

## SUPPLEMENT 13

**DATED 30<sup>th</sup> December 2014**  
**to the Prospectus issued for Guinness Asset Management Funds plc**  
**dated 11<sup>th</sup> February, 2011**  
**Guinness Global Innovators Fund**

This Supplement contains information relating specifically to the Guinness Global Innovators Fund (the “Fund”), a Fund of Guinness Asset Management Funds plc (the “Company”), an open-ended umbrella fund with segregated liability between Funds authorised by the Central Bank on 19<sup>th</sup> December, 2007 as a UCITS pursuant to the UCITS Regulations.

As at the date of this Supplement the Company has eleven other Funds, the Guinness Alternative Energy Fund, the Guinness Global Energy Fund, the Guinness China & Hong Kong Fund, the Guinness Global Equity Income Fund, the Guinness Global Money Managers Fund, the Guinness Asian Equity Income Fund, the Guinness European Equity Income Fund, the Guinness European Equity Fund, the Guinness Alternative Energy Income Fund, the Guinness Global Energy Income Fund and the Guinness Renminbi Yuan & Bond Fund.

**This Supplement forms part of and should be read in the context of and in conjunction with the Prospectus for the Company dated 11<sup>th</sup> February, 2011 (the “Prospectus”). This Supplement revises and replaces the Supplement dated 8<sup>th</sup> October, 2014.**

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

**An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.** Investors should read and consider the section of the Prospectus entitled “Risk Factors” before investing in the Fund.

**The Fund may invest substantially in deposits and/or in money market instruments. An investment in the Fund is neither insured nor guaranteed by any government, government agencies or instrumentalities or any bank guarantee fund. Shares of the Fund are not deposits or obligations of, or guaranteed or endorsed by, any bank and the amount invested in Shares may fluctuate up and/or down.**

**Profile of a Typical Investor: Investment in the Fund is suitable only for those persons and institutions for whom such investment does not represent a complete investment program, who understand the degree of risk involved (as detailed under the section of the Prospectus and Supplement headed “Risk Factors”), can tolerate a medium level of volatility and believe that the investment is suitable based upon investment objective and finance needs. Investment in the Fund should be viewed as medium to long term.**

## 1. Interpretation

The expressions below shall have the following meanings:

“Business Day”	means any day (except Saturday or Sunday) on which banks in Dublin are generally open for business or such other day or days as may be determined by the Directors and notified to Shareholders.
“Dealing Day”	means each Business Day or such other day or days as may be determined by the Directors and notified to Shareholders in advance provided that there shall be at least one Dealing Day every fortnight.
“Dealing Deadline”	means 3.00 p.m. Irish time on each Dealing Day or such other time as the Directors may determine and notify in advance to Shareholders provided always that the Dealing Deadline is no later than the Valuation Point.
“Initial Price”	means US\$10.00/GBP£10.00/€10.00 per Share.
“Valuation Point”	means 11.00 p.m. (Irish time) on each Dealing Day.

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

## 2. Base Currency

The Base Currency shall be US\$.

## 3. Classes and Currency

The Company has established the following Classes denominated in the following currencies:

<b>Class</b>	<b>Currency</b>
Class C GBP Accumulation	GBP£
Class C EUR Accumulation	Euro
Class C USD Accumulation	US Dollar
Class X GBP Accumulation	GBP£
Class X EUR Accumulation	Euro
Class X USD Accumulation	US Dollar
Class Y GBP Accumulation	GBP£
Class Y EUR Accumulation	Euro
Class Y USD Accumulation	US Dollar

Class Z GBP Accumulation	GBP£
Class Z EUR Accumulation	Euro
Class Z USD Accumulation	US Dollar

#### 4. Investment Objective

The investment objective of the Fund is to provide investors with long-term capital appreciation.

#### 5. Investment Policy

In seeking to achieve its investment objective the Fund intends to invest primarily in a portfolio of global equities. The Fund seeks long-term capital appreciation through investment in companies that the Investment Manager deems to have innovation at the core of their business, i.e. companies which create or embrace new technology, ideas and processes in order to drive their growth.

The equity or equity related securities in which the Fund may invest include common stocks, preferred stocks, securities convertible into common stocks, rights and warrants. No more than 5% of the Net Asset Value of the Fund will be invested in warrants. The securities in which the Fund may invest will be listed or traded on a Recognised Exchange.

The Fund may invest in excess of 20% of its Net Asset Value in emerging markets.

Under normal market conditions the Fund intends to invest in at least 20 stocks. The Investment Manager may invest the Fund's assets in securities of companies with a wide range of market capitalizations and in companies domiciled throughout the world. The bulk of the Fund's investments will however be concentrated in liquid shares of companies with a market capitalisation in excess of \$500mn, however, the Fund may invest in liquid shares of companies with a market capitalisation of less than \$500mn.

When current market, economic, political or other conditions are unstable and would impair the pursuit of the Fund's investment objective, the Fund may temporarily invest up to 100% of its assets in cash, cash investments such as bank deposits and certificates of deposit or high quality investment grade short-term money market instruments (including, but not limited to, commercial paper and treasury bills), and in fixed and/or floating rate corporate and/or government bonds of investment grade rating. When the Fund takes a temporary defensive position, the Fund may not achieve its investment objective. The philosophy of the Fund is to remain invested.

The financial derivative instruments which the Fund may utilise include futures, options and forward foreign exchange contracts (details of which are set out in the section of the Prospectus headed "Financial Derivative Instruments and Techniques for Efficient Portfolio Management") for efficient portfolio management purposes, hedging purposes, to reduce portfolio risk or to obtain in a more efficient way exposure that would otherwise be obtained by direct investment in equity securities in accordance with the investment objective and policies above, and as further detailed below. The leveraged exposure of the Fund through the use of

derivatives will not exceed 100% of the Net Asset Value of the Fund, as measured using the commitment approach in accordance with the UCITS Regulations. It is expected that the use of financial derivative instruments for efficient portfolio management purposes, hedging purposes and to indirectly gain exposure to underlying equity and/or equity related securities where the Investment Manager feels it is more efficient to do so, will actively reduce the risk profile of the Fund.

Futures and options may be used to hedge against downward movements in the value of the Fund's portfolio, either by reference to specific securities (i.e. equity or equity related securities) or markets to which the Fund may be exposed. These derivative instruments may also be used to reduce the Fund's direct exposure to equity or equity related securities or markets on a short or medium term basis where it is more efficient to use derivatives for this purpose, or to gain indirect exposure to equity or equity related securities where the Investment Manager feels that such use of financial derivative instruments is in the best interests of the Fund.

Forward foreign exchange contracts will only be used for hedging purposes or to alter the currency exposure of the underlying assets in accordance with the limits set out by the Central Bank. The Fund will not be leveraged as a result of engaging in forward foreign exchange contracts.

The Fund may enter into stocklending and repurchase/reverse repurchase agreements for efficient portfolio management purposes only, subject to the conditions and limits set out in the UCITS Notices.

### ***Investment Strategy***

Investments are selected using a combination of analysis of economic and market factors, screening the investible universe for key identifiers of quality, value, earnings trend and price momentum, and detailed analysis of the underlying business. From this the Investment Manager develops high conviction investment ideas which produce relatively low Fund portfolio activity.

## **6. Efficient Portfolio Management**

Any direct and indirect operational costs and/or fees which arise as a result of the use of efficient portfolio management techniques which may be deducted from the revenue delivered to the Fund shall be at normal commercial rates and shall not include any hidden revenue.

Such direct or indirect costs and fees will be paid to the relevant counterparty to the financial derivative instruments transaction. All revenues generated through the use of efficient portfolio management techniques, net of direct and indirect operational costs and fees, will be returned to the Fund.

## **7. Management of Collateral for OTC Financial Derivative Instruments and Techniques for Efficient Portfolio Management.**

Collateral received and any investment of such collateral must meet the requirements of the Central Bank as set out in the UCITS Notices.

In circumstances where collateral is received, collateral must, at all times, meet with the following criteria:

- (i) Liquidity: Collateral received other than cash should be highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. Collateral received should also comply with the provisions of Regulation 74.
- (ii) Valuation: Collateral received should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place.
- (iii) Issuer credit quality: Collateral received should be of high quality.
- (iv) Correlation: Collateral received should be issued by an entity that is independent from the counterparty and is not expected to display a high correlation with the performance of the counterparty.
- (v) Diversification (asset concentration): Collateral should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure to a given issuer of 20% of the UCITS net asset value. When UCITS are exposed to different counterparties, the different baskets of collateral should be aggregated to calculate the 20% limit of exposure to a single issuer.
- (vi) Immediately available: Collateral received should be capable of being fully enforced by the UCITS at any time without reference to or approval from the counterparty.

Collateral received on a title transfer basis should be held by the Custodian. For other types of collateral arrangement, the collateral can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.

Non-cash collateral cannot be sold, pledged or re-invested.

Cash collateral may only be reinvested in:

1. deposits with relevant institutions;
2. high-quality government bonds;
3. reverse repurchase agreements provided the transactions are with credit institutions subject to prudential supervision and the Fund is able to recall at any time the full amount of cash on an accrued basis;
4. short-term money market funds as defined in the ESMA Guidelines on a Common Definition of European Money Market Funds (ref CESR/10-049).

Invested cash collateral may not be placed on deposit with the counterparty or a related entity. In addition, all reinvested cash collateral must be diversified in terms of country, market and issuers. This diversification requirement is deemed satisfied if the maximum exposure to any given issuer is 20% of the Fund's net asset value. Where the Fund is exposed to different counterparties, the different baskets of collateral should be aggregated to calculate the 20% limit of exposure to a single issuer.

Where the Fund receives collateral for at least 30% of its assets, the Investment Manager will employ an appropriate stress testing policy to ensure regular tests are carried out under normal and exceptional liquidity conditions to enable the Investment Manager to assess the liquidity risks attached to the collateral.

The level of collateral required to be posted may vary by counterparty with which a Sub-Fund trades. The haircut policy applied (as documented by the Investment Manager) to posted collateral will be negotiated on a counterparty basis and will vary depending on the class of asset received by a Sub-Fund, taking into account the credit standing and price volatility of the relevant counterparty.

## 8. Offer

Shares in the Fund will be issued at the Net Asset Value per Share.

## 9. Minimum Subscription

The Minimum Subscription:

*Minimum Subscription (\*Initial Subscription)*

<b>Class</b>	<b>Minimum Subscription</b>
<b>Class C GBP Accumulation</b>	<b>£10,000</b>
<b>Class C EUR Accumulation</b>	<b>€10,000</b>
<b>Class C USD Accumulation</b>	<b>\$10,000</b>
<b>Class X GBP Accumulation</b>	<b>£10,000</b>
<b>Class X EUR Accumulation</b>	<b>€10,000</b>
<b>Class X USD Accumulation</b>	<b>\$10,000</b>
<b>Class Y GBP Accumulation</b>	<b>£100,000</b>
<b>Class Y EUR Accumulation</b>	<b>€100,000</b>
<b>Class Y USD Accumulation</b>	<b>\$100,000</b>
<b>Class Z GBP Accumulation</b>	<b>£100,000,000</b>
<b>Class Z EUR Accumulation</b>	<b>€100,000,000</b>
<b>Class Z USD Accumulation</b>	<b>\$100,000,000</b>

The Directors reserve the right to differentiate between Shareholders and to waive or reduce the Minimum Subscription for certain investors.

## 10. **Application for Shares**

Applications for Shares may be made through the Administrator (whose details are set out in the Application Form). Applications accepted and received by the Administrator prior to the Dealing Deadline for any Dealing Day will be processed on that Dealing Day. Any applications received after the Dealing Deadline for a particular Dealing Day will be processed on the following Dealing Day unless the Directors in their absolute discretion otherwise determine to accept one or more applications received after the Dealing Deadline for processing on that Dealing Day provided that such application(s) have been received prior to the Valuation Point for the particular Dealing Day. Applications received after the Dealing Deadline but prior to the Valuation Point will only be accepted in exceptional circumstances as determined and agreed by the Directors, and having regard to the equitable treatment of Shareholders.

Initial applications should be made using an Application Form obtained from the Administrator but may, if the Company so determines, be made by telefax subject to prompt transmission to the Administrator of the original signed application form and such other papers (such as documentation relating to money laundering prevention checks) as may be required by the Directors or their delegate. No redemptions will be processed until the original Application Form and such other papers as may be required by the Directors have been received and all anti-money laundering procedures have been completed. Subsequent applications to purchase Shares following the initial subscription may be made to the Administrator by telefax or such other means as may be permitted by the Directors without a requirement to submit original documentation and such applications should contain such information as may be specified from time to time by the Directors or their delegate. Amendments to a Shareholder's registration details and payment instructions will only be made following receipt of original written instructions from the relevant Shareholder.

### *Fractions*

Subscription monies representing less than the subscription price for a Share will not be returned to the investor. Fractions of Shares will be issued where any part of the subscription monies for Shares represents less than the subscription price for one Share, provided however, that fractions shall not be less than 01 of a Share.

Subscription monies, representing less than 01 of a Share will not be returned to the investor but will be retained by the Company in order to defray administration costs.

### *Method of Payment*

Subscription payments net of all bank charges should be paid by CHAPS, SWIFT or telegraphic or electronic transfer to the bank account specified in the Application Form enclosed with this Prospectus. Other methods of payment are subject to the prior approval of the Company. No interest will be paid in respect of payments received in circumstances where the application is held over until a subsequent Dealing Day.

### *Currency of Payment*

Subscription monies are payable in the currency of denomination of the relevant Share Class. However, subscriptions may be made in any freely convertible currency accepted by the Administrator but will be converted into the currency of denomination of the relevant Share Class at the rate of exchange available to the Administrator. The cost of conversion shall be deducted from the monies subscribed by an investor and the amount remaining will then be invested in Shares. The attention of investors is drawn to the fact that the value of Shares subscribed for in a currency other than the currency of denomination of the relevant Share Class will be subject to exchange rate risk in relation to the relevant currency of denomination.

### *Timing of Payment*

Payment in respect of subscriptions must be received in cleared funds by the Administrator no later than 3 Business Days after the relevant Dealing Day provided that the Company reserves the right to defer the issue of Shares until receipt of cleared subscription monies by the Fund. If payment in cleared funds in respect of a subscription has not been received by the relevant time, the Manager or its delegate may (and in the event of non-clearance of funds, shall) cancel the allotment and/or charge the investor interest at the 7 day London Interbank Offer Rate as fixed by the British Banking Association (LIBOR) + 1.5% for the relevant subscribed currency, which will be paid to the Manager together with an administration fee of Stg£100, or its relevant subscribed currency equivalent. The Company may waive either of such charges in whole or in part. In addition, the Manager has the right to sell all or part of the investor's holding of Shares in the Fund or any other Fund of the Company in order to meet such charges.

### **Confirmation of Ownership**

Confirmation of each purchase of Shares will be sent to Shareholders within 48 hours of the purchase being made. Confirmation will normally be dispatched by email or facsimile where the relevant and proper contact details have been provided to the Administrator, or alternatively by post at the discretion of the Administrator. Title to Shares will be evidenced by the entering of the investor's name on the Company's register of Shareholders and no certificates will be issued.

## **11. Redemption of Shares**

Requests for the redemption of Shares should be made to the Administrator whose details are set out in the Application Form on behalf of the Company by way of a signed application form or facsimile or written communication or such other means as may be permitted by the Directors and should include such information as may be specified from time to time by the Directors or their delegate. Requests for redemption received prior to the Dealing Deadline for any Dealing Day will be processed on that Dealing Day. Any requests for redemption received after the Dealing Deadline for a Dealing Day will be processed on the next Dealing

Day unless the Company in its absolute discretion determines otherwise. Redemption requests received after the Dealing Deadline but prior to the Valuation Point will only be accepted in exceptional circumstances as determined and agreed by the Directors, and having regard to the equitable treatment of Shareholders. Redemption requests will only be accepted for processing where cleared funds and completed documents including documentation relating to money laundering prevention checks are in place from original subscriptions. No redemption payment will be made from an investor holding until the original subscription application form and all documentation required by or on behalf of the Company (including any documents in connection with anti-money laundering procedures) has been received from the investor and the anti-money laundering procedures have been completed.

The redemption price per Share shall be the Net Asset Value per Share. However, the Directors are empowered to charge a redemption fee, details of which are set out at Section “**13. Fees and Expenses**”, sub-heading “Redemption Fee”. In the event of a redemption fee being charged, Shareholders should view their investment as medium to long term.

#### *Method of Payment*

Redemption payments following processing of instructions received by telefax will only be made to the bank account detailed on the Application Form or as subsequently notified to the Administrator in writing.

#### *Currency of Payment*

Shareholders will normally be repaid in the currency of denomination of the relevant Share Class. If, however, a Shareholder requests to be repaid in any other freely convertible currency, the necessary foreign exchange transaction may be arranged by the Administrator (at its discretion) on behalf of the Shareholder and the cost of conversion shall be deducted from the redemption proceeds payable to the Shareholder.

#### *Timing of Payment*

Redemption proceeds in respect of Shares will be paid within 5 Business Days of the Dealing Deadline for the relevant Dealing Day provided that all the required documentation has been furnished to and received by the Administrator.

#### *Withdrawal of Redemption Requests*

Requests for redemption may not be withdrawn save with the written consent of the Company or its authorised agent or in the event of suspension of calculation of the Net Asset Value of the Fund.

#### *Compulsory/Total Redemption*

Shares of the Fund may be compulsorily redeemed and all the Shares may be redeemed in the circumstances described in the Prospectus under the sub-headings “Compulsory

Redemption of Shares” and “Total Redemption of Shares”.

## 12. Conversion of Shares

Subject to the Minimum Subscription requirements of the relevant Fund or Classes, Shareholders may request conversion of some or all of their Shares in one Fund or Class to Shares in another Fund or Class or another Class in the same Fund in accordance with the procedures specified in the Prospectus under the heading “Conversion of Shares”.

## 13. Fees and Expenses

### *Administration Fee*

The Manager will pay to the Investment Manager out of the assets of the Fund a maximum fee as detailed below (plus VAT, if any, thereon), accrued at each Valuation Point and payable monthly in arrears:

- 0.49% of the Net Asset Value of the Fund on the first \$500 million
- Up to 0.25% of the Net Asset Value of the Fund on amounts in excess of \$500 million

The Investment Manager shall be responsible for paying the expenses of the Fund and its service providers as detailed below out of the administration fee it receives, to include establishment costs, fees and expenses payable to the Manager, the Custodian, the Administrator, including transfer agency transaction fees, Directors fees, any Paying Agent appointed by or on behalf of the Company, and general administrative expenses, which include but are not limited to legal and other professional advisory fees, company secretarial fees, Companies Registration Office filings and statutory fees, regulatory fees, auditing fees, translation and accounting expenses, taxes and governmental expenses applicable to the Fund, costs of preparation, translation, printing and distribution of reports and notices, all marketing material and advertisements and periodic update of the Prospectus, stock exchange listing fees, all expenses in connection with registration, listing and distribution of the Fund and Shares issued or to be issued, all expenses in connection with obtaining and maintaining a credit rating for the Fund or Classes or Shares, expenses of Shareholders meetings, Directors’ insurance premia, expenses of the publication and distribution of the Net Asset Value, clerical costs of issue or redemption of Shares, postage, telephone, facsimile and telex expenses and any other expenses in each case together with any applicable value added tax.

### *Investment Manager’s Fee*

The Manager will pay to the Investment Manager out of the assets of the Fund the fees as detailed below subject to a maximum fee of 2%, of the Net Asset Value of the relevant Class, accrued at each Valuation Point and payable monthly in arrears:

<b>Class</b>	<b>Fee</b>
Class C GBP Accumulation	1.50% of the Net Asset Value of the Class C GBP

	Accumulation Shares
Class C EUR Accumulation	1.50% of the Net Asset Value of the Class C EUR Accumulation Shares
Class C USD Accumulation	1.50% of the Net Asset Value of the Class C USD Accumulation Shares
Class X GBP Accumulation	0.75% of the Net Asset Value of the Class X GBP Accumulation Shares
Class X EUR Accumulation	0.75% of the Net Asset Value of the Class X EUR Accumulation Shares
Class X USD Accumulation	0.75% of the Net Asset Value of the Class X USD Accumulation Shares
Class Y GBP Accumulation	0.50% of the Net Asset Value of the Class Y GBP Accumulation Shares
Class Y EUR Accumulation	0.50% of the Net Asset Value of the Class Y EUR Accumulation Shares
Class Y USD Accumulation	0.50% of the Net Asset Value of the Class Y USD Accumulation Shares
Class Z GBP Accumulation	0.25% of the Net Asset Value of the Class Z GBP Accumulation Shares
Class Z EUR Accumulation	0.25% of the Net Asset Value of the Class Z EUR Accumulation Shares
Class Z USD Accumulation	0.25% of the Net Asset Value of the Class Z USD Accumulation Shares

#### *Global Distributor*

The Global Distributor shall be entitled to receive a distribution fee of up to 5% on subscription proceeds in respect of Class C GBP Accumulation Shares, Class C EUR Accumulation Shares and Class C USD Accumulation Shares. This fee may be waived in whole or in part at the discretion of the Global Distributor.

#### *Redemption Fee*

A redemption fee not exceeding 2% of the Net Asset Value of Shares being redeemed within 30 days of subscription may be imposed on the redemption of Shares which shall be retained by the Company for its sole use and benefit or as it may determine. The Directors may differentiate between Shareholders of the Fund by waiving or reducing the redemption fee chargeable to certain Shareholders.

Shareholders who redeem after the 30 day period will not be charged a redemption fee.

## **14. Dividends and Distributions**

### ***Accumulation Shares***

Income attributable to Accumulation Share Classes will not be distributed but will be

accumulated within the Fund.

## **15. Risk Factors**

The attention of investors is drawn to the “Risk Factors” section in the Section of the Prospectus entitled “The Company”).

In addition, the following risk factors are specific to an investment in the Fund.

### **Investment in Equity Securities**

The Fund will invest in equity securities traded on Recognised Exchanges. Equity securities will be subject to risks associated with such investments, including fluctuations in market prices, adverse issuer or market information and the fact that equity securities are subordinate in the right of payment to other corporate securities, including debt securities. The value of these securities varies with the performance of the respective issuers and movements in the equity markets generally. As a result, the Fund may suffer losses if it invests in equity securities of issuers where performance falls below market expectations or if equity markets in general decline or the Fund has not hedged against such a general decline.

### **Concentration Risk**

The Fund typically holds a relatively small number of stocks as compared to many other funds. This may make the Fund's performance more volatile than would be the case if it had a diversified investment portfolio.

### **Emerging Markets Risk**

The Fund may invest in equity securities of companies in emerging markets. Such securities may involve a high degree of risk and may be considered speculative. Risks include (i) greater risk of expropriation, confiscatory taxation, nationalization, and social, political and economic stability; (ii) the small current size of the markets for securities of emerging markets issuers and the currently low or non-existent volume of trading, resulting in lack of liquidity and in price volatility; (iii) certain national policies which may restrict the Fund's investment opportunities including restrictions on investing in issuers or industries deemed sensitive to relevant national interests; (iv) the absence of developed legal structures governing private or foreign investment and private property; (v) the legal infrastructure and accounting, auditing and reporting standards in emerging markets may not provide the same degree of shareholder protection or information to investors as would generally apply internationally; (vi) potentially a greater risk regarding the ownership and custody of securities i.e. in certain countries (to include but not limited to Brazil, Indonesia, Malaysia, Mexico, Philippines and Thailand), ownership is evidenced by entries in the books of a company or its registrar. In such instances, no certificates representing ownership of companies will be held by the Custodian or any of its local correspondents or in an effective central depository system; and (vii) emerging markets may experience significant adverse economic developments, including substantial depreciation in currency exchange rates or unstable currency fluctuations,

increased interest rates, or reduced economic growth rates than investments in securities of issuers based in developed countries. In addition, settlement of trades in some emerging markets is much slower and subject to a greater risk of failure than in markets in developed countries.

### **Trading in Derivatives and Efficient Portfolio Management Techniques**

The prices of derivative instruments, including futures and options prices, may be highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly markets in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction. The use of techniques and instruments also involves certain special risks, including (1) dependence on the ability to predict movements in the prices of securities being hedged and movements in interest rates, (2) imperfect correlation between the hedging instruments and the securities or market sectors being hedged, (3) the fact that skills needed to use these instruments are different from those needed to select the Fund's securities and (4) the possible absence of a liquid market for any particular instrument at any particular time, and (5) possible impediments to efficient portfolio management or the ability to meet redemptions.

The Fund will be exposed to a credit risk on parties with whom it trades and may also bear the risk of settlement default.

The Fund may be exposed to legal risk, particularly in the context of OTC derivatives. Legal risk is the risk of loss due to the unexpected application of a law or regulation, or because contracts are not legally enforceable or documented correctly.

Conflicts of interest may arise as a result of the Fund's trading with counterparties. Such parties may obtain information regarding the Fund's activities and strategies that could be used by such third parties to the detriment of the Fund.

### **Re-Investment of Cash Collateral**

Where cash collateral is re-invested, in accordance with the conditions imposed by the Central Bank, a Sub-Fund will be exposed to the risk of a failure or default of the issuer of the relevant security in which the cash collateral has been invested.

## **16. Investment Restrictions**

Notwithstanding Point 3.1 of Appendix I – Investment Restrictions in the Prospectus, the Fund may not invest more than 10% of its net assets in aggregate in other collective investment schemes.

## **17. Risk Management Process**

In accordance with the requirements of the Central Bank, the Investment Manager operates a risk management process on behalf of the Company and the Fund which enables it to accurately measure, monitor and manage the various risks associated with financial derivative instruments in relation to the Fund's use of derivatives. The Fund will not utilise financial derivatives which have not been included in the risk management process until such time as a revised risk management process has been submitted to Central Bank. The Company will provide on request to Shareholders supplementary information relating to the risk management methods employed by the Company including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments.