect of that accounting period. The ACD then makes such other adjustment as it considers appropriate (and after consulting with the auditors as appropriate) in relation to:-

- taxation;
- income equalisation;
- income unlikely to be received within twelve months following the relevant income allocation date;
- income which should not be accounted for on an accruals basis because of lack of information as to how it accrues;
- transfers between the income and capital account;
- the ACD's best estimate of the tax reliefs on charges and expenses; and
- any such other adjustments (including those for authorisation) which the ACD considers appropriate.

Income earned in an interim accounting period need not be distributed immediately and may instead be retained and used to ensure that distributions paid throughout the year are broadly similar. Any residual income will be distributed at the Sub-fund's annual income allocation date. This policy is known as "smoothing". The ACD intends to operate a smoothing policy in respect of Kames Diversified Monthly Income Fund.

Any distribution payment of a Sub-fund which remains unclaimed after a period of six years from the date of payment, will be forfeited and will be transferred to and become part of that Sub-fund's capital property. Thereafter, neither the Shareholder nor any successor will have any rights to it except as part of the capital property.

### **Income Equalisation**

The Company will operate grouping for equalisation.

Each Class of each Sub-fund will operate its own equalisation account.

Shares purchased during a distribution period are called Group 2 Shares.

Shares purchased during any previous distribution period are called Group 1 Shares.

Group 2 Shares contain in their purchase price an amount called equalisation which represents a proportion of the net income of the Sub-fund that has accrued up to the date of purchase. The amount of equalisation is averaged across all the Shareholders of Group 2 Shares and is refunded to them as part of their first distribution and is treated as a return of capital for tax purposes. Being capital it is not liable to income tax but must be deducted from the cost of Shares for capital gains tax purposes.

## **9. UK Taxation**

**The following information is a summary of anticipated tax treatment in the United Kingdom ("UK"). This information is based on the law enacted in the UK on the date of this Prospectus, is subject to changes therein and is not exhaustive. Please note that the tax treatment of investors depends on their individual circumstances and may be subject to change in the future. Shareholders are therefore recommended to consult their professional advisers if they are in any doubt about their tax position.**

The information given under this heading does not constitute legal or tax advice. It applies only to UK resident and, in the case of individuals, domiciled, Shareholders, who hold their Shares as an investment and who are the absolute beneficial owner of the Shares. It does not describe the taxation treatment of Shareholders which are subject to special tax regimes or of persons in jurisdictions other

than the United Kingdom. Prospective investors should consult their own professional advisers as to the implications of subscribing for, purchasing, holding, Switching or disposing of Shares under the laws of the jurisdiction in which they are resident for tax purposes.

## **The Company**

Each Sub-fund will be treated as a separate entity for UK tax purposes.

Dividends, whether received from UK or non-UK companies should not generally be subject to UK corporation tax. Each Sub-fund can choose to elect to tax particular overseas dividends and, where it makes such an election, these dividends will be included in the taxable income of the Sub-fund. Most other sources of income (e.g. interest income) will also constitute taxable income of the Sub-fund. Each Sub-fund will be subject to corporation tax at 20% on its taxable income after deducting allowable expenses and interest distributions (see below) and subject to relief for some or all of any foreign tax suffered in respect of that taxable income.

Gains and losses on creditor relationships (e.g. loan stocks, corporate bonds, gilts) will not be taxable if they are included in the accounts as 'net gains/losses on investments' or 'other gains/losses'.

Capital gains realised on the disposal of the investments held by any of the Sub-funds are not subject to UK corporation tax. However, in certain circumstances, income may be deemed to arise for tax purposes in respect of investments (e.g. interests in limited partnerships and interests in reporting or non-reporting offshore funds) notwithstanding that the income concerned has not been received as such by the Sub-fund.

### *Stamp Duty/SDRT*

Stamp duty or SDRT may be payable by the Company on the purchase of investments or in respect of any transfers of assets between Sub-funds.

## **Shareholders**

Allocations of income to Shareholders are treated as taxable distributions regardless of whether the income is retained within the Sub-fund or actually paid to Shareholders.

### *Income – dividend distributions*

Any dividend distribution made by a Sub-fund will be treated as if it were a dividend from a UK company. Dividend distributions are dividend income. No deduction of UK income tax is made from a dividend distribution.

All UK resident individual Shareholders have a tax-free Dividend Allowance. The allowance is available to anyone who has dividend income. From 6 April 2018, the Dividend Allowance provides a 0% tax rate on the first £2,000 of dividend income per year (2016/2017 to 2017/18 tax years: £5,000 Dividend Allowance per year). UK residents will pay tax on dividends received over this allowance. Where additional tax is payable it is the individual's responsibility to report this to HMRC.

Tax is paid on dividend income received over the £2,000 at the following rates:

- 7.5% on dividend income within the basic rate band
- 32.5% on dividend income within the higher rate band
- 38.1% on dividend income within the additional rate band

Dividends received by pension funds that are currently exempt from tax, and dividends received on shares held in an Individual Savings Account (ISA), will continue to be tax free.

A UK resident corporate Shareholder receiving a dividend distribution (or deemed to receive a dividend distribution for example in respect of accumulated income) after deducting any equalisation payment in respect of Shares in any Sub-fund, is treated as receiving a payment which may consist of two parts,

one part being the "unfranked part" (which may be further split into a foreign and non-foreign element) and the other the "franked part".

The extent to which the receipt is treated as unfranked will in broad terms depend on the proportion of the total income of the Sub-fund (brought into account when determining the distribution for the period in question) which is subject to corporation tax. The unfranked part of a dividend distribution is treated as an annual payment from which income tax at a rate equal to the basic rate of income tax is deemed to have been deducted. Where appropriate, this deemed tax is split between deemed foreign tax (being the corporate Shareholder's share of the double tax relief claimed by the Sub-fund) and deemed income tax (being the balancing figure).

When determining the foreign and non-foreign elements of the unfranked part, a proportionate share of the unfranked part, calculated by reference to the deemed foreign tax, is treated as foreign income. The balance of the unfranked part is treated as non-foreign income. The franked part of the dividend distribution is treated as an ordinary UK dividend.

A repayment of income tax on the unfranked part may be available to a Shareholder subject to anti-avoidance provisions. It is not possible for a corporate Shareholder to reclaim any of the deemed foreign tax credit.

#### *Income – interest distributions*

A Sub-fund for which the market value of its "qualifying investments" (broadly interest generating assets) exceeds 60% of the market value of all its investments throughout the distribution period (a "bond" fund for UK tax purposes) may make an interest distribution instead of a dividend distribution. The amount of the interest distribution is deductible in computing the Sub-fund's income for corporation tax purposes to the extent that the distribution is derived from income in respect of which the Sub-fund has been charged to corporation tax.

Interest distributions are normally paid after deduction of UK income tax at the rate of 20%. However, income tax will not need to be deducted from interest distributions to certain categories of Shareholders, including individuals not resident in the UK, non-resident companies (provided certain conditions are met), ISA investors, charities, pension funds, companies within the charge to UK corporation tax and partnerships where every partner would be entitled to gross payment. Investors who demonstrate that they fall within one of these categories may hold gross paying Shares in the relevant Sub-fund, if available.

Interest distributions paid after 6 April 2017 will be paid gross to investors (no income tax will be deducted from the payment). This follows announcements made by the Government in Budget 2016.

Individual UK resident Shareholders have an annual Personal Savings Allowance. Interest distributions are classed as Savings Income for the purposes of the Personal Savings Allowance.

Individuals who pay tax at the basic rate have a Personal Savings Allowance of £1,000. Up to £1,000 of Savings income is tax-free. Income tax deducted on this eligible savings income can be reclaimed from HMRC.

Savings income received in excess of Personal Savings Allowance will be taxed at the basic rate, the tax deducted will therefore satisfy in full the tax liability on the interest distributions.

Individuals who pay tax at the higher rate have a Personal Savings Allowance of £500. Up to £500 of Savings Income is tax-free. Income tax deducted on this eligible savings income can be reclaimed from HMRC.

Savings Income received in excess of Personal Savings Allowance will be taxed at the higher rate, the tax deducted may not satisfy the tax liability on the interest distributions and additional tax may be due to HMRC.

Individuals who pay tax at the additional tax rate have no Personal Savings Allowance, the tax deducted will not satisfy the full tax liability on the interest distribution and additional tax will be due to HMRC.

Shareholders eligible for the starting rate of tax on savings income will be subject to income tax at 0% on interest distributions up to the current limit of £17,850 (2018/2019) taxable income (£17,500: 2017/2018). Income tax deducted on this eligible savings income can be reclaimed from HMRC. UK resident non-taxpayers may also claim a refund from HMRC of the UK income tax deducted. In the case of Shares held through an ISA, the account manager may claim a refund from HMRC of any UK tax deducted. A non-resident Shareholder may also be entitled to receive a repayment of any UK income tax deducted, under a relevant double taxation agreement.

UK companies are subject to UK corporation tax on gross interest distributions, whether paid or allocated to them.

### *Capital Gains*

Shareholders who are resident in the UK for tax purposes may be liable to capital gains tax or, where the Shareholder is a company, corporation tax in respect of gains arising from the sale, exchange or other disposal of Shares. See Section 6 above for further information in respect of Switches and Conversions.

Capital gains made by individual Shareholders on disposals from all chargeable sources of investment will be tax free if the net gain (after deduction of allowable losses) falls within an individual's annual exempt amount. For the tax year 2018/2019, the first £11,700 of an individual's net chargeable gains is exempt from capital gains tax (2017/2018: £11,300); gains in excess of this amount are taxed at 10% if the individual's total chargeable gains do not exceed the upper limit of the income tax basic rate band and at 20% if the total exceeds that limit.

Shareholders chargeable to UK corporation tax must include all chargeable gains realised on the disposal of Shares in their taxable profits. The amount chargeable may be reduced by an indexation allowance.

Part of any increase in value of accumulation Shares represents the accumulation of income (including income equalisation but excluding tax credit). These amounts may be added to the acquisition cost when calculating the capital gain realised on their disposal.

Special provisions apply to a UK corporate Shareholder which invests in a bond fund (see above). Where this is the case, the corporate Shareholder's Shares in the Sub-fund are treated for tax purposes as rights under a creditor loan relationship. This means that the increase or decrease in value of the Shares during each accounting period of the corporate Shareholder is treated as a loan relationship credit or debit, as appropriate, and constitutes income (as opposed to a capital gain) for tax purposes and, as such, is taxed in the year that it arises.

The amount representing the income equalisation element of the Share price is a return of capital and is not taxable as income in the hands of Shareholders. This amount should be deducted from the cost of Shares in computing any capital gain realised on a subsequent disposal.

### *EU Savings Directive*

Following implementation of the EU Savings Directive into UK law, details of "savings income payments" made to individuals resident in another member state within the European Union or resident within certain other jurisdictions, must be reported to HMRC. In the context of the Company and a UK established paying agent, a distribution from a Sub-fund will be a "savings income payment" if the Sub-fund holds more than 15% of its assets in money debts. In addition, income realised upon the sale or redemption of Shares will be a savings income payment if the Sub-fund holds more than 25% of its assets in money debts.

**These statements are based on UK law and HM Revenue & Customs practice as known at the date of this Prospectus. They do not constitute legal or tax advice. Prospective investors should consult their own professional advisers as to the implications of subscribing for, purchasing, holding, Switching, Converting or disposing of Shares under the laws of the jurisdiction in which they may be subject to.**

### *Genuine Diversity of Ownership*

Shares in each of the Sub-funds shall be widely available. The intended categories of investors are those seeking to invest in UCITS including retail investors, institutional investors (including pension funds) and high net worth individual investors. Shares in the Sub-funds are marketed and made available sufficiently widely to reach the intended categories of investors, and in a manner appropriate to attract those categories of investors.

## **10. Meetings of Shareholders, Voting Rights and Service of Notices**

In this section "relevant Shareholder" in relation to a general meeting of Shareholders means a person who is a Shareholder on the date seven days before the notice of that general meeting is sent out but excludes any person who is known to the ACD not to be a Shareholder at the time of the general meeting.

### **Service of Notice to Shareholders**

Notices of the Meetings and Adjourned Meetings will be sent to the Shareholders at their registered address.

### **Convening and Requisition of Meetings**

The ACD and the Depositary may convene a general meeting at any time. Shareholders may also requisition a general meeting of the Company. A requisition by Shareholders must state the objects of the meeting, be dated, be signed by Shareholders not representing less than one tenth in value of all Shares of the Company then in issue and the requisition must be deposited at the head office of the Company. The ACD must convene a general meeting no later than eight weeks after receipt of such requisition.

In accordance with Regulation 37A of the OEIC Regulations, the Company will not hold an Annual General Meeting. Copies of the service contracts, which would normally be approved at an Annual General Meeting if one were to be held, are available from the ACD on request.

### **Notice and Quorum**

Shareholders will receive at least 14 days' notice of a Shareholders' meeting (other than an adjourned meeting when a shorter period of notice is permitted) and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for a meeting is two Shareholders, present in person or by proxy or, in the case of a corporation, by a duly authorised representative. The quorum for an adjourned Meeting is one Shareholder present in person or by proxy or, in the case of a corporation, by a duly authorised representative.

### **Voting Rights**

At a meeting of Shareholders, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.

On a poll vote, a Shareholder may vote either in person or by proxy. The voting rights attaching to each Share are such proportion of the voting rights attached to all Shares in issue as the price of the Share bears to the aggregate price(s) of all the Shares in issue at a cut-off date selected by the ACD which is a reasonable time before the notice of meeting is sent out.

A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

Except where COLL or the Instrument of Incorporation require an extraordinary resolution (which needs 75% of the votes cast at the meeting to be in favour if the resolution is to be passed) any resolution

required by COLL will be passed by a simple majority of the votes validly cast for and against the resolution. The ACD may not be counted in the quorum for a meeting and neither the ACD nor any associate (as defined in COLL) of the ACD is entitled to vote at any meeting of the Company except in respect of Shares which the ACD or an associate holds on behalf of or jointly with a person who, if the Registered Shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions.

### **Class Meetings and Sub-fund Meetings**

The above provisions, unless the context otherwise requires, apply to Sub-fund meetings and Class meetings as they apply to general meetings of Shareholders but by reference to Shares of the Sub-fund or Class concerned and the Shareholders and prices of such Shares.

### **Variation of Class Rights**

The rights attached to a Class or a Sub-fund may only be varied in accordance with COLL.

### **Notifying Shareholders of Changes**

Where the ACD proposes to make a change to the operation of the Company this will be classified as either a fundamental, significant or notifiable change as described below:-

- A. A fundamental change is one where the ACD must, by way of an extraordinary resolution, obtain prior approval from Shareholders for the proposed change. A fundamental change is a change or event which:-
  - (i) changes the purpose or nature of a Sub-fund; or
  - (ii) may materially prejudice a Shareholder; or
  - (iii) alter the risk profile of the a Sub-fund; or
  - (iv) introduces a new type of payment out of the Scheme Property.
  
- B. A significant change is one where the ACD must give a minimum of 60 days prior written notice of the proposed change to Shareholders. A significant change or event is one which is not fundamental, as described above, but which:-
  - (i) affects a Shareholder's ability to exercise his rights in relation to his investment; or
  - (ii) would reasonably be expected to cause the Shareholder to reconsider his participation in a Sub-fund; or
  - (iii) results in any increased payments out of the Scheme Property to an authorised fund manager or any director of an ICVC or an associate of either; or
  - (iv) materially increases other types of payment out of the Scheme Property.
  
- C. A notifiable change is one where the ACD must inform Shareholders in an appropriate manner and timescale of any changes that are reasonably likely to affect, or have affected, the operation of a Sub-fund. A notifiable change is one other than a fundamental or significant change, as described above, which a Shareholder must be made aware of unless the ACD concludes that the change is insignificant.

## **11. Winding Up of the Company or Termination of any Sub-fund**

The Company shall not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under COLL. A Sub-fund may only be terminated under COLL.

Where the Company is to be wound up or a Sub-fund is to be terminated under COLL, such winding up or termination may only be commenced following approval by the FCA. The FCA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company) either that the Company will be able to meet its liabilities within twelve months of the date

of the statement or state that such confirmation cannot be given. The Company may not be wound up under COLL if there is a vacancy in the position of the ACD at the relevant time.

Subject to the foregoing, the Company may be wound-up or a Sub-fund terminated under COLL if:

- a. an extraordinary resolution to that effect is passed by Shareholders; or
- b. the period (if any) fixed for the duration of the Company or a particular Sub-fund by the Instrument of Incorporation expires, or the event (if any) occurs on the occurrence of which the Instrument of Incorporation provides that the Company or a particular Sub-fund is to be wound up (for example, if the share capital of the Company is below its prescribed minimum) or (in relation to any Sub-fund) the Net Asset Value of the Sub-fund is less than £1,000,000, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Sub-fund); or
- c. on the date of effect stated in any agreement by the FCA to a request by the ACD for the revocation of the authorisation order in respect of the Company or the relevant Sub-fund.

On the occurrence of any of the above:

- a. Parts 5, 6.2 and 6.3 of COLL relating to investment and borrowing, dealing and pricing will cease to apply to the Company or the particular Sub-fund;
- b. The Company will cease to issue and cancel Shares in the Company or the particular Sub-fund and the ACD shall cease to sell or redeem Shares or to arrange for the Company to issue or cancel them for the Company or the particular Sub-fund;
- c. No transfer of a Share shall be registered and no other change to the Register shall be made without the sanction of the ACD;
- d. Where the Company is being wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;
- e. The corporate status and powers of the Company and, subject to the preceding provisions of a. to d. above, the powers of the ACD shall remain until the Company is dissolved.

The ACD shall, as soon as practicable after the Company falls to be wound up or the Sub-fund falls to be terminated, realise the assets and liabilities of the Company (or, as the case may be, the relevant Sub-fund) and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, provided that there are sufficient liquid Sub-funds available, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the Scheme Property of the Company or the Sub-fund. When the ACD has caused all the Scheme Property to be realised and all of the liabilities of the Company or the particular Sub-fund to be realised, the ACD shall arrange for the Depositary to make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company or the particular Sub-fund.

As soon as is reasonably practicable after the completion of the winding up of the Company or the termination of the particular Sub-fund, the Depositary must notify the FCA of that fact.

On completion of the winding up of the Company, the Company will be dissolved and the ACD shall arrange that any money (including unclaimed distributions) standing to the account of the Company, will be paid by the Depositary into court within one month of dissolution.

Following the completion of a winding up of the Company or the termination of a Sub-fund, the ACD must prepare a final account showing how the winding up or termination took place and how the Scheme Property was distributed. The Auditors shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and

the Auditors' report must be sent to the FCA, to each Shareholder and, in the case of winding up of the Company, to the Registrar of Companies within four months of the termination or the winding up.

As the Company is an umbrella company, any liabilities attributable or allocated to a particular Sub-fund under COLL shall be met first out of the Scheme Property attributable or allocated to that particular Sub-fund.

## **12. Risk Factors**

Potential investors should consider the following risk factors before investing in the Company. Such factors apply directly to each Sub-fund in connection with investments it holds or strategies it undertakes and, indirectly, through collective investment schemes in which each Sub-fund may invest.

The level of risk varies between Sub-funds. In assessing the risk profile of each Sub-fund, the following factors should be taken into account where relevant.

### **General**

The investments of the Company are subject to normal fluctuations and other risks inherent in investing in securities and collective investment schemes which invest in securities, whether equities or bonds, or in derivatives of these securities. There can be no assurance that any appreciation in value of investments will occur or that any income will be generated. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original investment invested in the Company. There is no assurance that the investment objectives of any Sub-fund will actually be achieved and no warranty or representation is given to this effect.

The levels, bases and reliefs from taxation can change. Any rates of tax to which this Prospectus refers are those which are currently available.

Past performance is not a guide to future performance. It can in no way provide a guarantee of returns that Shareholders may receive in future.

The profile of a typical investor for whom each Sub-fund is designed is detailed in Appendix D.

### **Effect of Initial Charge**

Where an initial charge is imposed, an investor who realises his Shares after a short period may not (even in the absence of a fall in value of the relevant investments) realise the amount originally invested. Therefore, the Shares should be viewed as a long term investment.

**This currently applies to all the Sub-funds.**

### **Suspension of Dealings in Shares**

Investors are reminded that in certain circumstances their right to redeem Shares may be suspended (see "Suspension of Dealings" in Part 6).

**This potentially applies to all the Sub-funds.**

### **Currency Exchange Rates**

Currency fluctuations may indirectly affect the value of a Sub-fund's investments and the income thereon and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of his investment in Shares. A significant portion of a Sub-fund's assets or the underlying assets of the collective investment schemes in which a Sub-fund invests may be denominated in a currency other than the base currency of a Sub-fund or Class. There is the risk that the value of such assets and/or the value of any distributions from such assets may decrease if the underlying currency in which assets are traded falls relative to the base currency in which Shares of the relevant Sub-fund are valued and priced. Sub-funds are not required to hedge their foreign currency risk, although they

may do so through foreign currency exchange contracts, forward contracts, currency options and other methods. To the extent that a Sub-fund does not hedge its foreign currency risk or such hedging is incomplete or unsuccessful, the value of that Sub-fund's assets and income could be adversely affected by currency exchange rate movements. There may also be circumstances in which a hedging transaction may reduce currency gains that would otherwise arise in the valuation of the Sub-fund in circumstances where no such hedging transactions are undertaken.

This potentially applies to all Sub-funds.

### **Derivatives**

Derivatives may be used for: (i) investment purposes; (ii) Efficient Portfolio Management (including hedging); or (iii) both (i) and (ii).

Currently, **Kames High Yield Bond Fund, Kames Diversified Growth Fund, Kames Investment Grade Bond Fund, Kames Sterling Corporate Bond Fund, Kames Strategic Bond Fund, Kames UK Equity Absolute Return Fund and Kames Diversified Monthly Income Fund use Derivatives for investment purposes and Efficient Portfolio Management.**

**Each of the other Sub-funds may use derivatives for Efficient Portfolio Management.**

**The derivatives which may be used for time to time by the ACD, regardless of their use, are:**

**Contracts for Differences ("CFDs"), Forwards, Futures, Options and Swaps. In certain circumstances these derivatives may be traded "off-exchange".**

- a. **All derivatives contracts involve an element of risk.** The ACD may use one or more separate approved counterparties to undertake derivative transactions on behalf of the Sub-funds and may be required to pledge collateral paid from within the assets of the Sub-funds to secure such contracts. There may be a risk that an approved counterparty will wholly or partially fail to honour their contractual arrangements under the transaction with regard to the return of collateral and any other payments due to the Sub-funds and the Sub-funds may suffer losses as a result. The counterparty will forfeit its collateral if it defaults on the transaction. However, if the collateral is in the form of securities, there is a risk that when it is sold it will realise insufficient cash to settle the counterparty's debt to the Sub-fund or to purchase replacements for the securities that were lent to the counterparty. This may result in losses for the investors.
- b. A forward transaction involves the purchase or sale of a specific quantity of a foreign currency, government security or other financial instrument at an agreed price for delivery and settlement at a specified future date. Forwards are "over-the-counter", which means that they are traded "off-exchange".
- c. Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. A futures contract involves an obligation to purchase or sell and can generate indeterminate losses. The 'gearing' or 'leverage' often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. A futures contract, as an obligation, can only be closed out (disposed of) by cancelling out its effect by buying or selling a futures contract with the opposite effect.
- d. An option is, in investment terms the right, but not the obligation, to buy (call option) or sell (put option) an investment at a predetermined price at some particular date in the future. Buying options involves less risk than selling options. If the price of the underlying asset moves against the holder of the option, the holder can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. If an investor were to write an option, the risk involved is considerably greater than buying options. In that case, the writer of the option may be liable for margin to maintain their position and a loss may be sustained well in excess of the premium received.
- e. Contracts for Differences ("CFDs") involve a contract between two counterparties ("buyer" and "seller") which require that the seller will pay to the buyer the difference between the current

value of an asset and its value at a particular contract time. (If the difference is negative, then the buyer pays instead to the seller.) CFDs allow traders to take advantage of prices moving up or prices moving down on underlying financial instruments and are often used to speculate on markets. CFDs are typically traded "over-the-counter", which means that they are traded "off-exchange". CFDs are traded on margin, and the leveraging effect of this increases the risk significantly. Margin rates are typically small and therefore a small amount of money can be used to hold a large position.

- f. Swaps are generally exchanges of payments between two counterparties, which can take a number of different forms including a credit default swap (CDS). A CDS is a product designed to transfer the credit risk of fixed income products between two counterparties. The counterparties form an agreement under which one counterparty (the protection buyer) pays a periodic fee to the other (the protection seller) in return for insurance over the credit worthiness of a specific fixed income security/index. On the happening of certain specified credit events the protection seller is obliged to pay an agreed sum for protection against a credit risk or traded as investments in their own right as a means of producing income. As with all counterparty agreements, there is a risk to each party of a contract that a counterparty will not fulfil its obligations.
- g. Transactions in off-exchange or 'non transferable' Derivatives may involve greater risk than investing in on-exchange Derivatives because there is no exchange market on which to close out an open position.
- h. As a result of the use of Derivatives, the ACD may establish short positions which will fall in value if the value of the underlying asset rises (and vice versa).

### Short Sales

A short sale involves the sale of a security that a Sub-fund does not physically own in the expectation of purchasing the same security at a later date at a lower price to secure a profit. UCITS regulations prohibit the short selling of physical securities but allow the creation of synthetic short positions through the use of cash settled Derivatives such as equity swaps (contracts for difference), as long as any exposure created is covered by the assets of the Sub-fund. The establishment and maintenance of a short position in equities can involve greater risks than would be the case with a long position. These include the possibility of unlimited loss due to potentially unlimited proceeds appreciating in the securities concerned, problems associated with the cost or availability of stock to borrow for the purposes of short selling and possible difficulties in purchasing stock to cover short positions in certain market conditions.

This currently applies to the following Sub-funds: **Kames UK Equity Absolute Return Fund and Kames Diversified Monthly Income Fund.**

### Stocklending or repo transactions

**All stocklending or repo transactions involve an element of risk.** The ACD may use one or more separate approved counterparties to undertake such transactions on behalf of the Sub-funds and may be required to pledge collateral paid from within the assets of the Sub-funds to secure such transactions. There may be a risk that an approved counterparty will wholly or partially fail to honour their contractual arrangements under the transaction with regard to the return of collateral and any other payments due to the Sub-funds and the Sub-funds may suffer losses as a result. The counterparty will forfeit its collateral if it defaults on the transaction. However, if the collateral is in the form of securities, there is a risk that when it is sold it will realise insufficient cash to settle the counterparty's debt to the Sub-fund or to purchase replacements for the securities that were lent to the counterparty. This may result in losses for Shareholders.

This currently applies to the following Sub-funds: **Kames UK Equity Absolute Return Fund, Kames Sterling Corporate Bond Fund, Kames Ethical Cautious Managed Fund, Kames Strategic Bond Fund, Kames Investment Grade Bond Fund, Kames High Yield Bond Fund, Kames Diversified Monthly Income Fund, Kames Diversified Growth Fund and Kames Ethical Corporate Bond Fund.**

## Emerging Markets

Where Sub-funds invest in emerging markets these investments may carry risks associated with failed or delayed settlement or market transactions and with the registration and custody of securities.

Investments in emerging markets may involve a higher than average risk. Investors should consider whether or not investment in such Sub-funds is either suitable for or should constitute a substantial part of their portfolio.

Companies in emerging markets may not be subject:

- a. to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies in major markets.
- b. to the same level of government supervision and regulation of stock exchanges as countries with more advanced securities markets.

Accordingly, certain emerging markets may not afford the same level of investor protection as would apply in more developed jurisdictions.

Restrictions on foreign investment in emerging markets may preclude investment in certain securities by certain Sub-funds and, as a result, limit investment opportunities for such Sub-funds. Substantial government involvement in, and influence on, the economy may affect the value of securities in certain emerging markets.

The reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets, which may result in delays in realising investments.

Lack of liquidity and efficiency in certain of the stock markets or foreign exchange markets in certain emerging markets may mean that from time to time the ACD may experience more difficulty in purchasing or selling holdings of securities than it would in a more developed market.

This currently applies to the following Sub-funds: **Kames Global Equity Fund, Kames Ethical Cautious Managed Fund, Kames Diversified Growth Fund, Kames Diversified Monthly Income Fund, Kames Ethical Corporate Bond Fund, Kames High Yield Bond Fund, Kames Investment Grade Bond Fund, Kames Strategic Bond Fund and Kames Sterling Corporate Bond Fund.**

## Smaller Companies

Where Sub-funds invest directly or indirectly through collective investment schemes in smaller companies, the nature and size of these companies means that their Shares may be less liquid than those of larger companies and that their Share prices may, from time to time, be more volatile. Investment in such Sub-funds is likely, therefore, to involve greater risk than investment in larger companies. Investors should consider whether or not investment in such Sub-funds is either suitable for or should constitute a substantial part of an investor's portfolio.

This currently applies to the following Sub-funds: **Kames Diversified Monthly Income Fund, Kames Ethical Cautious Managed Fund, Kames Ethical Equity Fund, Kames Global Equity Fund, Kames UK Opportunities Fund and Kames UK Smaller Companies Fund.**

## Charges to Capital

Where the ACD and the Depositary so agree all or part of the payments to the ACD and any other charges and expenses of the Company may, subject to COLL, be charged against capital instead of income. This may constrain capital growth.

This currently applies to the following Sub-funds: **Kames High Yield Bond Fund, Kames UK Equity Income Fund and Kames Diversified Monthly Income Fund.**

### **Investments issued by one issuer**

Where a Sub-fund has power to invest more than 35% in value of the Sub-fund in government and public securities issued by any one issuer, this represents an increased risk should the issuer default in meeting its obligations.

This currently applies to the following Sub-funds: **Kames Ethical Cautious Managed Fund, Kames Ethical Corporate Bond Fund, Kames High Yield Bond Fund, Kames Diversified Growth Fund, Kames Investment Grade Bond Fund, Kames Sterling Corporate Bond Fund, Kames Strategic Bond Fund and Kames Diversified Monthly Income Fund.**

### **Interest rate fluctuations**

In relation to Sub-funds with a high concentration of fixed interest or index linked securities, fluctuations in interest rates are likely to affect the capital value of investments. If long term interest rates rise, the capital value of Shares held by an investor is likely to fall and vice versa. The value of Shares will fall should an issuer default or receive a reduced credit rating.

This currently applies to the following Sub-funds: **Kames Ethical Cautious Managed Fund, Kames Ethical Corporate Bond Fund, Kames High Yield Bond Fund, Kames Diversified Growth Fund, Kames Investment Grade Bond Fund, Kames Sterling Corporate Bond Fund, Kames Strategic Bond Fund, Kames UK Equity Absolute Return Fund and Kames Diversified Monthly Income Fund.**

### **Issuer Default**

Investments in fixed income securities, specifically those which are rated below investment grade, are subject to the risk that the issuer could default on its obligations and a Sub-fund could sustain losses on such investments. The ACD will seek to limit such risks by credit research and careful securities selection but there can be no assurance that a Sub-fund will not acquire securities with respect to which the issuer subsequently defaults.

This currently applies to the following Sub-funds: **Kames Ethical Corporate Bond Fund, Kames High Yield Bond Fund, Kames Investment Grade Bond Fund, Kames Sterling Corporate Bond Fund, Kames Strategic Bond Fund, Kames Diversified Monthly Income Fund and Kames Ethical Cautious Managed Fund.**

### **Asset Backed Securities (ABS)**

ABS are securities that entitle the holder to receive payments that are primarily dependent upon the cash flow arising from a specified pool of financial assets such as residential or commercial mortgages, car loans or credit cards. As such, they may be highly illiquid, subject to adverse changes in interest rates and to the risk that the payment obligations relating to the underlying issuer are not met.

Owing to the nature of some ABS, the exact timing and size of cashflows paid by the securities may not be fully assured. There is a risk that such changes to cashflows may negatively affect the returns of the securities.

This currently applies to the following Sub-funds: **Kames Diversified Monthly Income Fund, Kames Ethical Corporate Bond Fund, Kames Diversified Growth Fund, Kames Ethical Cautious Managed Fund, Kames High Yield Bond Fund, Kames Investment Grade Bond Fund, Kames Strategic Bond Fund and Kames Sterling Corporate Bond Fund.**

### **SDRT Provision**

Certain investment transactions can result in the payment of stamp duty reserve tax ("SDRT"). When such payment results in the diminution in value of the Shares, an additional charge may be levied in addition to the price of the Shares when issued or deducted when sold.

**This currently applies to all of the Sub-funds.**

### **Restriction on a Sub-fund's activities due to embargo etc.**

From time to time, a Sub-fund's activities, or the activities of collective investment schemes in which it invests, may be restricted due to governmental and/or regulatory restrictions applicable to the relevant ACD or its delegates or another entity within the relevant respective groups of companies, and/or their internal policies designed to comply with such restrictions. As a result, there may be periods, for example, during which the ACD or a Sub-fund or a collective investment scheme in which it invests may be restricted from engaging in certain transactions.

**This potentially applies to all of the Sub-funds.**

### **Political Risks**

The value of a Sub-fund's assets and those of collective investments schemes in which it invests may be affected by uncertainties or events, such as political developments, nationalisation of certain industries, changes in government policies, taxation and currency repatriation and restrictions on foreign investment in some of the countries in which a Sub-fund may invest.

**This potentially applies to all of the Sub-funds.**

### **Investment in Collective Investment Schemes**

Certain Sub-funds can invest in a wide range of asset classes, including collective investment schemes which may themselves invest in a range of other assets. These underlying assets are likely to vary from time to time but each category of asset has individual risks associated with them. The Sub-funds and the ACD may not have any control over the activities of any collective investment scheme or company invested in by the Sub-funds. Managers of collective investment schemes and companies in which a Sub-fund may invest may take undesirable tax positions, employ excessive leverage, or otherwise manage the collective investment schemes or be managed in a manner not anticipated by the ACD. In valuing the Sub-funds, the ACD is reliant on the unit price of such collective investment schemes being delivered by third parties to the ACD by a cut-off point to enable the ACD to include that unit price in the Sub-funds' valuation. In the event that such unit price for a particular day is not delivered to the ACD by that cut-off point, the ACD will (unless its fair value pricing policy requires otherwise) use the most recent unit price that has been delivered to it. That unit price may not accurately reflect the most up to date valuation of the underlying collective investment scheme, and consequently the Sub-funds' valuation may not accurately reflect the most up to date valuation of the underlying collective investment scheme.

It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments.

This currently applies to the following Sub-funds: **Kames Global Equity Fund, Kames Diversified Growth Fund, Kames UK Equity Absolute Return Fund, Kames UK Equity Income Fund, Kames UK Opportunities Fund, Kames Diversified Monthly Income Fund, Kames Ethical Cautious Managed Fund, Kames Ethical Corporate Bond Fund, Kames Ethical Equity Fund, Kames High Yield Bond Fund, Kames Investment Grade Bond Fund, Kames Sterling Corporate Bond Fund, Kames Strategic Bond Fund, Kames UK Equity Fund, and Kames UK Smaller Companies Fund.**

### **Liabilities of the Company and the Sub-funds**

Under the OEIC Regulations, each Sub-fund is a segregated portfolio of assets and those assets can only be used to meet the liabilities of, or claims against, that Sub-fund (this is often referred to as "segregated liability"). While the provisions of the OEIC Regulations provide for segregated liability between Sub-funds, the concept of segregated liability is, in the context of collective investment schemes which are authorised and regulated in the UK, relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known whether a foreign court would give effect to the segregated liability and cross-investment provisions contained in the OEIC Regulations. Therefore, it is not possible to be certain that the assets of a Sub-fund will

always be completely insulated from the liabilities of another Sub-fund of the Company in every circumstance.

Shareholders are not, however, liable for the debts of the Company. A Shareholder is not liable to make any further payment to the Company after he has paid the purchase price of the Shares.

**This currently applies to all of the Sub-funds.**

### **Taxation**

Tax regulations and concessions are not guaranteed and can change at any time; their value to a Shareholder will depend on his circumstances.

**This currently applies to all of the Sub-funds.**

### **Aggregation of Orders**

In managing the Sub-funds, the ACD may combine orders for the Sub-funds with those of other clients. This procedure may operate on some occasions to the disadvantage of the Sub-funds and on others to the advantage of the Sub-funds.

**This currently applies to all of the Sub-funds.**

### **Inflation Risk**

Inflation erodes the real value of investments and changes in the anticipated rate of inflation could lead to capital losses in the Sub-funds' investments.

**This currently applies to all of the Sub-funds.**

### **Market Timing**

A Sub-fund may be subject to market timing activities which may include frequent purchases and sales of Shares with a view to profiting from anticipated changes in market prices between Valuation Points (often stemming from quantitative analysis) or arbitraging on the basis of market price changes subsequent to those are used in a Sub-fund's valuation. Such market timing activities are disruptive to fund management, may lead to additional dealing charges which cause losses/dilution to a Sub-fund and may be detrimental to performance and to the interests of long term Shareholders. Whilst the ACD will seek to detect and deter market timing activity, it may be unable to detect such activity if it occurs within deals in a nominee or other omnibus account.

**This currently applies to all of the Sub-funds.**

### **Manager Risk**

There is a risk that a Sub-fund will not achieve its performance objectives or not produce returns that compare favourably against its peers. The performance of a Sub-fund will depend significantly upon the ability of the Investment Adviser to select profitable investments.

**This currently applies to all of the Sub-funds.**

### **Unlisted Risks**

Subject to COLL, a Sub-fund may invest up to and including 10% of the Scheme Property of a Sub-fund in transferable securities which are not approved securities (essentially transferable securities which are admitted to official listing in an EEA state or traded on or under the rules of an eligible securities market). Such securities and instruments are generally not publicly traded, may be unregistered for securities law purposes and may only be able to be resold in privately negotiated transactions with a

limited number of purchasers. The difficulties and delays associated with such transactions could result in a Sub-fund's inability to realise a favourable price upon disposal of such securities, and at times might make disposition of such securities and instruments impossible. To the extent a Sub-fund invests in securities and instruments the terms of which are privately negotiated, the terms of such securities and instruments may contain restrictions regarding resale and transfer. In addition, certain listed securities and instruments, particularly securities and instruments of smaller capitalised or less seasoned issuers, may from time to time lack an active secondary market and may be subject to more abrupt or erratic price movements than securities of larger, more established companies or stock market averages in general. In the absence of an active secondary market the Sub-fund's ability to purchase or sell such securities at a fair price may be impaired or delayed.

**This currently applies to all the Sub-funds.**

### **Equities**

Sub-funds investing in equities, or in collective investment schemes which invest in equities, tend to be more volatile than Sub-funds investing in bonds or in collective investment schemes which invest in bonds, but may also offer greater potential for growth. The value of such underlying investments may fluctuate quite dramatically in response to activities and results of individual companies, as well as in connection with general market and economic conditions.

This currently applies to the following Sub-funds: **Kames Ethical Cautious Managed Fund, Kames Ethical Equity Fund, Kames Global Equity Fund, Kames Diversified Growth Fund, Kames UK Equity Absolute Return Fund, Kames UK Equity Fund, Kames UK Equity Income Fund, Kames UK Opportunities Fund, Kames UK Smaller Companies Fund and Kames Diversified Monthly Income Fund.**

### **Over-the-Counter Markets Risk**

Where any Sub-fund acquires securities on over-the-counter markets, there is no guarantee that the relevant Sub-fund will be able to realise the fair value of such securities due to their tendency to have limited liquidity and comparatively high price volatility.

**This currently applies to all the Sub-funds.**

### **Additional risk factors of which investors should be aware:**

- a. A decline in an entire market or specific asset class may affect the price and value of the assets of a Sub-fund;
- b. Where an investor withdraws or cancels Shares in excess of investment returns, the value of their capital may be eroded; and
- c. There is uncertainty that local factors, such as tax regimes, will persist in the future and changes may have an impact on any investment.

## **13. General Information**

### **Risk Management Information**

The ACD must establish, implement and maintain an adequate and documented risk management process for identifying the risks to which the Company and Sub-funds are or might be exposed.

The following information may be obtained from the ACD, upon receipt of a request in writing, at Kames House, 3 Lochside Crescent, Edinburgh, EH12 9SA:

- (1) The quantitative limits applying in the risk management of the Company;

- (2) The methods used in relation to (1); and
- (3) Any recent development of the risk and yields of the main categories of investment.

### **Order Execution information**

The ACD must act in the best interests of each Sub-fund when executing decisions to deal on behalf of the relevant Sub-fund. The ACD's Order Execution Policy sets out (i) the systems and controls that have been put in place and (ii) the basis upon which the ACD will effect transactions and place orders in relation to the Company whilst complying with its obligations under the FCA Handbook to obtain the best possible result for the Company. Details of the best execution policy are available from the ACD on request. If you have any questions regarding the policy please contact the ACD or your professional adviser.

### **Voting Rights Strategy**

In accordance with COLL, the ACD must develop strategies for determining when and how voting rights of assets held within the Scheme Property are to be exercised ("Voting Rights Strategy"). A summary copy of the ACD's Voting Rights Strategy document, together with details of the actions which the ACD has taken on the basis of those strategies, are available, free of charge, from the ACD.

### **Inducements and Commission**

When executing orders, or placing orders with other entities for execution, that relate to financial instruments for, or on behalf of, the Sub-funds, an Investment Adviser or the ACD (as relevant) will not accept and retain any fees, commissions or monetary benefits; or accept any non-monetary benefits, where these are paid or provided by any third party or a person acting on behalf of a third party.

The Investment Adviser or ACD will return to each relevant Sub-fund as soon as reasonably possible after receipt any fees, commissions or any monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the services provided to that Sub-fund, and disclose in the annual report the fees, commissions or any monetary benefits transferred to them.

However, the Investment Adviser or ACD may accept without disclosure minor non-monetary benefits that are capable of enhancing the quality of service provided to the fund; and of a scale and nature such that they could not be judged to impair their compliance with its duty to act honestly, fairly and professionally in the best interests of each Fund.

### **Fair Treatment of Investors**

As a company authorised and regulated by the Financial Conduct Authority, the ACD must ensure that it pays due regard to the interests of its customers and treats them fairly. Breaching this principle would make the ACD liable to disciplinary sanctions by the Financial Conduct Authority. Accordingly, the ACD has policies and procedures in place to ensure the fair treatment of investors.

The ACD may, from time to time, give preferential treatment to a particular Shareholder or class of shareholders such as the right to obtain more detailed information on the performance of a Sub-fund than is ordinarily made available to shareholders. The ACD does not give preferential treatment or the right to obtain preferential treatment to any Shareholder that creates an overall material disadvantage to other Shareholders.

### **Box Management**

In order that the ACD may deal in Shares as principal it may at its discretion hold Shares in the Sub-funds in order to achieve this. This is commonly known as the ACD's 'box'. The ACD's policy is that it may at its discretion hold Shares in relevant Sub-funds for the purposes of issuing Shares in order to meet outstanding orders from investors and not to generate a profit for its own account, although such profits may result incidentally. The size of any box maintained in a Sub-fund will be dependant on whether the Sub-fund is considered to be expanding or contracting.

### **Documents Available for Inspection**

Copies of the Instrument of Incorporation and the annual and half-yearly reports and the material contracts referred to below are kept and may be inspected at and obtained from the ACD at Kames House, 3 Lochside Crescent, Edinburgh EH12 9SA.

Details of the up to date remuneration policy of Kames Capital ICVC ("the Company") including but not limited to, a description of how remuneration and benefits are calculated and the identity of persons responsible for awarding the remuneration and benefits is available at the Responsible Investors section of our website - <http://www.kamescapital.com>. A paper copy will be available free of charge upon request at the registered office of the Company.

### **Material Contracts**

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

- a. the ACD Agreement dated 7 January 2005 between the Company and the ACD;
- b. the Depositary Agreement, dated 17 March 2016, between the Company, the Depositary and the ACD and novated in favour of the Depositary with effect from 17 October 2011; and
- c. the Agreement with EIRIS Services Limited in respect of Kames Ethical Equity Fund, Kames Ethical Corporate Bond Fund and Kames Ethical Cautious Managed Fund, dated 1 October 1999, as amended.

Information regarding those contracts is set out above under the heading "Management and Administration".

### **KIIDs**

A Key Investor Information Document ("KIID") is a new document which must be provided to anyone who invests in a Sub-fund in good time before an investment is made.

The contents and format of the KIID are prescribed by European law.

Some of the information which is set out in the KIID is presented differently from the information contained in this Prospectus. For example, the wording of the fund objective may differ slightly between documents, but the actual objective remains the same. This is simply because the different regulations which govern the Prospectus and the KIID have slightly different requirements. Similarly, the charges shown in the KIID are in a format prescribed by European law.

The KIIDs can be obtained directly from the ACD via [www.kamescapital.com](http://www.kamescapital.com) or if potential investors are receiving advice, from financial advisers and other distributors of the Sub-funds.

### **Complaints**

Anyone wishing to make a complaint about the operation of the Company should contact the ACD care of PO Box 3733, Royal Wootton Bassett, SN4 4BG. If the response received from the ACD is not satisfactory referrals may be made by eligible complainants to the Financial Ombudsman Service, Exchange Tower, London, E14 9SR or online via [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk). You may also be able to raise your complaint through the EU Online Dispute Resolution (ODR) portal [www.ec.europa.eu/consumers/odr/](http://www.ec.europa.eu/consumers/odr/) if the product or service the complaint relates to was bought online, including via email. Making a complaint will not prejudice your rights to commence legal proceedings.

Further information regarding any compensation scheme or any other investor-compensation scheme of which the Manager or any Fund is a member (including, if relevant, membership through a branch) or any alternative arrangement provided, are also available on request.

**Telephone and Electronic Communications Recording**

Please note that the ACD may record telephone calls and electronic communications for training and monitoring purposes and to confirm investors' instructions. Recordings will be provided on request for a period of at least five years from the date of such recording, or, where requested by a competent regulatory authority, for a period of seven years, where we can identify the call. If you ask us to send you a recording of a particular call or communication, we may ask for further information to help us identify the exact call or communication to which your request relates.



Country	Market	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Japan	Japan OTC Market in Government Bonds	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
	The Nagoya Stock Exchange	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
	The Osaka Securities Exchange	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
	The Sapporo Stock Exchange	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
	The Tokyo Stock Exchange	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
Malaysia	Bursa Malaysia Berhard	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
Mexico	The Mexican Stock Exchange	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
New Zealand	The New Zealand Stock Exchange	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✗	✗	✓
Peru	Lima Stock Exchange	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
Philippines	Philippines Stock Exchange	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
Poland	Warsaw Stock Exchange	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
Singapore	The Singapore Exchange	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
South Africa	JSE Securities Exchange	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
Sri Lanka	Colombo SE	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
Switzerland	SIX Swiss Exchange	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✗	✗	✓
Taiwan	Taiwan Stock Exchange	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
Thailand	The Stock Exchange of Thailand	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
The Republic of Korea	The Korea Exchange Incorporated (KRX)	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
Turkey	Istanbul Stock Exchange	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
United Kingdom	The Alternative Investment Market	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Virt-X	✗	✓	✗	✗	✓	✗	✓	✓	✓	✗	✗	✗	✗	✗	✓
	When issued trading – The “Grey Book Market”	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	UK OTC Market	✓	✓	✗	✗	✓	✓	✓	✓	✓	✓	✗	✗	✗	✗	✓
USA	NASDAQ	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✗	✗	✓
	NASDAQ OMX PHLX	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
	NYSE Alternext US	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
	NYSE Arca	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓
	The “Over-the-Counter” Market regulated by NASDAQ	✓	✗	✓	✓	✓	✓	✓	✗	✓	✗	✗	✗	✗	✗	✓
	The American Stock Exchange	✗	✓	✗	✗	✓	✗	✓	✓	✓	✗	✗	✗	✗	✗	✓
	The New York Stock Exchange	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✗	✓

**Key to table above**

1	Kames Ethical Cautious Managed Fund	9	Kames Strategic Bond Fund
2	Kames Ethical Corporate Bond Fund	10	Kames UK Equity Absolute Return Fund
3	Kames Ethical Equity Fund	11	Kames UK Equity Fund
4	Kames Global Equity Fund	12	Kames UK Equity Income Fund
5	Kames High Yield Bond Fund	13	Kames UK Opportunities Fund
6	Kames Diversified Growth Fund	14	Kames UK Smaller Companies Fund
7	Kames Investment Grade Bond Fund	15	Kames Diversified Monthly Income Fund

## 8 Kames Sterling Corporate Bond Fund

**Other Eligible Derivatives Markets***All Sub-funds as at the date of this Prospectus*

Australia	ASX Ltd
Canada	Toronto Stock Exchange Montreal Stock Exchange
Denmark	Copenhagen Stock Exchange (including FUTOP)
Finland	Helsinki Exchanges
France	Euronext, Paris
Germany	Eurex, Frankfurt
Hong Kong	Hong Kong Exchanges
Japan	Osaka Securities Exchange Tokyo Securities Exchange
Korea	Korea Exchanges
Malaysia	Bursa Malaysia Derivatives
Netherlands	Euronext, Amsterdam
New Zealand	New Zealand Futures and Options Exchange
Singapore	Singapore Exchange
South Africa	JSE Exchanges South Africa Futures Exchange (SAFEX)
Spain	BME, Spanish Exchanges
Sweden	NASDAQ OMX Stockholm AB
United Kingdom	Intercontinental Exchange (ICE) Europe OMLX The London Securities and Derivatives Exchange
USA	Chicago Board Options Exchange CME Group Inc Kansas City Board of Trade New York Futures Exchange New York Mercantile Exchange New York Stock Exchange NYSE Arca NASDAQ OMX Futures Exchange Intercontinental Exchange (ICE) United States NASDAQ OMX PHLX

## Appendix B Investment and Borrowing Powers of the Company

Subject to their investment objectives and policies and to the limits specified in this Appendix B, each Sub-fund may use all the investment and borrowing powers which apply to a UCITS scheme as set out in Chapter 5 of COLL.

### Main Investment Powers

- (a) Except where otherwise permitted under COLL, the Scheme Property of each Sub-fund shall consist of transferable securities (as defined in COLL).
- (b) There is no limit on the percentage of each Sub-fund which may be invested in transferable securities within COLL 5.2.7 to COLL 5.2.7E (inclusive) which are (i) admitted to or dealt on an eligible market or (ii) recently issued provided that the terms of the issue include an undertaking that application will be made to be admitted to an eligible market and such admission is secured within a year of issue.
- (c) A maximum of 10% of the Net Asset Value of the Scheme Property of each Sub-fund may be invested in transferable securities which do not fall within (b) above.
- (d) Subject to the limitations set out below, **each of Kames Global Equity Fund, Kames Diversified Growth Fund, Kames UK Equity Absolute Return Fund, Kames UK Equity Income Fund, Kames UK Opportunities Fund, Kames Diversified Monthly Income Fund, Kames Ethical Cautious Managed Fund, Kames Ethical Corporate Bond Fund, Kames Ethical Equity Fund, Kames High Yield Bond Fund, Kames Investment Grade Bond Fund, Kames Sterling Corporate Bond Fund, Kames Strategic Bond Fund, Kames UK Equity Fund, and Kames UK Smaller Companies Fund** may invest in units or shares of other collective investment schemes (except other Sub-funds of the Company, where no investment may be made), if the second scheme is a collective investment scheme that satisfies the following conditions:-
  - (i) it satisfies the conditions necessary for it to enjoy rights conferred by the UCITS Directive; or
  - (ii) it is a recognised scheme under the provisions of section 270 of the Act; or
  - (iii) it is an authorised non-UCITS retail scheme (provided the requirements of Article 50(1)(e) of the UCITS directive are met); or
  - (iv) it is authorised in another EEA state and meets the requirements of article 50(1)(e) of the UCITS directive; and
  - (v) it is authorised by the competent authority of an OECD member country (other than another EEA State) which has:
    - (1) signed the IOSCO Multilateral Memorandum of Understanding; and
    - (2) approved the scheme's management company, rules and depositary/custody arrangements;
 (provided the requirements of Article 50(1)(e) of the UCITS Directive are met); and
  - (vi) it complies with 5.2.15R to 5.2.16R of COLL; and
  - (vii) has terms which prohibit more than 10% of the scheme property to be invested in collective investment schemes.

Such other collective investment schemes may include schemes which are managed or operated by (or in the case of an open-ended investment company, have as authorised corporate director) the ACD or an associate of the ACD ("a Group Scheme"), provided that the provisions of Regulation 5.2.16R (Investment in other group schemes) of COLL are complied with.

It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments.

A maximum of 10% of the Net Asset Value of the Scheme Property of each of **Kames Global Equity Fund, Kames Diversified Growth Fund, Kames UK Equity Absolute Return Fund,**

**Kames UK Equity Income Fund, Kames UK Opportunities Fund, Kames Diversified Monthly Income Fund, Kames Ethical Cautious Managed Fund, Kames Ethical Corporate Bond Fund, Kames Ethical Equity Fund, Kames High Yield Bond Fund, Kames Investment Grade Bond Fund, Kames Sterling Corporate Bond Fund, Kames Strategic Bond Fund, Kames UK Equity Fund, and Kames UK Smaller Companies Fund** may be invested in units or shares of such other collective investment schemes.

Where a Sub-fund is not expressly specified as having such power in this paragraph (d), it shall not have the power to invest in units or shares of other collective investment schemes.

- (e) Apart from GAPS, a maximum of 5% of the Net Asset Value of the Scheme Property of each Sub-fund may be invested in the transferable securities or (subject to the investment objective and policy of that Sub-fund) Approved Money Market Instruments of any one issuer, and this limit may be increased to 10% for up to 40% of the Sub-fund. Covered bonds need not be taken into account for the purpose of applying the limit of 40%.
- (f) Not more than 20% of the Net Asset Value of the Scheme Property of each Sub-fund is to consist of transferable securities and money-market instruments issued by the same group.
- (g) Each Sub-fund may invest up to 20% of the Net Asset Value of the Scheme Property of their Sub-fund in deposits with a single body.
- (h) Normally a maximum of 35% of the Net Asset Value of the Scheme Property of each Sub-fund may be invested in GAPS issued by any single issuer. Within this, there is no limit on the amount that can be invested in any single issue.
- (i) More than 35% (and up to 100%) of the Net Asset Value of the Scheme Property of a Sub-fund can be invested in government and public securities issued by any one body provided that (a) the ACD has, before any such investment is made, consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the Sub-fund; (b) no more than 30% of the Net Asset Value of the Scheme Property of that Sub-fund consists of such securities of any one issue; (c) the Scheme Property of that Sub-fund includes such securities issued by that or another issuer of at least six different issues and (d) certain details have been disclosed in the Instrument of Incorporation and Prospectus. The table set out in Schedule One to Appendix B sets out (i) Sub-funds in respect of which this paragraph applies and (ii) the names of the States, local authorities and public international bodies ("the issuers") issuing government and public securities in which each such Sub-fund may invest over 35% (and up to 100%) of its assets.
- (j) If more than 35% in value of the Net Asset Value of the Scheme Property of a Sub-fund is invested in GAPS issued by any one issuer, up to 30% in value of the Scheme Property of that Sub-fund may consist of such securities of any one issue and the Scheme Property must include at least six different issues whether of that issuer or another issuer.
- (k) A maximum of 5% of the Net Asset Value of the Scheme Property of each Sub-fund may be invested in warrants which must be exercisable without contravention of COLL. Call options are not deemed to be warrants for the purposes of this 5% restriction.
- (l)(i) **Each of Kames Ethical Equity Fund, Kames Global Equity Fund, Kames Strategic Bond Fund, Kames UK Equity Fund, Kames UK Opportunities Fund, and Kames UK Smaller Companies Fund** may hold cash and near cash to enable the redemption of Shares, the efficient management of the Sub-fund in accordance with its objective or other purposes which may reasonably be regarded as ancillary to the objectives of each Sub-fund and also during any initial offer period of the Sub-fund. The ACD reserves the right to allow cash levels of each of the Sub-funds listed above to be up to 20% of the Net Asset Value of the Scheme Property of the Sub-fund in question if the ACD believes that this would best achieve the objectives of the Sub-fund and be in the Shareholders' best interests and to advise Shareholders in the next available report and accounts of the circumstances requiring unusually high levels of liquidity.

- (l)(ii) **Each of Kames Ethical Cautious Managed Fund, Kames Ethical Corporate Bond Fund, Kames High Yield Bond Fund, Kames Diversified Growth Fund, Kames Investment Grade Bond Fund, Kames Sterling Corporate Bond Fund, Kames UK Equity Absolute Return Fund, Kames UK Equity Income Fund and Kames Diversified Monthly Income Fund** may hold cash and near cash to the extent that this may reasonably be regarded as necessary to enable: the pursuit of the Sub-fund's investment objective; Shares to be redeemed; efficient management of the Sub-fund in accordance with its investment objective or other purposes that may reasonably be regarded as ancillary to the investment objective of that Sub-fund. The ACD's policy is to make use of the flexibility to hold cash and near cash, as it considers appropriate. In the case of **Kames Diversified Growth Fund** and **Kames UK Equity Absolute Return Fund**, a substantial proportion of the Scheme Property may consist of cash, near cash and/or deposits.
- (m) Subject to their investment objectives and policies, each of **Kames High Yield Bond Fund, Kames Diversified Growth Fund, Kames Investment Grade Bond Fund, Kames Sterling Corporate Bond Fund, Kames Strategic Bond Fund, Kames UK Equity Absolute Return Fund and Kames Diversified Monthly Income Fund** may invest in "Approved Money Market Instruments" which are normally dealt in on the money market, are liquid and whose value can be accurately determined at any time, provided the money-market instrument is:-
- (i) listed on or normally dealt on an eligible market; or
  - (ii) issued or guaranteed by a central, regional or local authority or central bank of an EEA state, the European Central Bank, the European Union or the European Investment Bank, a non-EEA State or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more EEA States belong; or
  - (iii) issued or guaranteed by an establishment subject to prudential supervision in accordance with criteria defined by EU law or by an establishment which is subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by EU law; or
  - (iv) issued by a body, any securities of which are dealt in on an eligible market.
- (n) Subject to their investment objectives and policies, each of Sub-fund may only invest in deposits which:-
- (i) are with an approved bank;
  - (ii) are repayable on demand or have the right to be withdrawn; and
  - (iii) mature in no more than 12 months.

Subject to their investment objectives and policies and to the limits specified in this Appendix B, each Sub-fund may use all the investment and borrowing powers which apply to a UCITS scheme as set out in Chapter 5 of COLL.

### **Main Investment Powers**

The main investment powers which apply to the Company as a whole, based on mid- market valuations of the Scheme Property, are:-

- A. There is no limit on the percentage of the assets of the Company invested in partly or nil paid securities, as long as any future calls may be paid without contravention of COLL.
- B. The Company may not hold:
  - (i) transferable securities (other than debt securities) issued by a body corporate which do not carry voting rights at a general meeting of that body corporate and represent more than 10% of that body corporate's issued share capital; or
  - (ii) more than 10% of the debt securities issued by any single body;
  - (iii) more than 10% of the units or shares of a collective investment scheme; or
  - (iv) more than 10% of the approved money market instruments issued by a single body.

- C. The Company may only acquire transferable securities issued by a body corporate carrying rights to vote at a general meeting of that body provided that before the acquisition the aggregate number of such securities held by the Company does not allow it to exercise 20% or more of the votes cast at a general meeting of that body and the acquisition will not give the Company such power.
- D. All powers to invest may extend to underwritings, sub-underwritings and placings, with the exception of the underwriting, sub-underwriting and placing of options, warrants, convertibles or units or shares in a collective investment scheme. An immediate take-up of all underwriting obligations must not result in a breach of any of the other of COLL.
- E. The Company may not lend money. Not included in this is the purchase of a debenture or the placing of money on deposit or in a current account.

### **Use of Derivatives**

Derivatives may be used for both the Efficient Portfolio Management of the Scheme Property, including for hedging purposes, and for investment purposes. The way in which Derivatives will be used in each context is described below. Risks associated with the use of Derivatives can be found in Part 12 'Risk Factors' of this Prospectus.

Derivatives may be exchange traded or Over the Counter ("OTC") Derivatives.

In accordance with COLL 5.2.20R, a transaction in a Derivative or forward contract must:-

- (1) Be in:
  - (i) an approved Derivative (as defined for the purposes of COLL); or
  - (ii) an over-the counter Derivative (such as a future, an option or a contract for differences), which must be entered into with a counterparty that is acceptable in accordance with COLL, must be on approved terms as to valuation and close out and must be capable of reliable valuation and subject to verifiable valuation. (Counterparties which are acceptable in accordance with COLL in this context are counterparties which are: (a) an eligible institution (as defined for the purposes of COLL) or an approved bank (as defined for the purposes of COLL); or (b) a person whose permission (as defined in the FCA Handbook) (including any requirements or limitations (both as defined in the FCA Handbook), as published in the Financial Services Register, or whose Home State authorisation (as defined in the FCA Handbook), permits it to enter into the transaction as principal (as defined in the FCA Handbook) off-exchange (as defined in the FCA Handbook).)
- (2) Have the underlying transaction consisting of any or all of the following to which the Sub-fund is dedicated:
  - (a) permitted transferable securities;
  - (b) permitted Approved Money Market Instruments;
  - (c) permitted deposits;
  - (d) permitted Derivatives;
  - (e) permitted collective investment scheme units or shares;
  - (f) financial indices which satisfy certain criteria within COLL;
  - (g) interest rates;
  - (h) foreign exchange rates; and
  - (i) currencies.
- (3) A transaction in an approved Derivative must be effected on or under the rules of an eligible derivatives market.
- (4) Not cause the Sub-fund to diverge from its investment objectives, must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, approved money market instruments, units or shares in collective investment schemes, or Derivatives and (if a forward transaction) must be with an approved counterparty.

The eligible derivatives markets for each Sub-fund are set out in Appendix A.

#### *Efficient Portfolio Management*

The Sub-funds may enter into transactions for the purposes of Efficient Portfolio Management in accordance with the rules regarding the use of Derivatives as set out in COLL.

Permitted Derivative EPM transactions are transactions in Derivatives (as described above) dealt in or traded on an eligible derivatives market: off-exchange futures, options, swaps, contracts for differences or forward currency transactions (excluding stocklending and repo transactions, which are provided for separately below). For example, a Sub-fund may use forward currency transactions and interest rate swaps to hedge foreign exchange and interest rate risk.

Any forward transactions must be with an eligible institution or an approved bank (each as defined for the purposes of COLL). A derivative or forward transaction which will or could lead to delivery of Scheme Property to the Depository in respect of the Company may be entered into only if such Scheme Property can be held by the Company, and the ACD having taken reasonable care determines that delivery of the property pursuant to the transaction will not occur or will not lead to a breach of COLL.

There is no limit on the amount of the Scheme Property of a Sub-fund which may be used for EPM but the transactions must satisfy three broadly-based requirements:-

- a. EPM may not include speculative transactions. Transactions for EPM purposes must be economically appropriate in that they are realised in a cost effective way.
- b. The purpose of an EPM transaction for any Sub-fund must be to achieve one of the following in respect of a Sub-fund:-
  - (i) Reduction of risk
  - (ii) Reduction of cost
  - (iii) The generation of additional capital or income for the Sub-fund with a risk level which is consistent with the risk profile of the Sub-fund and the risk diversification rules in COLL.

The relevant purpose must relate to Scheme Property of the Sub-fund; property (whether precisely identified or not) which is to be or proposed to be acquired for the Sub-fund; and anticipated cash receipts in respect of the Sub-fund, if due to be received at some time and likely to be received within one month.

- c. Each EPM transaction must be covered globally, that is, a Sub-fund's exposure must not exceed the Net Asset Value of its Scheme Property, taking into account the value of the underlying assets, future market movements, counterparty risk and the time available to liquidate any position. The global exposure must be calculated on at least a daily basis.

#### *Investment Purposes*

- a. Currently, **Kames High Yield Bond Fund, Kames Diversified Growth Fund, Kames Investment Grade Bond Fund, Kames Sterling Corporate Bond Fund, Kames Strategic Bond Fund, Kames UK Equity Absolute Return Fund, Kames Diversified Monthly Income Fund and Kames UK Equity Income Fund\*** may use Derivatives as permitted by COLL 5.2.20 for investment purposes (i) as a substitute for taking a position in an underlying asset, (ii) to tailor the Sub-fund's interest rate exposure to the ACD's outlook for interest rates, and/or (iii) to gain an exposure to the composition and performance of a particular index (including a financial index). \*Note that while Kames UK Equity Income Fund has the power to use derivatives for investment purposes, the ACD currently only uses derivatives in relation to this Sub-fund for EPM purposes.

a(i) **Kames High Yield Bond Fund, Kames Investment Grade Bond Fund, Kames Sterling Corporate Bond Fund, Kames Strategic Bond Fund and Kames Diversified Monthly Income Fund**

These Sub-funds may make use of index and credit default swaps to control the risk of loss due to market movements and to reduce the risk of credit risk with individual stock holdings or to gain exposure to an index or individual stocks.

Derivatives may also be used in order to take tactical decisions. Futures, forwards or swaps (including credit default swaps) and contracts for difference may be used to gain or reduce a Sub-fund's exposure to credit spreads or a particular security or market for periods of time to be determined by the ACD, either in advance of a longer term allocation or reappraisal of a Sub-fund's commitment to the asset or market in question, or purely on a temporary basis where it is more efficient to use Derivatives for this purpose.

The ACD may use futures, forwards or swaps (including credit default swaps) and contracts for difference to increase or reduce the market exposure, interest rate duration or spread duration of all or part of a Sub-fund's portfolio to take account of changing levels of volatility in the market while at the same time maintaining exposure to the market.

a(ii) **Kames Diversified Growth Fund, Kames UK Equity Absolute Return Fund and Kames Diversified Monthly Income Fund**

Derivatives may be used for investment purposes including the generation of synthetic short exposures to individual securities, baskets of securities or indices. Strategies undertaken through using derivatives in this way include aiming to add value in market conditions that would generally be viewed as unfavourable by taking advantage of over- and under-valued assets. These Sub-funds will use derivative instruments to run the long/short strategies where for example the fund manager may aim to generate a total return that is uncorrelated to major market indices by investing in long and synthetic short positions. Depending on the strategy of the relevant Sub-fund, positions may be taken with the aim to be market neutral through the use of appropriate hedging strategies. Derivatives will also be used more generally for risk management purposes. Derivative instruments used for investment purposes will include swaps, contracts for difference, options or futures.

- b. Except in relation to deposits, no agreement by or on behalf of the Company or any Sub-fund to dispose of property or rights will be made unless the obligation to make the disposal and any other similar obligation can be immediately honoured by the delivery of property or the assignation of rights and the property and rights are owned by the Company or a Sub-fund at the time of the agreement. This requirement will, however, be met where the risks of the underlying financial instrument can be appropriately represented by another highly liquid financial instrument or the ACD or the Depositary has the right to settle the derivative in cash and cover exists in the form of cash, liquid debt instruments or other highly liquid assets which can be converted into cash in no more than 7 days at a price corresponding to the current valuation of the financial instrument on its own market.
- c. As set out above, transactions in OTC Derivatives will be undertaken with an approved counterparty, on approved terms and will be capable of valuation, as specified in COLL 5.2.23R.
- d. The exposure to any one counterparty in OTC Derivatives transactions must not exceed 5% of a Sub-fund. This is raised to 10% where the counterparty is an approved bank.

*Total Return Swaps and other Derivatives with the same characteristics*

CFDs are economically equivalent to total return swaps. **Kames UK Equity Absolute Return Fund, Kames Diversified Growth Fund and Kames Diversified Monthly Income Fund** may take long and short positions through CFDs in individual stocks listed on the London Stock Exchange.

For information on the counterparties of, and exposure limitations to any one counterparty for, these transactions please refer to the information on "Use of Derivatives" above in this Appendix.

The ACD's risk management process (RMP), which is available to investors on request, details how risks are managed in relation to counterparties and collateral. The ACD also has a Counterparty Approval Policy and process, which requires (in most cases) that all counterparties are approved prior to trading with a variety of factors being considered in the approval process, e.g. credit ratings and the counterparty's procedures and capabilities. Please also refer to Section 12 of this Prospectus for details of risks relating to use of derivative transactions and other relevant risk factors.

#### *Rebalancing frequency of financial indices and its effects on costs with a Sub-fund's strategy*

For Sub-funds which are allowed exposure to financial indices, the only exposure those Sub-funds take to financial indices is through futures, options on futures, exchange traded funds and swaps, and these positions are subject to the concentration rules in COLL and therefore the effect of costs of any rebalancing on the underlying asset is negligible when considered at a Sub-fund level.

#### *Calculation of Global Exposure*

The ACD is required by COLL to ensure that, in respect of a Sub-fund, global exposure relating to Derivatives and forward transactions does not exceed the Net Asset Value of the Sub-fund. Derivatives and rights under forward transactions may be retained in the Scheme Property only so long as they remain globally covered. There are currently 2 methods under COLL for calculating global exposure:

- the incremental exposure and leverage generated through the use of derivatives and forward transactions ("commitment approach"); and
- the market risk of the Sub-fund ("Value at Risk" (VaR) approach).

#### Commitment Approach

The ACD uses the commitment approach to calculate global exposure for the following Sub-funds, namely: **Kames Ethical Cautious Managed Fund, Kames Ethical Corporate Bond Fund, Kames Ethical Equity Fund, Kames Global Equity Fund, Kames UK Equity Fund, Kames UK Equity Income Fund, Kames UK Opportunities Fund and Kames UK Smaller Companies Fund.**

The commitment approach converts each derivative position into the market value of an equivalent position in the underlying asset of that derivative. The ACD has selected this method as being appropriate, taking into account the investment strategy of the above-named Sub-funds in their use of EPM, the types and complexities of the derivatives and forward transactions used and the proportion of the Scheme Property comprising derivatives and forward transactions. Scheme Property and cash can be used only once for cover. The lending transaction in a back to back currency borrowing does not require cover.

#### VaR Approach

There are 2 different methods of calculating VaR, namely, Absolute VaR and Relative VaR.

The Absolute VaR is defined as the VaR of the Sub-fund capped as a percentage of Net Asset Value and cannot, in terms of current regulatory requirements, be greater than 20% for a 99% confidence interval. The ACD uses a VaR at a 95% confidence interval which has an equivalent limit of 14.1% of Net Asset Value under the CESR (now ESMA) Guidelines on Risk Measurement and the Calculation of Global Exposure and Counterparty Risk for UCITS (CESR/10-788).

The ACD uses Absolute VaR to calculate market risk for **Kames High Yield Bond Fund, Kames Diversified Growth Fund, Kames Investment Grade Bond Fund, Kames Sterling Corporate Bond Fund, Kames Strategic Bond Fund, Kames UK Equity Absolute Return Fund and Kames Diversified Monthly Income Fund.** VaR is a measure of the potential loss due to a Sub-fund from market risk and measures the potential loss at a given confidence level (probability) over a specific time period under normal market conditions.

The actual VaR limit which applies to a Sub-fund may be lower than the regulatory 20% limit (reduced to 14.1% for the ACD's purposes) referred to above.

Relative VaR is where the VaR of the Sub-fund is divided by the VaR of an appropriate benchmark or reference portfolio, allowing the global exposure of that Sub-fund to be compared to, and limited by reference to, the global exposure of that benchmark. The VaR of a Sub-fund must not exceed twice the VaR of its benchmark.

The ACD does not currently use Relative VaR to calculate market risk for any Sub-funds.

### *Anticipated Leverage Levels*

The use of derivatives by a Sub-fund will result in the creation of financial leverage.

The anticipated level of leverage for each Sub-fund (calculated as the sum of the notionals of the derivatives used by the relevant Sub-fund) under normal circumstances is specified in Appendix D in relation to each Sub-fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.

### **Stocklending and Repo Transactions**

The Company, or the Depositary at the request of the Company, may enter into certain repo or stocklending transactions in respect of any Sub-fund as an extension of EPM explained above. 'Repo' in this context means both repurchase and reverse repurchase transactions.

There is no limit on the amount of the Scheme Property of a Sub-fund which may be used for stocklending and repo transactions but the transactions must satisfy three broadly-based requirements:-

- a. they may not include speculative transactions. Stocklending or repo transactions must be economically appropriate in that they are realised in a cost effective way.
- b. The purpose of such transactions for any Sub-fund must be to achieve one of the following in respect of a Sub-fund:-
  - (iv) Reduction of risk
  - (v) Reduction of cost
  - (vi) The generation of additional capital or income for the Sub-fund with a risk level which is consistent with the risk profile of the Sub-fund and the risk diversification rules in COLL.

The relevant purpose must relate to Scheme Property of the Sub-fund; property (whether precisely identified or not) which is to be or proposed to be acquired for the Sub-fund; and anticipated cash receipts in respect of the Sub-fund, if due to be received at some time and likely to be received within one month.

- c. Each such transaction must be covered globally, that is, a Sub-fund's exposure must not exceed the Net Asset Value of its Scheme Property, taking into account the value of the underlying assets, future market movements, counterparty risk and the time available to liquidate any position. The global exposure must be calculated on at least a daily basis.

Briefly, stocklending and repo transactions are those where one party ('Party A') delivers securities to the other ('Party B') in return for which it is agreed that securities of the same kind and amount should be redelivered to Party A at a later date. Party B provides Party A with collateral to cover against the risk of the future redelivery not being completed.

There is no limit on the value of the Scheme Property which may be the subject of stocklending or repo transactions.

If repo and/or stocklending transactions are entered into, counterparty risk exposures will be aggregated across (i) repo and/or stocklending transactions (as appropriate) and (ii) Derivative EPM transactions (referred to above).

Any potential conflict of interests relating to a stocklending or repo transaction shall be dealt with in accordance with the section above headed 'Conflicts of Duty or Interests'.

Direct and indirect operational costs and fees incurred in performing these transactions may be deducted from any associated revenue delivered to the Sub-fund. All such revenue, net of direct and indirect operational costs, will be returned to the Sub-fund. Such costs and fees shall be charged at normal commercial rates and shall not include hidden revenue. The ACD does not receive additional costs or fees for performing stocklending or repo transactions. The entities to which such costs and fees are paid (and whether such entities are related to the ACD or depositary) will be disclosed in the long annual report of the Company.

Stocklending or repo transactions may in some cases result in reduced performance but may nonetheless be entered into where the ACD believes it to be in the best interests of the Sub-fund, for example in order to manage risk.

The Cash Collateral Policy set out below shall apply to any cash collateral received in respect of a repo or stocklending transaction.

Such transactions must always comply with the requirements of the Taxation and Chargeable Gains Act 1992 and with the requirements of COLL.

### **Borrowing Powers**

The ACD may, on the instructions of the Company and subject to COLL, borrow money from an eligible institution or an approved bank (each as defined for the purposes of COLL) for the use of the Company on terms that the borrowing is to be repayable out of the Scheme Property.

Borrowing must be on a temporary basis and in any event must not exceed 3 months without the prior consent of the Depositary, which may be given only on such conditions as appear appropriate to the Depositary to ensure that the borrowing does not cease to be on a temporary basis.

The ACD must ensure that borrowing of any Sub-fund does not, on any Dealing Day, exceed 10% of the Net Asset Value of the Scheme Property of that Sub-fund.

These borrowing restrictions do not apply to back to back borrowing for currency hedging purposes, (ie borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).

### **Collateral Management Policy**

The Collateral Management Policy is detailed within the RMP and is subject to change and regular review.

The RMP will define "eligible" collateral including any applicable haircuts. Collateral will generally be of high quality and liquid e.g. cash and government securities. It will also include any additional restrictions deemed appropriate by the ACD.

All collateral used to reduce counterparty risk will comply with the following criteria at all times:-

- It must be highly liquid and traded on a regulated market;
- It must be valued at least daily;
- It must be of high quality;
- It will not be highly correlated with the performance of the counterparty;
- It will be sufficiently diversified in terms of country, markets and issuers (in accordance with ESMA's Guidelines on ETFs and other UCITS issues (ESMA/2012/832EN) as updated by ESMA/2014/294 (together the "ESMA Guidelines"). However, Sub-funds may be substantially

or fully collateralised in securities issued or guaranteed by one or more governments at the ACD's discretion;

- It will be held by the Depositary or by a third party custodian which is subject to prudential supervision and which is unrelated to the provider of collateral; and
- It will be capable of being fully enforced by the ACD at any time without reference or approval from the counterparty.

Permitted collateral includes (where applicable):-

- Cash
- Government or other public securities; and
- Bonds or commercial paper issued by acceptable entities, in accordance with the Sub-fund's ISDA/Credit Support Annex documentation.

A significant proportion, or all, of collateral received in respect of a stocklending or repo transaction may be issued or guaranteed by a single government or other public body.

Non – cash collateral will not be sold, re-invested or pledged.

Cash collateral will only be:-

- placed on deposit with entities that meet the requirements of Article 50(f) of the UCITS Directive, or
- invested in high-quality government bonds, or
- used for the purpose of reverse repo transactions with credit institutions that are subject to prudential supervision (and on terms that permit the ACD to recall at any time the full amount of cash on an accrued basis), or
- invested in short-term money market funds (as defined in the Guidelines on a Common Definition of European Money Market Funds issued by the Committee of European Securities Regulators in May 2010).

Cash collateral, where reinvested, will be diversified in accordance with the requirements of the ESMA Guidelines.

The exposure to a counterparty will, at all times, meet the requirements of Article 52 of the UCITS Directive. Collateral will be subject to a haircut depending on the class of assets received. The haircut policy depends on quality of the assets received and their price volatility.

Where the Sub-fund reinvests cash collateral in one or more of the permitted types of investment above, there is a risk that the investment will earn less than the interest that is due to the counterparty in respect of that cash and that it will return less than the amount of cash that was invested.

### Schedule One to Appendix B

The following is a list of the names of the States, local authorities and public international bodies ("the issuers") in whose GAPS each of Kames Ethical Cautious Managed Fund, Kames Diversified Growth Fund, Kames Investment Grade Bond Fund, Kames Strategic Bond Fund **and Kames Diversified Monthly Income Fund** can invest more than 35% (and up to 100%) of its assets:

- GAPS issued or guaranteed by or on behalf of:
  - the Government in the United Kingdom
  - the following local authorities in the UK:
    - the City of Coventry
    - Dudley Metropolitan Borough
    - Salford Corporation
    - Sheffield City Trust
    - NEC Finance
  - the following Member States:
    - Austria
    - Belgium
    - Denmark
    - France
    - Germany
    - Greece
    - Ireland
    - Italy
    - Finland
    - Luxembourg
    - The Netherlands
    - Portugal
    - Spain
    - Sweden
  - the following EEA states:
    - Norway,
    - Iceland
    - Lichtenstein
  - the Government of:
    - Australia
    - Canada
    - Hungary
    - Isle of Man
    - Israel
    - Japan
    - New Zealand
    - South Africa
    - Switzerland
    - the United States of America; or
- GAPS issued by or on behalf of the following international organisations of which the UK, or another member State is a member:
  - Cades
  - Eurofima
  - European Investment Bank
  - International Finance
  - KFW International Finance
  - LCR Finance
  - World Bank.

## Appendix C Determination of Net Asset Value

### Calculation of the Net Asset Value

The Net Asset Value of the scheme property of the Company or Sub-fund (as the case may be) shall be the value of its assets less the value of its liabilities and shall be determined in accordance with the following provisions:

1. all the scheme property (including receivables) is to be included, subject to the following provisions;
2. property which is neither an asset dealt with in paragraphs 3 to 4A (inclusive) below shall be valued as set out below and the prices used shall (subject as set out below) be the most recent prices which it is practicable to obtain:
  - (a) units or shares in a collective investment scheme:
    - (i) if a single price for buying and selling units or shares is quoted, at that price; or
    - (ii) if separate buying and selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial or preliminary charge included therein and the selling price has been increased by any exit or redemption charge attributable thereto; or
    - (iii) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares, at a value which, in the opinion of the ACD, is fair and reasonable;
  - (b) any other transferable security:
    - (i) if a single price for buying and selling the security is quoted, at that price; or
    - (ii) if separate buying and selling prices are quoted, at the average of the two prices; or
    - (iii) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the security, at a value which, in the opinion of the ACD, is fair and reasonable;
  - (c) property other than that described in sub-paragraphs (a) and (b) above, at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price;
3. cash and amounts held in current deposit and margin accounts and in other time-related deposits shall be valued at their nominal values;
- 3A. approved money market instruments which have a residual maturity of less than three months and have no specific sensitivity to market parameters, including credit risk, shall be valued on an amortised cost basis;
4. exchange-traded derivative contracts:
  - (a) if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or
  - (b) if separate buying and selling prices are quoted, at the average of the two prices;

- 4A. over-the-counter derivative contracts shall be valued on the basis of an up-to-date market valuation which the ACD and the Depositary have agreed is reliable or if this is not available, on the basis of a pricing model which the ACD and the Depositary have agreed;
5. all instructions given to issue or cancel shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case;
6. subject to paragraph 7 below, agreements for the unconditional sale or purchase of property (excluding futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options) which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if they are made shortly before the valuation takes place and, in the opinion of the ACD, their omission will not materially affect the final net asset amount;
7. all agreements are to be included under paragraph 6 which are, or ought reasonably to have been, known to the person valuing the property;
8. deduct an estimated amount for anticipated tax liabilities (on unrealised gains where the liabilities have accrued and are payable out of the property of the Scheme; on realised gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) at that point in time including (as applicable and without limitation) any liability for capital gains tax, income tax, corporation tax, value added tax, stamp duty and stamp duty reserve tax;
9. deduct an estimated amount for any liabilities payable out of the scheme property and any tax thereon, for this purpose treating periodic items as accruing from day to day;
10. deduct the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings;
11. add an estimated amount for accrued claims for tax of whatever nature which may be recoverable;
12. add any other credits or amounts due to be paid into the scheme property;
13. add a sum representing any interest or any income accrued due or deemed to have accrued but not received and any stamp duty reserve tax provision anticipated to be received;
14. currencies or values in currencies other than base currency of the Company or (as the case may be) the designated currency of a Sub-fund shall be converted at the relevant Valuation Point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential shareholders.

### **Proportionate Interests**

1. If there is more than one Class in issue in respect of a Sub-fund, the proportionate interests of each Class in the assets and income of the Sub-fund shall be ascertained as follows:
  - (i) A notional account will be maintained for each Class. Each account will be referred to as a "**Proportion Account**".
  - (ii) The word "proportion" in the following paragraphs means the proportion which the balance on a Proportion Account at the relevant time bears to the balance on all the Proportion Accounts of a Sub-fund at that time. The proportionate interest of a Class of Share in the assets and income of a Sub-fund is its "proportion".

- (iii) There will be credited to a Proportion Account:
- the subscription money (excluding any initial charges) for the issue of Shares of the relevant Class;
  - that Class's proportion of the amount by which the Net Asset Value of the Sub-fund exceeds the total subscription money for all Shares in the Sub-fund;
  - the Class's proportion of the Sub-fund's income received and receivable; and
  - any notional tax benefit under paragraph (v) below.
- (iv) There will be debited to a Proportion Account:
- the redemption payment for the cancellation of Shares of the relevant Class;
  - the Class's proportion of the amount by which the Net Asset Value of the Sub-fund falls short of the total subscription money for all Shares in the Sub-fund;
  - all distributions of income (including equalisation if any) made to Shareholders of that Class;
  - all costs, charges and expenses incurred solely in respect of that Class;
  - that Class's proportion of the costs, charges and expenses incurred in respect of that Class and one or more other Classes in the Sub-fund, but not in respect of the Sub-fund as a whole;
  - that Class's proportion of the costs, charges and expenses incurred in respect of or attributable to the Sub-fund as a whole; and
  - any notional tax liability under paragraph (v).
- (v) Any tax liability in respect of the Sub-fund and any tax benefit received or receivable in respect of the Sub-fund will be allocated between Classes in order to achieve, so far as possible, the same result as would have been achieved if each Class were itself a Sub-fund so as not materially to prejudice any Class. The allocation will be carried out by the ACD after consultation with the Company's auditors.
- (vi) Where a Class is denominated in a currency which is not the base currency of the Company, the balance on the Proportion Account shall be converted into the base currency of the Company in order to ascertain the proportions of all Classes. Conversions between currencies shall be at a rate of exchange decided by the ACD as being a rate that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.
- (vii) The Proportion Accounts are notional accounts maintained for the purpose of calculating proportions. They do not represent debts from the Company to Shareholders or the other way round.
2. Each credit and debit to a Proportion Account shall be allocated to that account on the basis of that Class's proportion immediately before the allocation. All such adjustments shall be made as are necessary to ensure that on no occasion on which the proportions are ascertained is any amount counted more than once.

3. When Shares are issued thereafter each such Share shall represent the same proportionate interest in the property of the relevant Sub-fund as each other Share of the same category and Class then in issue in respect of that Sub-fund.
4. The Company shall allocate the amount available for income allocation (calculated in accordance with COLL) between the Shares in issue relating to the relevant Sub-fund according to the respective proportionate interests in the property of the Sub-fund represented by the Shares at the Valuation Point in question.
5. The Company may adopt a different method of calculating the proportionate interests of each Class in the assets and income of a Sub-fund from that set out in this part of Appendix C provided that the Directors are satisfied that such method is fair to Shareholders and that it is reasonable to adopt such method in the given circumstances.
6. For Shares of each Class a smaller denomination Share of that Class shall represent such proportion of a larger denomination Share of that Class for the purposes of calculating the proportionate interests of such Shares in the assets and income of a Sub-fund as the proportion which a smaller denomination Share bears to a larger denomination Share in accordance with this Prospectus and the Instrument of Incorporation.

## Appendix D Sub-fund Details

Except for the Kames UK Equity Absolute Return Fund, where such phrases as 'absolute return', 'total return' or similar are used in the name or objective and policy of a Fund, this means the combined return of capital and income and is not indicative of a positive return in all market conditions. The value of any investment and any income arising from it is not guaranteed and may go down as well as up and an investor may not get back the sum invested.

Name:	<b>Kames Diversified Growth Fund</b>
Investment Objective:	The investment objective is to maximise total return (income plus capital) and outperform the UK Retail Prices Index by at least 4% per annum over the medium term. By investing in the Fund, capital is at risk. There is no guarantee that the Fund will deliver positive returns over this, or any, time period.
Investment Policy:	<p>To invest principally in: fixed income assets; equities; and derivatives (including commodity indices) denominated in any currency.</p> <p>The Fund may also occasionally have indirect exposure to property.</p> <p>A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of other collective investment schemes.</p> <p>It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments</p> <p>The Fund may also hold cash, near cash and deposits. <b>A substantial proportion of the Scheme Property of the Fund may consist of cash, near cash and/or deposits.</b></p> <p>The Fund may also invest in approved money market instruments.</p>
Use of derivatives:	<p><b>Derivatives and forward transactions and/or repo transactions will be used for the purposes of Efficient Portfolio Management (including hedging) and derivatives and forward transactions will be used to meet the investment objectives of the Fund (as set out from page 53 onwards). Derivatives may be exchange traded or Over the Counter (OTC) derivatives.</b></p> <p><b>The use of derivatives and/or forward transactions has the potential to increase the Fund's risk profile and could result in increased price volatility. The use of repo transactions will not materially increase the risk profile.</b></p>
Anticipated Level of Leverage:	The level of leverage of the Fund (calculated as the sum of the notional amounts of the derivatives used by the Fund) under normal circumstances is expected to be in the range of 100% to 250% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.
Share Classes:	<p>Class A net accumulation Shares</p> <p>Class B net accumulation Shares</p> <p>Class D net accumulation Shares</p>

Minimum Initial Lump Sum Investment:	Class A Shares: £500 Class B Shares: £2,000,000  Class D Shares: £250,000
Minimum Initial Regular Savings Plan Investment:	Class A Shares: £50 p/m Class B Shares: £10,000 p/m Class D Shares: £5,000 p/m
Minimum Subsequent Investment:	Class A Shares: £100 Class B Shares: £10,000  Class D Shares: £5,000
Minimum Holding:	Class A Shares: £250 Class B Shares: £1,000,000  Class D Shares: £125,000
Minimum Partial Redemption:	Class A Shares: £100 Class B Shares: £10,000  Class D Shares: £5,000
Preliminary Charge:	Class A Shares: 2.50% Class B Shares: 0.00%  Class D Shares: 2.50%  The ACD may at its discretion from time to time waive the initial charge in whole or in part.
Annual Management Charge:	Class A Shares: 1.00% Class B Shares: 0.55% Class D Shares: 0.75%
Charge for investment research:	None
Interim Accounting Period(s):	1 August to 31 January
Ex-Dividend Date(s):	Annual: 1 August Interim: 1 November, 1 February, 1 May
Income Allocation Date(s): (Also known as "Pay Date")	Annual: 30 November (distribution to be made in advance on 30 September) Interim: 31 December, 31 March, 30 June
Additional power re government & public securities:	More than 35% and up to 100% of the Net Asset Value of the Scheme Property may be invested in the GAPS listed in Schedule One to Appendix B.
Historic performance:	Set out in Appendix E.
Profile of typical investor:	The Fund is designed for retail and institutional investors seeking to mitigate the effects of inflation over the longer term and who are comfortable with a medium to high level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio including other assets e.g. bonds, other equities, property and cash. While investors will normally be able to liquidate their holdings

	<p>on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment.</p> <p>Investors should have regard to both the Investment Objective and Policy of the Fund and the Risk Factors detailed in section 12 of this Prospectus. Investors are advised to consult with their professional advisers in respect of any investment decision.</p>
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Name:	<b>Kames Diversified Monthly Income Fund</b>
Investment Objective:	The investment objective is to provide income with the potential for capital growth over the medium term.
Investment Policy:	<p>To invest mainly in a diversified portfolio of equities, bonds and derivatives denominated in any currency. Assets will be chosen based on global economic trends and investment opportunities. As a result, at any one time the Fund may be diversified across asset classes, sectors, currencies or countries or may be more focused. Equities will be limited to a maximum of 80% of the Fund's value at all times.</p> <p>The Fund may invest in assets denominated in a currency other than Sterling. The currency risk of investing in such assets may or may not be hedged back to Sterling, depending on whether currency risk is a desired element of the investment decision.</p> <p>The Fund may also hold units in other transferable securities, warrants derivatives and forwards (including commodity indices) for investment or hedging purposes. The Fund may have indirect exposure to property.</p> <p>A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of other collective investment schemes.</p> <p>The Fund may also hold cash, near cash and deposits. The Fund may also invest in approved money market instruments.</p>
Use of derivatives:	<p><b>Derivatives and forward transactions and/or repo transactions will be used for the purposes of Efficient Portfolio Management (including hedging) and derivatives and forward transactions will be used to meet the investment objectives of the Fund (as set out from page 53 onwards). Derivatives may be exchange traded or Over the Counter (OTC) derivatives.</b></p> <p><b>The use of derivatives and/or forward transactions has the potential to increase the Fund's risk profile and could result in increased price volatility. The use of repo transactions will not materially increase the risk profile.</b></p>
Anticipated Level of Leverage:	The level of leverage of the Fund (calculated as the sum of the notional of the derivatives used by the Fund) under normal circumstances is expected to be in the range of 75% to 125% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.
ISA:	It is intended that the Fund will be invested in a manner which aims to ensure that Shares in the Fund will constitute Qualifying Investments under the Individual Savings Regulations.
Share Classes:	<p>Class A net accumulation Shares  Class A net income Shares  Class B net accumulation Shares  Class B net income Shares</p>

	Class D net accumulation Shares Class D net income Shares
Minimum Initial Lump Sum Investment:	Class A Shares: £500 Class B Shares: £2,000,000 Class D Shares: £250,000
Minimum Initial Regular Savings Plan Investment:	Class A Shares: £50 Class B Shares: £10,000 Class D Shares: £5,000
Minimum Subsequent Investment:	Class A Shares: £100 Class B Shares: £10,000 Class D Shares: £5,000
Minimum Holding:	Class A Shares: £250 Class B Shares: £1,000,000 Class D Shares: £125,000
Minimum Partial Redemption:	Class A Shares: £100 Class B Shares: £10,000 Class D Shares: £5,000
Preliminary Charge:	Class A Shares: 2.5% Class B Shares: 0.00% Class D Shares: 2.5%  The ACD may at its discretion from time to time waive the initial charge in whole or in part.
Annual Management Charge:	Class A Shares: 1.25% Class B Shares: 0.55% Class D Shares: 0.80%
Charge for investment research:	None
Interim Accounting Period(s):	1 August to 31 January  <b>The payment of income is not guaranteed.</b>
Ex-Dividend Date(s):	Annual: 1 August Monthly: 1 <sup>st</sup> day of each calendar month  <b>The payment of income is not guaranteed.</b>
Income Allocation Date(s): (Also known as "Pay Date")	Annual: 31 August Interim: Final day of each month
Additional power re government & public securities:	More than 35% and up to 100% of the Net Asset Value of the Scheme Property may be invested in the GAPS listed in Schedule One to Appendix B.
Historic performance:	Set out in Appendix E.
Profile of typical investor:	The Fund is designed for retail and institutional investors seeking regular income and who are comfortable with a medium to high level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio including other assets e.g. bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is

	<p>important to understand that the Fund should be viewed as a longer term investment.</p> <p>Investors should have regard to both the Investment Objective and Policy of the Fund and the Risk Factors detailed in section 12 of this Prospectus. Investors are advised to consult with their professional advisers in respect of any investment decision.</p>
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Name:	<b>Kames Ethical Cautious Managed Fund</b>
Investment Objective:	The investment objective is to provide a combination of income and long term capital growth.
Investment Policy:	<p>To invest in a diversified range of UK equities and bonds, which meet the Fund's predefined ethical criteria. Equities will be limited to a maximum of 60% of the Fund's value at all times.</p> <p>A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of other collective investment schemes.</p> <p>It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments</p> <p>The Fund may hold cash and near cash.</p>
Ethical Criteria:	This Fund will be invested in a manner that adheres to the ethical criteria set out in Schedule One to Appendix D.
Use of derivatives:	<p><b>Derivatives and forward transactions and/or repo transactions may be used for the purposes of Efficient Portfolio Management (including hedging) (as set out from page 53 onwards).</b></p> <p><b>It is not intended that the use of derivatives, forward transactions and/or repo transactions will raise the risk profile of the Fund nor result in greater volatility. The use of repo transactions will not materially increase the risk profile.</b></p>
Anticipated Level of Leverage:	The level of leverage of the Fund (calculated as the sum of the notional of the derivatives used by the Fund) under normal circumstances is expected to be in the range of 0% to 50% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.
ISA:	It is intended that the Fund will be invested in a manner which aims to ensure that Shares in the Fund will constitute Qualifying Investments under the Individual Savings Regulations.
Share Classes:	<p>Class A net accumulation Shares</p> <p>Class A net income Shares</p> <p>Class B net accumulation Shares</p> <p>Class B net income Shares</p> <p>Class D net accumulation Shares</p> <p>Class D net income Shares</p>
Minimum Initial Lump Sum Investment:	<p>Both Class A Shares: £500</p> <p>Both Class B Shares: £2,000,000</p> <p>Both Class D Shares: £250,000</p>
Minimum Initial Regular Savings Plan Investment:	<p>Both Class A Shares: £50 p/m</p> <p>Both Class B Shares: £10,000 p/m</p> <p>Both Class D Shares: £5,000 p/m</p>
Minimum Subsequent Investment:	<p>Both Class A Shares: £100</p> <p>Both Class B Shares: £10,000</p>

	Both Class D Shares: £5,000
Minimum Holding:	Both Class A Shares: £250 Both Class B Shares: £1,000,000 Both Class D Shares: £125,000
Minimum Partial Redemption:	Both Class A Shares: £100 Both Class B Shares: £10,000 Both Class D Shares: £5,000
Preliminary Charge:	Both Class A Shares: 2.50% Both Class B Shares: 0.00% Both Class D Shares: 2.50%  The ACD may at its discretion from time to time waive the initial charge in whole or in part.
Annual Management Charge:	Both Class A Shares: 1.25% Both Class B Shares: 0.75% Both Class D Shares: 1.00%
Charge for investment research:	None
Interim Accounting Period(s):	1 August to 31 January
Ex-Dividend Date(s):	Annual: 1 August Interim: 1 November, 1 February, 1 May
Income Allocation Date(s): (Also known as "Pay Date")	Annual: 30 November (distribution of income to be made in advance on 30 September) Interim: 31 December, 31 March, 30 June
Additional power re government & public securities:	More than 35% and up to 100% of the Net Asset Value of the Scheme Property may be invested in the GAPS listed in Schedule One to Appendix B.
Historic performance:	Set out in Appendix E.
Profile of typical investor:	<p>The Fund is designed for retail and institutional investors seeking pooled exposure to a mixture of UK equities and sterling fixed income securities, while pursuing an ethical investment policy which excludes unethical activity. Investors in this Fund should be comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment.</p> <p>Investors should have regard to both the Investment Objective and Policy of the Fund and the Risk Factors detailed in section 12 of this Prospectus. Investors are advised to consult with their professional advisers in respect of any investment decision.</p>

Name:	<b>Kames Ethical Corporate Bond Fund</b>
Investment Objective:	The investment objective is to maximise total return (income plus capital).
Investment Policy:	<p>To invest in sterling denominated bonds issued by a company or organisation which meets the Fund's predefined ethical criteria. Investments may encompass investment grade bonds and up to 10% of the Fund in high yield bonds.</p> <p>A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of other collective investment schemes.</p> <p>It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments</p> <p>The Fund may also hold cash and near cash.</p>
Ethical Criteria:	This Fund will be invested in a manner that adheres to the ethical criteria set out in Schedule One to Appendix D.
Use of derivatives:	<p><b>Derivatives and forward transactions and/or repo transactions may be used for the purposes of Efficient Portfolio Management (including hedging) (as set out from page 53 onwards).</b></p> <p><b>It is not intended that the use of derivatives, forward transactions and/or repo transactions will raise the risk profile of the Fund nor result in greater volatility. The use of repo transactions will not materially increase the risk profile.</b></p>
Anticipated Level of Leverage:	The level of leverage of the Fund (calculated as the sum of the notionals of the derivatives used by the Fund) under normal circumstances is expected to be in the range of 0% to 25% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.
ISA:	It is intended that the Fund will be invested in a manner which aims to ensure that Shares in the Fund will constitute Qualifying Investments under the Individual Savings Regulations.
Share Classes:	<p>Class A net accumulation Shares</p> <p>Class A net income Shares</p> <p>Class B net accumulation Shares</p> <p>Class B net income Shares</p> <p>Class D net accumulation Shares</p> <p>Class D net income Shares</p>
Minimum Initial Lump Sum Investment:	<p>Both Class A Shares: £500</p> <p>Both Class B Shares: £2,000,000</p> <p>Both Class D Shares: £250,000</p>
Minimum Initial Regular Savings Plan Investment:	<p>Both Class A Shares: £50 p/m</p> <p>Both Class B Shares: £10,000 p/m</p> <p>Both Class D Shares: £5,000 p/m</p>

Minimum Subsequent Investment:	Both Class A Shares: £100 Both Class B Shares: £10,000 Both Class D Shares: £5,000
Minimum Holding:	Both Class A Shares: £250 Both Class B Shares: £1,000,000 Both Class D Shares: £125,000
Minimum Partial Redemption:	Both Class A Shares: £100 Both Class B Shares: £10,000 Both Class D Shares: £5,000
Preliminary Charge:	Class A Shares: 1.50% Class B Shares: 0.00% Class D Shares: 1.50%  The ACD may at its discretion from time to time waive the initial charge in whole or in part.
Annual Management Charge:	Both Class A Shares: 1.00% Both Class B Shares: 0.50% Both Class D Shares: 0.75%
Charge for investment research:	None
Interim Accounting Period(s):	1 August to 31 January
Ex-Dividend Date(s):	Annual: 1 August Interim: 1 November, 1 February, 1 May
Income Allocation Date(s): (Also known as "Pay Date")	Annual: 30 November (distribution of income to be made in advance on 30 September) Interim: 31 December, 31 March, 30 June
Additional power re government & public securities:	Not applicable.
Historic performance:	Set out in Appendix E.
Profile of typical investor:	<p>The Fund is designed for retail and institutional investors seeking pooled exposure to the sterling corporate bond market while pursuing an ethical investment policy which excludes unethical activity. Investors in this Fund should be comfortable with a medium level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment.</p> <p>Investors should have regard to both the Investment Objective and Policy of the Fund and the Risk Factors detailed in section 12 of this Prospectus. Investors are advised to consult with their professional advisers in respect of any investment decision.</p>

Name:	<b>Kames Ethical Equity Fund</b>
Investment Objective:	The investment objective is to maximise total return (income plus capital).
Investment Policy:	<p>To invest in equities and equity type securities in companies based in the UK, principally conducting business in the UK or listed on the UK stock market, which meet the Fund's predefined ethical criteria.</p> <p>A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of other collective investment schemes.</p> <p>It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments</p> <p>The Fund may also hold cash and near cash.</p>
Ethical Criteria:	This Fund will be invested in a manner that adheres to the ethical criteria set out in Schedule One of Appendix D.
Use of derivatives:	<p><b>Derivatives and forward transactions may be used for the purposes of Efficient Portfolio Management (including hedging) (as set out from page 53 onwards).</b></p> <p><b>It is not intended that the use of derivatives will raise the risk profile of the Fund nor result in greater volatility.</b></p>
Anticipated Level of Leverage:	The level of leverage of the Fund (calculated as the sum of the notional of the derivatives used by the Fund) under normal circumstances is expected to be in the range of 0% to 50% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.
ISA:	It is intended that the Fund will be invested in a manner which aims to ensure that Shares in the Fund will constitute Qualifying Investments under the Individual Savings Regulations.
Share Classes:	<p>Class A net accumulation Shares</p> <p>Class B net accumulation Shares</p> <p>Class B net income Shares</p> <p>Class D net accumulation Shares</p>
Minimum Initial Lump Sum Investment:	<p>Class A Shares: £500</p> <p>Class B Shares: £2,000,000</p> <p>Class D Shares: £250,000</p>
Minimum Initial Regular Savings Plan Investment:	<p>Class A Shares: £50 p/m</p> <p>Class B Shares: £10,000 p/m</p> <p>Class D Shares: £5,000 p/m</p>
Minimum Subsequent Investment:	<p>Class A Shares: £100</p> <p>Class B Shares: £10,000</p> <p>Class D Shares: £5,000</p>
Minimum Holding:	Class A Shares: £250

	Class B Shares: £1,000,000 Class D Shares: £125,000
Minimum Partial Redemption:	Class A Shares: £100 Class B Shares: £10,000 Class D Shares: £5,000
Preliminary Charge:	Class A Shares: 2.50% Class B Shares: 0.00% Class D Shares: 2.50%  The ACD may at its discretion from time to time waive the initial charge in whole or in part.
Annual Management Charge:	Class A Shares: 1.50% Class B Shares: 0.75% Class D Shares: 1.00%
Charge for investment research:	None
Interim Accounting Period(s):	1 August to 31 January
Ex-Dividend Date(s):	Annual: 1 August
Income Allocation Date(s): (Also known as "Pay Date")	Annual: 30 November
Additional power re government & public securities:	Not applicable
Historic performance:	Set out in Appendix E.
Profile of typical investor:	<p>The Fund is designed for retail and institutional investors seeking pooled exposure to UK equity stocks while pursuing an ethical investment policy which excludes unethical activity. Investors in this Fund should be comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as equities, bonds, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment.</p> <p>Investors should have regard to both the Investment Objective and Policy of the Fund and the Risk Factors detailed in section 12 of this Prospectus. Investors are advised to consult with their professional advisers in respect of any investment decision.</p>

Name:	<b>Kames Global Equity Fund</b>
Investment Objective:	The investment objective is to provide capital growth.
Investment Policy:	<p>To exploit special investment situations and opportunities throughout the world by investing globally.</p> <p>A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of such other collective investment schemes.</p> <p>It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments</p> <p>The Fund may also hold cash and near cash.</p>
Use of derivatives:	<p><b>Derivatives and forward transactions may be used for the purposes of Efficient Portfolio Management (including hedging) (as set out from page 53 onwards).</b></p> <p><b>It is not intended that the use of derivatives will raise the risk profile of the Fund nor result in greater volatility.</b></p>
Anticipated Level of Leverage:	The level of leverage of the Fund (calculated as the sum of the notionals of the derivatives used by the Fund) under normal circumstances is expected to be in the range of 0% to 50% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.
ISA:	It is intended that the Fund will be invested in a manner which aims to ensure that Shares in the Fund will constitute Qualifying Investments under the Individual Savings Regulations.
Share Classes:	<p>Class A net accumulation Shares</p> <p>Class B net accumulation Shares</p> <p>Class E net accumulation Shares</p> <p>Class D net accumulation Shares</p> <p>Class S net accumulation Shares</p>
Minimum Initial Lump Sum Investment:	<p>Class A Shares: £500</p> <p>Class B Shares: £2,000,000</p> <p>Class E Shares: €750</p> <p>Class D Shares: £250,000</p> <p>Class S Shares: £100,000,000</p>
Minimum Initial Regular Savings Plan Investment:	<p>Class A Shares: £50 p/m</p> <p>Class B Shares: £10,000 p/m</p> <p>Class D Shares: £5,000 p/m</p> <p>Class S Shares: Not applicable</p>
Minimum Subsequent Investment:	<p>Class A Shares: £100</p> <p>Class B Shares: £10,000</p> <p>Class E Shares: €200</p> <p>Class D Shares: £5,000</p> <p>Class S Shares: £10,000,000</p>
Minimum Holding:	Class A Shares: £250

	Class B Shares: £1,000,000 Class E Shares: €400 Class D Shares: £125,000 Class S Shares: £50,000,000
Minimum Partial Redemption:	Class A Shares: £100 Class B Shares: £10,000 Class E Shares: €200 Class D Shares: £5,000 Class S Shares: £10,000,000
Preliminary Charge:	Class A Shares: 2.50% Class B Shares: 0.00% Class E Shares: 5.50% Class D Shares: 2.50% Class S Shares: 0.00%  The ACD may at its discretion from time to time waive the initial charge in whole or in part.
Annual Management Charge:	Class A Shares: 1.50% Class B Shares: 0.75% Class E Shares: 1.50% Class D Shares: 1.00% Class S Shares: 0.40%
Charge for investment research:	None
Interim Accounting Period(s):	1 August to 31 January
Ex-Dividend Date(s):	Annual: 1 August
Income Allocation Date(s): (Also known as "Pay Date")	Annual: 30 November
Additional power re government & public securities:	Not applicable
Historic performance:	Set out in Appendix E.
Profile of typical investor:	<p>The Fund is designed for retail and institutional investors seeking pooled exposure to the global equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets e.g. bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment.</p> <p>Investors should have regard to both the Investment Objective and Policy of the Fund and the Risk Factors detailed in section 12 of this Prospectus. Investors are advised to consult with their professional advisers in respect of any investment decision.</p>

Name:	<b>Kames High Yield Bond Fund</b>
Investment Objective:	The investment objective is to maximise total return (income plus capital).
Investment Policy:	<p>To invest in a portfolio of predominately: high yield bonds and selected investment grade bonds. The Fund may hold sterling and other currency denominated bonds hedged back to sterling. The Fund may also invest in derivative instruments and forward transactions.</p> <p>A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of other collective investment schemes.</p> <p>It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments</p> <p>The Fund may also hold cash, near cash and deposits.</p> <p>The Fund may also invest in approved money market instruments.</p>
Use of derivatives:	<p><b>Derivatives and forward transactions and/or repo transactions will be used for the purposes of Efficient Portfolio Management (including hedging) and derivatives and forward transactions will be used to meet the investment objectives of the Fund (as set out from page 53 onwards). Derivatives may be exchange traded or Over the Counter (OTC) derivatives.</b></p> <p><b>It is not intended that the use of derivatives and/or forward transactions will raise the risk profile of the Fund nor result in greater volatility. The use of repo transactions will not materially increase the risk profile.</b></p>
Anticipated Level of Leverage:	The level of leverage of the Fund (calculated as the sum of the notionals of the derivatives used by the Fund) under normal circumstances is expected to be in the range of 50% to 200% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.
ISA:	It is intended that the Fund will be invested in a manner which aims to ensure that Shares in the Fund will constitute Qualifying Investments under the Individual Savings Regulations.
Share Classes:	<p>Class A net accumulation Shares  Class A net income Shares  Class B net accumulation Shares  Class B net income Shares  Class D net accumulation Shares  Class D net income Shares  Class S net accumulation Shares  Class S net income Shares</p>
Minimum Initial Lump Sum Investment:	<p>Both Class A Shares: £500  Both Class B Shares: £2,000,000  Both Class D Shares: £250,000  Both Class S Shares: £100,000,000</p>

Minimum Initial Regular Savings Plan Investment:	Both Class A Shares: £50 p/m Both Class B Shares: £10,000 p/m Both Class D Shares: £5,000 p/m Both Class S Shares: Not applicable
Minimum Subsequent Investment:	Both Class A Shares: £100 Both Class B Shares: £10,000 Both Class D Shares: £5,000 Both Class S Shares: £10,000,000
Minimum Holding:	Both Class A Shares: £250 Both Class B Shares: £1,000,000 Both Class D Shares: £125,000 Both Class S Shares: £50,000,000
Minimum Partial Redemption:	Both Class A Shares: £100 Both Class B Shares: £10,000 Both Class D Shares: £5,000 Both Class S Shares: £10,000,000
Preliminary Charge:	Both Class A Shares: 1.50% Both Class B Shares: 0.00% Both Class D Shares: 1.50% Both Class S Shares: 0.00%  The ACD may at its discretion from time to time waive the initial charge in whole or in part.
Annual Management Charge:	Both Class A Shares: 1.25% Both Class B Shares: 0.75% Both Class D Shares: 1.00% Both Class S Shares: 0.50%
Charge for investment research:	None
Interim Accounting Period(s):	1 August to 31 January
Ex-Dividend Date(s):	Annual: 1 August Interim: 1st day of each calendar month
Income Allocation Date(s): (Also known as "Pay Date")	Annual: 31 August Interim: Final day of each month
Additional power re government & public securities:	Not applicable.
Historic performance:	Set out in Appendix E.
Profile of typical investor:	The Fund is designed for retail and institutional investors seeking pooled exposure to the high yield bond market and who are comfortable with a medium level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment.

	<p>Investors should have regard to both the Investment Objective and Policy of the Fund and the Risk Factors detailed in section 12 of this Prospectus. Investors are advised to consult with their professional advisers in respect of any investment decision.</p>
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Name:	<b>Kames Investment Grade Bond Fund</b>
Investment Objective:	The investment objective is to maximise total return (income plus capital).
Investment Policy:	<p>To invest primarily in investment grade and government bonds denominated in sterling and other currencies. The Fund may hold up to a maximum of 20% in high yield bonds. A minimum of 80% of the Fund will be hedged back into sterling. The Fund may also invest in derivative instruments and forward transactions.</p> <p>A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of other collective investment schemes.</p> <p>It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments</p> <p>The Fund may also hold cash, near cash and deposits.</p> <p>The Fund may also invest in approved money market instruments.</p>
Use of derivatives:	<p><b>Derivatives and forward transactions and/or repo transactions will be used for the purposes of Efficient Portfolio Management (including hedging) and derivatives and forward transactions will be used to meet the investment objectives of the Fund (as set out from page 53 onwards). Derivatives may be exchange traded or Over the Counter (OTC) derivatives.</b></p> <p><b>It is not intended that the use of derivatives and/or forward transactions will raise the risk profile of the Fund nor result in greater volatility. The use of repo transactions will not materially increase the risk profile.</b></p>
Anticipated Level of Leverage:	The level of leverage of the Fund (calculated as the sum of the notionals of the derivatives used by the Fund) under normal circumstances is expected to be in the range of 0% to 200% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.
ISA:	It is intended that the Fund will be invested in a manner which aims to ensure that Shares in the Fund will constitute Qualifying Investments under the Individual Savings Regulations.
Share Classes:	<p>Class A net accumulation Shares</p> <p>Class A net income Shares</p> <p>Class B net accumulation Shares</p> <p>Class B net income Shares</p> <p>Class D net accumulation Shares</p> <p>Class D net income Shares</p> <p>Class S net accumulation Shares</p> <p>Class S net income Shares</p>
Minimum Initial Lump Sum Investment:	<p>Both Class A Shares: £500</p> <p>Both Class B Shares: £2,000,000</p> <p>Both Class D Shares: £250,000</p> <p>Both Class S Shares: £100,000,000</p>

Minimum Initial Regular Savings Plan Investment:	Both Class A Shares: £50 p/m Both Class B Shares: £10,000 p/m Both Class D Shares: £5,000 p/m Both Class S Shares: Not applicable
Minimum Subsequent Investment:	Both Class A Shares: £100 Both Class B Shares: £10,000 Both Class D Shares: £5,000 Both Class S Shares: £10,000,000
Minimum Holding:	Both Class A Shares: £250 Both Class B Shares: £1,000,000 Both Class D Shares: £125,000 Both Class S Shares: £50,000,000
Minimum Partial Redemption:	Both Class A Shares: £100 Both Class B Shares: £10,000 Both Class D Shares: £5,000 Both Class S Shares: £10,000,000
Preliminary Charge:	Both Class A Shares: 1.50% Both Class B Shares: 0.00% Both Class D Shares: 1.50% Both Class S Shares: 0.00%  The ACD may at its discretion from time to time waive the initial charge in whole or in part.
Annual Management Charge:	Both Class A Shares: 1.25% Both Class B Shares: 0.75% Both Class D Shares: 1.00% Both Class S Shares: 0.50%
Charge for investment research:	None
Interim Accounting Period(s):	1 August to 31 January
Ex-Dividend Date(s):	Annual: 1 August Interim: 1 November, 1 February, 1 May
Income Allocation Date(s): (Also known as "Pay Date")	Annual: 30 November (distribution of income to be made in advance on 30 September) Interim: 31 December, 31 March, 30 June
Additional power re government & public securities:	More than 35% and up to 100% of the Net Asset Value of the Scheme Property may be invested in the GAPS listed in Schedule One to Appendix B.
Historic performance:	Set out in Appendix E.
Profile of typical investor:	The Fund is designed for retail and institutional investors seeking pooled exposure to the investment grade bond market and who are comfortable with a medium level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment.

	<p>Investors should have regard to both the Investment Objective and Policy of the Fund and the Risk Factors detailed in section 12 of this Prospectus. Investors are advised to consult with their professional advisers in respect of any investment decision.</p>
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Name:	<b>Kames Sterling Corporate Bond Fund</b>
Investment Objective:	The investment objective is to maximise total return (income plus capital).
Investment Policy:	<p>To invest mainly in sterling denominated bonds, encompassing investment grade corporate bonds and government bonds. Up to 10% of the Fund may be invested in high yield bonds. The Fund may also invest in derivative instruments and forward transactions.</p> <p>A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of other collective investment schemes.</p> <p>It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments</p> <p>The Fund may also hold cash, near cash and deposits.</p> <p>The Fund may also invest in approved money market instruments.</p>
Use of derivatives:	<p><b>Derivatives and forward transactions and/or repo transactions will be used for the purposes of Efficient Portfolio Management (including hedging) and derivatives and forward transactions will be used to meet the investment objectives of the Fund (as set out from page 53 onwards). Derivatives may be exchange traded or Over the Counter (OTC) derivatives.</b></p> <p><b>It is not intended that the use of derivatives and/or forward transactions will raise the risk profile of the Fund nor result in greater volatility. The use of repo transactions will not materially increase the risk profile.</b></p>
Anticipated Level of Leverage:	The level of leverage of the Fund (calculated as the sum of the notional of the derivatives used by the Fund) under normal circumstances is expected to be in the range of 0% to 100% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.
ISA:	It is intended that the Fund will be invested in a manner which aims to ensure that Shares in the Fund will constitute Qualifying Investments under the Individual Savings Regulations.
Share Classes:	<p>Class A net accumulation Shares</p> <p>Class A net income Shares</p> <p>Class B net accumulation Shares</p> <p>Class B net income Shares</p> <p>Class G gross accumulation Shares</p> <p>Class G gross income Shares</p> <p>Class D net accumulation Shares</p> <p>Class D net income Shares</p> <p>Class S net accumulation Shares</p> <p>Class S net income Shares</p>
Minimum Initial Lump Sum Investment:	<p>Both Class A Shares: £500</p> <p>Both Class B Shares: £2,000,000</p> <p>Both Class G Shares: £2,000,000</p>

	Both Class D Shares: £250,000 Both Class S Shares: £100,000,000
Minimum Initial Regular Savings Plan Investment:	Both Class A Shares: £50 p/m Both Class B Shares: £10,000 p/m Both Class D Shares: £5,000 p/m Both Class S Shares: Not applicable
Minimum Subsequent Investment:	Both Class A Shares: £100 Both Class B Shares: £10,000 Both Class G Shares: £10,000 Both Class D Shares: £5,000 Both Class S Shares: £10,000,000
Minimum Holding:	Both Class A Shares: £250 Both Class B Shares: £1,000,000 Both Class G Shares: £1,000,000 Both Class D Shares: £125,000 Both Class S Shares: £50,000,000
Minimum Partial Redemption:	Both Class A Shares: £100 Both Class B Shares: £10,000 Both Class G Shares: £10,000 Both Class D Shares: £5,000 Both Class S Shares: £10,000,000
Preliminary Charge:	Both Class A Shares: 1.50% Both Class B Shares: 0.00% Both Class G Shares: 0.00% Both Class D Shares: 1.50% Both Class S Shares: 0.00%  The ACD may at its discretion from time to time waive the initial charge in whole or in part.
Annual Management Charge:	Both Class A Shares: 1.00% Both Class B Shares: 0.50% Both Class G Shares: 0.50% Both Class D Shares: 0.75% Both Class S Shares: 0.35%
Charge for investment research:	None
Interim Accounting Period(s):	1 August to 31 January
Ex-Dividend Date(s):	Annual: 1 August Interim: 1 November, 1 February, 1 May
Income Allocation Date(s): (Also known as "Pay Date")	Annual: 30 November (distribution of income to be made in advance on 30 September) Interim: 31 December, 31 March, 30 June
Additional power re government & public securities:	Not applicable.
Historic performance:	Set out in Appendix E.
Profile of typical investor:	The Fund is designed for retail and institutional investors seeking pooled exposure to the sterling corporate bond market and who are

	<p>comfortable with a medium level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment.</p> <p>Investors should have regard to both the Investment Objective and Policy of the Fund and the Risk Factors detailed in section 12 of this Prospectus. Investors are advised to consult with their professional advisers in respect of any investment decision.</p>
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Name:	<b>Kames Strategic Bond Fund</b>
Investment Objective:	The investment objective is to maximise total return (income plus capital).
Investment Policy:	<p>To invest in global debt instruments denominated in any currency, ranging from AAA Government Bonds through to high yield and emerging market corporate bonds. The Fund may invest in aggregate a maximum of 40% of its Net Asset Value in high yield bonds and emerging market bonds. At least 80% of the Fund will be invested in sterling and other currency denominated bonds hedged back to sterling. The Fund may also invest in derivative instruments and forward transactions.</p> <p>A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of other collective investment schemes.</p> <p>It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments</p> <p>The Fund may also hold cash, near cash and deposits.</p> <p>The Fund may also invest in approved money market instruments.</p>
Use of derivatives:	<p><b>Derivatives and forward transactions and/or repo transactions will be used for the purposes of Efficient Portfolio Management (including hedging) and derivatives and forward transactions will be used to meet the investment objectives of the Fund (as set out from page 53 onwards). Derivatives may be exchange traded or Over the Counter (OTC) derivatives.</b></p> <p><b>It is not intended that the use of derivatives and/or forward transactions will raise the risk profile of the Fund nor result in greater volatility. The use of repo transactions will not materially increase the risk profile.</b></p>
Anticipated Level of Leverage:	The level of leverage of the Fund (calculated as the sum of the notional of the derivatives used by the Fund) under normal circumstances is expected to be in the range of 50% to 200% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.
ISA:	It is intended that the Fund will be invested in a manner which aims to ensure that Shares in the Fund will constitute Qualifying Investments under the Individual Savings Regulations.
Share Classes:	<p>Class A net accumulation Shares</p> <p>Class A net income Shares</p> <p>Class B net accumulation Shares</p> <p>Class B net income Shares</p> <p>Class D net accumulation Shares</p> <p>Class D net income Shares</p> <p>Class S net accumulation Shares</p> <p>Class S net income Shares</p>

Minimum Initial Lump Sum Investment:	Both Class A Shares: £500 Both Class B Shares: £2,000,000 Both Class D Shares: £250,000 Both Class S Shares: £100,000,000
Minimum Initial Regular Savings Plan Investment:	Both Class A Shares: £50 p/m Both Class B Shares: £10,000 p/m Both Class D Shares: £5,000 p/m Both Class S Shares: Not applicable
Minimum Subsequent Investment:	Both Class A Shares: £100 Both Class B Shares: £10,000 Both Class D Shares: £5,000 Both Class S Shares: £10,000,000
Minimum Holding:	Both Class A Shares: £250 Both Class B Shares: £1,000,000 Both Class D Shares: £125,000 Both Class S Shares: £50,000,000
Minimum Partial Redemption:	Both Class A Shares: £100 Both Class B Shares: £10,000 Both Class D Shares: £5,000 Both Class S Shares: £10,000,000
Preliminary Charge:	Both Class A Shares: 1.50% Both Class B Shares: 0.00% Both Class D Shares: 1.50% Both Class S Shares: 0.00%  The ACD may at its discretion from time to time waive the initial charge in whole or in part.
Annual Management Charge:	Both Class A Shares: 1.25% Both Class B Shares: 0.75% Both Class D Shares: 1.00% Both Class S Shares: 0.50%
Charge for investment research:	None
Interim Accounting Period(s):	1 August to 31 January
Ex-Dividend Date(s):	Annual: 1 August Interim: 1 November, 1 February, 1 May
Income Allocation Date(s):	Annual: 30 November (distribution of income to be made in advance on 30 September) Interim: 31 December, 31 March, 30 June
Additional power re government & public securities:	More than 35% and up to 100% of the Net Asset Value of the Scheme Property may be invested in the GAPS listed in Schedule One to Appendix B.
Historic performance:	Set out in Appendix E.
Profile of typical investor:	The Fund is designed for retail and institutional investors seeking pooled exposure to global bond markets and who are comfortable with a medium level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other

	<p>assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment.</p> <p>Investors should have regard to both the Investment Objective and Policy of the Fund and the Risk Factors detailed in section 12 of this Prospectus. Investors are advised to consult with their professional advisers in respect of any investment decision.</p>
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Name:	<b>Kames UK Equity Absolute Return Fund</b>
Investment Objective:	The investment objective is to achieve a positive return over a 36 month period in all market conditions. By investing in the Fund, capital is at risk. There is no guarantee that the Fund will deliver positive returns over this, or any, time period.
Investment Policy:	<p>of the Fund will seek to achieve its investment objective by investing in companies based in the UK, principally conducting business in the UK or listed on the UK stock market (collectively referred to as "UK companies"). The Fund may also invest up to 10% of its Net Asset Value in companies which are not UK companies. The Fund will invest in these companies, or relevant equity indices, primarily using Derivatives, but it may also invest directly in relevant equities or indices..</p> <p>As a consequence of the Fund's extensive use of Derivatives and the related requirement for the Fund to hold sufficient levels of highly liquid collateral, <b>a substantial proportion of the Scheme Property of the Fund may consist of cash, near cash and deposits.</b></p> <p>The Fund may also invest in other transferable securities.</p> <p>A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of such other collective investment schemes.</p> <p>It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments</p> <p>The Fund may also invest in approved money market instruments.</p>
Use of derivatives/repo transactions:	<p><b>Derivatives and forward transactions and/or repo transactions will be used for the purposes of Efficient Portfolio Management (including hedging) and, in case of derivatives and forward transactions, to meet the investment objectives of the Fund (as set out from page 53 onwards). Derivatives may be exchange traded or Over the Counter (OTC) derivatives.</b></p> <p><b>The use of derivatives and forward transactions and/or repo transactions is not expected to materially impact the Fund's risk profile.</b></p>
Anticipated Level of Leverage:	The level of leverage of the Fund (calculated as the sum of the notionals of the derivatives used by the Fund) under normal circumstances is expected to be in the range of 50% to 150% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.
ISA:	It is intended that the Fund will be invested in a manner which aims to ensure that Shares in the Fund will constitute Qualifying Investments under the Individual Savings Regulations.
Share Classes:	<p>Class A net accumulation Shares</p> <p>Class B net accumulation Shares</p> <p>Class D net accumulation Shares</p>

Minimum Initial Lump Sum Investment:	Class A Shares: £500 Class B Shares: £2,000,000 Class D Shares: £250,000
Minimum Initial Regular Savings Plan Investment:	Class A Shares: £50 p/m Class B Shares: £10,000 p/m Class D Shares: £5,000 p/m
Minimum Subsequent Investment:	Class A Shares: £100 Class B Shares: £10,000 Class D Shares: £5,000
Minimum Holding:	Class A Shares: £250 Class B Shares: £1,000,000 Class D Shares: £125,000
Minimum Partial Redemption:	Class A Shares: £100 Class B Shares: £10,000 Class D Shares: £5,000
Preliminary Charge:	Class A Shares: 2.50% Class B Shares: 0.00% Class D Shares: 2.50%  The ACD may at its discretion from time to time waive the initial charge in whole or in part.
Annual Management Charge:	Class A Shares: 1.50/1.55%* Class B Shares: 0.75/0.80% ** Class D Shares: 1.00/1.05%***  * 1.50% shall be applicable until 31 August 2013. The rate on and from 1 September 2013 shall be 1.55%. ** 0.75% shall be applicable until 31 August 2013. The rate on and from 1 September 2013 shall be 0.80%. *** 1.00% shall be applicable until 31 August 2013. The rate on and from 1 September 2013 shall be 1.05%.
Charge for investment research:	None
Interim Accounting Period(s):	1 August to 31 January
Ex-Dividend Date(s):	Annual: 1 August
Income Allocation Date(s): (Also known as "Pay Date")	Annual: 30 November
Additional power re government & public securities:	Not applicable
Historic performance:	Set out in Appendix E.
Profile of typical investor:	The Fund is designed for retail and institutional investors seeking an absolute return through pooled exposure to the UK equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in

	<p>value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment.</p> <p>Investors should have regard to both the Investment Objective and Policy of the Fund and the Risk Factors detailed in section 12 of this Prospectus. Investors are advised to consult with their professional advisers in respect of any investment decision.</p>
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Name:	<b>Kames UK Equity Fund</b>
Investment Objective:	The investment objective is to maximise total return (income plus capital).
Investment Policy:	<p>Investment will principally be in equities and equity type securities in companies based in the UK, principally conducting business in the UK or listed on the UK stock market.</p> <p>A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of other collective investment schemes.</p> <p>It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments</p> <p>The Fund may also hold cash and near cash.</p>
Use of derivatives:	<p><b>Derivatives and forward transactions may be used for the purposes of Efficient Portfolio Management (including hedging) (as set out from page 53 onwards).</b></p> <p><b>It is not intended that the use of derivatives will raise the risk profile of the Fund nor result in greater volatility.</b></p>
Anticipated Level of Leverage:	The level of leverage of the Fund (calculated as the sum of the notional of the derivatives used by the Fund) under normal circumstances is expected to be in the range of 0% to 50% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.
ISA:	It is intended that the Fund will be invested in a manner which aims to ensure that Shares in the Fund will constitute Qualifying Investments under the Individual Savings Regulations.
Share Classes:	<p>Class A net accumulation Shares</p> <p>Class A net income Shares</p> <p>Class B net accumulation Shares</p> <p>Class B net income Shares</p> <p>Class E net accumulation Shares</p> <p>Class E net income Shares</p> <p>Class D net accumulation Shares</p> <p>Class D net income Shares</p>
Minimum Initial Lump Sum Investment:	<p>Both Class A Shares: £500</p> <p>Both Class B Shares: £2,000,000</p> <p>Both Class E Shares: €750</p> <p>Both Class D Shares: £250,000</p>
Minimum Initial Regular Savings Plan Investment:	<p>Both Class A Shares: £50 p/m</p> <p>Both Class B Shares: £10,000 p/m</p> <p>Both Class D Shares: £5,000 p/m</p>
Minimum Subsequent Investment:	<p>Both Class A Shares: £100</p> <p>Both Class B Shares: £10,000</p> <p>Both Class E Shares: €200</p>

	Both Class D Shares: £5,000
Minimum Holding:	Both Class A Shares: £250 Both Class B Shares: £1,000,000 Both Class E Shares: €400 Both Class D Shares: £125,000
Minimum Partial Redemption:	Both Class A Shares: £100 Both Class B Shares: £10,000 Both Class E Shares: €200 Both Class D Shares: £5,000
Preliminary Charge:	Both Class A Shares: 2.50% Both Class B Shares: 0.00% Both Class E Shares: 5.50% Both Class D Shares: 2.50%  The ACD may at its discretion from time to time waive the initial charge in whole or in part.
Annual Management Charge:	Both Class A Shares: 1.50% Both Class B Shares: 0.60% Both Class E Shares: 1.50% Both Class D Shares: 1.00%
Charge for investment research:	None
Interim Accounting Period(s):	1 August to 31 January
Ex-Dividend Date(s):	Annual: 1 August
Income Allocation Date(s): (Also known as "Pay Date")	Annual: 30 November
Additional power re government & public securities:	Not applicable
Historic performance:	Set out in Appendix E.
Profile of typical investor:	<p>The Fund is designed for retail and institutional investors seeking pooled exposure to the UK equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment.</p> <p>Investors should have regard to both the Investment Objective and Policy of the Fund and the Risk Factors detailed in section 12 of this Prospectus. Investors are advised to consult with their professional advisers in respect of any investment decision.</p>

Name:	<b>Kames UK Equity Income Fund</b>
Investment Objective:	The investment objective is to achieve an income return in excess of typical income returned from UK Equity markets.
Investment Policy:	<p>To invest principally in a portfolio of equities of companies based in the UK, conducting business in the UK or listed on the UK stock market. The Fund may also invest in a selection of fixed income assets and derivative instruments.</p> <p>A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of other collective investment schemes.</p> <p>It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments</p> <p>The Fund may, on occasion, also invest in non-UK assets, however any such investments would not be hedged, rather the currency risk would be a specific part of the investment decision.</p> <p>The Fund may also hold cash, near cash and deposits.</p>
Use of derivatives:	<p><b>Derivatives and forward transactions can be used for the purposes of Efficient Portfolio Management (including hedging) and to meet the investment objectives of the Fund (as set out from page 53 onwards). Derivatives may be exchange traded or Over the Counter (OTC) derivatives. Currently, derivatives and forward transactions are only used for Efficient Portfolio Management.</b></p> <p><b>It is not intended that the use of derivatives will raise the risk profile of the Fund nor result in greater volatility.</b></p>
Anticipated Level of Leverage:	The level of leverage of the Fund (calculated as the sum of the notionals of the derivatives used by the Fund) under normal circumstances is expected to be in the range of 0% to 50% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.
ISA:	It is intended that the Fund will be invested in a manner which aims to ensure that Shares in the Fund will constitute Qualifying Investments under the Individual Savings Regulations.
Share Classes:	<p>Class A net accumulation Shares</p> <p>Class A net income Shares</p> <p>Class B net accumulation Shares</p> <p>Class B net income Shares</p>
Minimum Initial Lump Sum Investment:	<p>Both Class A Shares: £500</p> <p>Both Class B Shares: £2,000,000</p>
Minimum Initial Regular Savings Plan Investment:	<p>Both Class A Shares: £50 p/m</p> <p>Both Class B Shares: £10,000 p/m</p>
Minimum Subsequent Investment:	Both Class A Shares: £100

	Both Class B Shares: £10,000
Minimum Holding:	Both Class A Shares: £250 Both Class B Shares: £1,000,000
Minimum Partial Redemption:	Both Class A Shares: £100 Both Class B Shares: £10,000
Preliminary Charge:	Both Class A Shares: 2.50% Both Class B Shares: 0.00%  The ACD may at its discretion from time to time waive the initial charge in whole or in part.
Annual Management Charge:	Both Class A Shares: 1.50% Both Class B Shares: 0.60%
Charge for investment research:	None
Interim Accounting Period(s):	1 August to 31 January
Ex-Dividend Date(s):	Annual: 1 August Interim: 1 November, 1 February, 1 May
Income Allocation Date(s): (Also known as "Pay Date")	Annual: 30 November (distribution of income to be made in advance on 30 September) Interim: 31 December, 31 March, 30 June
Additional power re government & public securities:	Not applicable
Historic performance:	Set out in Appendix E.
Profile of typical investor:	<p>The Fund is designed for retail and institutional investors seeking pooled exposure to the UK equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment.</p> <p>Investors should have regard to both the Investment Objective and Policy of the Fund and the Risk Factors detailed in section 12 of this Prospectus. Investors are advised to consult with their professional advisers in respect of any investment decision.</p>

Name:	<b>Kames UK Opportunities Fund</b>
Investment Objective:	The investment objective is to maximise total return (income plus capital).
Investment Policy:	<p>To invest principally in an actively managed portfolio of equities and equity type securities in companies based in the UK, principally conducting business in the UK or listed on the UK stock market.</p> <p>A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of other collective investment schemes.</p> <p>It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments</p> <p>The Fund may also hold cash and near cash.</p>
Use of derivatives:	<p><b>Derivatives and forward transactions will be used for the purposes of Efficient Portfolio Management (including hedging) (as set out from page 53 onwards).</b></p> <p><b>It is not intended that the use of derivatives will raise the risk profile of the Fund nor result in greater volatility.</b></p>
Anticipated Level of Leverage:	The level of leverage of the Fund (calculated as the sum of the notional of the derivatives used by the Fund) under normal circumstances is expected to be in the range of 0% to 50% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.
ISA:	It is intended that the Fund will be invested in a manner which aims to ensure that Shares in the Fund will constitute Qualifying Investments under the Individual Savings Regulations.
Share Classes:	<p>Class A net accumulation Shares</p> <p>Class B net accumulation Shares</p> <p>Class D net accumulation Shares</p>
Minimum Initial Lump Sum Investment:	<p>Class A Shares: £500</p> <p>Class B Shares: £2,000,000</p> <p>Class D Shares: £250,000</p>
Minimum Initial Regular Savings Plan Investment:	<p>Class A Shares: £50 p/m</p> <p>Class B Shares: £10,000 p/m</p> <p>Class D Shares: £5,000 p/m</p>
Minimum Subsequent Investment:	<p>Class A Shares: £100</p> <p>Class B Shares: £10,000</p> <p>Class D Shares: £5,000</p>
Minimum Holding:	<p>Class A Shares: £250</p> <p>Class B Shares: £1,000,000</p> <p>Class D Shares: £125,000</p>

Minimum Partial Redemption:	Class A Shares: £100 Class B Shares: £10,000 Class D Shares: £5,000
Preliminary Charge:	Class A Shares: 2.50% Class B Shares: 0.00% Class D Shares: 2.50%  The ACD may at its discretion from time to time waive the initial charge in whole or in part.
Annual Management Charge:	Class A Shares: 1.50% Class B Shares: 0.75% Class D Shares: 1.00%
Charge for investment research:	None
Interim Accounting Period(s):	1 August to 31 January
Ex-Dividend Date(s):	Annual: 1 August
Income Allocation Date(s): (Also known as "Pay Date")	Annual: 30 November
Additional power re government & public securities:	Not applicable
Historic performance:	Set out in Appendix E.
Profile of typical investor:	<p>The Fund will target retail and institutional investors seeking pooled exposure to the UK equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment.</p> <p>Investors should have regard to both the Investment Objective and Policy of the Fund and the Risk Factors detailed in section 12 of this Prospectus. Investors are advised to consult with their professional advisers in respect of any investment decision.</p>

Name:	<b>Kames UK Smaller Companies Fund</b>
Investment Objective:	The investment objective is to maximise total return (income plus capital).
Investment Policy:	<p>To invest principally in UK companies which form the bottom 10% of the UK stock market based on their market capitalisation.</p> <p>A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of other collective investment schemes.</p> <p>It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments</p> <p>The Fund may also hold cash and near cash.</p>
Use of derivatives:	<p><b>Derivatives and forward transactions will be used for the purposes of Efficient Portfolio Management (including hedging) (as set out from page 53 onwards).</b></p> <p><b>It is not intended that the use of derivatives will raise the risk profile of the Fund nor result in greater volatility.</b></p>
Anticipated Level of Leverage:	The level of leverage of the Fund (calculated as the sum of the notional values of the derivatives used by the Fund) under normal circumstances is expected to be in the range of 0% to 50% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.
ISA:	It is intended that the Fund will be invested in a manner which aims to ensure that Shares in the Fund will constitute Qualifying Investments under the Individual Savings Regulations.
Share Classes:	<p>Class A net accumulation Shares</p> <p>Class B net accumulation Shares</p> <p>Class D net accumulation Shares</p>
Minimum Initial Lump Sum Investment:	<p>Class A Shares: £500</p> <p>Class B Shares: £2,000,000</p> <p>Class D Shares: £250,000</p>
Minimum Initial Regular Savings Plan Investment:	<p>Class A Shares: £50 p/m</p> <p>Class B Shares: £10,000 p/m</p> <p>Class D Shares: £5,000 p/m</p>
Minimum Subsequent Investment:	<p>Class A Shares: £100</p> <p>Class B Shares: £10,000</p> <p>Class D Shares: £5,000</p>
Minimum Holding:	<p>Class A Shares: £250</p> <p>Class B Shares: £1,000,000</p> <p>Class D Shares: £125,000</p>
Minimum Partial Redemption:	<p>Class A Shares: £100</p> <p>Class B Shares: £10,000</p>

	Class D Shares: £5,000
Preliminary Charge:	<p>Class A Shares: 2.50%</p> <p>Class B Shares: 0.00%</p> <p>Class D Shares: 2.50%</p> <p>The ACD may at its discretion from time to time waive the initial charge in whole or in part.</p>
Annual Management Charge:	<p>Class A Shares: 1.50%</p> <p>Class B Shares: 0.75%</p> <p>Class D Shares: 1.00%</p>
Charge for investment research:	None
Interim Accounting Period(s):	1 August to 31 January
Ex-Dividend Date(s):	Annual: 1 August
Income Allocation Date(s): (Also known as "Pay Date")	Annual: 30 November
Additional power re government & public securities:	Not applicable
Historic performance:	Set out in Appendix E.
Profile of typical investor:	<p>The Fund is designed for retail and institutional investors seeking pooled exposure to UK smaller companies stocks and who are comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value.</p> <p>Investors should have regard to both the Investment Objective and Policy of the Fund and the Risk Factors detailed in section 12 of this Prospectus. Investors are advised to consult with their professional advisers in respect of any investment decision.</p>

## Schedule One to Appendix D Ethical Screening

The ACD employs EIRIS Services Limited ("EIRIS") to provide an ethical screening service in respect of **Kames Ethical Cautious Managed Fund, Kames Ethical Corporate Bond Fund and Kames Ethical Equity Fund**.

The ACD shall, for a fee agreed between the ACD and EIRIS, which the ACD shall bear, obtain appropriate ethical advice from EIRIS involving monitoring the behaviour and activities of publicly quoted UK companies according to the ethical criteria determined as applicable from time to time.

The present ethical criteria applied by the ACD mean that the above-named Funds will not invest in organisations which:

<b>Alcohol</b>	gain more than 10% of their total business through involvement in brewing, distillation or sale of alcoholic drinks.
<b>Animal Welfare</b>	provide animal testing services or which manufacture or sell animal-tested cosmetics or pharmaceuticals; have any involvement in intensive farming; operate abattoirs/slaughterhouse facilities; are producers or retailers of meat, poultry, fish, dairy products or slaughterhouse by-products.
<b>Banks</b>	are corporate and/or international banks with exposure to large corporate and/or third world debt.
<b>Gambling</b>	have investments in betting shops, casinos or amusement arcades which account for more than 10% of their total business.
<b>Tobacco</b>	make 10% or more of their business turnover from the growing, processing or sale of tobacco products.
<b>Military</b>	manufacture armaments or nuclear weapons or associated strategic products.
<b>Nuclear Power</b>	provide critical services to or are owners or operators of nuclear power facilities.
<b>Political Donations</b>	have made political donations greater than £25,000 in the last year.
<b>Pornography</b>	provide adult entertainment services.
<b>Genetic Engineering</b>	have patented genes.
<b>Environment</b>	are involved in activities which have a significant negative impact in the environment – specifically covering the areas of PVC, Ozone Depleting Chemicals, hazardous pesticides or who have been convicted of serious pollution offences, which are in breach of internationally recognised conventions on biodiversity, climate change and hazardous chemicals, companies in energy intensive industries which are not tackling the issue of climate change
<b>Oppressive Regimes</b>	are operating in countries with poor Human Rights records, without established management policies on these issues with due regard to the nature of the activities that a company is undertaking.

## Appendix E Historic Performance

**Past performance is not a guide to future performance. The value of your investment and any income from it may fall as well as rise and is not guaranteed.**

The performance data presented here shows performance in 12 month periods to 31 December 2017.

<b>Fund</b>	<b>% Growth from 01/01/2017 to 31/12/2017</b>	<b>% Growth from 01/01/2015 to 31/12/2016</b>	<b>% Growth from 01/01/2014 to 31/12/2015</b>	<b>% Growth from 01/01/2013 to 31/12/2014</b>	<b>% Growth from 01/01/2012 to 31/12/2013</b>	<b>% Growth from 01/01/2011 to 31/12/2012</b>
<b>Kames Diversified Growth Fund (B Acc share class)</b>	11.41	5.21	1.46	9.98	-0.93	-2.34
<b>Kames Diversified Monthly Income Fund (B Acc share class)*</b>	10.01	9.45	4.97	N/A	N/A	N/A
<b>Kames Ethical Cautious Managed Fund (B Acc share class)</b>	8.48	3.09	7.21	6.64	19.8	14.39
<b>Kames Ethical Corporate Bond Fund (B Acc share class)</b>	4.48	8.13	1.22	10.22	0.55	11.96
<b>Kames Ethical Equity Fund (B Acc share class)</b>	13.51	-0.27	13.62	2.36	37.37	18.85
<b>Kames Global Equity Fund (B Acc share class)</b>	26.36	20.34	4.42	11.45	23.97	11.92
<b>Kames High Yield Bond Fund (B Acc share class)</b>	5.32	7.74	-1.61	4.00	5.55	17.93
<b>Kames Investment Grade Bond Fund (B Acc share class)</b>	6.79	8.40	1.20	10.82	2.38	16.37
<b>Kames Strategic Bond Fund (B Acc share class)</b>	5.64	5.07	-1.15	3.43	4.16	14.88
<b>Kames Sterling Corporate Bond Fund (B Acc share class)</b>	5.14	8.07	0.48	9.31	3.23	15.20
<b>Kames UK Equity Absolute Return Fund (B Acc share class)</b>	-3.97	-3.14	2.48	4.20	6.14	1.59
<b>Kames UK Equity Fund (B Acc share class)</b>	11.58	8.53	8.73	2.58	21.63	10.45
<b>Kames UK Equity Income Fund (B Acc share class)</b>	11.82	4.87	9.85	5.48	21.33	13.81
<b>Kames UK Opportunities Fund (B Acc share class)</b>	10.43	5.82	9.38	1.71	30.99	8.99

<b>Kames UK Smaller Companies Fund (B Acc share class)</b>	30.26	-2.87	23.63	-2.67	40.89	20.42
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**Notes:**

- \* As Kames Diversified Monthly Income Fund launched on 21 February 2014, historic performance is only given for three 12-month periods.

Note: The primary share class for each of the Sub-funds was changed from A class to B class with effect from 31 December 2013.

Source: Lipper Hindsight, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax.

**Appendix F**  
**Directors of the ACD and their main business activities not connected with the  
business of the ACD as at the date of this Prospectus**

<b>Sarah Anne Cecil Russell (Chairman)</b>	Kames Capital Management Limited Kames Capital Holdings Limited AEGON Asset Management Holding B.V AEGON Investment Management B.V AEGON USA Asset Management Holding, LLC Nordea Bank AB Sweden La Banque Postale Asset Management
<b>Martin Davis</b>	Kames Capital Management Limited Kames Capital Holdings Limited Aegon UK Corporate Services Limited Aegon UK Services Limited La Banque Postale Asset Management
<b>Stephen Jones</b>	None
<b>Arnab Kumar Banerji (Non-Executive)</b>	Collabrium Investment Advisors LLP Collabrium Advisors LLP Collabrium Capital Limited Collabrium Services Limited
<b>David Kenneth Watson (Non-Executive)</b>	M&G Recovery Investment Trust plc Charles Taylor Consulting plc Hermes Fund Managers Limited Countrywide plc TR Property Investment Trust Plc The Tennis & Rackets Association Limited

## Kames High Yield Global Bond Fund

### Supplement to the Prospectus for Kames Capital Investment Company (Ireland) Plc An umbrella fund with segregated liability between sub-funds

This Supplement contains specific information in relation to the Kames High Yield Global Bond Fund (the **Fund**), a sub-fund of Kames Capital Investment Company (Ireland) Plc (the **Company**) an umbrella type open-ended investment company with variable capital governed by the laws of Ireland and authorised by the Central Bank of Ireland (the **Central Bank**). The Company has fifteen other sub-funds in existence as at the date of this Supplement:

- (1) Kames Investment Grade Global Bond Fund;
- (2) Kames Global Equity Income Fund;
- (3) Kames Strategic Global Bond Fund;
- (4) Kames Active Long Dated Bond Fund;
- (5) Kames Global Sustainable Equity Fund;
- (6) Kames Global Equity Market Neutral Fund;
- (7) Kames Global Diversified Income Fund;
- (8) Kames Global Diversified Growth Fund
- (9) Kames Absolute Return Bond Fund;
- (10) Kames Equity Market Neutral Fund;
- (11) Kames Equity Market Neutral Plus Fund;
- (12) Kames Absolute Return Bond Global Fund;
- (13) Kames Absolute Return Bond Constrained Fund;
- (14) Kames Short Dated High Yield Global Bond Fund; and
- (15) Kames Emerging Market Bond Opportunities Fund.

The Kames Equity Market Neutral Plus Fund is currently closed for subscription and it is intended that an application will be made to the Central Bank to withdraw this fund's approval following preparation of audited accounts disclosing a zero Net Asset Value in respect of this fund.

**This Supplement forms part of and should be read in conjunction with the Prospectus dated 22 December 2017 (the Prospectus).**

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

**Investors should also note that subscriptions for Shares of the Fund is not the same as making a deposit with a bank or other deposit taking body. The principal invested in the Fund is capable of fluctuation and the value of the Shares is not insured or guaranteed.**

**Shareholders should note that all or part of the fees and expenses (including investment management fees) may be charged (in whole or part) to the capital of the Fund. Where such fees and expenses are charged to capital, Shareholders may not receive back the full amount invested on repurchases of Shares which would have the effect of lowering the capital value of your investment.**

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for the Euro (Hedged) Class S- Income Shares issued and available for issue, to be admitted to the official list and

trading on the Main Securities Market of Euronext Dublin. It is expected that such admission will become effective on or about 2 July 2018.

The Prospectus for the Company and this Supplement, which include all information required to be disclosed by the listing requirements of Euronext Dublin, shall constitute listing particulars for the purposes of the listing of the Shares of the Fund on Euronext Dublin. No application has been made to list the Shares on any other exchange.

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

The Directors confirm there has been no significant change in the financial or trading position of the Fund since the end of the period for which the audited financial statement included in the listing particulars are prepared and which form part of the listing particulars. Save as disclosed in this Supplement, there has been no significant change and no significant new matter has arisen since publication of the Prospectus.

Neither the admission of Shares of the Company to the Official List and trading on the Main Securities Market of Euronext Dublin nor the approval of the listing particulars pursuant to the listing requirements of Euronext Dublin shall constitute a warranty or representation by Euronext Dublin as to the competence of service providers to or any other party connected with the Company, the adequacy of information contained in the listing particulars or the suitability of the Company for investment purposes.

The launch and listing of various classes within the Fund may occur at different times and therefore at the time of the launch of a given class(es), the pool of assets to which a given class(es) relates may have commenced to trade. Financial information in respect of the Fund will be published from time to time, and the most recently published audited and unaudited financial information will be available to potential investors upon request following publication.

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

Dated: 2 July 2018

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1. **INVESTMENT OBJECTIVE**

The investment objective of the Fund is to maximise total return (income plus capital).

2. **INVESTMENT MANAGER**

Kames Capital plc, based in Edinburgh, currently manages and distributes Irish and UK domiciled investment companies through its retail sales team to investors in the UK and overseas.

3. **INVESTMENT POLICIES**

The Fund will seek to achieve its investment objective by investing at least two thirds of its net assets in high yield bonds (i.e. securities having a rating of Ba1 by Moody's or below or BB+ by Standard and Poor's or below, or other debt instruments deemed by the Investment Manager to be of similar credit quality) in any currency, which may be government or corporate, and which may be at a fixed or floating rate, rated or unrated. The fund may also hold selected investment grade bonds and cash.

The Fund will invest primarily in high yield bonds whose credit rating is rated below investment grade.

**High Yield Bonds** The Fund will invest at least two thirds of its net assets within the global high yield bond universe, which are issues rated Ba1 by Moody's or below or BB+ by Standard and Poor's or below, or other debt instruments deemed by the Investment Manager to be of similar credit quality. The average quality of the Fund's holdings will usually be in the range of B1 to Ba2 (B+ to BB), but may fluctuate. Lower quality companies may be a focus at certain times.

**Investment grade bonds** The Fund may invest at most 20% of its net assets in bonds issued by companies whose credit rating is deemed to be investment grade, defined as Baa3 or higher by Moody's Investor Services (Moody's), as BBB- or higher by Standard & Poor's (S&P), or equivalent.

**Emerging Market Debt** The Fund may invest up to 20% of its net assets in what the Investment Manager considers to be smaller, less-developed or emerging markets. The Investment Manager's opinion as to what are "emerging markets" may change over time as a result of developments in national or regional economies and capital markets. Within emerging market investments, the Fund seeks to participate in the more established markets which the Investment Manager believes provide sufficient liquidity. The Fund may invest in sovereign and corporate emerging market debt. This will usually be, but not exclusively, US dollar denominated.

The Fund will invest primarily in US dollar-denominated assets or assets hedged back to US dollars assets. However, at times, up to 20% of Fund assets may be denominated in non-US currencies that are not hedged back to US dollars.

Duration, yield curve and currency investment strategies will be used. The average portfolio duration of this Fund will normally vary within a plus one and a half to seven and a half year time frame based on the Investment Manager's views for interest rates and government and corporate bond yields. The Investment Manager will take over or under weight positions to various points of the yield curve, in line with its team's views of interest rates and how these will cause the yield curve to change shape. In addition, the Investment Manager will usually hedge the majority of currency exposure arising from bond positions back to the Fund's base currency. From time to time, the Investment Manager may take modest currency positions where it sees potential value, relative to the base currency.

There is no geographic limitation to the investment universe. Most of the assets are publicly listed/traded on a Recognised Market (see Appendix 1 of Prospectus for a list of Recognised Markets).

The Fund will be broadly diversified by industry and issuer. The allocation ranges are subject to change as the market for high yield bonds throughout the world evolves. No issuer will represent more than 10% of the Fund's net assets at any time save as described in paragraph 3.2.2(5) in the Permitted Investments section in the Prospectus.

The Fund may invest up to 20% of its net assets in ancillary liquid assets such as cash, bank deposits, stocks, bonds, short term certificates, commercial paper, and treasury bills. However, no more than 20% of the net assets of the Fund may be held in aggregate in ancillary liquid assets.

### **Financial Derivative Instruments (FDI)**

The Fund may invest in FDIs for the purposes of Efficient Portfolio Management (**EPM**). The Fund may also invest in FDIs for investment purposes.

### ***Efficient Portfolio Management and FDIs***

The Fund may invest in FDIs for the purposes of EPM. Permitted EPM transactions (excluding stock lending transactions) are transactions in FDIs (as described in the Prospectus) dealt in or traded on an Eligible Derivatives Market; off-exchange futures, options, swaps or forward currency transactions. For example, the Fund may use forward currency transactions to hedge foreign exchange and interest rate risk.

Any forward transactions must be with an Approved Counterparty (eligible institutions, money market institutions or other counterparty with which a UCITS may contract etc.) and in accordance with the requirements of the Central Bank.

There is no limit on the amount of the assets which may be used for EPM. In addition to the foregoing, the transactions must satisfy three broadly-based requirements:

- EPM may not include speculative transactions.
- Transactions for EPM purposes must be economically appropriate.
- The purpose of an EPM transaction for the Fund must be to achieve one of the following in respect of the fund:
  - Reduction of risk;
  - Reduction of cost; or
  - The generation of additional capital or income for the Fund with no, or an acceptably low level of, risk.
- Each EPM transaction must be covered globally i.e. there must be adequate cover from within the assets held by the Fund to meet the Fund's total exposure, taking into account the value of the underlying assets, any reasonably foreseeable market movements, counterparty risk and the time available to liquidate any positions. The global exposure may not exceed the Net Asset Value of the Fund. Assets and cash can be used only once for cover.
- They cannot result in a change to the Fund's investment objective or add substantial supplementary risks in comparison to the risks relative to the Fund identified in the Prospectus and this Supplement.

The use of FDIs for the purposes of EPM is not otherwise expected to raise the risk profile of the Fund or result in higher volatility.

### ***Investment Purposes***

The Fund may use FDIs for investment purposes. The Fund may use FDIs:

- (i) as a substitute for taking a position in an underlying asset;

(ii) to tailor the Fund's interest rate exposure to the Investment Manager's outlook for interest rates; and/or

(iii) to gain an exposure to the composition and performance of a particular index (including a financial index). For example, the Fund may make use of index and credit default swaps to control the risk of loss due to market movements and to reduce the risk of credit risk with individual stock holdings or to gain exposure to an index or individual stocks.

FDIs may also be used in order to take tactical decisions. Futures, options, forwards and swaps (including credit default swaps) may be used to gain or reduce the Fund's exposure to credit spreads or a particular security or market for periods of time to be determined by the Investment Manager, either in advance of a longer term allocation or reappraisal of the Fund's commitment to the asset or market in question, or purely on a temporary basis where it is more efficient to use FDIs for this purpose.

The Investment Manager may use futures, options forwards or swaps (including credit default swaps) to increase or reduce the beta, interest rate duration or spread duration of all or part of the Fund's portfolio to take account of changing levels of volatility in the market while at the same time maintaining exposure to the market.

### ***Specific FDI***

Below are the details of the FDIs in which the Fund may invest. The underlying assets of these FDIs will be one of the asset classes referred to above in this **Investment Policies** section.

#### *Futures*

Futures are contracts to buy or sell a standard quantity of a specific asset (or, in some cases, receive or pay cash based on the performance of an underlying asset, instrument or index) at a pre-determined future date and at a price agreed through a transaction undertaken on an exchange. Generally, the underlying assets of the futures contracts will be government bonds and interest rates.

Futures contracts allow the Fund to hedge against market risk. Since these contracts are marked-to-market daily, investors can, by closing out their position, exit from their obligation to buy or sell the underlying assets prior to the contract's delivery date. The Investment Manager may enter into futures contracts in order to both hedge and more efficiently manage the Fund.

#### *Options*

The Fund may purchase options to seek to provide an efficient, liquid and effective mechanism for locking in gains and/or protecting against future declines in the value of securities that it owns in order to benefit from future gains in the value of a security without the risk of the fall in value of security below the strike price. Generally these will be put/call options in relation to interest rates and currency and the underlying assets will be the assets referred to in the Investment Policy.

The Fund may also write (sell) options in respect of underlying assets including writing call options which will give the counterparty a right to call for delivery of the asset at a given price in return for the payment of a premium to the Fund by the counterparty.

#### *Forwards*

The Fund may buy and sell currencies on a spot and forward basis, subject to the limits and restrictions adopted by the Central Bank from time to time to reduce the risks of adverse changes in exchange rates and efficiently manage currency exposure. In forward foreign exchange contracts, the contract holders are obligated to buy or sell from another counterparty a specified amount of one currency at a specified price with another currency on a specified future date. Forward contracts may be cash settled between the parties. This reduces the Fund's exposure to changes in the value of the currency it will deliver and increases its exposure to changes in the value of the currency it will receive for the duration of the contract. The effect on the value of the Fund is similar to selling securities denominated in one currency and purchasing securities denominated in another currency. A contract to sell currency would limit any potential gain, which might be realised if the value of the hedged currency increases. These contracts cannot be transferred but they can be 'closed out' by entering into a reverse contract. Suitable hedging transactions may not be available in all circumstances and there can be no assurance

that the Fund will engage in such transactions at any given time or from time to time. Also, such transactions may not be successful and may eliminate any chance for the Fund to benefit from favourable fluctuations in relevant foreign currencies. The commercial purpose of a forward foreign exchange contract may include, but is not limited to, altering the currency exposure of securities held, hedging against exchange risks, increasing exposure to a currency and shifting exposure to currency fluctuations from one currency to another. Currency forwards are transacted over-the-counter (**OTC**).

### *Swaps*

Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Swaps may be bought instead of purchasing the underlying asset as a more cost effective way of gaining exposure to that asset, for example a situation may arise where local settlement in a market is either difficult to access or expensive, asset swaps may be used. Swaps can also be used to enable the Investment Manager to exchange a benefit (e.g. a floating rate of exchange) in one financial market for a corresponding benefit (e.g. a fixed rate of exchange) with a party in another market. As such they are very useful instruments for the management of risk.

Typically, the Fund may use credit default swaps to alter the Fund's exposure in accordance with the Investment Manager's outlook for broad credit movements at the time. Generally the underlying assets of swaps will be single stocks (bonds) or indices.

### **Other Information**

The Fund will be able to take long and/or short positions across the assets described in the investment policy. It is anticipated that the Fund may between 100% to 150% of its assets in long positions and up to 50% of its assets in short positions.

Any OTC transactions must be approved with an Approved Counterparty (eligible institutions, money market institutions or other counterparty with which a UCITS may contract etc.) and in accordance with the requirements of the Central Bank.

The use of FDIs will be fully supported by a risk management process (**RMP**) to ensure that the use of FDIs continue to be commensurate with the overall investment objectives of the Fund.

The use of FDIs for investment purposes will result in the creation of financial leverage and any such leverage will be within the limits set down by the Central Bank.

The Fund must at any time, be capable of meeting all of its payment and delivery obligations incurred in respect of its FDI transactions. The Investment Manager uses a risk management technique known as absolute value-at-risk (**VaR**) to measure the Fund's global exposure. VaR is an advanced risk measurement methodology used to assess the Fund's global exposure as set out in the Fund's RMP. VaR will be used by the Fund in accordance with the requirements of the Central Bank pursuant to which VaR of the Fund's portfolio shall not exceed 14.1% of the Net Asset Value of the Fund; and the one-tailed confidence interval shall not be less than 95% with a one month holding period. The historical observation period will be not less than 3 years. VaR will be calculated on a daily basis.

The level of leverage of the Fund (calculated using the sum of the notional of the FDIs used by the Fund) under normal circumstance is expected to be in the range of 50% to 200% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.

The collateral management policy of the Company is set out in the Prospectus.

## **4. EFFICIENT PORTFOLIO MANAGEMENT – REPO TRANSACTIONS**

The Fund may enter into repurchase and reverse repurchase agreements ("**repo transactions**") for the purposes of efficient portfolio management in accordance with the investment restrictions, conditions and limits laid down by the Central Bank.

Direct and indirect operational costs and fees incurred in the use of these techniques may be deducted from the revenue delivered to the Fund from the use of such techniques. All revenue from these techniques, net of direct and indirect operational costs, will be returned to the Fund. These costs and fees shall be charged at normal commercial rates and shall not include hidden revenue. The Investment Manager does not receive costs or fees for techniques of this type. The entities to which such costs and fees are paid (including whether such entities are related to the Investment Manager or the Depositary) will be disclosed in the annual report.

## 5. **SECURITIES FINANCING TRANSACTIONS**

The Fund may engage in securities financing transactions in respect of repo transactions (**SFTs**) in order to meet its investment objective to generate income for the benefit of the Fund. The assets that can be subject to SFTs are the assets described in the investment policy. It is anticipated that the expected proportion of assets under management (AUM) subject to repo transactions will be less than 100% AUM and the maximum expected proportion of AUM subject to SFTs shall not exceed 200% AUM. The Company's counterparties for SFTs must satisfy the requirements for counterparties set out in the Company's RMP. Counterparties to the Fund may include central counterparties authorised or recognised by ESMA, credit institutions or entities that have an investment grade credit rating or are indemnified by an institution that has an investment grade credit rating. The Investment Manager will only select counterparties that are in a position to value transactions at least daily and to provide weekly valuations to the Investment Manager. In order to reduce its exposure to any counterparty through SFTs, the Fund may adopt collateral arrangements as described under the section "Collateral Management Policy" in the Prospectus. Cash will be valued at par value, other securities will be valued on a mark-to-market basis. Assets and collateral subject to SFTs will be held by the Depositary on behalf of the Fund. The re-use of collateral is not permitted by the Fund. All proceeds of SFTs shall be allocated to the Fund minus any reasonable costs borne by the Investment Manager

## 6. **INVESTMENT RESTRICTIONS**

The Fund is not permitted to invest in collective investment schemes. In addition, the general investment restrictions set out under the heading **FUNDS - Investment Restrictions** in the Prospectus shall apply to the Fund.

## 7. **SHARE CLASS CURRENCY HEDGING**

The Base Currency of the Fund is US Dollar.

The classes available for subscription in the Fund are listed in the section entitled, **Key Information for Buying and Selling**.

The Company, at its absolute discretion, has the power to issue currency hedged Share classes. The non-US Dollar classes will be currency hedged Share classes. For such Share classes, the Investment Manager intends to hedge the currency exposure of those Share classes denominated in a currency other than the Base Currency of the relevant Fund, in order to attempt to mitigate the effect of fluctuations in the exchange rate between the Share class currency and the Base Currency. This is 'Method 1 (Base Currency Hedging)' of Share class currency hedging, as explained in the Prospectus in section 3.9.2 under the heading 'Hedged and Unhedged Share Classes'.

The costs of providing hedged Share classes and all other additional costs and gains/losses of such hedging transactions will accrue solely to the holders of the relevant Share class and shall not form part of the assets of the Fund or constitute a liability of the Fund. Any such hedging will endeavour to hedge no less than 95% of the net assets of the relevant Share classes. Due to matters outside the control of the Company, currency exposure may be over or under hedged but over hedged positions will not be permitted to exceed 105% of the net assets of the relevant Share class. Hedged positions will be kept under review to ensure that over hedged positions will not be permitted to exceed 105%. Such review will incorporate a procedure to ensure that positions materially in excess of 100% will not be carried forward month to month.

Investors in hedged Share classes should be aware that the exchange rate used for the purpose of converting the proceeds of their investment to or from the Base Currency is likely to be the rate prevailing at the time the necessary currency hedging contracts are put in place which means that this exchange rate risk is borne by those transacting investors rather than by the other investors in the Fund.

This currency hedging policy aims to limit any potential currency risk linked to the value of the Base Currency falling against the currency in which the hedge Share classes are denominated. On the other hand, as well as incurring the cost of such hedging transactions, holders of the hedged Share classes will sacrifice the potential gain should the value of the hedged currency fall against the Base Currency.

This Section should be read in conjunction with the section entitled **Hedged and Unhedged Share Classes** in the Prospectus.

## 8. **BORROWINGS**

In accordance with the general provisions set out in the Prospectus under the heading FUNDS - Borrowing and Lending Powers the Fund may borrow up to 10% of its net assets on a temporary basis.

## 9. **RISK MANAGEMENT**

The Company on behalf of the Fund employs a RMP which helps it to accurately measure, monitor and manage the various risks associated with 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.

The Fund will only utilise FDIs which have been included in the RMP report that has been cleared by the Central Bank.

## 10. **RISK FACTORS**

The general risk factors set out under the heading **RISK FACTORS** section of the Prospectus apply to the Fund. In addition, the following risk factors apply to the Fund:

### 10.1. **General Instrument Risk**

The following risks may apply to investments made in both private and public debt and FDIs in these asset classes.

The value of the Fund's assets may be affected by uncertainties such as changes in government policies, taxation, currency repatriation restrictions and other developments in the law or regulations of the countries in which the Fund may invest.

### 10.2. **Objective Risk**

Investment in the Fund carries with it a degree of risk including, but not limited to, the risks described in the Investment Risks section of the Prospectus and those referred to below. These investment risks are not purported to be exhaustive and potential investors should review the Prospectus and this Supplement carefully and consult with their professional advisers before making a subscription request for Shares. There can be no assurance that the Fund will achieve its investment objective. An investor should consider his personal tolerance for an investment based upon fixed income securities and FDIs before investing in the Fund.

The investments of the Fund will be subject to market fluctuations, currency fluctuations, emerging markets risks, custody and settlement risks, registration risk and foreign exposure risk.

### 10.3. **Liquidity Risk**

The secondary market for high yield bonds is typically much less liquid than the market for investment grade bonds, frequently with significantly more volatile prices and larger spreads between bid and asked price in trading. At times the high yield bond market will be very illiquid. The Fund may have to sell holdings of high yield bonds at unfavourable prices in order to raise proceeds to pay for redemptions of Shares. Illiquid securities may be difficult to resell at approximately the price they are valued in the ordinary course of business in seven days or less. When investments cannot be sold readily at the desired time or price, a Fund may have to accept a lower price or may not be able to sell the security at all, or may have to forego other investment opportunities, all of which may have an impact on the Fund.

#### 10.4. **Credit Risk**

The Fund is subject to credit risk in respect to its investments and with regard to its contractual counterparties (such as hedge providers). The Fund intends to mitigate credit risk generally by pursuing a diversified investment strategy. This may be achieved through investments in a number of debt asset classes that naturally involve a diversification of credit risk or through diversifying its issuer exposure but there is no guarantee that this will be achieved.

#### 10.5. **Interest Rate Risk**

The Fund's exposure to market risk is mainly with regard to movements in the value of its investments, changes in interest rates that in the event the Fund makes any fixed interest investments, may decrease its net interest income. In the event of a general rise in interest rates, the value of certain investment in the Fund's assets may fall, reducing the Net Asset Value of the Fund.

Changes in interest rates may adversely affect the market value of some of the Fund's investments. Declining interest rates may affect the return on available reinvestment opportunities.

Fluctuation in rates may affect interest rate spreads in a manner adverse to the Fund. The Fund's interest rate exposure will reflect the Investment Manager's opinion on the future path of interest rates but there is no guarantee that this will be successful. Interest rates are highly sensitive to factors beyond the Fund's control, including, among others, government monetary and tax policies, and domestic and international economic and political conditions.

#### 10.6. **Yield Risk**

Investments in fixed income securities entail certain risks including adverse income fluctuation associated with general economic conditions affecting the fixed income securities market, as well as adverse interest rate changes and volatility of yields. When interest rates decline, the market value of the Fund's fixed income securities can be expected to rise. Conversely, when interest rates rise, the market value of the Fund's fixed income securities can be expected to decline.

#### 10.7. **Foreign Exchange Risk**

Changes in rates of exchange may have an adverse effect on the Net Asset Value of the Fund. In addition a change in foreign currency exchange rates may adversely affect cash flows or income from investments which are denominated in currencies other than the Base Currency, which could in turn adversely affect the Fund's ability to pay dividends. Foreign exchange investment and hedging strategies that may be employed to manage such risks might not be successful.

#### 10.8. **Hedging Costs relating to Foreign Exchange Risk**

The value of certain of the Investments may be expressed in a currency other than the currency of the Shares, creating a risk that movements in the exchange rate between the two currencies may adversely affect the value of the Investments. The Investment Manager may hedge this risk on a notional basis. The costs of this hedging will be deducted from the assets of the Fund and so will affect the Net Asset Value of the Shares.

#### 10.9. **Legal and/or Regulatory Risk**

Legal and Regulatory (including taxation) changes could adversely affect the Company. Regulation (including taxation) of investment vehicles such as the company is still evolving and therefore subject to change. In addition, many governmental agencies, self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. The effect of any future legal or regulatory (including taxation) change on the company is impossible to predict, but could be substantial and have adverse consequences on the rights and returns of Shareholders.

#### 10.10. **Investment Grade and Government Bonds**

Investment grade assets must have a minimum credit rating issued by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., or its successors (**S&P**) of BBB- or Moody's Investors Service Limited or its successors (Moody's) of Baa3, or BBB- by Fitch or its successors, or, in the case of unrated bonds, are deemed to have an equivalent rating by the Investment Manager.

Although these assets exhibit these minimum ratings, their respective credit ratings may range widely and may vary over time. In particular, where such credit ratings are at the lower end of the range, the obligors of such assets may face uncertainties and exposure to adverse business, financial, or economic conditions. This could lead to them being unable to meet their financial commitments despite their being regarded as issuers of **investment grade** debt.

In addition, it is possible that investment grade assets may be subordinated or junior in the capital structure, (have a lesser priority than that of an additional debt claim on the same asset). In the event of default, holders of subordinated debt get paid after the holders of the **senior debt**. Subordinated debt has a higher expected rate of return than senior debt due to the increased inherent risk.

#### 10.11. **High Yield Securities Risk**

Below investment grade debt securities are speculative and involve a greater risk of default and price changes due to changes in the issuer's creditworthiness. The market prices of these debt securities fluctuate more than investment grade debt securities and may decline significantly in periods of general economic difficulty.

#### 10.12. **Default Risk**

Investments in fixed income securities, specifically those which are rated below investment grade, are subject to the risk that the issuer could default on its obligations and the Fund could sustain losses on such investments. The Fund will seek to limit such risks by credit research and careful securities selection but there can be no assurance that the Fund will not acquire securities with respect to which the issuer subsequently defaults.

#### 10.13. **Emerging Markets**

Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (i) increased risk of nationalisation or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty, including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater volatility, less liquidity and smaller capitalisation of securities markets; (v) greater volatility in currency exchange rates; (vi) greater risk of inflation; (vii) greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for US dollars; (viii) increased likelihood of governmental decisions to cease support of economic reform programmes or to impose centrally planned economies; (ix) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (x) less extensive regulation of the securities markets; (xi) longer settlement periods for securities transactions and less reliable clearance and custody arrangements; (xii) less protection through registration of assets and (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and protection of Shareholders.

#### 10.14. **Custody Risk**

Local custody services in some of the emerging market countries in which the Fund may invest may not be the same as those in more developed market countries and there is a transaction and custody risk involved in dealing in such markets.

#### 10.15. **Conflicts of Interest**

The Company will rely on the Investment Manager in implementing its investment strategies. The Directors have determined the Investment Policies of the Fund as set out herein and the Investment Manager will monitor the performance of such investments on an on-going basis. Investors must rely on the judgement of the Directors in determining to invest in the manner set out herein. The Investment Manager and its principals and affiliates will devote a portion of their business time to the Company's business. In addition, where valuations are provided by the Investment Manager there is a possible conflict of interest where their fees are based on or affected by the Net Asset Value of the Fund. Any conflicts of interest will be resolved fairly.

#### 10.16. **Default of Service Provider Risk**

The Fund relies on services provided by a number of third parties. The bankruptcy or liquidation of any such third parties, including the Investment Manager, the Administrator, or the Depositary may have an adverse impact on the performance of the Fund and its Net Asset Value.

#### 10.17. **Payment of Charges and Expenses to Capital**

The fees and expenses of the Fund may be charged to the capital of the Fund in circumstances set out in section 12 of the Supplement. In such circumstances, the capital value of a Shareholder's investment may be lowered and income may be achieved by forgoing the potential for future capital growth.

#### 10.18. **Political Legal and/or Regulatory Risks**

The value of the assets of the Fund may be adversely affected by uncertainties, such as international political and economic developments, changes in market conditions, government policies or in legal, regulatory or taxation requirements or an unexpected application of a law or regulation, or because contracts are not legally enforceable or documented correctly.

#### 10.19. **Limited Number of Investments Risk**

The Fund anticipates that it will be well diversified. However, in the event of a material demand for redemptions, the Fund could be forced to sell liquid positions resulting in an over-weighting in a small number of illiquid investments. In such circumstances, the aggregate return of the Fund may be substantially and adversely affected by the unfavourable performance of a single investment. The Fund's restriction of repurchases of Shares in excess of 10% of the total Net Asset Value of the Fund on any one Dealing Day will mitigate this risk to an extent should these circumstances arise.

#### 10.20. **Limited Disposal Rights Risk**

There will be no secondary market for Shares of the Fund and transfers of Shares are only permitted to those persons who satisfy the criteria for permitted Shareholders. Consequently, investors may be able to dispose of their Shares only by requesting the Fund to repurchase their Shares on a Dealing Day.

#### 10.21. **Taxation Risk**

A risk exists that the tax authorities in countries in which the Fund invests may not be prepared to permit persons in their jurisdictions to pay interest (or other amounts) to the Fund (or its subsidiary if any is used) without the imposition of withholding tax in that foreign jurisdiction. Any such withholding tax will impinge upon the return payable by the Fund to investors.

## 10.22. **Potential Involvement in Litigation Risk**

As a result of the Fund's investment in below investment grade investments and as a consequence of credit problems with such investment and the possibility that the Fund may participate in restructuring activities undertaken by a company (in which it has invested) of its debt obligations including those owed to the Fund, it is possible that the Fund may become involved in litigation. Litigation entails expense and the possibility of counterclaims against the Fund and ultimately judgments may be rendered against the Fund for which the Fund may not carry insurance.

## 10.23. **Valuations of Net Asset Value Risk**

The valuation of the Fund's assets obtained for the purpose of calculating Net Asset Value may not be reflected in the prices at which such assets are sold. For details of the valuation of assets, please see the section in the Prospectus headed **Valuation of Assets**.

## 10.24. **FDI Risks**

The prices of FDIs, including futures and swap prices, are highly volatile. There is a general risk that the value of a particular FDI may change in a way which may be detrimental to the Fund's interests and the use of FDI techniques may not always be an effective means of, and sometimes could be counter-productive to, the Fund's investment objective. Price movements of forward contracts, futures contracts and other FDI contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. As a result of using FDIs for EPM and investment purposes, there is a risk that, in a rising market, potential gains may be restricted.

The use of these techniques and instruments involves certain risks, including:

- a) dependence on the ability to predict movements in the prices of securities being hedged and movements in interest rates;
- b) imperfect correlation between the price movements of the FDI and price movements of related instruments;
- c) the fact that skills needed to use these instruments are different from those needed to select the securities owned by the Fund;
- d) the possible absence of a liquid market for any particular instrument at any particular time which may result in possible impediments to effective portfolio management or the ability to meet redemptions;
- e) the Fund may invest in certain FDI which may involve the assumption of obligations as well as rights and assets; and
- f) assets deposited as margin with brokers may not be held in segregated accounts by the brokers and may therefore become available to the creditors of such brokers in the event of their insolvency or bankruptcy.

### 10.24.1. **OTC Transactions Risk**

Where the Fund acquires or values securities on over-the-counter markets, there is no guarantee that the Fund will be able to realise such securities at a premium due to the nature of the over-the-counter market and the tendency to have limited liquidity and comparatively high price volatility.

### 10.24.2. **Counterparty Risk**

The Fund may have credit exposure to counterparties by virtue of investment positions in options and forward exchange rate and other contracts held by the Fund. To the extent that a counterparty defaults on its obligation and the Fund is delayed or prevented from exercising its rights with respect to the investments in its portfolio, it may experience a decline in the value of its position, lose income and incur costs associated with asserting its rights. The Investment Manager may engage in various portfolio strategies on behalf of the Fund through the use of futures, options and swaps. Due to the nature of futures, cash to meet margin monies may be held by a broker with whom the Fund has an open position. In the event of the insolvency, bankruptcy or default of the broker, there can be no guarantee that such monies will be returned to the Fund. On execution of an option, the Fund may pay a premium to a counterparty. In the event of the insolvency or bankruptcy of the counterparty, the option premium may be lost in addition to any unrealised gains where the contract is in the money.

#### 10.24.3. **Settlement Risk**

The counterparty to a Fund may fail to deliver the terms of a contract at the time of the settlement. Settlement risk can be risk associated with default at settlement and any timing differences in settlement between two parties.

#### 10.24.4. **Correlation Risk**

The Company may utilise forward contracts to seek to hedge against fluctuations in the relative values of the Company's portfolio positions as a result of changes in currency exchange rates and market interest rates. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolios positions nor does it prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the positions' value. Such hedge transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for the Company to hedge against any exchange rate or interest rate fluctuation which is so generally anticipated that the Company is not able to enter into a hedging transaction at a price sufficient to protect the Company from the decline in value of the portfolio position anticipated as a result of such a fluctuation.

#### 10.24.5. **Basis Risk**

FDI value may not track the underlying notional asset. This is only relevant if the instrument is traded prior to maturity.

### 10.25. **Specific Instrument Risks**

#### 10.25.1. **Futures**

Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the Fund's position with cash. They carry a high degree of risk. The gearing or leverage often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small market movement can lead to a proportionately much larger movement in the value of the Fund's investment, and this can work against the Fund as well as for the Fund. Futures transactions have a contingent liability, and investors should be aware of the implications of this, in particular the margining requirements.

#### 10.25.2. **Options**

Buying options involves less risk than writing options because, if the price of the underlying asset moves against the Fund, the Fund can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if the Fund buys a call option on an asset contract and the Fund later exercises the option, the Fund will acquire the asset. This will expose the Fund to the risks of that particular asset.

If the Fund writes an option, the risk involved is considerably greater than buying options. The Fund may be liable for margin to maintain its position and a loss may be sustained well in excess of any premium received. By writing an option, the Fund accepts a legal obligation to purchase or sell the underlying asset if the option is exercised against the Fund, however far the market price has moved away from the exercise price. If the Fund already owns the underlying asset which the Fund has contracted to sell (known as covered call options) the risk is reduced. If the Fund does not own the underlying asset (known as uncovered call options) the risk can be unlimited. Certain options markets operate on a margined basis under which buyers do not pay the full premium on their option at the time they purchase it. In this situation the Fund may subsequently be called upon to pay margin on the option up to the level of its premium. If the Fund fails to do so as required, the Fund's position may be closed or liquidated in the same way as a futures position.

#### 10.25.3. **Forwards**

A forward is a contract between two parties agreeing that at a certain time in the future one party will deliver a pre-agreed quantity of some underlying asset (or its cash equivalent in the case of non-tradable underlyings) and the other party will pay a pre-agreed amount of money for it. This amount of money is called the forward price. Once the contract is signed, the two parties are legally bound by its conditions: the time of delivery, the quantity of the underlying and the forward price. Forward contracts are instruments traded OTC. Performance may be strongly influenced by movements in foreign exchange rates because currency positions held by the Fund may not correspond with the securities positions held.

#### 10.25.4. **Swaps**

Where the Fund enters into swap arrangements and FDI techniques, it will be exposed to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, the Fund could experience delays in liquidating the position and may incur significant losses. There is also a possibility that ongoing FDI transactions will be terminated unexpectedly as a result of events outside the control of the Investment Manager, for instance, bankruptcy, supervening illegality or a change in the tax or accounting laws relative to those transactions at the time the agreement was originated.

### 11. **DIVIDEND POLICY**

The Directors may declare dividends for the Income Share classes on a quarterly basis at close of business on the last Business Day of July, October, January and April. Dividends shall be declared out of the accumulated revenue (consisting of all revenue accrued including interest and dividends) less any applicable expenses). The Directors currently intend to pay dividends equal to substantially all of the income arising to the Income Share classes. This will also ensure that the Income Share classes can qualify as reporting funds for UK tax purposes. Any such dividend in relation to the Income Classes will be paid out of income arising indirectly from its holdings in investments and from any other income that may accrue to the Fund. Dividends will be paid by telegraphic transfer within two months of the relevant declaration date.

The Company will operate grouping for equalisation with respect to Income Shares. Each class of each Fund will operate its own equalisation account. Shares purchased during a distribution period are called Group 2 Shares. Shares purchased during any previous distribution period are called Group 1 Shares. Group 2 Shares contain in their purchase price an amount called equalisation which represents a proportion of the net income of the Fund that has accrued up to the date of purchase. The amount of equalisation is averaged across all the Shareholders of Group 2 Shares and is refunded to them as part of their first distribution. It may be treated as a return of capital for tax purposes.

As set out in section 11.3 of the Prospectus, equalisation data will be provided in respect of Reporting Shares on the Shareholder reports referred in section 11.3 of the Prospectus. Group 2 Shareholders investing in Reporting Shares can use the equalisation data to reduce their reportable income for a period.

Each holder of Income Shares has the option to take dividends in cash or to reinvest in the relevant Fund by the allotment of additional Shares at Net Asset Value per Share provided that no Preliminary Charge will be payable on any Shares so allotted of the Fund. The Fund's default position unless specifically advised on the application form will be to reinvest dividends into the Shares of the Fund. Those Shareholders wishing to have their distribution of income automatically paid in cash should elect for such method when completing the Application Form. Payment will be made by telegraphic transfer to an account in the name of the Shareholder within 2 months of the declaration date. Distributions not claimed within six years from their due date will lapse and will revert to assets of the Fund.

Accumulation Shares of any class may at the discretion of the Directors be issued on the basis that no dividends will be declared in respect of those Shares and that any income available for distribution will form part of the assets of the Fund and will be applied when calculating the subscription price and the repurchase price as part of the proportion of the Fund which is attributable to the holders of that class of Shares.

This section should be read in conjunction with the section entitled **Dividend Policy** in the Prospectus.

## 12. **PROFILE OF A TYPICAL INVESTOR**

The Fund will target retail and institutional investors seeking pooled exposure to the high yield global bond market and who are comfortable with a medium level of investment risk. It is expected that the Fund will be held as a part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. Share prices will fluctuate and may fall in value. It is important to understand that the Fund should be viewed as a medium to long term investment.

## 13. **KEY INFORMATION FOR BUYING AND SELLING**

### **Base Currency**

The Base Currency of the Fund is US Dollar.

### **Shares available for subscription**

Shares of the Fund are currently available for subscription in the following denominations:

1.	Sterling	(hedged)	Class A	Accumulation
2.	Sterling	(hedged)	Class A	Income
3.	US Dollar		Class A	Accumulation
4.	US Dollar		Class A	Income
5.	Euro	(hedged)	Class A	Accumulation
6.	Euro	(hedged)	Class A	Income
7.	Swiss Franc	(hedged)	Class A	Accumulation
8.	Swiss Franc	(hedged)	Class A	Income
9.	Japanese Yen	(hedged)	Class A	Accumulation
10.	Japanese Yen	(hedged)	Class A	Income
11.	Swedish Krona	(hedged)	Class A	Accumulation
12.	Swedish Krona	(hedged)	Class A	Income
13.	Norwegian Krone	(hedged)	Class A	Accumulation

14.	Norwegian Krone	(hedged)	Class A	Income
15.	Danish Krone	(hedged)	Class A	Accumulation
16.	Danish Krone	(hedged)	Class A	Income
17.	Icelandic Króna	(hedged)	Class A	Accumulation
18.	Icelandic Króna	(hedged)	Class A	Income
19.	Sterling	(hedged)	Class B	Accumulation
20.	Sterling	(hedged)	Class B	Income
21.	US Dollar		Class B	Accumulation
22.	US Dollar		Class B	Income
23.	Euro	(hedged)	Class B	Accumulation
24.	Euro	(hedged)	Class B	Income
25.	Swiss Franc	(hedged)	Class B	Accumulation
26.	Swiss Franc	(hedged)	Class B	Income
27.	Japanese Yen	(hedged)	Class B	Accumulation
28.	Japanese Yen	(hedged)	Class B	Income
29.	Swedish Krona	(hedged)	Class B	Accumulation
30.	Swedish Krona	(hedged)	Class B	Income
31.	Norwegian Krone	(hedged)	Class B	Accumulation
32.	Norwegian Krone	(hedged)	Class B	Income
33.	Danish Krone	(hedged)	Class B	Accumulation
34.	Danish Krone	(hedged)	Class B	Income
35.	Icelandic Króna	(hedged)	Class B	Accumulation
36.	Icelandic Króna	(hedged)	Class B	Income
37.	Swedish Krona	(hedged)	Class C	Accumulation
38.	Swedish Krona	(hedged)	Class C	Income
39.	Norwegian Krone	(hedged)	Class C	Accumulation
40.	Norwegian Krone	(hedged)	Class C	Income
41.	Danish Krone	(hedged)	Class C	Accumulation
42.	Danish Krone	(hedged)	Class C	Income
43.	Icelandic Króna	(hedged)	Class C	Accumulation
44.	Icelandic Króna	(hedged)	Class C	Income
45.	Japanese Yen	(hedged)	Class C	Accumulation

46.	Japanese Yen	(hedged)	Class C	Income
47.	Euro	(hedged)	Class I	Accumulation
48.	US Dollar		Class J	Accumulation
49.	US Dollar		Class J	Income
50.	Euro	(hedged)	Class J	Accumulation
51.	Euro	(hedged)	Class J	Income
52.	Sterling	(hedged)	Class J	Accumulation
53.	Sterling	(hedged)	Class J	Income
54.	Swedish Krona	(hedged)	Class J	Accumulation
55.	Swedish Krona	(hedged)	Class J	Income
56.	Swiss Franc	(hedged)	Class J	Accumulation
57.	Swiss Franc	(hedged)	Class J	Income
58.	Japanese Yen	(hedged)	Class J	Accumulation
59.	Japanese Yen	(hedged)	Class J	Income
60.	Norwegian Krone	(hedged)	Class J	Accumulation
61.	Norwegian Krone	(hedged)	Class J	Income
62.	Danish Krone	(hedged)	Class J	Accumulation
63.	Danish Krone	(hedged)	Class J	Income
64.	Icelandic Krone	(hedged)	Class J	Accumulation
65.	Icelandic Krone	(hedged)	Class J	Income
66.	Euro	(hedged)	Class L	Accumulation
67.	Sterling	(hedged)	Class S	Accumulation
68.	Sterling	(hedged)	Class S	Income
69.	US Dollar		Class S	Accumulation
70.	US Dollar		Class S	Income
71.	Euro	(hedged)	Class S	Accumulation
72.	Euro	(hedged)	Class S	Income
73.	Swedish Krona	(hedged)	Class S	Accumulation
74.	Swedish Krona	(hedged)	Class S	Income
75.	Swiss Franc	(hedged)	Class S	Accumulation
76.	Swiss Franc	(hedged)	Class S	Income
77.	Norwegian Krone	(hedged)	Class S	Accumulation

78.	Norwegian Krone	(hedged)	Class S	Income
79.	Danish Krone	(hedged)	Class S	Accumulation
80.	Danish Krone	(hedged)	Class S	Income
81.	Icelandic Króna	(hedged)	Class S	Accumulation
82.	Icelandic Króna	(hedged)	Class S	Income
83.	Japanese Yen	(hedged)	Class S	Accumulation
84.	Japanese Yen	(hedged)	Class S	Income
85.	Sterling	(hedged)	Class Z	Accumulation
86.	Sterling	(hedged)	Class Z	Income
87.	US Dollar		Class Z	Accumulation
88.	US Dollar		Class Z	Income
89.	Euro	(hedged)	Class Z	Accumulation
90.	Euro	(hedged)	Class Z	Income
91.	Swedish Krona	(hedged)	Class Z	Accumulation
92.	Swedish Krona	(hedged)	Class Z	Income
93.	Swiss Franc	(hedged)	Class Z	Accumulation
94.	Swiss Franc	(hedged)	Class Z	Income
95.	Norwegian Krone	(hedged)	Class Z	Accumulation
96.	Norwegian Krone	(hedged)	Class Z	Income
97.	Danish Krone	(hedged)	Class Z	Accumulation
98.	Danish Krone	(hedged)	Class Z	Income
99.	Icelandic Króna	(hedged)	Class Z	Accumulation
100.	Icelandic Króna	(hedged)	Class Z	Income
101.	Japanese Yen	(hedged)	Class Z	Accumulation
102.	Japanese Yen	(hedged)	Class Z	Income

The B and C share classes are for institutional investors but the Fund may at its discretion accept applications received from other investors.

The S share classes are for institutional investors and are not available to investors investing in the Fund via investment platforms but the Fund may at its discretion accept applications received from other investors

#### **Minimum Share Class Size**

Sterling Classes

GBP 5,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion

US Dollar Classes	USD 5,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion
Swiss Franc Classes	CHF 5,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion
Japanese Yen Classes	JPY 500,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion
Swedish Krona Classes	SEK 5,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion
Norwegian Krone Classes	NOK 5,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion
Danish Krone Classes	DKK 5,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion
Icelandic Króna Classes	ISK 5,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion
Euro Classes	EUR 5,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion

### **Minimum Investment Levels**

#### *Class A*

Minimum initial investment amount

USD1,000 or equivalent in another acceptable currency

Minimum additional investment amount

USD1,000 or equivalent in another acceptable currency

Minimum withdrawal amount

USD1,000 or equivalent in another acceptable currency

Minimum residual holding

USD1,000 or equivalent in another acceptable currency

#### *Class B*

Minimum initial investment amount

USD500,000 or equivalent in another acceptable currency

Minimum additional investment amount

USD1,000 or equivalent in another acceptable currency

Minimum withdrawal amount

USD1,000 or equivalent in another acceptable currency

Minimum residual holding

USD1,000 or equivalent in another acceptable currency

*Class C*

Minimum initial investment amount

\$250,000,000

Minimum additional investment amount

\$10,000,000

Minimum withdrawal amount

\$10,000,000

Minimum residual holding

\$225,000,000

*Class I*

Minimum initial investment amount

EUR1,000,000

Minimum additional investment amount

No minimum

Minimum withdrawal amount

No minimum

Minimum residual holding

No minimum

*Class J*

Minimum initial investment amount

\$250,000,000 or equivalent in another acceptable currency

Minimum additional investment amount

\$10,000,000 or equivalent in another acceptable currency

Minimum withdrawal amount

\$10,000,000 or equivalent in another acceptable currency

Minimum residual holding

\$225,000,000 or equivalent in another acceptable currency

*Class L*

Minimum initial investment amount

EUR500,000

Minimum additional investment amount

No minimum

Minimum withdrawal amount

No minimum

Minimum residual holding

No minimum

*Class S*

Minimum initial investment amount

USD 100,000,000 or equivalent in another acceptable currency

Minimum additional investment amount

USD 10,000,000 or equivalent in another acceptable currency

Minimum withdrawal amount

USD, 10,000,000 or equivalent in another acceptable currency

Minimum residual holding

USD 50,000,000 or equivalent in another acceptable currency

*Class Z*

Minimum initial investment amount

\$250,000,000

Minimum additional investment amount

\$10,000,000

Minimum withdrawal amount

\$10,000,000

Minimum residual holding

\$225,000,000

The Directors may waive such minimum investment levels in their absolute discretion.

**Initial Offer Period**

The Initial Offer Period for each Share class which has not launched has commenced and they will continue to be available for subscription at the Initial Issue Price, as set out below, until 5.00 pm (Irish time) on 30 December 2018. The Initial Offer Period of each class of Shares may be extended or shortened as the Directors may determine and any change will be notified to the Central Bank in accordance with its requirements. After the Initial Offer Period of each class, Shares of such class will be available for subscription at the Net Asset Value per Share.

### Initial Issue Price

The Initial Issue Price per Share is:

Sterling Classes	GBP 10
US Dollar Classes	USD 10
Swiss Franc Classes	CHF 10
Japanese Yen Classes	JPY 1,000
Swedish Krona Classes	SEK 100
Norwegian Krone Classes	NOK 100
Danish Krone Classes	DKK 100
Icelandic Króna Classes	ISK 1,000
Euro Classes (except I and L Classes)	EUR 10
Euro Classes (I and L Classes)	EUR 10,000

### Launched Share Classes

The following Classes have launched and are available at their Net Asset Value per Share:

1	Sterling	(hedged)	Class A	Income
2	Euro	(hedged)	Class A	Income
3	Euro	(hedged)	Class A	Accumulation
4	US Dollar		Class A	Income
5	Swiss Franc	(hedged)	Class A	Accumulation
6	US Dollar		Class A	Accumulation
7	US Dollar		Class B	Income
8	Sterling	(hedged)	Class B	Income
9	Sterling	(hedged)	Class B	Accumulation

10	Euro	(hedged)	Class B	Income
11	Euro	(hedged)	Class B	Accumulation
12	Swiss Franc	(hedged)	Class B	Accumulation
13	Euro	(hedged)	Class L	Accumulation
14	Euro	(hedged)	Class I	Accumulation
15	Swedish Krona	(hedged)	Class B	Accumulation

### **Business Day**

Any day (except Saturday or Sunday) on which the banks in both Ireland and the UK are open generally for business, or such other day as the Directors may, with the consent of the Depositary, determine and notify to Shareholders in advance.

### **Dealing Day**

The Fund shall be open to dealing on every Business Day.

### **Dealing Deadline**

In respect of a Dealing Day, the Dealing Deadline for Subscriptions and Redemptions is defined as 11.00 am (Irish time) on the relevant Dealing Day or such other day or time as the Directors may determine provided it is prior to the relevant Valuation Point.

### **Settlement Date**

Subscription monies must be received by and generally payment for Shares redeemed will be effected by the 3rd Business Day falling after the Dealing Day on which the redemption request is received. However, the Company may, at its absolute discretion, refuse to satisfy a redemption request or make any other payment to a Shareholder or at the direction of a Shareholder if such payment would result in a breach of the guidelines in operation from time to time in relation to the detection and prevention of money laundering. Redemption proceeds will be paid in the currency of the relevant Share class.

### **Preliminary Charge**

The Company may levy an initial charge of up to 5.5% of the Net Asset Value per Share in connection with the subscription of Class A Shares of the Fund and up to 3% of the Net Asset Value per Share in connection with the subscription of Class L Shares of the Fund. This fee will be retained for the benefit of the Distributor. The Distributor may, at its sole discretion and in accordance with applicable laws and regulations, (i) pay commission to financial intermediaries including but not limited to sub-distributors, intermediaries, advisers and introducing agents who refer and/or advise prospective investors out of the initial charge and/or (ii) waive the initial charge for certain prospective investors based on factors deemed appropriate by the Distributor. There is no preliminary charge payable on the Class B Shares or Class I Shares.

### **Exchange Charge**

The Directors reserve the right at their sole discretion, to impose an exchange fee of up to 1.5% of the total repurchase price of the Shares in respect of an exchange of Shares held in one class for Shares in another class but such fee is charged only if exchanges are in excess of 5 in a calendar year.

## **Dilution Adjustment**

Please refer to the section entitled **Dilution Adjustment** in the Prospectus.

## **Valuation Point**

Shall mean 12:00 Noon (Irish time) on each Dealing Day or such other day or time as may be determined by the Directors and approved by the Depositary.

### **14. CHARGING OF FEES AND EXPENSES TO CAPITAL**

The fees and expenses (including investment management fees) of the Fund may be charged (in whole or part) to the capital of the Fund in order to enable the Fund to pay a larger distribution amount and/or in circumstances where there is insufficient income being received by the Fund and/or as an efficient and accurate method of ensuring that fees incurred at a Share class level are apportioned to the relevant Share classes.

In circumstances where such fees and expenses are charged to capital, there may be a lack of potential for capital growth meaning the capital value of a Shareholder's investment may be eroded and due to such capital erosion the value of future returns may also be diminished. As such, income may be achieved by forgoing the potential for future capital growth.

The Fund's objective is to maximise total returns (income plus capital), rather than capital growth alone. Dividends paid in circumstances where fees and expenses are charged to capital should be understood as a type of capital reimbursement. Any income statement issued to Shareholders where fees and/or expenses have been charged to capital shall include a statement to explain the effect of this accounting policy and, if applicable, that the Shareholder's capital amount has been reduced.

### **15. FEES AND EXPENSES**

#### **Investment Manager Fees**

The fee payable to the Investment Manager will be no more than 1% per annum of the Net Asset Value of each Fund. Such fee shall be accrued daily and payable monthly in arrears. The Investment Manager shall also be entitled to be reimbursed out of the assets of the Fund for reasonable out-of-pocket expenses incurred by the Investment Manager in the performance of its duties.

The Investment Manager may agree at its discretion to waive a portion of the Investment Management Fee with respect to certain Shareholders' investment in the Fund. Any such waiver or reduction will not entitle other Shareholders to a similar waiver.

#### **Administration Fee**

The fee payable to the Administrator for the services provided to the Company shall not exceed 1% per annum (plus VAT, if any) of the net asset value of the Fund. Such fee shall be accrued daily and shall be payable monthly in arrears.

#### **Depositary Fee**

The fee payable to the Depositary, for both custodial services provided to the Company, will not exceed 0.5% per annum (plus VAT, if any) of the net asset value of the Fund subject to a minimum fee of £3000 per annum.

The Depositary will also be entitled to any out-of-pocket expenses incurred (including any transaction charges or sub-custodian fees at normal commercial rates). The Depositary fees will be accrued daily and shall be payable monthly in arrears.

#### **Registrar Fee**

The fee payable to the Administrator for registration services provided to the Company will not exceed 0.5% per annum (plus VAT, if any) of the net asset value of the Fund. Such fee shall be accrued daily and payable monthly in arrears.

### **Distribution Fee**

In addition to the preliminary charge that may be paid to the Distributor as referred to above, the fee payable to the Distributor for its services in the distribution of Shares of the Fund shall not exceed 1% per annum of the Net Asset Value attributable to the Class A Shares. The Distributor may, at its sole discretion and in accordance with applicable laws and regulations, (i) pay commission to financial intermediaries including but not limited to sub-distributors, intermediaries and advisers who refer and/or advise prospective investors out of the Distributor's fee as set out above and/or (ii) waive the Distribution Fee for certain prospective investors based on factors deemed appropriate by the Distributor. Where taken, this fee shall be accrued daily and payable monthly in arrears.

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

## **16. REPORTS TO SHAREHOLDERS**

The accounting date of the Company and the Fund is 31 October. The half yearly accounting date is 30 April.

The Company publishes an annual report incorporating audited financial statements in respect of each annual accounting period. In addition the Company publishes a semi-annual unaudited financial report in respect of each half-yearly accounting period.

The annual and semi-annual reports will be sent to Shareholders within four months and two months respectively of the periods to which they relate.

## **17. REPORTING FUNDS REGIME – SHARE CLASSES**

The Directors have applied to HM Revenue and Customs for 'Reporting Fund' status on any of the sub-funds' Share classes which shall be directed towards the UK market.

## Kames Global Equity Income Fund

### Supplement to the Prospectus for Kames Capital Investment Company (Ireland) Plc

#### An umbrella fund with segregated liability between sub-funds

This Supplement contains specific information in relation to the Kames Global Equity Income Fund (the **Fund**), a sub-fund of Kames Capital Investment Company (Ireland) Plc (the **Company**) an umbrella type open-ended investment company with variable capital governed by the laws of Ireland and authorised by the Central Bank of Ireland (the **Central Bank**). The Company has fifteen other sub-funds in existence as at the date of this Supplement:

- (1) Kames Investment Grade Global Bond Fund;
- (2) Kames Strategic Global Bond Fund;
- (3) Kames High Yield Global Bond Fund;
- (4) Kames Active Long Dated Bond Fund;
- (5) Kames Global Sustainable Equity Fund;
- (6) Kames Global Equity Market Neutral Fund;
- (7) Kames Global Diversified Income Fund;
- (8) Kames Global Diversified Growth Fund;
- (9) Kames Absolute Return Bond Fund;
- (10) Kames Equity Market Neutral Fund;
- (11) Kames Equity Market Neutral Plus Fund;
- (12) Kames Absolute Return Bond Global Fund;
- (13) Kames Absolute Return Bond Constrained Fund;
- (14) Kames Short Dated High Yield Global Bond Fund; and
- (15) Kames Emerging Market Bond Opportunities Fund.

The Kames Equity Market Neutral Plus Fund is currently closed for subscription and it is intended that an application will be made to the Central Bank to withdraw this fund's approval following preparation of audited accounts disclosing a zero Net Asset Value in respect of this fund.

**This Supplement forms part of and should be read in conjunction with the Prospectus dated 22 December 2017 (the Prospectus).**

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

**Investors should also note that subscriptions for Shares of the Fund is not the same as making a deposit with a bank or other deposit taking body. The principal invested in the Fund is capable of fluctuation and the value of the Shares is not insured or guaranteed.**

**Shareholders should note that all or part of the fees and expenses (including investment management fees) may be charged (in whole or part) to the capital of the Fund. Where such fees and expenses are charged to capital, Shareholders may not receive back the full amount invested on repurchases of Shares which would have the effect of lowering the capital value of your investment.**

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for

the Euro Class S – Income Shares Sterling Class A – Accumulation Shares, Sterling Class A-Income Shares, Swiss Franc Class A- Accumulation Shares, Swiss Franc Class A- Income Shares, Swiss Franc Class B – Accumulation Shares, Swiss Franc Class B- Income Shares, Swiss Franc Class C- Accumulation Shares, Swiss Franc Class C- Income Shares, Euro Class A- Accumulation Shares, Euro Class B – Income Shares, Euro Class C – Income Shares and US Dollar Class A- Income Shares of the Fund issued and available for issue, to be admitted to the Official List and trading on the Main Securities Market of Euronext Dublin. It is expected that such admission will become effective on or about 2 July 2018.

The Prospectus for the Company and this Supplement, which include all information required to be disclosed by the listing requirements of Euronext Dublin, shall constitute listing particulars for the purposes of the listing of the Shares of the Fund on Euronext Dublin. No application has been made to list the Shares on any other exchange.

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

The Directors confirm there has been no significant change in the financial or trading position of the Fund since the end of the period for which the audited financial statement included in the listing particulars are prepared and which form part of the listing particulars.

Save as disclosed in this Supplement, there has been no significant change and no significant new matter has arisen since publication of the Prospectus.

Neither the admission of Shares of the Company to the Official List and trading on the Main Securities Market of Euronext Dublin nor the approval of the listing particulars pursuant to the listing requirements of Euronext Dublin shall constitute a warranty or representation by Euronext Dublin as to the competence of service providers to or any other party connected with the Company, the adequacy of information contained in the listing particulars or the suitability of the Company for investment purposes

The launch and listing of various classes within the Fund may occur at different times and therefore at the time of the launch of a given class(es), the pool of assets to which a given class(es) relates may have commenced to trade. Financial information in respect of the Fund will be published from time to time, and the most recently published audited and unaudited financial information will be available to potential investors upon request following publication.

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

Dated: 2 July 2018

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## 1. INVESTMENT OBJECTIVE

The investment objective is to provide income and capital growth over the longer term by investing in the global equities market. The Fund will aim to deliver a yield higher than that generally available from investment in global equities.

## 2. INVESTMENT MANAGER

Kames Capital plc, based in Edinburgh, currently manages and distributes Irish and UK domiciled investment companies through its retail sales team to investors in the UK and overseas.

## 3. INVESTMENT POLICIES

In seeking to achieve its investment objective the Fund intends to invest primarily in a portfolio of global equity securities providing an above average yield (i.e. a higher yield than the yield of the overall global equity market). The Fund may also invest to a limited extent, in other securities and instruments as described below.

In selecting investments, the Investment Manager shall seek to invest in equity securities that have the potential for growth of income and capital and the Investment Manager shall seek to identify companies with attractive long-term business prospects that generate cash and produce attractive levels of dividend income.

The Fund shall invest in a diversified portfolio of equity securities. The Investment Manager may invest the Fund's assets in securities of companies across a broad range of industries and sectors, with a wide range of market capitalisations and in companies domiciled throughout the world. The Fund is not constrained by any index weightings and will not concentrate on any particular sector or geographic location, however it is intended that, under normal market conditions, the majority of the Fund's investments will be concentrated in liquid shares of companies with a market capitalisation in excess of £1 billion.

### **Equity Securities:**

The Fund shall directly invest at least 80% of the Net Asset Value of the Fund in equity securities. Equity securities shall comprise common stocks of companies which are either incorporated, listed, carrying on business dealt in or traded on a Recognised Market (as defined in the Prospectus) or which are otherwise permitted for this Fund.

### **Other Securities and Investments:**

The Fund may also hold ancillary liquid assets such as cash, cash investments, bank deposits, short term certificates or high quality short-term money market instruments including, but not limited to, commercial paper and treasury bills but the Investment Manager would not expect to hold substantial amounts of assets in these forms except if such investments were considered to be in the best interests of the Shareholders in the Fund.

The Fund may invest up to 10% of the Fund's Net Asset Value in other open-ended collective investment schemes.

The Fund may use financial indices, such as FTSE 100 and the S&P 500, for efficient portfolio management purposes which is further described in **Specific FDI, Futures** and **Options**. The Fund's use of underlying indexes will be in accordance with the Central Bank UCITS Regulations.

The Fund may enter into stock-lending and repurchase/reverse repurchase agreements for the purposes of efficient portfolio management subject to the conditions and limits for such arrangements set down in the Central Bank UCITS Regulations.

Although it is the intention of the Investment Manager to invest primarily in equity securities, in circumstances where the Investment Manager is unable to identify suitable equity investments, the Fund may invest up to 20% of its assets in preferred stocks, convertible securities, rights, warrants, American Depositary Receipts, Global Depositary Receipts and fixed income securities such as corporate, convertible and government bonds or notes (which may be fixed or floating rate and shall primarily be investment grade (although may include non-investment grade to a limited extent)).

The Fund may invest in equity and index warrants. Equity warrants are securities that give the holder the right, but not the obligation, to subscribe for newly created equity issues of the issuing company or a related company at a fixed price either on a certain date or during a set period. Changes in the value of a warrant do not necessarily correspond to changes in the value of its underlying security. The price of a warrant may be more volatile than the price of its underlying security, and a warrant may offer greater potential for capital appreciation as well as capital loss. Warrants do not entitle a holder to dividends or voting rights with respect to the underlying security and do not represent any rights in the assets of the issuing company. A warrant ceases to have value if it is not exercised prior to its expiration date. These factors can make warrants more speculative than other types of investments.

The Fund may invest in fixed-income obligations convertible into equity securities of global issuers. The convertible securities in which the Fund may invest include warrants, convertible debt and convertible preferred stock. They may be converted at either a stated price or at a stated rate into underlying shares of common stock. Because of this feature, convertible securities enable an investor to benefit from increases in the market price of the underlying common stock. Convertible securities provide higher yields than the underlying equity securities, but generally offer lower yields than non-convertible securities of similar quality. The value of convertible securities fluctuates in relation to changes in interest rates like bonds, and in addition, fluctuates in relation to the value of the underlying common stock.

The Fund may invest in rights which are a type of security entitling holders to purchase new shares issued by the corporation at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

#### **Financial Derivative Instruments (FDI):**

The Fund has the ability to invest in FDI for the purposes of efficient portfolio management as further described below.

The assets of the Fund may be denominated in US Dollars or other currencies that may or may not be hedged back to US Dollars at the investment manager's discretion.

#### ***Efficient Portfolio Management (EPM)***

The Fund may invest in FDI for the purposes of EPM. Permitted EPM transactions (excluding stock lending transactions) are transactions in FDI dealt in or traded on a Recognised Market, namely, futures, options and forwards.

There is no limit on the amount of the assets which may be used for EPM. In addition to the foregoing, the transactions must satisfy the following broadly-based requirements:

- they are economically appropriate;
- they are entered into for one or more of the following specific aims:
  - reduction of risk;
  - reduction of cost;
  - generation of additional capital or income for the Fund with a level of risk which is consistent with the risk profile of the Fund and the risk diversification rules set out in the UCITS Regulations and/or the Central Bank UCITS Regulations;
- their risks are adequately captured by the risk management process of the Fund, and;
- they do not result in a change to the Fund's investment objective or add substantial supplementary risks in comparison to the risks relative to the Fund identified in the prospectus and this Supplement.

The use of FDI for the purpose of EPM is not otherwise expected to raise the risk profile of the Fund or result in higher volatility.

#### ***Specific FDI***

Below are the details of the FDI in which the Fund may invest. The underlying assets of these FDI will be one of the asset classes referred to above in this **Investment Policies** section.

#### *Futures*

Futures are contracts to buy or sell a standard quantity of a specific asset (or, in some cases, receive or pay cash based on the performance of an underlying asset, instrument or index) at a pre-determined future date and at a price agreed through a transaction undertaken on an exchange. Generally, these will be futures contracts in relation to: (i) equities/stocks of companies (worldwide); and (ii) the value of financial indices such as FTSE 100 and S&P 500.

Futures contracts allow the Fund to hedge against market risk. Since these contracts are marked-to-market daily, investors can, by closing out their position, exit from their obligation to buy or sell the underlying assets prior to the contract's delivery date. The Investment Manager may enter into equity futures contracts in order to both hedge and more efficiently manage the Fund.

Futures will only be used for the purposes of EPM.

#### *Options*

The Fund may purchase options to seek to provide an efficient, liquid and effective mechanism for **locking in** gains and/or protecting against future declines in the value of securities that it owns in order to benefit from future gains in the value of a security without the risk of the fall in value of security below the strike price.

Generally these will be (i) put/call options in relation to equities/stocks of companies (worldwide); and (ii) put/call options in relation to the types of futures contracts described in the paragraph above.

The Fund may also write (sell) options in respect of underlying assets including writing call options which will give the counterparty a right to call for delivery of the asset at a given price in return for the payment of a premium to the Fund by the counterparty.

Options will only be used for the purposes of EPM.

#### *Forwards*

The Fund may buy and sell currencies on a spot and forward basis, subject to the limits and restrictions adopted by the Central Bank from time to time to reduce the risks of adverse changes in exchange rates and efficiently manage currency exposure. In forward foreign exchange contracts, the contract holders are obligated to buy or sell from another counterparty a specified amount of one currency at a specified price with another currency on a specified future date. Forward contracts may be cash settled between the parties. This reduces the Fund's exposure to changes in the value of the currency it will deliver and increases its exposure to changes in the value of the currency it will receive for the duration of the contract. The effect on the value of the Fund is similar to selling securities denominated in one currency and purchasing securities denominated in another currency. A contract to sell currency would limit any potential gain, which might be realised if the value of the hedged currency increases. These contracts cannot be transferred but they can be 'closed out' by entering into a reverse contract. Suitable hedging transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in such transactions at any given time or from time to time. Also, such transactions may not be successful and may eliminate any chance for the Fund to benefit from favourable fluctuations in relevant foreign currencies. The commercial purpose of a forward foreign exchange contract may include, but is not limited to, altering the currency exposure of securities held, hedging against exchange risks, increasing exposure to a currency and shifting exposure to currency fluctuations from one currency to another. Currency forwards are transacted over-the-counter (**OTC**).

Forwards will only be used for the purposes of EPM.

#### **Other Information**

The Fund will be able to take long and/or short positions across the assets described in the investment policy. It is anticipated that the Fund may hold between 100% to 150% of its assets in long positions and up to 50% of its assets in short positions.

Any OTC transactions must be with an Approved Counterparty (eligible institutions, money market institutions or other counterparty with which a UCITS may contract etc.) and in accordance with the requirements of the Central Bank.

The use of FDIs will be fully supported by a risk management process (**RMP**) to ensure that the use of FDIs continue to be commensurate with the overall investment objectives of the Fund.

The use of FDIs for investment purposes will result in the creation of financial leverage and any such leverage will be within the limits set down by the Central Bank.

The Fund must at any given time, be capable of meeting all of its payment and delivery incurred in respect of its FDI transactions. The Investment Manager uses a risk management technique known as relative value-at-risk (**VaR**) to measure the Fund's global exposure.

VaR is an advanced risk measurement methodology used to assess the Fund's global exposure, as set out in the RMP. VaR will be used by the Fund in accordance with the requirements of the Central Bank pursuant to which the VaR of the Fund's portfolio shall not exceed twice the VaR of the reference portfolio; and the one-tailed confidence interval shall not be less than 95% with a one month holding period. The historical observational period will be not less than 3 years. VaR will be calculated on a daily basis.

The reference portfolio for the purpose of relating VaR is the MSCI AC World Index (the **Index**). It is a stock market index of over 6,000 global stocks. It is maintained by MSCI Inc., formerly Morgan Stanley Capital International and is often used as a benchmark for global stock funds. The risk profile of the Index is consistent with the investment objectives, policies and limits of the Fund. As it is not expected that the risk profile of the Fund will change frequently, the Fund is managed and marketed with reference to this Index. It is, therefore, appropriate to monitor the global exposure of the Fund using relative VaR.

The level of leverage of the Fund (calculated using the sum of the notionals of the FDIs used by the Fund) under normal circumstance is expected to be in the range of 0% to 50% of the Net Asset Value of the Fund. It is possible that there may be higher leverage levels from time to time during abnormal market conditions and, for example, at times when there is low volatility.

The collateral management policy of the Company is set out in the Prospectus.

#### **4. INVESTMENT RESTRICTIONS**

The Fund is not permitted to invest in collective investment schemes. In addition, the general investment restrictions set out under the heading **FUNDS - Investment Restrictions** in the Prospectus shall apply to the Fund. The Fund shall not invest in collective investment schemes.

#### **5. HEDGED AND UNHEDGED SHARE CLASSES**

The Base Currency of the Fund is US Dollar.

The classes of shares available for subscription in the Fund are listed in the section entitled **Key Information for Buying and Selling**.

- 5.1. The Company at its absolute discretion, has the power to issue unhedged Share classes that are denominated in a currency other than the Base Currency. For such Share classes, the Investment Manager will not attempt to mitigate the effect of fluctuations in the exchange rate between the Share class currency and the currency(ies) of the Fund's underlying assets or the Base Currency. In the case of an unhedged Share class, that is denominated in a currency other than the Base Currency, a currency conversion will take place on subscriptions, redemptions, switches and distributions at prevailing exchange rates. The value of the share expressed in the unhedged Share class currency will be subject to exchange rate risk in relation to the Base Currency.
- 5.2. The Company, at its absolute discretion, has the power to issue currency hedged Share classes that are denominated in a currency other than the Base Currency. Currency hedged Share classes will carry the reference '(hedged)' in the name of the Share class.

For such Share classes, the Investment Manager intends to hedge the currency exposure of the currency(ies) of the Fund's underlying assets in order to attempt to mitigate the effect of fluctuations in the exchange rate between the currency(ies) of the Fund's underlying assets and the Share class currency. This is 'Method 2 (Portfolio Currency Hedging)' of Share class currency hedging, as explained in the Prospectus in section 3.8.2 under the heading 'Hedged and Unhedged Share Classes'. The following sections are relevant to hedged Share classes:

- 5.2.1. The costs of providing hedged Share classes and all other additional costs and gains/losses of such hedging transactions will accrue solely to the holders of the relevant Share class and shall not form part of the assets of the Fund or constitute a liability of the Fund. Any such hedging will endeavour to hedge no less than 95% of the net assets of the relevant Share classes. Due to matters outside the control of the Company, currency exposure may be over or under hedged but over hedged positions will not be permitted to exceed 105% of the net assets of the relevant Share class. Hedged positions will be kept under review to ensure that over hedged positions will not be permitted to exceed 105%. Such review will incorporate a procedure to ensure that positions materially in excess of 100% will not be carried forward month to month.
- 5.2.2. Investors in hedged Share classes should be aware that the exchange rate used for the purpose of converting the proceeds of their investment to or from the Base Currency and the currencies of the Fund's underlying assets is likely to be the rate prevailing at the time the necessary currency hedging contracts are put in place which means that this exchange rate risk is borne by those transacting investors rather than by the other investors in the Fund.
- 5.2.3. This currency hedging policy aims to limit any potential currency risk linked to the value of the currency(ies) of the underlying assets falling against the currency in which the hedge Share classes are denominated. On the other hand, as well as incurring the cost of such hedging transactions, holders of the hedged Share classes will sacrifice the potential gain should the value of the hedged currency fall against the value of the currency(ies) of the underlying assets.

This section should be read in conjunction with the section entitled **Hedged and Unhedged Share Classes** in the Prospectus.

## 6. **BORROWINGS**

In accordance with the general provisions set out in the Prospectus under the heading **FUNDS - Borrowing and Lending Powers** the Fund may borrow up to 10% of its net assets on a temporary basis.

## 7. **RISK MANAGEMENT**

The Company on behalf of the Fund employs a RMP which helps it to accurately measure, monitor and manage the various risks associated with 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.

The Fund will only utilise FDI which have been included in the RMP report that has been cleared by the Central Bank.

## 8. **RISK FACTORS**

The general risk factors set out under the heading **RISK FACTORS** section of the Prospectus apply to the Fund. These risk factors are not purported to be exhaustive and potential investors should review the Prospectus and this Supplement carefully and consult with their professional advisers before making a subscription request for Shares. The investments of the Fund may be subject to market

fluctuations, currency fluctuations, emerging markets risks, custody and settlement risks, registration risk and foreign exposure risk.

In addition, the following risk factors apply to the Fund:

#### 8.1. **General Risk**

The value of the Fund's investments in the securities and assets in which it invests may be affected by normal fluctuations and other risks inherent in investing in such assets such as changes in government policies, taxation, currency repatriation restrictions and other developments in the law or regulations of the countries in which the Fund may invest.

#### 8.2. **Objective Risk**

There can be no assurance that the Fund will achieve its investment objective. An investor should consider his personal tolerance for an investment based upon global equity securities and FDIs before investing in the Fund.

#### 8.3. **Equities and Securities Risk**

As the Fund will invest primarily in equity securities, it may be more volatile than a fund that invests in fixed income securities, but may also offer greater potential for growth. The value of the Fund's underlying investments may fluctuate in response to activities and results of individual companies, as well as in connection with general market conditions.

There is a risk that the stock price of one or more companies comprised within the assets of the Fund will fall or will fail to rise.

#### 8.4. **Foreign Investment Risk**

As the Fund will invest in global equity securities, there is a risk of currency fluctuations, economic or financial insolvency, lack of timely or reliable financial information, possible imposition of foreign withholding taxes or unfavourable political, economic or legal developments.

#### 8.5. **Foreign Exchange Risk**

Changes in rates of exchange may have an adverse effect on the Net Asset Value of the Fund. In addition a change in foreign currency exchange rates may adversely affect cash flows or income investments which are denominated in currencies other than the Base Currency. Foreign exchange investment and hedging strategies that may be employed to manage such risks might not be successful.

#### 8.6. **Hedging Costs relating to Foreign Exchange Risk**

The value of certain of the Investments may be expressed in a currency other than the base currency of the Funds, creating a risk that movements in the exchange rate between the two currencies may adversely affect the value of the Investments. The Investment Manager may hedge this risk on a notional basis. The costs of this hedging will be deducted from the assets of the Fund and so will affect the Net Asset Value of the Shares.

#### 8.7. **Interest Rate Risk**

The Fund's exposure to market risk is mainly with regard to movements in the value of its investments and changes in interest rates that may decrease its net interest income. In the event of a general rise in interest rates, the value of certain investment in the Fund's assets may fall, reducing the Net Asset Value of the Fund.

Changes in interest rates may adversely affect the market value of some of the Fund's investments. Declining interest rates may affect the return on available reinvestment opportunities.

Fluctuation in rates may affect interest rate spreads in a manner adverse to the Fund. The Fund's interest rate exposure will reflect the Investment Manager's opinion on the future path of interest rates but there is no guarantee that this will be successful. Interest rates are highly sensitive to factors

beyond the Fund's control, including, among others, government monetary and tax policies, and domestic and international economic and political conditions.

#### **8.8. Custody Risk**

Local custody services in some of the countries in which the Fund may invest may not be the same as those in more developed market countries and there is a transaction and custody risk involved in dealing in such markets.

#### **8.9. Conflict of Interest Risk**

The Company will rely on the Investment Manager in implementing its investment strategies. The Directors have determined the Investment Policies of the Fund as set out herein and the Investment Manager will monitor the performance of such investments on an on-going basis. Investors must rely on the judgement of the Directors in determining to invest in the manner set out herein. The Investment Manager and its principals and affiliates will devote a portion of their business time to the Company's business. In addition, where valuations are provided by the Investment Manager there is a possible conflict of interest where their fees are based on or affected by the Net Asset Value of the Fund. Any conflicts of interest will be resolved fairly.

#### **8.10. Default of Service Provider**

The Fund relies on services provided by a number of third parties. The bankruptcy or liquidation of any such third parties, including the Investment Manager, the Administrator, or the Depositary may have an adverse impact on the performance of the Fund and its Net Asset Value.

#### **8.11. Payment of Charges and Expenses to Capital**

The fees and expenses of the Fund may be charged to the capital of the Fund in circumstances set out in section 12 of the Supplement. In such circumstances, the capital value of a Shareholder's investment may be lowered and income may be achieved by forgoing the potential for future capital growth.

#### **8.12. Legal and/or Regulatory Risk**

Legal and Regulatory (including taxation) changes could adversely affect the Company. Regulation (including taxation) of investment vehicles such as the company is still evolving and therefore subject to change. In addition, many governmental agencies, self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. The effect of any future legal or regulatory (including taxation) change on the Company is impossible to predict, but could be substantial and have adverse consequences on the rights and returns of Shareholders.

#### **8.13. Liquidity Risk**

From time to time secondary markets can experience reduced liquidity, sometimes with significantly more volatile prices and larger spreads between bid and asked price in trading. At times secondary markets may be very illiquid. As a result the Fund may have to sell investments at unfavourable prices in order to raise proceeds to pay for redemptions of Shares. Illiquid securities may be difficult to resell at approximately the price they are valued in the ordinary course of business in seven days or less. When investments cannot be sold readily at the desired time or price, a Fund may have to accept a lower price or may not be able to sell the security at all, or may have to forego other investment opportunities, all of which may have an impact on the Fund.

#### **8.14. Limited Number of Investments Risk**

The Fund anticipates that it will be well diversified. However, in the event of a material demand for redemptions, the Fund could be forced to sell liquid positions resulting in an over-weighting in a small number of illiquid investments. In such circumstances, the aggregate return of the Fund may be substantially and adversely affected by the unfavourable performance of a single investment. The Fund's restriction of repurchases of Shares in excess of 10% of the total Net Asset Value of the Fund on any one Dealing Day will mitigate this risk to an extent should these circumstances arise.

#### 8.15. **Position/Market Risk**

The investments of a Portfolio are subject to normal market fluctuations and the risks inherent in investment in international securities markets and there can be no assurances that appreciation will occur. Stock markets can be volatile and stock prices can change, but diversification across a sizeable number of such securities and markets will typically result in the reduction of volatility at the portfolio level compared with the individual security level. In addition, the Investment Manager will select securities such as to endeavour to prevent high levels of volatility, and may reduce volatility further through the use of hedging transactions. Debt securities are interest rate sensitive and may be subject to price volatility due to various 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 price fluctuations will be greater when the maturity of the outstanding securities is longer. Since investment in securities may involve currencies other than the Base Currency, the value of a Portfolio's assets may also be affected by changes in currency rates and exchange control regulations, including currency blockage. The performance of a Portfolio will therefore depend in part on the ability of the Investment Manager to anticipate and respond to such fluctuations in stock prices, market interest rates and currency rates and to utilise appropriate strategies to maximise returns, while attempting to reduce the associated risks to investment capital.

#### 8.16. **Limited Disposal Rights Risk**

There will be no secondary market for Shares of the Fund and transfers of Shares are only permitted to those persons who satisfy the criteria for permitted shareholders. Consequently, investors may be able to dispose of their Shares only by requesting the Fund to repurchase their Shares on a Dealing Day.

#### 8.17. **Taxation Risk**

A risk exists that the tax authorities in countries in which the Fund invests may, where relevant, not be prepared to permit persons in their jurisdictions to pay interest to the Fund (or its subsidiary if any is used) without the imposition of withholding tax in that foreign jurisdiction. Any such withholding tax will impinge upon the return payable by the Fund to investors.

#### 8.18. **Valuations of Net Asset Value Risk**

The valuation of the Fund's assets obtained for the purpose of calculating Net Asset Value may not be reflected in the prices at which such assets are sold. For details of the valuation of assets, please see the section in the Prospectus headed **Valuation of Assets**.

#### 8.19. **FDI Risks**

The prices of FDIs, including futures and swap prices, are highly volatile. There is a general risk that the value of a particular FDI may change in a way which may be detrimental to the Fund's interests and the use of FDI techniques may not always be an effective means of, and sometimes could be counter-productive to, the Fund's investment objective. Price movements of forward contracts, futures contracts and other FDI contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. As a result of using FDIs for EPM purposes, there is a risk that, in a rising market, potential gains may be restricted.

##### 8.19.1. **General Risk**

The use of these techniques and instruments involves certain risks, including:

- (i) dependence on the ability to predict movements in the prices of securities being hedged and movements in interest rates;
- (ii) imperfect correlation between the price movements of the FDIs and price movements of related instruments;
- (iii) the fact that skills needed to use these instruments are different from those needed to select the securities owned by the Fund;

- (iv) the possible absence of a liquid market for any particular instrument at any particular time which may result in possible impediments to effective portfolio management or the ability to meet redemptions;
- (v) the Fund may invest in certain FDI which may involve the assumption of obligations as well as rights and assets; and
- (vi) assets deposited as margin with brokers may not be held in segregated accounts by the brokers and may therefore become available to the creditors of such brokers in the event of their insolvency or bankruptcy.
- (vii)

#### 8.19.2. **OTC Transactions Risk**

Where the Fund acquires or values securities on over-the-counter markets, there is no guarantee that the Fund will be able to realise such securities at a premium due to the nature of the over-the-counter market and the tendency to have limited liquidity and comparatively high price volatility.

#### 8.19.3. **Counterparty/Credit Risk**

The Fund may have credit exposure to counterparties by virtue of investment positions in options and forward exchange rate and other contracts held by the Fund. To the extent that a counterparty defaults on its obligation and the Fund is delayed or prevented from exercising its rights with respect to the investments in its portfolio, it may experience a decline in the value of its position, lose income and incur costs associated with asserting its rights. The Investment Manager may engage in various portfolio strategies on behalf of the Fund through the use of futures and options. Due to the nature of futures, cash to meet margin monies may be held by a broker with whom the Fund has an open position. In the event of the insolvency, bankruptcy or default of the broker, there can be no guarantee that such monies will be returned to the Fund. On execution of an option, the Fund may pay a premium to a counterparty. In the event of the insolvency or bankruptcy of the counterparty, the option premium may be lost in addition to any unrealised gains where the contract is in the money.

#### 8.19.4. **Settlement Risk**

The counterparty to a Fund may fail to deliver the terms of a contract at the time of the settlement. Settlement risk can be risk associated with default at settlement and any timing differences in settlement between two parties.

#### 8.19.5. **Correlation Risk**

The Company may utilise forward contracts and currency options to seek to hedge against fluctuations in the relative values of the Company's portfolio positions as a result of changes in currency exchange rates and market interest rates. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolios positions nor does it prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the positions' value. Such hedge transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for the Company to hedge against any exchange rate or interest rate fluctuation which is so generally anticipated that the Company is not able to enter into a hedging transaction at a price sufficient to protect the Company from the decline in value of the portfolio position anticipated as a result of such a fluctuation.

#### 8.19.6. **Basis Risk**

FDI value may not track the underlying notional asset. This is only relevant if the instrument is traded prior to maturity

### 8.20. **Specific Instrument Risks**

### 8.20.1. **Forwards**

A forward is a contract between two parties agreeing that at a certain time in the future one party will deliver a pre-agreed quantity of some underlying asset (or its cash equivalent in the case of non-tradable underlyings) and the other party will pay a pre-agreed amount of money for it. This amount of money is called the forward price. Once the contract is signed, the two parties are legally bound by its conditions: the time of delivery, the quantity of the underlying and the forward price. Forward contracts are instruments traded OTC. Performance may be strongly influenced by movements in foreign exchange rates because currency positions held by the Fund may not correspond with the securities positions held.

### 8.20.2. **Warrants**

The Fund may invest in warrants. A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities, and is exercisable against the original issuer of the securities. Warrants often involve a high degree of gearing, so that a relatively small movement in the price of the underlying security results in a disproportionately large movement, favourable or unfavourable in the price of the warrant. The prices of warrants can therefore be volatile. Some other instruments are also called warrants but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a covered warrant).

### 8.20.3. **Convertible Securities**

The risks associated with convertible securities, are similar to the risks associated with normal bonds and options, i.e. there is interest rate risk (the interest rate associated with the bond is below the prevailing market rate), credit risk (the bond par value is not paid back in part or in full), liquidity risk (the bond may not trade frequently with a resulting large spread between the price at which bonds are sold or purchased). The risks associated with options include liquidity and also the risk that at exercise date, the strike price may be above the prevailing market price for the underlying.

## 9. **DIVIDEND POLICY**

The Directors may declare dividends for the Income Share classes on a quarterly basis at close of business on the last Business Day of July, October, January and April. Dividends shall be declared out of the accumulated revenue (consisting of all revenue accrued including interest and dividends) less any applicable expenses). The Directors currently intend to pay dividends equal to substantially all of the income arising to the income Share classes. This will also ensure that the income Share classes can qualify as reporting funds for UK tax purposes. Any such dividend in relation to the income Share classes will be paid out of income arising indirectly from its holdings in investments and from any other income that may accrue to the Fund. Dividends will be paid by telegraphic transfer within two months of the relevant declaration date.

The Company will operate grouping for equalisation with respect to income shares. Each Class of each Fund will operate its own equalisation account. Shares purchased during a distribution period are called Group 2 Shares. Shares purchased during any previous distribution period are called Group 1 Shares. Group 2 Shares contain in their purchase price an amount called equalization which represents a proportion of the net income of the Fund that has accrued up to the date of purchase. The amount of equalisation is averaged across all the Shareholders of Group 2 Shares and is refunded to them as part of their first distribution. It may be treated as a return of capital for tax purposes.

As set out in section 11.3 of the Prospectus, equalisation data will be provided in respect of Reporting Shares on the Shareholder reports referred in section 11.3 of the Prospectus. Group 2 Shareholders investing in Reporting Shares can use the equalisation data to reduce their reportable income for a period.

Each holder of Income Shares has the option to take dividends in cash or to reinvest in the relevant Fund by the allotment of additional Shares at Net Asset Value per Share provided that no Preliminary Charge will be payable on any Shares so allotted of the Fund. The Fund's default position unless specifically advised on the application form will be to reinvest dividends into the Shares of the Fund.

Those Shareholders wishing to have their distribution of income automatically paid in cash should elect for such method when completing the Application Form. Payment will be made by telegraphic transfer to an account in the name of the Shareholder within 2 months of the declaration date. Distributions not claimed within six years from their due date will lapse and will revert to assets of the Fund.

Accumulation shares may, at the discretion of the Directors, be issued on the basis that no dividends will be declared in respect of those Shares and that any income available for distribution will form part of the assets of the Fund and will be applied when calculating the subscription price and the repurchase price as part of the proportion of the Fund which is attributable to the holders of that class of Shares.

This section should be read in conjunction with the section entitled **Dividend Policy** in the Prospectus.

## 10. PROFILE OF A TYPICAL INVESTOR

The Fund is designed for retail and institutional investors seeking pooled exposure to the global equity market, and who are comfortable with a higher level of investment risk. It is expected that the Fund will be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. Share prices will fluctuate and may fall in value. It is important to understand that the Fund should be viewed as a medium to long term investment.

## 11. KEY INFORMATION FOR BUYING AND SELLING

### Base Currency

The Base Currency of the Fund is US Dollar.

### Shares available for subscription

Shares of the Fund are currently available for subscription in the following denominations:

1.	Sterling	Class A	Income
2.	Sterling	Class A	Accumulation
3.	Euro	Class A	Income
4.	Euro	Class A	Accumulation
5.	US Dollar	Class A	Income
6.	US Dollar	Class A	Accumulation
7.	Swiss Franc	Class A	Income
8.	Swiss Franc	Class A	Accumulation
9.	Swedish Krona	Class A	Income
10.	Swedish Krona	Class A	Accumulation
11.	Norwegian Krone	Class A	Income
12.	Norwegian Krone	Class A	Accumulation
13.	Danish Krone	Class A	Income
14.	Danish Krone	Class A	Accumulation
15.	Icelandic Króna	Class A	Income
16.	Icelandic Króna	Class A	Accumulation
17.	Japanese Yen	Class A	Income
18.	Japanese Yen	Class A	Accumulation
19.	Sterling	Class B	Accumulation

20.	Euro		Class B	Income
21.	Euro		Class B	Accumulation
22.	Euro	(hedged)	Class B	Accumulation
23.	US Dollar		Class B	Income
24.	US Dollar		Class B	Accumulation
25.	Swiss Franc		Class B	Income
26.	Swiss Franc		Class B	Accumulation
27.	Swedish Krona		Class B	Income
28.	Swedish Krona		Class B	Accumulation
29.	Norwegian Krone		Class B	Income
30.	Norwegian Krone		Class B	Accumulation
31.	Danish Krone		Class B	Income
32.	Danish Krone		Class B	Accumulation
33.	Icelandic Króna		Class B	Income
34.	Icelandic Króna		Class B	Accumulation
35.	Japanese Yen		Class B	Income
36.	Japanese Yen		Class B	Accumulation
37.	Sterling		Class C	Income
38.	Euro		Class C	Income
39.	US Dollar		Class C	Income
40.	Swiss Franc		Class C	Accumulation
41.	Swiss Franc		Class C	Income
42.	Swedish Krona		Class C	Accumulation
43.	Swedish Krona		Class C	Income
44.	Norwegian Krone		Class C	Income
45.	Norwegian Krone		Class C	Accumulation
46.	Danish Krone		Class C	Income
47.	Danish Krone		Class C	Accumulation
48.	Icelandic Króna		Class C	Income
49.	Icelandic Króna		Class C	Accumulation
50.	Japanese Yen		Class C	Income
51.	Japanese Yen		Class C	Accumulation
52.	US Dollar		Class J	Accumulation
53.	US Dollar		Class J	Income
54.	Euro		Class J	Accumulation
55.	Euro		Class J	Income
56.	Sterling		Class J	Accumulation
57.	Sterling		Class J	Income

58.	Swedish Krona	Class J	Accumulation
59.	Swedish Krona	Class J	Income
60.	Swiss Franc	Class J	Accumulation
61.	Swiss Franc	Class J	Income
62.	Japanese Yen	Class J	Accumulation
63.	Japanese Yen	Class J	Income
64.	Norwegian Krone	Class J	Accumulation
65.	Norwegian Krone	Class J	Income
66.	Danish Krone	Class J	Accumulation
67.	Danish Krone	Class J	Income
68.	Icelandic Krone	Class J	Accumulation
69.	Icelandic Krone	Class J	Income
70.	Euro	Class S	Income
71.	US Dollar	Class Z	Accumulation
72.	US Dollar	Class Z	Income
73.	Euro	Class Z	Accumulation
74.	Euro	Class Z	Income
75.	Swedish Krona	Class Z	Accumulation
76.	Swedish Krona	Class Z	Income
77.	Swiss Franc	Class Z	Accumulation
78.	Swiss Franc	Class Z	Income
79.	Norwegian Krone	Class Z	Income
80.	Norwegian Krone	Class Z	Accumulation
81.	Danish Krone	Class Z	Income
82.	Danish Krone	Class Z	Accumulation
83.	Icelandic Króna	Class Z	Income
84.	Icelandic Króna	Class Z	Accumulation
85.	Japanese Yen	Class Z	Income
86.	Japanese Yen	Class Z	Accumulation

The Class B and C share classes are for institutional investors but the Fund may at its discretion accept applications received from other investors.

#### **Minimum Share Class Size**

Sterling Classes	GBP 5,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion
Euro Classes	EUR 5,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion
US Dollar Classes	USD 5,000,000 or such other amount as the Directors may determine from

		time to time at their absolute discretion
Swiss Franc Classes		CHF 5,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion
Swedish Krona Classes		SEK 5,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion
Norwegian Classes	Krone	NOK 5,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion
Danish Krone Classes		DKK 5,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion
Icelandic Króna Classes		ISK 5,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion
Japanese Yen Classes		JPY 500,000,000 or such other amount as the Directors may determine from time to time at their absolute discretion

### Minimum Investment Levels

#### Minimum initial investment amount\*

Class A:	\$1,000 or equivalent in another acceptable currency
Class B:	\$500,000 or equivalent in another acceptable currency
Class C:	\$1,000,000 or equivalent in another acceptable currency
Class J :	\$250,000,000 or equivalent in another acceptable currency
Class S:	\$100,000,000 or equivalent in another acceptable currency
Class Z:	\$250,000,000 or equivalent in another acceptable currency

\* For hedged Share classes the minimum investment amount is \$10,000,000 (or its foreign currency equivalent)

#### Minimum additional investment amount

Class A:	\$1,000 or equivalent in another acceptable currency
Class B:	\$1,000 or equivalent in another acceptable currency
Class C:	\$20,000 or equivalent in another acceptable currency
Class J:	\$10,000,000 or equivalent in another acceptable currency
Class S:	\$10,000,000 or equivalent in another acceptable currency
Class Z:	\$10,000,000 or equivalent in another acceptable currency

#### Minimum withdrawal amount

Class A:	\$1,000 or equivalent in another acceptable currency
Class B:	\$1,000 or equivalent in another acceptable currency
Class C:	\$20,000 or equivalent in another acceptable currency
Class J:	\$10,000,000 or equivalent in another acceptable currency
Class S:	\$10,000,000 or equivalent in another acceptable currency
Class Z:	\$10,000,000 or equivalent in another acceptable currency

#### Minimum residual holding

Class A:	\$1,000 or equivalent in another acceptable currency
Class B:	\$1,000 or equivalent in another acceptable currency

- Class C: \$200,000 or equivalent in another acceptable currency  
 Class J: \$225,000,000 or equivalent in another acceptable currency  
 Class S: \$50,000,000 or equivalent in another acceptable currency  
 Class Z: \$225,000,000 or equivalent in another acceptable currency

The Directors may waive such minimum investment levels in their absolute discretion.

### Initial Offer Period

The Initial Offer Period for each Share class which has not launched has commenced and they continue to be available for subscription at the Initial Issue Price, as set out below, until 5.00 pm (Irish time) on 30 December 2018. The Initial Offer Period of each class of Shares may be extended or shortened as the Directors may determine and any change will be notified to the Central Bank. After the Initial Offer Period of each class, such class will be available for subscription at the Net Asset Value per Share.

### Initial Issue Price

- |    |                         |          |
|----|-------------------------|----------|
| 1. | Sterling Classes        | GBP 10   |
| 2. | Euro Classes            | EUR 10   |
| 3. | US Dollar Classes       | USD 10   |
| 4. | Swiss Franc Classes     | CHF 10   |
| 5. | Swedish Krona Classes   | SEK 100  |
| 6. | Norwegian Krone Classes | NOK 100  |
| 7. | Danish Krone Classes    | DKK 100  |
| 8. | Icelandic Króna Classes | ISK 1000 |
| 9. | Japanese Yen Classes    | JPY 1000 |

### Launched Shares

The following Classes have launched and are available at their Net Asset Value per Share:

- |     |               |         |              |
|-----|---------------|---------|--------------|
| 1.  | Euro          | Class A | Accumulation |
| 2.  | Euro          | Class A | Income       |
| 3.  | US Dollar     | Class A | Accumulation |
| 4.  | Euro          | Class B | Accumulation |
| 5.  | Euro          | Class B | Income       |
| 6.  | Euro (hedged) | Class B | Accumulation |
| 7.  | US Dollar     | Class B | Accumulation |
| 8.  | Sterling      | Class B | Accumulation |
| 9.  | US Dollar     | Class B | Income       |
| 10. | US Dollar     | Class C | Income       |
| 11. | Sterling      | Class C | Income       |

**Business Day**

Any day (except Saturday or Sunday) on which the banks in both Ireland and the UK are open generally for business, or such other day as the Directors may, with the consent of the Depositary, determine and notify to Shareholders in advance.

**Dealing Day**

The Fund shall be open to dealing on every Business Day.

**Dealing Deadline**

In respect of a Dealing Day, the Dealing Deadline for Subscriptions and Redemptions is defined as 11.00 am (Irish time) on the relevant Dealing Day or such other day or time as the Directors may determine provided it is prior to the relevant Valuation Point.

**Settlement Date**

Subscription monies must be received by and generally payment for Shares redeemed will be effected by the 3rd Business Day falling after the Dealing Day on which the redemption request is received. However, the Company may, at its absolute discretion, refuse to satisfy a redemption request or make any other payment to a Shareholder or at the direction of a Shareholder if such payment would result in a breach of the guidelines in operation from time to time in relation to the detection and prevention of money laundering. Redemption proceeds will be paid in the currency of the relevant Share class.

**Preliminary Charge**

The Company may levy an initial charge of up to 5.5% of the Net Asset Value per Share in connection with the subscription of Class A Shares of the Fund. This fee will be retained for the benefit of the Distributor. The Distributor may, at its sole discretion and in accordance with applicable laws and regulations, (i) pay commission to financial intermediaries including but not limited to sub-distributors, intermediaries, advisers and introducing agents who refer and/or advise prospective investors out of the initial charge and/or (ii) waive the initial charge for certain prospective investors based on factors deemed appropriate by the Distributor.

There is no preliminary charge payable on the Class B or Class C Shares.

**Exchange Charge**

The Directors reserve the right at their sole discretion, to impose an exchange fee of up to 1.5% of the total repurchase price of the Shares in respect of an exchange of Shares held in one class for Shares in another class but such fee is charged only if exchanges are in excess of 5 in a calendar year.

**Dilution Adjustment**

Please refer to the section entitled Dilution Adjustment in the Prospectus.

**Valuation Point**

Shall mean 12:00 Noon (Irish time) on each Dealing Day or such other day or time as may be determined by the Directors and approved by the Depositary.

**12. CHARGING OF FEES AND EXPENSES TO CAPITAL**

The fees and expenses (including investment management fees) of the Fund may be charged (in whole

or part) to the capital of the Fund in order to enable the Fund to pay a larger distribution amount and/or in circumstances where there is insufficient income being received by the Fund and/or as an efficient and accurate method of ensuring that fees incurred at a Share class level are apportioned to the relevant Share classes.

In circumstances where such fees and expenses are charged to capital, there may be a lack of potential for capital growth meaning the capital value of a shareholder's investment may be eroded and due to such capital erosion the value of future returns may also be diminished. As such, income may be achieved by forgoing the potential for future capital growth.

The Fund's objective is to provide income and capital growth rather than capital growth alone. Dividends paid in circumstances where fees and expenses are charged to capital should be understood as a type of capital reimbursement. Any income statement issued to shareholders where fees and/or expenses have been charged to capital shall include a statement to explain the effect of this accounting policy and, if applicable, that the shareholder's capital amount has been reduced.

### **13. FEES AND EXPENSES**

#### **13.1. Investment Management Fees**

The fee payable to the Investment Manager will be no more than 1% per annum of the Net Asset Value of each class. Such fees shall be accrued daily and payable monthly in arrears. The Investment Manager shall also be entitled to be reimbursed out of the assets of the Fund for reasonable out-of-pocket expenses incurred by the Investment Manager in the performance of its duties.

The Investment Manager may agree at its discretion to rebate a portion of the Investment Management Fees with respect to certain Shareholders' investment in the Fund. Any such rebate or reduction will not entitle other Shareholders to a similar waiver.

The Investment Manager will not charge a performance fee.

#### **13.2. Administration Fee**

The fee payable to the Administrator for the services provided to the Company shall not exceed 1% per annum (plus VAT, if any) of the Net Asset Value of the Fund. Such fee shall be accrued daily and payable monthly in arrears.

#### **13.3. Depositary Fee**

The fee payable to the Depositary for the services provided to the Company shall not exceed 0.5% per annum (plus VAT, if any) of the Net Asset Value of the Fund subject to a minimum fee of £3000 per annum. The Depositary's fees will be accrued daily and shall be payable monthly in arrears.

The Depositary will also be entitled to receive any out-of-pocket expenses incurred (including any transaction charges or sub-custodian fees at normal commercial rates).

#### **13.4. Registration Fee**

The fee payable to the Administrator for registration services provided to the Company will not exceed 0.5% per annum (plus VAT, if any) of the Net Asset Value of the Fund. Such fee shall be accrued daily and payable monthly in arrears.

#### **13.5. Distribution Fee**

In addition to the preliminary charge that may be paid to the Distributor as referred to, the fee payable to the Distributor for its services in the distribution of Shares of the Fund shall not exceed 1% per annum of the Net Asset Value attributable to the Class A Shares. The Distributor may, at its sole discretion and in accordance with applicable laws and regulations, (i) pay commission to financial intermediaries including but not limited to sub-distributors, intermediaries and advisers who refer and/or advise prospective investors out of the Distributor's fee as set out above and/or (ii) waive the

Distribution Fee for certain prospective investors based on factors deemed appropriate by the Distributor. Where taken, this fee shall be accrued daily and payable monthly in arrears.

**13.6. Establishment Costs and Expenses**

It is estimated that the cost of establishing the Fund will not exceed €20,000 (excluding VAT).

The Investment Manager may initially incur all or part of the cost of establishing the Fund, in which case it will be entitled to be reimbursed out of the assets of the Fund for such expenditure. This section should be read in conjunction with the section entitled Fees and Expenses in the Prospectus.

**14. REPORTS TO SHAREHOLDERS**

The yearly accounting date of the Company and the Fund is 31 October. The half yearly accounting date is 30 April.

The Company publishes an annual report incorporating audited financial statements in respect of each annual accounting period. In addition the Company publishes a semi-annual unaudited financial report in respect of each half-yearly accounting period.

The annual and semi-annual reports will be sent to shareholders within four months and two months respectively of the periods to which they relate.

**15. REPORTING FUND STATUS**

It is the current intention of the Directors to apply to HM Revenue and Customs for **Reporting Fund** status on any of the sub-funds' Share classes which shall be directed towards the UK market.