

**FundLogic Alternatives plc**  
**Promoter and Distributor**  
**Morgan Stanley & Co. International plc**

**Supplement dated 6 July 2018**

**for**  
**Smartfund 80% Protected Growth Fund**

This Supplement contains specific information in relation to the **Smartfund 80% Protected Growth Fund** (the “**Sub-Fund**”), a sub-fund of **FundLogic Alternatives plc** (the “**Fund**”), an umbrella fund with segregated liability between sub-funds and authorised by the Central Bank of Ireland (the “**Central Bank**”) pursuant to the Regulations. The Sub-Fund will be managed by FundLogic SAS (the “**Investment Manager**”). The Investment Manager has appointed Smart Investment Management Limited to act as sub-investment manager to the Sub-Fund (the “**Sub-Investment Manager**”).

**This Supplement forms part of and should be read in conjunction with the Prospectus for the Fund dated 21 July 2017 (the “Prospectus”).**

**The Sub-Fund’s principal economic exposure may be effected through financial derivative instruments.**

**An investor should consider their investment decision carefully before allocating a substantial proportion of an investment portfolio to the Sub-Fund.**

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

Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement. In the event of any conflict between the Prospectus and this Supplement, this Supplement shall prevail.

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## 1. INVESTMENT OBJECTIVE AND POLICIES

### 1.1 Investment Objective

The Sub-Fund's investment objective is to provide Shareholders with long term exposure to the performance of the Portfolio Strategy with 80% of the highest NAV per Share of each Share Class (from the launch of the Sub-Fund onwards) being protected as a minimum exit Net Asset Value (the "**Minimum Target NAV**").

### 1.2 Investment Policy

The portfolio strategy (the "**Portfolio Strategy**") consists of long and short positions in a portfolio of securities and other assets as set out below whose composition is determined from time to time by the Sub-Investment Manager (the "**Reference Strategy**") and exposure to an effective overnight interest rate for the British Pounds Sterling (the "**Cash Component**") – allocated in accordance with a risk control strategy as set out under "Risk Control Mechanism" below and with an aim of protection of 80% of the highest NAV per Share of each Share Class (from the launch of the Sub-Fund onwards) being protected as a minimum exit Net Asset Value through exposure to a put option (the "**Put Option**"). The overnight interest rate used for the Cash Component will be the sterling overnight interest rate minus a fixed spread (which is a set rate agreed with the Approved Counterparty). The Sub-Fund will gain exposure to the Portfolio Strategy and the Put Option through one or more unfunded total return swaps with the Approved Counterparty (collectively the "**Portfolio Total Return Swap**").

#### 1.2.1 Description of Reference Strategy

The Reference Strategy consists of a portfolio with exposure to the asset classes of fixed income, equities, foreign exchange and alternative assets (private equity listed or traded on markets mentioned in Appendix II of the prospectus, commodities and real estate; exposure to private equity, commodities and real estate will be achieved through regulated exchange traded funds ("ETFs") which are domiciled in the EEA, Jersey, Guernsey, the Isle of Man or the United States, and which are UCITS funds or non-UCITS collective investment undertakings which are equivalent to UCITS, and through eligible indices). The Reference Strategy does not have any particular geographical or industry focus.

The Reference Strategy will obtain exposure to such asset classes in the following manner:

#### (a) Fixed Income

(i) Direct investment in fixed income securities, such as bonds and money market instruments (such as short and medium-term treasury bills and treasury notes, and certificates of deposit and bankers' acceptances), which are issued by corporate or government issuers (including those located in emerging markets), which are fixed or floating rate, rated investment grade or below investment grade or unrated and listed or traded on the Markets referred to in Appendix II of the Prospectus;

(ii) Indirect investment through regulated investment funds (including ETFs) with exposure to fixed income securities set out in (i) above, which are domiciled in the EEA, Jersey, Guernsey, the Isle of Man or the United States, and which are UCITS funds or non-UCITS collective investment undertakings which are equivalent to UCITS; and

(iii) Total return swaps (as set out in more detail in section 6 "Information on Financial Derivative Instruments" below) which reference direct or indirect fixed income investments set out in (i) and (ii) above or eligible indices which are comprised of fixed income investments set out in (i) above.

(iv) Total return swaps (with the Strategy Manager as counterparty) which reference absolute return strategies that invest in fixed income investments or financial derivative instrument on fixed income investments or set out in (i) and (ii) above. There are 2 such strategies as described below to which the Reference Strategy may be exposed based on the Sub-Investment Manager's risk and return expectations from each strategy:

1. 5% Volatility Controlled Enhanced Forward Rate Bias USD : The strategy aims to capture the difference between the current prediction of interest rates, as represented by interest rate forwards trading in the market at present and the actual interest rates in the future (which based on historical observation will not be the same. The strategy invests in short term interest rate futures (exposure to which will be adjusted to maintain an annualised

volatility of 5%) based on the level and volatility of Fed Funds Effective Rate.

2. 5% Volatility Controlled Enhanced Forward Rate Bias EUR : The strategy aims to capture the difference between the current prediction of interest rates, as represented by interest rate forwards trading in the market at present and the actual interest rates in the future (which based on historical observation will not be the same. The strategy invests in short term interest rate futures (exposure to which will be adjusted to maintain an annualised volatility of 5%) based on level and volatility of 3 month EONIA.

Each of the above mentioned strategies in (iv) are developed and operated by Morgan Stanley & Co. International plc (the “**Strategy Manager**”) as described in section 9 below.

In order to protect the value of Sub-Fund’s assets (Reference Strategy and the Put Option) against a rise in interest rates, which would generally lead to a decrease in the value of the assets as described in (a) (i), (ii) (iii) and (iv) above, the Sub-Fund may as part of the Reference Strategy obtain exposure to UCITS eligible indices that provide short exposure to derivative instruments known as bond futures. In the event of an increase in interest rates, the value of the futures contracts is expected to decrease and thus the Reference Strategy may benefit from having a position in such UCITS eligible indices. The Reference Strategy may have an allocation of up to 100% to these indices.

#### (b) Equities

(i) Direct investment in equity and equity related securities, including common and preferred stock (American Depositary Receipts (“**ADRs**”) and (Global Depositary Receipts (“**GDRs**”)), which are issued by corporate issuers (including those located in emerging markets), which are listed or traded on the Markets referred to in Appendix II of the Prospectus (with no specific industry or capitalisation focus);

(ii) Indirect investment through regulated investment funds (including ETFs) with exposure to equity securities set out in (i) above, which are domiciled in the EEA, Jersey, Guernsey, the Isle of Man or the United States, and which are UCITS funds or non-UCITS collective investment undertakings which are equivalent to UCITS; and

(iii) Total return swaps and options (as set out in more detail in section 6 “Information on Financial Derivative Instruments” below) which reference direct or indirect equities investments set out in (i) and (ii) above or eligible indices which are comprised of equity investments set out in (i) above.

(iv) Total return swaps (with the Strategy Manager as counterparty) which reference absolute return strategies that invest in equity securities or financial derivative instrument on equity securities as set out in (i) and (ii) above. There are 5 such strategies as described below to which the Reference Strategy may be exposed in the sole discretion of the Sub-Investment Manager based on its expectations of the risk and return from each strategy, with a maximum allocation of 15% of net asset value to any one strategy, save for the Morgan Stanley CUBE Equity Risk Premium strategy for which there is a maximum allocation of 30% of net asset value:

1. Long/Short Scientific Beta Multi-Beta Multi-Strategy : The strategy aims to capture the performance of a portfolio of stocks selected using factors like mid cap, high momentum, low volatility and value over the broader equity market. The strategy can have long exposure of up to 100% and short exposure of up to 100% of net assets. The Reference Strategy will only have exposure to the short positions synthetically.

2. Dividend Seeker Hedge: The strategy takes exposure in stocks ahead of their dividend declaration date (ex-date). The strategy can have long exposure of up to 100% and short exposure of up to 150% of net assets.

3. PanEurope Dynamic MEMO: The strategy aims to take exposure to European equities around the end of month to capture possibility of price increases during the period due to higher month end trading volumes on the relevant stock markets. The strategy only takes long exposure.

4. Target Equity Strategy: The strategy aims to take long positions in undervalued stocks, as identified by the valuation metrics like earning based valuation and dividend yield used by private equity investors and corporate buyers.

5. Morgan Stanley CUBE Equity Risk Premium: Morgan Stanley CUBE Equity Risk Premium is an equity strategy designed to allocate exposure across the following investment styles:

- a. Value (investing in securities across asset classes that are cheaper relative to their peers)
- b. Momentum (investing in equities that have outperformed in the past)
- c. Low volatility bias (investment in equities with low volatility as measured by the annualised variation of 6 month historical daily returns)
- d. Size (investment in mid or small capitalisation equities)
- e. Quality (investment in equities that are deemed profitable, operational and financially efficient)

Each of the above mentioned strategies in (iv) are developed and operated by Morgan Stanley & Co. International plc (the “**Strategy Manager**”). The rules of these strategies are agreed in advance with the Investment Manager, on behalf of the Fund.

(c) Foreign Exchange

(i) Swaps, options, futures and options on futures and forward currency exchange contracts (as set out in more detail in section 6 “Information on Financial Derivative Instruments” below) which reference foreign exchange rates or currencies and eligible indices with exposure to foreign exchange rates or currencies.

(ii) Total return swaps (with the Strategy Manager as counterparty) which reference absolute return currency strategies. There are 2 such strategies as described below to which the Reference Strategy may be exposed in the sole discretion of the Sub-Investment Manager based on its expectations of the risk and return from each strategy, with a maximum allocation of 15% of net asset value to any one strategy:

1. Developed Market Positioning Strategy: The strategy aims to take long exposure to currencies with higher open buy positions than sell positions in the futures market and short exposure to currencies with higher open sale position than buy position in the futures market. The Strategy employs long and short positions in currency futures and can take up to 100% exposure in long futures and up to 100% exposure in short currency future positions.

2. Enhanced Currency Carry Optimised USD : The strategy aims to capture the difference between the current prediction of currency rates, as represented by currency forwards trading in the market at present and the actual currency in the future (which based on historical observation will not be the same). The strategy invests in one month currency forwards for G10 currencies.

Each of the above mentioned strategies in (ii) is developed and operated by Morgan Stanley & Co. International plc (the “**Strategy Manager**”). The rules of these strategies are agreed in advance with the Investment Manager, on behalf of the Fund.

(d) Alternative Assets

(i) Indirect investment through regulated investment funds (including ETFs) which are domiciled in the EEA, Jersey, Guernsey, the Isle of Man or the United States, and which are UCITS funds or non-UCITS collective investment undertakings equivalent to UCITS which provide exposure to alternative assets(private equity ,commodities and real estate);

(ii) Indirect investment through exchange traded certificates which are eligible transferable securities providing indirect exposure to commodities. Such exchange traded certificates do not embed leverage or a derivative and are listed or traded on the Markets referred to in Appendix II of the Prospectus; and

(iii) Total return swaps (as set out in more detail in section 6 “Information on Financial Derivative Instruments” below) (with the Strategy Manager as counterparty) which reference absolute return strategies. There is 1 such strategy as described below. Based on the Sub-Investment Manager’s expectation of risk and return, the Reference Strategy may have an allocation of up to 40% of net asset value to the below mentioned strategy:

1. Morgan Stanley CUBE Cross Asset Risk Premium: Morgan Stanley CUBE Cross Asset Risk Premium is a cross-asset strategy designed to achieve exposure across asset classes (as set out

above in para (1) of this section 1.2.1) following the below mentioned investment styles:

1. Value (investing in securities across asset classes(as set out above in para (1) of this section 1.2.1) that are cheaper relative to their peers)
2. Momentum (the strategy takes long and short positions in a basket of underlying assets based on their relative returns in a calendar year. If an underlying asset has performed positively in comparison to other assets in its asset class, a long position on the underlying asset is taken and if an underlying asset has performed negatively in comparison to other assets in its asset class, a short position on the underlying asset is taken)
3. Carry (the strategy aims to capture the difference between the current prediction of price of an asset, as represented by the underlying forwards on the asset trading in the market at present and the actual asset price in the future)
4. Trend (the strategy takes long and short positions in a basket of underlying assets based on their returns in a calendar year. If the return is positive, a long position on the underlying asset is taken and if the return is negative, a short position on the underlying asset is taken. While the "Momentum" investment style is based on relative positive or negative performance of the assets, the "Trend" investment style is based on absolute positive or negative performance).

Morgan Stanley CUBE Cross Asset Risk Premium can invest in securities and financial derivative instruments as set out in more detail in section 6 "Information on Financial Derivative Instruments" below:

- (a) Long and short positions in future contracts, on equities, interest rates, equity indices and currencies and options relating to such future contracts, traded on recognized exchanges as listed in Appendix II of the Prospectus;
- (b) Direct investment in equities and bonds that are issued by corporate issuers (including those located in emerging markets), which are listed or traded on the Markets referred to in Appendix II of the Prospectus (with no specific industry or capitalisation focus);
- (c) Long and short positions in foreign exchange forward contracts;
- (d) Long and short positions in over the counter derivatives i.e. total return swaps, contract for differences and options giving exposure to UCITS eligible (such as SPX 500, EUROSTOXX 600), equities and bonds that are issued by corporate issuers; and
- (e) transferable securities and money market instruments other than the securities referred to in paragraph (b) above such as unlisted securities that provide exposure to commodities. Investments in such transferable securities and money market instruments shall not exceed 10% of the net asset value of the Sub-Fund.

The Sub-Investment Manager shall determine the allocation to the constituents of the Reference Strategy on a discretionary basis, subject to a maximum allocation of 100% of net exposure to fixed income, maximum allocation of 100% of net exposure to equities and maximum of 40% of net exposure to foreign exchange and alternative assets in aggregate. The asset allocation process takes into account expected return potentials as well as volatilities and correlations between asset classes and between the various strategies described in the categories above. The Sub-Investment Manager strives for a broad diversification while being reactive to changing market conditions. The aggregate gross exposure of the constituents of the Reference Strategy, as measured using the commitment approach, shall not exceed 150% of the net asset value of the Reference Strategy.

The Reference Strategy may, from time to time, hold a portion of its assets in cash or cash equivalents (which shall include, but shall not be limited to, short-term fixed income securities including commercial paper (i.e. investment grade short-term paper issued by credit institutions) and money market obligations such as short and medium-term treasury bills and treasury notes (both fixed and floating rate), certificates of deposit and bankers' acceptances, when opportunities are limited or in other circumstances deemed appropriate by the Sub-Investment Manager.

As disclosed above, the Reference Strategy may obtain exposure to (a), (b) and (d) above through investment in other collective investment schemes. Notwithstanding any contrary provision in the Prospectus, the Reference Strategy may be comprised of up to 100% in regulated investment funds (including ETFs) which are domiciled in the EEA, Jersey, Guernsey, the Isle of Man or the United

States, and which are UCITS funds or non-UCITS collective investment undertakings which are equivalent to UCITS. Any such collective investment scheme will not charge annual management fees of in excess of 5% of those underlying funds' respective net asset values. The Reference Strategy may not invest more than 20% of net asset value in any one collective investment scheme. Investments in non-UCITS collective investment schemes may not, in aggregate, exceed 30% of net asset value. Investment may not be made in any collective investment scheme which itself invests more than 10% of its net asset value in other open-ended collective investment schemes.

As set out above the Reference Strategy expects to enter into FDI transactions to gain exposure to the securities referred to in Description of Reference Strategy above. The Reference Strategy may take long positions either physically or synthetically through the use of FDIs. The Reference Strategy may utilise swaps, options, futures and forward currency exchange contracts. The Reference Strategy may invest in FDI transactions both for investment and efficient portfolio management purposes. For example: (i) equity swaps may be utilised for efficient cash management; or (ii) single name options may be utilised to hedge out the risk associated with an industry or gain exposure to an issuer; (iii) index futures on broad based indices may be utilised in order to hedge the equity portion of the strategy from movements in the general equity market and (iv) forward currency exchange contracts, currency index futures and currency index forwards in order to hedge the currency risk for the components of the Reference Strategy

FDIs may be exchange traded or over-the-counter.

The Reference Strategy will not have a substantial exposure to equities and equity related securities of issuers located in emerging markets.

### 1.2.3 General

In accordance with the requirements of the Central Bank, the absolute VaR of the Sub-Fund on any day may not exceed 20% of the Net Asset Value of the Sub-Fund using a one-tailed confidence interval of 99% and a holding period of one month and a historical observation period of 4 years. The Sub-Fund's gross leverage calculated using the sum of the notional exposure of its derivatives positions (including leverage inherent in the Portfolio Strategy) is expected to be between 300% and 320% of the Net Asset Value of the Sub-Fund and will never exceed 375% of the Net Asset Value of the Sub-Fund.

The aggregate gross exposure of the constituents of the Reference Strategy, as measured using the commitment approach, shall not exceed 150% of the net asset value of the Reference Strategy. The Sub-Fund will use the absolute VaR risk measurement approach and any reference to the commitment approach in respect of the Reference Strategy in this Supplement is intended solely as a supplementary disclosure to investors and relates to the Reference Strategy and not the Sub-Fund.

The Sub-Fund may enter into Financing Swaps (as defined below under "Unfunded Total Return Swaps and Reverse Repurchase Transaction"). The Sub-Fund may enter into repurchase / reverse repurchase arrangements (subject to the conditions and limits laid down by the Central Bank for efficient portfolio management purposes).

The Sub-Fund will have an exposure to the Put Option as part of the Portfolio Total Return Swap from the Approved Counterparty that aims to pay any shortfall amount that the Fund may need to receive in order to pay Minimum Target NAV to the Shareholders. The purpose of holding exposure to the Put Option is to offer an element of capital protection equal to at least 80% of the highest Net Asset Value per Share (subject to disclosures as laid out in Section 14 : Risk Factors below) achieved from the launch of the Sub-Fund onwards (i.e. commencing with the initial offer price). The premium payable for the Put Option will be at normal commercial rates.

The Sub-Fund and the Reference Strategy will only utilise those derivatives that are listed in the risk management process in respect of the Sub-Fund and that have been cleared by the Central Bank as detailed in section 6 "Information on Financial Derivative Instruments".

#### *Risk Control Mechanism*

The Investment Manager rebalances the exposure to the Reference Strategy and the Cash Component (which may occur daily) through the Portfolio Total Return Swap, as agreed between the Investment Manager and the Approved Counterparty(as further described below) on the basis of certain volatility

rules summarised herein. The rebalancing seeks to control the volatility risk of the Portfolio Strategy by reducing the allocation to the Reference Strategy if and when the realised volatility of the Reference Strategy as observed for certain periods increases. As the realised volatility of the Reference Strategy increases, the exposure to the Reference Strategy is adjusted downwards to a minimum of 0% and the corresponding exposure to the Cash Component is adjusted upwards to a maximum of 150%, such that the anticipated realised volatility of the Portfolio Strategy within the observed periods is consistent with the volatility budget. The volatility budget i.e. the maximum targeted level of annualised change in value of the Portfolio Strategy is between 10% and 12% over the term of the Portfolio Total Return Swap. The monthly performance of the Portfolio Strategy will be capped at between 5% and 6% of the level of the Portfolio Strategy on the last Business Day of the previous month (please see “Capped Performance of Portfolio Strategy” in section 14; “Risk Factors” below). The monthly performance is capped in order to reduce the realised volatility of the exposure to the Portfolio Strategy. The Sub-Investment Manager shall determine the volatility budget and the cap of the monthly performance on a discretionary basis. A lower volatility ensures that the exposure of Portfolio Total Return Swap to the Reference Strategy is maximised, as a higher realised volatility of the Portfolio Strategy would otherwise result in a higher allocation to the Cash Component.

#### *Securities Financing Transactions*

The Sub-Fund may enter into repurchase, reverse repurchase and stock lending agreements (together with total return swaps “**Securities Financing Transactions**”) subject to the conditions and limits laid down by the Central Bank for efficient portfolio management purposes.

The Sub-Fund’s exposure to Securities Financing Transactions is as set out below (in each case as a percentage of Net Asset Value):

	<b>Expected</b>	<b>Maximum</b>
Total Return Swaps/Margin Finance	300%	310%
Repurchase Agreements & Reverse Repurchase Agreement	0%	5%
Stock Lending	0%	5%

***The above shows the expected and maximum notional for the total return swaps and does not include the leverage inherent in the Portfolio Strategy.***

#### *Minimum Target NAV*

The Sub-Fund will aim on each Dealing Day to offer an element of capital protection equal to 80% of the highest Net Asset Value per Share achieved from the launch of the Sub-Fund onwards (i.e. commencing with the initial offer price). The Sub-Fund aims to achieve this capital protection through exposure to the Put Option which forms part of the exposure of the Portfolio Total Return Swap, as described above. The aim of holding exposure to the Put Option, when combined with holding exposure to the Portfolio Strategy, is to deliver the Minimum Target NAV

as the Put Option is expected to pay into the assets of the Sub-Fund any shortfall amount that the Fund may need to receive in order to pay the Minimum Target NAV to the Shareholders.

The initial term of the Portfolio Total Return Swaps is five years but the Sub-Fund will aim to periodically extend the Portfolio Total Return Swap.

The Sub-Fund will pay additional premium in relation to the extension of the Portfolio Total Return Swap (which embeds the Put Option) and / or for increasing the allocation to the Reference Strategy within the Portfolio Strategy.

#### *Termination Date*

The Sub-Fund will terminate on the Business Day following the termination of the Portfolio Total Return Swap (which may occur, for example, as a result of the termination of the Sub-Investment Manager’s appointment in respect of the Sub-Fund). The initial term of the Portfolio Total Return Swap is five years, but the Sub-Fund will endeavour to extend the maturity of the Portfolio Total Return Swap at least once a year. If the Portfolio Total Return Swap can no longer be extended, the Shareholders will be informed about the expected termination date of the Portfolio Total Return Swap and about the expected termination date of the Sub-Fund (at least 3 months prior to such termination dates).



### 1.3 Profile of a Typical Investor

Investment in the Sub-Fund is suitable for investors seeking a medium-term appreciation of capital, with the potential for a longer-term investment horizon.

## 2. APPROVED COUNTERPARTY(IES)

The sole approved counterparty/ counterparties for all off exchange derivatives and the repurchase agreement is Morgan Stanley or any of its affiliate or subsidiary that is a UCITS eligible counterparty (the “**Approved Counterparty**”). The Approved Counterparty does not have discretion over the Sub-Fund’s assets.

## 3. UNFUNDED TOTAL RETURN SWAPS and Reverse Repurchase Transaction

The Sub-Fund may use, as described in 1.2 & 1.2.3 above, a Portfolio Total Return Swap (which will deliver the economic performance of the Portfolio Strategy and the Put Option) and the Financing Swaps (as defined below) (together, the “**Swaps**”).

### 3.1 The Portfolio Total Return Swap

The Portfolio Total Return Swap will give the Sub-Fund the economic exposure to the Portfolio Strategy and the Put Option in exchange for a floating rate of return being paid by the Sub-Fund.

The Portfolio Total Return Swap contains exposure to the Put Option which is held with the aim of providing an element of capital protection equal to at least 80% of the highest Net Asset Value per Share achieved from the launch of the Sub-Fund onwards (i.e. commencing with the initial offer price). The Sub-Fund may enter into more than one Portfolio Return Swap in order to reflect the different management charges applied to different share classes as outlined below.

### 3.2 The Financing Swaps

The Sub-Fund will purchase Financing Assets (as defined below) and transfer the full economic interest in such Financing Assets (as defined below) to the Approved Counterparty pursuant to swap agreements (the “**Financing Swaps**”) in exchange for a floating rate of return (i.e., a market rate of return agreed with the Approved Counterparty from time to time generated through the Financing Swaps) being received by the Sub-Fund from the Approved Counterparty. This floating rate of return shall in turn be paid to the Approved Counterparty under the Portfolio Total Return Swap referred to above.

“**Financing Assets**” will include equity securities and other securities with equity characteristics, including, but not limited to, preferred stocks, warrants on equities (which gives the holder the right to buy the underlying equity at a specified price and time) and depository receipts for such securities (American depository receipts traded in the United States markets and global depository receipts traded in other world markets), issued by companies worldwide and which may or may not be constituents of the Reference Strategy. They may also include debt securities which may include, without limitation, government and corporate bonds and notes (fixed and floating interest rate) and commercial paper and may be rated either above or below “investment grade” by Standard & Poor’s and/or Moody’s or, if unrated, determined to be of equivalent credit quality by the Investment Manager. They may also include (without aggregate limits) UCITS-eligible regulated investment funds (including money market funds and ETFs) domiciled in the EEA, Jersey, Guernsey, the Isle of Man, or the United States, with a maximum management fee of 5% of any such fund’s net assets. Such investment funds will be UCITS funds or non-UCITS collective investment undertakings which are equivalent to UCITS which will deliver exposure to the asset classes of fixed income, equities, foreign exchange and alternative assets (without any minimum or maximum allocation limits for each asset class). The Financing Assets acquired will be those which, in the opinion of the Investment Manager, are suited for the purpose of meeting the investment objective of the Sub-Fund, based on its assessment of the underlying liquidity of the securities, where it will select securities that match the daily liquidity of the Sub-Fund.

The Approved Counterparty does not have discretion over the Financing Assets.

Financing Assets may have unlimited exposure to emerging market and sub investment grade assets.

Financing Assets (other than permitted unlisted investments) will be listed or traded on the Markets referred to in Appendix II of the Prospectus. For the avoidance of doubt, the Swaps will not be listed or traded as they are permitted unlisted investments.

The Sub-Fund may also enter into reverse repurchase agreements with the Approved Counterparty for efficient portfolio management purposes (which will generate a floating rate of return as well). The floating rate of return generated through the reverse repurchase agreement shall in turn be paid to the Approved Counterparty under the Portfolio Total Return Swap referred to above.

The Approved Counterparty may provide collateral to the Sub-Fund so that the Sub-Fund's risk exposure to the Approved Counterparty is reduced to the extent required by the Central Bank as set out under section 6 below.

The Sub-Fund may not enter into fully funded swaps.

The performance of the Sub-Fund will primarily be determined by the performance of the Portfolio Total Return Swap. It is not accordingly anticipated that the Sub-Fund will be exposed to the performance or risks of the Financing Assets other than in the event of a default by the Approved Counterparty under the terms of the Financing Swap.

#### **4. HEDGING STRATEGY**

The Approved Counterparty may incur costs in hedging its obligations under the Swap transactions. Any costs incurred by the Approved Counterparty in implementing its hedging strategy (including costs and fees of the Investment Manager as disclosed in Section 17 on Charges and Expenses) which are paid or reimbursed by Approved Counterparty may ultimately be borne by the Sub-Fund as costs, at normal commercial rates, under the terms of the Swap.

#### **5. INVESTMENT RESTRICTIONS OF THE PORTFOLIO**

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

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

#### **6. INFORMATION ON FINANCIAL DERIVATIVE INSTRUMENTS WITHIN THE REFERENCE STRATEGY AND SUB-FUND**

**The following types of Financial Derivative Instruments will be used within the Reference Strategy (and in the case of Swaps and Forward Currency Exchange Contracts, the Sub-Fund) to provide exposure to fixed income, equities, foreign exchange and alternative assets as set out in more detail in section 1.2 “Investment Policy” above.**

**Swaps.** These include contracts for difference and total return swaps. A contract for difference (CFD) is a bilateral contract that allows involved parties to exchange the difference between current market value of an underlying asset and its market value at the inception of the contract. A total return swap is a bilateral financial contract, which allows one party to enjoy all of the cash flow benefits of an asset without actually owning this asset. The underlying reference assets of swaps can be single name securities, indexes or custom baskets of securities.

**Options.** Options may be exchange traded or traded over-the-counter options and may have single name securities, indexes or custom baskets of securities as underlying reference assets. Unlike exchange traded options, which are standardised with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of OTC options are generally established through negotiation with the other party to the option contract. A call option on an investment is a contract under which the purchaser, in return for a premium paid, has the right to buy the underlying reference assets at the specified exercise price at any time during the term of the option. A put option is a contract that gives the purchaser, in return for a premium paid, the right to sell the underlying reference asset at the specified exercise price during the term of the option.

**Futures.** The sale of a futures contract creates an obligation by the seller to deliver the type of financial instrument called for in the contract in a specified delivery month for a stated price. The purchase of a futures contract creates an obligation by the purchaser to pay for and take delivery of the type of financial instrument called for in the contract in a specified delivery month, at a stated price. The Reference Strategy may employ indices that are comprised of futures.

**Forward Currency Exchange Contracts.** A forward currency exchange contract involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract. The forward currency exchange contracts will be used to hedge the currency risk of Reference Strategy assets, non-base currency share classes and the Financing Assets. The Sub-Fund or Reference Strategy may employ UCITS eligible indices that are comprised of forward or futures currency exchange contracts as well as systematic strategies comprised of rolling forward or futures currency exchange contracts for this purpose. These strategies take a short exposure to a futures contract which is then rolled on to another futures contract systematically, without any discretionary input and are developed and operated by the Strategy Manager as described in section 9 below. The rules of these strategies are agreed in advance with the Investment Manager, on behalf of the Fund.

## 7. INVESTMENT MANAGER

The Investment Manager for the Sub-Fund is FundLogic SAS. The Investment Manager is incorporated in France with a registered office at 61 Rue de Monceau, 75008 Paris, France.

The Investment Manager is regulated by the Autorité des Marchés Financiers in France. As at 30 April 2017, FundLogic SAS had approximately \$4.4 billion of assets under management.

Subject to controls imposed by the Directors under the investment management agreement between the Fund and the Investment Manager in relation to the Sub-Fund, all relevant laws and regulations, this Supplement, the Prospectus and the Articles, the Investment Manager has discretion to take day-to-day investment decisions and to deal in investments and to conduct the investment management of the Sub-Fund.

The Fund has appointed the Investment Manager as investment manager for the Sub-Fund pursuant to an amendment to the investment management agreement between the Fund and the Investment Manager dated 27 July 2010, as amended (the “**Agreement**”)

The Agreement provides that the Investment Manager shall be responsible for loss to the Sub-Fund and/or the Fund to the extent such loss arises out of negligence, wilful default or fraud by itself, its directors, officers, servants, employees and appointees. The Investment Manager, its directors, officers, servants, employees and appointees shall not be liable for loss to the Sub-Fund and / or the Fund on account of anything done or suffered by the Investment Manager in good faith in accordance with or in pursuance of any request or advice of the Sub-Fund and/or the Fund.

The Agreement shall continue in force until terminated pursuant to the terms set out therein. Except as set forth in the Agreement, either party may terminate the Agreement on giving not less than 90 days’ prior written notice (or such other period as may be agreed between the parties).

## 8. SUB-INVESTMENT MANAGER

The Investment Manager has appointed Smart Investment Management Limited as the Sub-Investment Manager, pursuant to the sub-investment management agreement dated 30 July 2015 as novated by a novation agreement between the Investment Manager, the Fund, Praemium Administration Ltd and the Sub-Investment Manager dated 12 October 2017, as may be amended from time to time (the “**Sub-Investment Management Agreement**”), to provide the Investment Manager with discretionary investment management services in relation to the investments in the Reference Strategy.

The Sub-Investment Manager is incorporated in the UK with a registered office at 4th Floor, Salisbury House, London Wall, London EC2M 5QQ.

The Sub-Investment Manager is regulated by the Financial Conduct Authority in the UK.

The Sub-Investment Manager shall be responsible for loss to the Investment Manager and the Fund to the extent such loss is due to wilful misfeasance, wilful deceit, fraud, bad faith, negligence or material breach by the Sub-Investment Manager by itself, its directors, officers, servants, employees, agents

and appointees or for its recklessness, breach of fiduciary duty and any misrepresentation made by or on behalf of the Sub-Investment Manager.

The Sub-Investment Management Agreement may be terminated by either the Investment Manager or the Sub-Investment Manager on giving not less than 3 months prior written notice (or such other period as may be agreed between the parties) to the other party.

## 9. STRATEGY MANAGER

The Investment Manager has appointed Morgan Stanley & Co. International plc (**MSI Plc**) as the Strategy Manager to the Sub-Fund to provide the Investment Manager with certain systemic strategy management services in relation to the Sub-Fund. For the avoidance of doubt, the Strategy Manager is responsible solely for determining the composition of each systematic strategy as agreed with the Investment Manager. Therefore, the Strategy Manager does not provide discretionary asset management services to the Sub-Fund and as such has no authority to manage or responsibility for the assets of the Sub-Fund. MSI Plc is a company incorporated with limited liability under the laws of England and Wales whose principal place of business for this agreement is at 25 Cabot Square, Canary Wharf, London E14 4QA and is regulated by the Financial Conduct Authority in the UK.

## 10. SUB-CUSTODIAN

Pursuant to an agreement dated 31 July 2015 (the "**Sub-Custody Agreement**"), the Depositary has appointed Morgan Stanley & Co. International plc ("**MSIP**") as sub-custodian in relation to the Sub-Fund, subject to the overall supervision of the Depositary, and MSIP may in such capacity hold certain assets of the Sub-Fund from time to time. MSIP is a company incorporated with limited liability under the laws of England and Wales whose principal place of business for this agreement is at 25 Cabot Square, Canary Wharf, London E14 4QA and which is regulated by the Financial Conduct Authority in the UK.

The Sub-Custody Agreement may be terminated by either party on 30 days' written notice, or, where the Services Agreement (as defined below) is not terminated, with MSI plc's written permission or forthwith by notice in writing in certain circumstances such as the insolvency of MSI plc. The Sub-Custody Agreement provides that MSI plc shall indemnify the Depositary for certain losses unless MSI plc's liability arises (i) in connection with the potential liability of the Depositary that is released pursuant to applicable law following the occurrence of an external event beyond the reasonable control of MSI plc the consequences of which would have been unavoidable despite all reasonable efforts to the contrary; (ii) out of the negligence, wilful default or fraud of the Depositary or any of its affiliates; or (iii) as a result of the delegation by MSI plc of the safekeeping of assets to the Depositary or any of its affiliates.

## 11. SERVICE PROVIDER

The Fund has appointed MSIP (the "Service Provider") to provide certain services (as detailed below) to the Fund as Service Provider pursuant to a Services Agreement dated 31 July 2015 in respect of the Sub-Fund (the "Services Agreement").

Under the Services Agreement, the Service Provider or certain other members of the Morgan Stanley Group of companies (the "Morgan Stanley Companies") will provide services to the Fund including the provision to the Fund of settlement, clearing and foreign exchange facilities (facilities to hold foreign exchange or to convert currencies). The Service Provider does not have discretion over the Sub-Fund's assets. The Fund may also utilise Morgan Stanley Companies and other brokers and dealers for the purposes of executing transactions for the Fund.

Further detail in respect of the Services Agreement is set out in the section entitled Other Information below.

## 12. RISK MANAGER

Pursuant to a risk management agreement dated 26 August 2010, as amended (the "**Risk Management Agreement**"), MSIP (the "**Promoter**") has agreed to provide certain Sub-Funds of the Fund, including the Sub-Fund, with risk management and compliance reporting services in accordance with the Risk Management Agreement and the risk management processes in respect of the Sub-Funds.

The Risk Management Agreement provides that the Promoter shall not be liable for any loss, damage or expense (including, without limitation, reasonable legal counsel and professional fees and other costs and expenses incurred in connection with the defence of any claim, action or proceedings) directly suffered or incurred by the Fund or the Sub-Fund arising directly out of any act or omission done or suffered by the Promoter (its directors, officers, servants, employees, delegates or sub-contractors) in the performance or non-performance of its duties thereunder, save for such loss, damage or expense as shall directly result from the negligence, bad faith, wilful default or fraud of the Promoter (its directors, officers, servants, employees, delegates or sub-contractors) in the performance or non-performance of its duties under this Risk Management Agreement. In no circumstance shall the Promoter be liable for any indirect, special or consequential losses of the Fund or the Sub-Fund or any other party arising from the performance or non-performance of its duties thereunder.

The Risk Management Agreement shall continue in force until terminated pursuant to the Risk Management Agreement. Either party may terminate the Risk Management Agreement on giving not less than 90 days' written notice at any time. The Risk Management Agreement may also be terminated at any time in the circumstances set out in the Risk Management Agreement.

### 13. **BORROWING AND LEVERAGE**

The Fund may borrow money in an amount up to 10% of its net assets at any time for the account of any Sub-Fund and the Depositary may charge the assets of the Sub-Fund as security for any such borrowing, provided that such borrowing is only for temporary purposes.

In accordance with the requirements of the Central Bank, the absolute VaR of the Sub-Fund on any day may not exceed 20% of the Net Asset Value of the Sub-Fund using a one-tailed confidence interval of 99% and a holding period of one month and a historical observation period of 4 years. The Sub-Fund's gross leverage calculated using the sum of the notional exposure of its derivatives positions (including leverage inherent in the Portfolio Strategy) is expected to be between 300% and 320% of the Net Asset Value of the Sub-Fund and will never exceed 375% of the Net Asset Value of the Sub-Fund.

The aggregate gross exposure of the constituents of the Reference Strategy, as measured using the commitment approach, shall not exceed 150% of the net asset value of the Reference Strategy.

The Sub-Fund may be leveraged through the use of FDI, including through the Portfolio Total Return Swap which provides exposure to the Reference Strategy.

### 14. **RISK FACTORS**

The risk factors set out in the section entitled **Risk Factors** in the Prospectus apply.

The following additional risk factors also apply:

#### **Counterparty Risk**

The Sub-Fund will be exposed to the credit risk of the parties with which it transacts and may also bear the risk of settlement default. Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Sub-Fund. This would include the counterparties to any FDI or repo that it enters into. Trading in FDI which have not been collateralised gives rise to direct counterparty exposure. The Sub-Fund mitigates much of its credit risk to its counterparties by receiving collateral with a value at least equal to the exposure to each counterparty but, to the extent that any FDI is not fully collateralised, a default by the counterparty may result in a reduction in the value of the Sub-Fund. The Company maintains an active oversight of counterparty exposure in line with Regulations and the collateral management process in respect of the Sub-Fund.

The restrictions on cash collateral as set out in the section entitled Efficient Portfolio Management in the Prospectus shall apply. Where cash collateral is re-invested it will be subject to the same risks as direct investments as set out in the section entitled Risk Factors in the Prospectus.

#### **No Exposure to Reference Strategy**

Based on the risk control mechanism, there is a risk that there is no exposure to the Reference Strategy for certain periods. In this case, Shareholders will be exposed to overnight interest rates which might be negative.

### **Minimum Target NAV**

The Sub-Fund aims to provide an element of capital protection; however, this will be dependent on the solvency of the Approved Counterparty. In the event of insolvency of Approved Counterparty, the Sub-Fund will be exposed to the performance of Financing Assets.

Investors should note that the Minimum Target NAV does not provide complete capital protection and only aims to provide a payment equal to a minimum of 80% of the highest Net Asset Value per Share achieved from the launch of the Sub-Fund onwards. It is important to note that, while a repurchasing Shareholder will receive an amount equal to the Net Asset Value per Share on redemption, each Share may benefit from limited capital protection only, regardless of the Net Asset Value per Share at which such Share was purchased by the Shareholder.

### **Differences in the Net Asset Value per Share and the Minimum Target NAV of the Share Classes**

Further, while each Share Class of the Sub-Fund is exposed to the same Portfolio Strategy and aims to provide a return equal to a minimum of 80% of the highest Net Asset Value per Share, there may be differences in the Net Asset Value per Share and the Minimum Target NAV of each of the Share Classes due to the unique characteristics of each Share Class including differences relating to the launch date and currency denomination.

### **Capped Performance of Portfolio Strategy**

The monthly performance of the Portfolio strategy is capped between 5 to 6% of the Portfolio Strategy level as on last Business Day of previous month. As such, the Sub-Fund participation in Reference Strategy upside will be limited while it will be exposed to the downside in Reference Strategy. This may result in the Sub-Fund underperforming the Reference Strategy.

### **Currency Risk**

The Base Currency of the Sub-Fund is GBP. Shareholders may subscribe in USD, Euro, Pound Sterling, or into the USD, EUR or GBP denominated Share Classes respectively.

The EUR and USD denominated Shares are Hedged Share Classes. To the extent that Share class currency hedging is successful, the performance of a Hedged Share Class is likely to move in line with the performance of the Sub-Fund's underlying assets; however, Shareholders in a Hedged Share Class will not benefit if the currency of that Hedged Share Class falls against the Base Currency and/or the currency in which assets of the Sub-Fund are denominated. Shareholders in the Hedged Share Classes are urged to read the section of the Prospectus entitled Hedged Share Classes for information on the currency risks associated with investment in those Share classes.

Depending on a Shareholder's currency of reference, currency fluctuations between that currency and the Base Currency may adversely affect the value of an investment in the Sub-Fund. Changes in exchange rates may have an adverse effect on the value, price or income of the Sub-Fund.

### **Impact of Currency Fluctuations on Minimum Target NAV**

The Investment Manager seeks to hedge the impact of currency fluctuations on the Minimum Target NAV for base currency and non-base currency share classes, however investors should note that such hedging may not always be successful in protecting the Minimum Target NAV against exchange rate risks.

Such currency fluctuations if unhedged may impact the ability of Investment Manager to have exposure to the Portfolio Total Return Swap in line with the net assets of the Sub-Fund and hence may result in investor proceeds being lower than Minimum Target NAV of the Sub-Fund for both base currency and non-base currency share classes.

### **Active Management Risk**

The Sub-Investment Manager decides the composition of the Reference Strategy and so the success of the Sub-Fund depends, among other things, upon the ability of the Sub-Investment Manager to manage the asset allocation within the Reference Strategy. No assurance can be given that the Sub-Investment Manager will be successful in managing the Reference Strategy. Moreover, decisions made by the Sub-Investment Manager may cause the Sub-Fund to incur losses or to miss profit opportunities on which it may otherwise have capitalized. Additionally, the management of the Reference Strategy will result in brokerage and other transaction costs to which the Sub-Fund will be indirectly exposed. Shareholders will have no right or power to participate in the day-to-day management or control of the business of the Sub-Fund, nor an opportunity to evaluate the determination of (and any changes to) the specific strategies used, or investments made, by the Sub-Investment Manager within the Reference Strategy or the terms of any such investment.

#### **Impact of the valuation of Off Exchange Derivatives on the Net Asset Value of the Sub-Fund**

The Sub-Fund invests in complex derivatives (eg, the Financing Swaps and the Portfolio Total Return Swap) whose valuation depends on multiple market parameters. Thus, Shareholders will not be able to derive the Net Asset Value of the Sub-Fund from an increase of the level of the Reference Strategy alone.

#### **Counterparty Valuation of OTCs**

The value assigned to the OTC derivative instruments shall be the quotation received from the counterparty to such contracts at the Valuation Point. Investors should note that the valuation received from the counterparty will be impacted by the level of redemption or subscriptions received into the Sub-Fund on a daily basis. On a day when net subscriptions/only subscriptions are received, the counterparty will provide a price which is likely to be closer to their offer price for the contract, whereas if there are net redemptions/only redemptions received by the Sub-Fund, the counterparty will provide a price which is likely to be closer to their bid price for the contract. The independent valuation provider, which is appointed by the Board and approved by the custodian, will verify all values received from the counterparty on at least a weekly basis as set out in the Prospectus.

#### **Depositary/MSIP Insolvency**

The Sub-Fund is subject to a number of risks relating to the insolvency, administration, liquidation or other formal protection from creditors (“**insolvency**”) of the Depositary and/or MSIP in its capacity as sub-custodian. These risks include without limitation: the loss of all cash which the Custodian and/or MSIP has failed to treat as client money in accordance with any agreed procedures; the loss of some or all of any securities held on trust which have not been properly segregated and so identified both at the level of the Depositary and/or MSIP (“**trust assets**”) or client money held by or with the Depositary and/or MSIP in connection with a reduction to pay for administrative costs of an Insolvency and/or the process of identifying and transferring the relevant trust assets and/or client money for other reasons according to the particular circumstances of the Insolvency; losses of some or all assets due to the incorrect operation of the accounts by the Depositary and/or MSIP; and losses caused by prolonged delays in receiving transfers of balances and regaining control over the relevant assets.

#### **MSIP as index sponsor**

MSIP acts as index sponsor in respect of the UCITS eligible indices that the Portfolio Strategy may have exposure to in the Reference Strategy, as outlined in section 1.2.1 above.

In light of MSIP acting as index sponsor of the UCITS eligible indices, the conflict of interest protections described in Section 25 of the Prospectus entitled “Sub-Fund Transactions and Conflicts of Interest” shall be adhered to.

## **15. DIVIDEND POLICY**

It is not the intention of the Directors to declare a dividend in respect of any Share Class. Any distributable profits will remain in the Sub-Fund’s assets and be reflected in the Net Asset Value of the relevant Share Class.

## **16. KEY INFORMATION FOR PURCHASES AND SALES OF SHARES**

## Base Currency

GBP

## Classes of Shares

Shares in the Sub-Fund will be available in different classes as follows:

Class	Currency Denomination	Currency Hedged Shares	Initial Issue Price per Share	Minimum Initial Subscription	Minimum Subsequent Subscription /Minimum Repurchase Amount	Minimum Holding (Number of Shares)
<b>Class A EUR Shares</b>	Euro	Yes	€1,000	€10,000	€1,000	N/A
<b>Class A USD Shares</b>	US Dollar	Yes	\$1,000	\$10,000	\$1,000	N/A
<b>Class A GBP Shares</b>	Pound Sterling	No	£1,000	£10,000	£1,000	N/A
<b>Class C GBP Shares</b>	GBP	No	£1,000	£10,000	£1,000	N/A

The limits set out above may be raised, lowered or waived at the discretion of the Directors (or their delegate). Shareholders will be notified of any permanent change to the Minimum Initial Subscription Amount, the Minimum Subsequent Subscription Amount, the Minimum Holding and/or the Minimum Repurchase Amount. The Fund has the power to redeem the remaining holding of any Shareholder who redeems his holding of Shares in any Share class to below the Minimum Holding (or its foreign currency equivalent, where applicable).

Investors must subscribe into a Share class in the currency in which that Share class is denominated. Repurchase payments are also made in the currency in which the relevant Share class is denominated.

The Directors may, in their discretion, waive the minimum amounts above either generally or in relation to any specific subscription or repurchase.

Share Class C GBP will not be available for subscription effective at a date no later than 23 July 2018. Please contact the Distributor to confirm if the Share Class C GBP is available for subscription in advance of 23 July 2018.

## Business Day

Every day (except legal public holidays in New York, London, Paris or Dublin or days on which the stock markets in New York, Paris, Dublin and/or in London are closed) during which banks in New York, Paris, Dublin and London are open for normal business and such other day or days as the Directors may from time to time determine and notify in advance to Shareholders. The 24<sup>th</sup> and the 31<sup>st</sup> December are deemed public holidays for the purpose of this Supplement.

## Dealing Day

Every Business and/or such other day or days as the Directors may from time to time determine and notify in advance to Shareholders, provided that in any event there shall be at least one Dealing Day per fortnight.

## Dealing Deadline

9 AM Irish time on the relevant Dealing Day.



The Directors may, in their discretion and on an exceptional basis only, waive the Dealing Deadline either generally or in relation to any specific subscription provided that applications are received prior to the Valuation Point (being the earliest close of business of any relevant market on that Dealing Day) for that particular Dealing Day. For the avoidance of doubt, no application shall be accepted after the close on a Dealing Day of any market relevant to the assets and liabilities of the Sub-Fund.

#### **Settlement Date**

In the case of subscriptions, by 12 Noon Irish time, 3 Business Days after the relevant Dealing Day.

In the case of repurchases, within 3 Business Days after the relevant Dealing Day.

In respect of subscriptions investors will be liable for any interest, losses or other costs incurred as a result of failing to settle an order within these time frames.

#### **Valuation Point**

Close of business on the relevant Dealing Day.

In the case of transferable securities and listed FDI, the Valuation Point will be such time on a Dealing Day which reflects the close of business on the markets relevant to such assets and liabilities or such other time as the Directors may determine from time to time and notify to Shareholders. In the case of OTC FDI, the Valuation Point will be the close of business on the Dealing Day or such other time as the Directors may determine from time to time and notify to Shareholders. For the avoidance of doubt, the time at which the Net Asset Value is determined will always be after the Dealing Deadline.

## **17. CHARGES AND EXPENSES**

#### **Redemption in Specie**

The provisions of section 19 of the Prospectus entitled Repurchase of Shares in respect of the ability of the Directors to satisfy a repurchase request in whole or in part by an in-kind distribution of securities of the relevant Sub-Fund in lieu of cash with or without consent of the Shareholder shall not apply to the Sub-Fund.

#### **Management Charge**

The Fund will pay (i) up to 0.10% per annum in respect of the Class A EUR Shares, Class A USD Shares, Class A GBP Shares and Class C GBP Shares to the Investment Manager (ii) up to 1.7% per annum in respect of the Class A EUR Shares, Class A USD Shares and Class A GBP Shares and (iii) up to 0.25% per annum in respect of the Class C GBP Shares to the Sub Investment Manager from the assets attributable to the Sub-Fund which are based on a percentage of net assets attributable to such class of Shares, which is accrued daily and paid monthly in arrears.

#### **Risk Management, Administrator's and Depositary's Fees**

The Fund will pay to the Promoter, out of the assets of the Sub-Fund, a fee which will not exceed 0.15% per annum of the net assets of the Sub-Fund and will be accrued daily and paid monthly in arrears.

The Promoter will, inter alia, pay the fees and expenses of any service provider to the Sub-Fund and in particular, the Administrator and Depositary which are not covered by the Management Charge payable to the Investment Manager and will be entitled to retain any excess after payment of such fees for risk management services provider by the Promoter.

Notwithstanding the above, any transaction charges, reasonable fees and customary agents' charges due to any local market sub-custodian (not including the Depositary or any of its affiliates), which shall be charged at normal commercial rates, together with value added tax, if any, thereon, shall be paid out of the assets of the Sub-Fund or, if paid by the Depositary, shall be reimbursed to the Depositary out of the assets of the Sub-Fund.

## **Subscription Charge**

A subscription charge of up to 4% of the subscription amount may apply in respect of each Share class. Any subscription charge received by the Sub-Fund may be paid to the Distributor, or any sub-distributor or intermediary, who has the discretion to waive or rebate such charge.

## **Ongoing Charges and Expenses**

The additional charges and expenses specified in the section entitled **Ongoing Charges and Expenses** in the Prospectus will, save in respect of the fees of the Distributor, be paid out of the assets of the Sub-Fund. The Sub-Investment Manager will be responsible for discharging the fees of the Distributor out of its own fees.

### **18. HOW TO SUBSCRIBE FOR SHARES**

Requests for the purchase of Shares should be made in accordance with the provisions set out in the section entitled **Applications for Shares** in the Prospectus.

The Directors reserve the right to reject in whole or part any subscription at their sole discretion, but in particular may do so where the Approved Counterparty is unwilling to agree to an equivalent increase in the notional of the Portfolio Total Return Swap.

### **19. HOW TO SELL SHARES**

Requests for the sale of Shares should be made in accordance with the provisions set out in the section entitled **Repurchase of Shares** in the Prospectus.

### **20. HOW TO EXCHANGE SHARES**

Requests for the exchange of Shares should be made in accordance with the provisions set out in the section entitled **Exchange of Shares** in the Prospectus.

### **21. ESTABLISHMENT CHARGES AND EXPENSES**

The cost and expenses of establishing the Sub-Fund will be paid by the Promoter.

### **22. OTHER CHARGES AND EXPENSES**

Further details of charges and expenses payable out of the assets of the Sub-Fund are set out in the Prospectus under the headings **Management Charges and Expenses** and **General Charges and Expenses**.

### **23. OTHER INFORMATION**

As at the date of this Supplement, there are sixty-one other sub-funds of the Fund currently in existence, Emerging Markets Equity Fund, Salar Convertible Absolute Return Fund, MS PSAM Global Event UCITS Fund, Indus Select Asia Pacific Fund, MS Algebris Global Financials UCITS Fund, Indus PacifiChoice Asia Fund, MS Ascend UCITS Fund, MS Alkeon UCITS Fund, RiverCrest European Equity Alpha Fund, MS SLJ Macro UCITS Fund, MS QTI UCITS Fund, MS Turner Spectrum UCITS Fund, MS Long Term Trends UCITS Fund, MS Discretionary Plus UCITS Fund, MS Lynx UCITS Fund, MS Dalton Asia Pacific UCITS Fund, MS Broadmark Tactical Plus UCITS Fund, MS Swiss Life Multi Asset Protected Fund, MS TCW Unconstrained Plus Bond Fund, MS Fideuram Equity Smart Beta Dynamic Protection 80 Fund, MS Nezu Cyclical Japan UCITS Fund, MS Scientific Beta Global Equity Factors UCITS ETF, MS Kairos Enhanced Selection UCITS Fund, MS Scientific Beta US Equity Factors UCITS ETF, MSCI Emerging Markets ESG Equity Fund, MS Tremblant Long/Short Equity UCITS Fund, Global Equity Risk Premia Long/Short UCITS Fund, MS Fideuram Equity Smart Beta Dynamic Protection 80 Fund II, DAX® 80 Garant, IPM Systematic Macro UCITS Fund, Quantica Managed Futures UCITS Fund, Smartfund 80% Protected Balanced Fund, MSCI China A International Fund, Mariner Lenus Healthcare UCITS Fund, Smartfund Growth Fund, Smartfund Balanced Fund, Smartfund Cautious Fund, 80% Protected Index Portfolio, Mariner Investment Diversifying Alternative UCITS Fund, Market Neutral Credit UCITS Fund, Academy Quantitative Global UCITS Fund, Arno Fund, QW Equity Market & Sector Neutral UCITS Fund, Abante 80% Proteccion Creciente Fund,

Moderate 80% Protected Fund, Cautious 85% Protected Fund, Equity Risk Managed Fund, Cube Global Cross Asset UCITS Fund, CZ Absolute Alpha UCITS Fund, Investcorp Geo-Risk Fund, Morgan Stanley RADAR ex Agriculture & Livestock Fund, Carrhae Capital Long/Short Emerging Market Equity UCITS Fund; SciBeta HFE Europe Equity 6F EW UCITS ETF, SciBeta HFE EM Equity 6F EW UCITS ETF, SciBeta HFE Pacific ex-Jap Equity 6F EW UCITS ETF, SciBeta HFE Japan Equity 6F EW UCITS ETF, SciBeta HFE US Equity 6F EW UCITS ETF, Generali 80% Protected Fund – A, Generali 80% Protected Fund – D, ACUMEN Capital Protection Portfolio and ACUMEN Income – Protection Portfolio.

### **Services Agreement**

Pursuant to the Services Agreement, neither the Service Provider nor any Morgan Stanley Company nor their employees or officers will be liable for any loss, cost, charge, fee, expense, damage or liability resulting from any act or omission made in connection with the Services Agreement or the services provided thereunder. In particular, but without limitation, the Service Provider will not be liable for any loss of, or any failure to insure, investments, or for the quality, quantity, condition or delivery of investments or the correctness, validity, sufficiency or genuineness of any of the documents relating to investments. This exclusion does not apply where such loss results directly from the negligence, wilful default or fraud of the Service Provider or any Morgan Stanley Company or their employees or officers.

The Service Provider or any Morgan Stanley Company or their employees or officers will not in any circumstances be liable for any consequential loss, damage or liability regardless of whether it is aware of the likelihood of such loss, damage or liability. The Fund will fully indemnify the Service Provider or any Morgan Stanley Company or their employees or officers on demand against any and all claims which the Service Provider or any Morgan Stanley Company or their employees or officers may suffer or incur directly or indirectly (including those incurred to a sub custodian, broker, executing broker, exchange, clearing house or other regulatory authority) as a result of, or in connection with, or arising out of, the Services Agreement, related documents, related transactions and any other matters set out in the Services Agreement. This indemnity will not extend to the Service Provider or any Morgan Stanley Company or their employees or officers in so far as the claims suffered by the same are a direct result of its fraud, wilful default, negligence, breach of applicable law or regulation (other than where the breach of law or regulation arises as a result of the indemnified person taking any action or inaction on the instructions of the Fund or its agents or as a result of the failure by the Fund to take any action required to be taken by it under applicable law or regulation).

As security for the payment and discharge of all liabilities of the Fund to the Service Provider and the Morgan Stanley Companies, all investments and cash held by the Service Provider and each such Morgan Stanley Company will be charged by the Fund in their favour and will therefore constitute collateral for the purposes of the rules of the Financial Conduct Authority (the FCA). Investments and cash may also be deposited by the Fund with the Service Provider and other Morgan Stanley Companies as margin and will also constitute collateral for the purposes of the FCA rules. Investments which constitute collateral for the purposes of the FCA rules may not be segregated from the Service Provider's own investments and may be available to creditors of the Service Provider or the Morgan Stanley Companies. Cash which the Fund transfers to the Service Provider will, subject to the terms of the Agreement, be client money for the purposes of the FCA Rules and will therefore be subject to the client money protections conferred by the FCA Rules.

Either party may terminate the Services Agreement by giving at least five business days' prior written notice. The Service Provider may terminate the Services Agreement with immediate effect if it determines in its discretion that it has become unlawful under any applicable law for the Service Provider or the Morgan Stanley Companies or the Fund to perform of any or all of its respective obligations thereunder.