Salar Fund

Supplement to the Prospectus

for CQS Funds (Ireland) p.l.c.

This Supplement contains specific information in relation to Salar Fund (the "**Fund**"), a sub-fund of CQS Funds (Ireland) p.l.c. (the "**Company**"), an umbrella type open-ended investment company with variable capital and segregated liability between sub-funds governed by the laws of Ireland and authorised by the Central Bank as a UCITS pursuant to the Regulations.

This Supplement forms part of and should be read in conjunction with the Prospectus of the Company dated 28 January 2022 (the "**Prospectus**").

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

At times the Fund may invest in emerging markets and below investment grade securities, and accordingly an investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

As distributions may be made out of the capital of the Fund, there is a greater risk that capital will be eroded and income will be achieved by foregoing the potential for future capital growth of your investment and the value of future returns may also be diminished. This cycle may continue until all capital is depleted. Please note that distributions out of capital may have different tax implications to distributions of income and you are recommended to seek advice in this regard. Where dividends are paid out of the capital of the Fund, investors may not receive back the full amount invested. Distributions made during the life of the Fund must be understood as a type of capital reimbursement.

Dated: 22 July 2022

DEFINITIONS

Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement. Additionally, in this Supplement the following words shall have the meaning indicated below:-

"Adjusted GAV per share"	The Gross Asset Value per Share after the deduction of Management Fees and other expenses described in the Fees and Expenses section below. For the avoidance of doubt, the Adjusted GAV per share includes the Performance Fee.
"Eligible Investor"	Investors who are (i) financial intermediaries which, according to regulatory requirements, are not permitted to accept or retain trail commissions (including financial intermediaries providing discretionary portfolio management or investment advice on an independent basis pursuant to MiFID II); or (ii) financial intermediaries rendering non-independent investment advice that are not otherwise allowed to accept or retain commissions pursuant to separate fee arrangements with their clients; or (iii) institutional investors investing on their own account (which includes, in respect of investors incorporated in the EU, Eligible Counterparties and Professional Investors per se, pursuant to MiFID II).
"High Water Mark"	The greater of (i) the initial offer price per Share of the relevant Share class; or (ii) the previous highest Net Asset Value per Share achieved at the last Valuation Point in the relevant calendar year, for the relevant Class in respect of which Performance Fees were paid.
"Hurdle"	The hurdle rate for each Class shall be; **GBP Hurdle Rate:** the percentage rate achieved by compounding on a rolling daily basis to the end of the Calculation Period the SONIA GBP rate (ticker code: XSONIAON). **EUR Hurdle Rate:** the percentage rate achieved by compounding, on a rolling daily basis to the end of the Calculation Period, the Euro Short-Term Rate (ticker code: XESTRON). **USD Hurdle Rate:** the US Dollar 90 Day LIBOR rate (ticker code: US0003M).
"Gross Asset Value per Share"	The Net Asset Value per Share of the relevant Share Class in the relevant Calculation Period plus Management Fees, Performance Fees and other expenses described in the Fees and Expenses section below.
"Valuation Point"	10.45pm (Dublin time) on the Business Day immediately preceding the relevant Dealing Day.

INVESTMENT OBJECTIVE AND POLICY

Investment Objective

The investment objective of the Fund is to generate capital growth, whilst seeking to preserve capital, through a variety of risk/reward strategies generally in the convertible bond markets.

There can be no assurance that the Fund will achieve its investment objective or that it will not incur a loss. The investment objective has been established based on market conditions and available investment opportunities existing at the date of this Supplement.

Investment Policy

The Investment Manager will seek to achieve the investment objective of the Fund by investing primarily in convertible debt securities (which may be below investment grade and be either fixed or floating and government or corporate bonds or notes), convertible preference shares and equities. Save to the extent permitted by the Regulations, all securities invested in will be listed or traded on the markets and exchanges listed in Appendix I of the Prospectus. Debt securities will be deemed to be below investment grade, if they have a rating BB+ and/or lower by Standard & Poor's, or an equivalent rating by any of the other principal rating agencies or by Moody's. The Fund will not invest directly or indirectly in contingent convertible securities.

There is no geographical focus and there are no limits to the extent that investments in emerging markets or below investment-grade debt exposure might be made, if deemed appropriate by the Investment Manager. The Fund may also invest no more than 10 per cent in aggregate of its Net Asset Value in other collective investment schemes and/or ETFs having similar investment objectives and policies to the Fund. Such collective investment schemes or ETFs will be any collective investment scheme which meets the requirements of the UCITS Regulations for investment by a UCITS, pursuant to the restrictions set out therein and, for the avoidance of doubt, includes other Funds, regulated collective investment schemes and regulated non-UCITS domiciled in the EU, Guernsey, Jersey, the Isle of Man or the EEA.

The Fund may, but is not obliged to, use FDI for hedging, investment or efficient portfolio management purposes based on these securities including, without limitation, equity index and bond options (listed and over the counter) including asset swapped convertible option transactions ("**ASCOT**s"), currency forward exchange contracts and non-deliverable forward contracts, futures contracts (including bond futures and interest rate futures), over the counter ("**OTC**") credit default swaps ("**CDS**") and total return swaps ("**TRS**"), and warrants. FDIs may be exchange-traded or OTC. The use of these FDIs is described in greater detail in **Financial Derivative Instruments and Techniques** below.

The Fund may also retain amounts 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) pending re-investment, or for use as collateral, arising from the Fund's use of FDIs if this is considered appropriate to the investment objective.

The Fund may invest up to 10 per cent of the Net Asset Value in unlisted transferable securities (such as unlisted convertible bonds, unlisted convertible preference shares and unlisted equities and debt securities).

The Investment Manager generally takes long positions that the Investment Manager has identified as undervalued in a portfolio of convertible bonds, convertible preferred shares and convertible bond options. A convertible bond is a bond that gives the holder the right to "convert" or exchange the par amount of the bond for common shares of the issuer at some fixed ratio during a particular period. The Investment Manager may take synthetic short positions that the Investment Manager has identified as overvalued provided that the aggregate value of all such short sales does not exceed 20 per cent of Net Asset Value. It is intended that the Fund will be managed to operate in normal circumstances within a range of net 100 per cent long exposure and net 10 per cent short exposure. Synthetic short positions may only be achieved through the use of FDIs.

Any leverage, including any leverage employed as a result of taking short positions, will be done in conjunction with strict risk/reward criteria to provide returns with quantifiable and tolerable risk, will be compliant with the UCITS Regulations and will not exceed the Net Asset Value of the Fund.

The Investment Manager generally seeks to hedge the foreign currency exposure of the Fund to currencies other than the base currency through the use of spot and forward foreign exchange contracts or other methods of reducing exposure to currency fluctuations. However, the Investment Manager does not currently take speculative positions in currencies. Any hedging employed by the Fund may include, but is not limited to, the use of short equity swaps to offset long exposure on long convertible bond positions. The Fund may also enter into repurchase agreements for efficient portfolio management purposes only (subject to the conditions and limits set out in the UCITS Regulations).

The Fund is actively managed and not managed with reference to a benchmark.

Investment Process

The Investment Manager will seek to achieve the investment objective of the Fund by employing a fundamental analysis of convertible bonds. The bottom up process will comprise the Investment Manager selecting investments which have met certain eligibility criteria (such as issue size, jurisdiction, duration, underlying potential, liquidity and credit quality) and which score well on one or more measures of attractiveness. These measures may include a consideration of downside risk as well as upside potential in particular where convertible issuances demonstrate convexity to equity markets. Convexity is an asymmetric return profile where gains are typically larger than losses.

The Investment Manager takes long positions that, through this investment process, the Investment Manager has identified as undervalued and or paying an attractive or stable yield in a portfolio of convertible bonds, convertible preferred shares and convertible bond options. The Investment Manager may also use hedging positions in order to manage its downside risk.

Investments in options on equities, equity warrants and rights will be made by the Investment Manager where the Investment Manager determines that these securities are a more efficient and less costly means of achieving the Fund's investment objective than investing directly in convertible bonds.

In relation to investment in equities or equity related securities (i.e. equity warrants and convertible preference shares), the Investment Manager will typically only hold a position in such securities where the Fund already has a related position in a convertible security and may use the underlying equity to hedge a risk, or may take delivery of the equity through a conversion process.

INVESTMENT RESTRICTIONS

The general investment restrictions set out under the heading **Investment Restrictions** in the Prospectus shall apply to the Fund. Further investment restrictions are set out in the section entitled **Investment Policy** above and Annex II of this Supplement (**Securities Financing Transactions Regulation**).

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

FINANCIAL DERIVATIVE INSTRUMENTS AND TECHNIQUES

Subject to the Regulations and to the conditions and limits stipulated by the Central Bank from time to time, the Fund may invest in certain FDIs dealt on a Market listed in Appendix I of the Prospectus and/or over-the-counter for efficient portfolio management, hedging, and investment purposes. The Company uses a risk management process that enables it to accurately measure, monitor and manage the various risks associated with the FDIs used by it. The Company will provide to Shareholders on request 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.

To the extent that the Fund uses FDIs, it may be leveraged through its use of those FDIs but such leverage will not exceed 100 per cent. of the Fund's Net Asset Value. The Fund will employ the commitment approach to measure global exposure and to ensure that the Fund's use of FDIs is within the Central Bank's limits.

The types of FDI in which the Fund may invest are described below:

ASCOTS

An ASCOT is a call option where the underlying security is typically a convertible bond, and confers upon the owner the right to acquire the convertible bond at a predetermined reference price. The ASCOT structure is generally used to separate a convertible bond into its two main component parts – namely (1) a corporate bond with known cash-flows (the fixed income component) and (2) a call option to acquire the stock (the equity-option component). The bond component is typically purchased by investors seeking fixed-income cash flows. The Fund will typically purchase the equity-option component (the ASCOT) as it seeks to profit from capital appreciation in the underlying stock, for a known risk (the ASCOT premium). The ASCOT premium is the difference between the reference price at purchase and the purchase price, and is the amount of cash the Fund pays for the option-component. Capital appreciation can occur in one of two ways – (1) the underlying share price increases, driving up the equity-option value and as a consequence the convertible bond price, and/or (2) via an improvement in the perceived credit quality of the bond issuer which would also drive up the convertible bond price. If the convertible bond price declines for whatever reason, losses to the Fund as owner of the ASCOT are limited to the premium value of the ASCOT. These investments potentially increase the Fund's return and volatility, but also provide for greater capital efficiency, and limited downside and credit risk, when compared with buying the convertible bond outright. ASCOTs will be used as an ancillary part of the investment policy of the Fund primarily as a credit hedging tool.

Credit Default Swaps

CDS provide a measure of protection against defaults of debt issuers. The Fund's use of CDS does not assure their use will be effective or will have the desired result. The Fund may at the discretion of the Investment Manager be the buyer and/or seller in CDS transactions. CDS are transactions under which the parties' obligations depend on whether credit events have occurred in relation to a reference entity (or certain reference entities making up an index). The categories of credit event are specified in the contract and are intended to identify the occurrence of a significant deterioration in the creditworthiness of the reference asset (or constituents of the relevant index).

The buyer in a CDS contract is obligated to pay the seller a periodic stream of payments over the term of the contract so long as no credit event on an underlying reference entity has occurred. If the Fund is a buyer and no credit event occurs the Fund's losses will be limited to the periodic stream of payments over the term of the contract. As a seller, the Fund will receive a fixed rate of income throughout the term of the contract, provided that there is no credit event. In the event of credit event relating to a CDS reference entity the seller will typically make a cash settlement payment to the buyer.

The Fund will enter into CDS transactions to hedge against market or credit risk, or to gain synthetic exposure to the underlying reference asset.

Total Return Swaps

A TRS is an agreement between two counterparties to exchange the returns (or differentials in rates of return) earned or realised on particular pre-determined investments or instruments, which may be adjusted for an interest factor. The gross returns to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount". A TRS is an over-the-counter derivative and is a bilateral financial contract between a total return payer and a total return receiver; the Fund may be either a total return payer or total return receiver. The total return payer pays the total return of a reference obligation and receives a form of payment from the receiver of the total rate of return. Often payment is a floating rate payment, for example, a spread to a particular interest rate benchmark. While bilateral arrangements of this type allow the Fund greater flexibility to tailor the swap to its needs, OTC swaps generally involve greater risk than exchange-traded derivatives, which are guaranteed by clearing organisations of the exchanges where they are traded.

The Fund may use TRS for efficient portfolio management purposes in order to achieve efficient financing on underlying securities. The Fund may also use TRS to access markets and products which are otherwise unavailable and manage leverage to assist in achieving the Fund's investment objective.

Futures and Options

Futures are contracts to buy or sell a standard quantity of a specific asset (or, in some cases, receive or pay cash based on the performance of an underlying asset, instrument or index) at a pre-determined future date and at a price agreed through a transaction undertaken on an exchange. Since these contracts are marked-to-market daily, investors can, by closing out their position, exit from their obligation to buy or sell the underlying assets prior to the contract's delivery date.

The Fund will use futures contracts to hedge against market risk; as an example, the Fund may use bond futures to hedge interest rate risk.

There are two forms of options, put and call options. Put options are contracts sold for a premium that gives one party (the buyer) the right, but not the obligation, to sell to the other party (the seller) of the contract, a specific quantity of a particular product or financial instrument at a specified price. Call options are similar contracts sold for a premium that gives the buyer the right, but not the obligation, to buy from the seller of the option at a specified price. Options may also be cash settled.

The Fund may use currency options for currency hedging purposes, the value of which depends largely upon the price and volatility in the underlying currency in relation to the exercise (or strike) price during the life of the option. Options will also be used to hedge against market risk and volatility.

Forward Foreign Exchange Contracts, Currency Swaps and Non-Deliverable Forwards

A forward contract locks-in the price at which an asset may be purchased or sold on a future date. In currency forward contracts, the contract holders are obligated to buy or sell the currency at a specified price, at a specified quantity and on a specified future date. A currency swap is similar to a currency forward, but has the additional aspect of a linked spot foreign exchange transaction.

A non-deliverable forward is a cash-settled contract on a thinly traded or non-convertible currency. The latter currency is specified against a freely convertible, major currency, and the contract is for a fixed amount of the non-convertible currency, on a specified due date, and at an agreed forward rate. At maturity, the daily reference rate is compared with the agreed forward rate, and the difference must be paid in the convertible currency on the value date.

The Fund may use forward foreign exchange contracts, currency swaps and non-deliverable forwards for currency hedging purposes and efficient portfolio management.

Warrants

An equity warrant (including subscription shares etc.) is a security that entitles the holder to buy the stock of the company that issued the warrant at a specified price at a future date or series of dates. Warrants have similar characteristics to call options, and are typically issued together with preferred stocks or bonds or in connection with corporate actions, although they will often have longer maturities than are typical in the listed options market.

The Fund may use warrants to allow it to participate in the potential price appreciation of the underlying stock at a known cost.

Foreign Exchange Forwards for Share Class Hedging

The Investment Manager will conduct currency hedging transactions in respect of the Hedged Share Classes (as defined below) using currency swaps (which include a forward foreign exchange contract) in respect of a Hedged Share Class that is not denominated in the Base Currency of the Fund. Any profit or loss attributable to such transactions shall accrue solely to the investors in that Hedged Share Class and the Net Asset Value per Share of that Share Class shall be increased or reduced (as the case may be) by the benefit/cost of any such hedging transactions.

This section is to be read in conjunction with the provisions set out in the Prospectus under the heading **Share Class Hedging**.

Convertible Bonds

Convertible bonds combine aspects of income paying securities and an option on the stock of the issuer. The convertible bond will typically pay a regular coupon or dividend and allow the holder of the convertible bond the right to convert the security into equity of the issuer of the convertible bond. The conversion option may be exercised on a single day only, on a number of specified dates, or over a continuous period of time. Usually a convertible bond will have a specified maturity date on which the issuer will repay the principal amount of the bond if the holder of the bond has not elected to convert. Convertible bonds may have additional features such as the ability of the issuer to call back the convertible bond at a specific price, or the right of the holder to put the convertible bond back to the issuer at a specific price.

This section is to be read in conjunction with the provisions set out in the Prospectus under the headings **Financial Derivative Instruments, Efficient Portfolio Management,** and **Collateral Policy**.

SECURITIES FINANCING TRANSACTIONS

Shareholders should refer to Annex II of this Supplement (**Securities Financing Transactions Regulation**) for information relating to the Fund's use of securities financing transactions (such as repurchase transactions) ("**SFTs**") and TRSs.

SUSTAINABLE FINANCE DISCLOSURES

Pursuant to EU Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, which is also known as the "Sustainable Finance Disclosure Regulation" (the "**SFDR"**), the Fund is required to disclose the manner in which sustainability risks are integrated into the investment decision making process and the results of the assessment of the likely impacts of sustainability risks on the returns of the Fund.

Integration of sustainability risks in investment decision making

A sustainability risk in the context of the Fund is an environmental, social, or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment. The particular sustainability risks which apply to the Fund are included in the **Additional Risk Factors** at Annex I hereto.

The extent to which sustainability risks represent potential or actual risks to the Fund is considered by the Investment Manager in its investment decision making and risk monitoring. Along with any other material risks, the Investment Manager will consider sustainability risks in order to seek to maximise returns for the Fund over the long-term and lead ultimately to better investment outcomes.

The Investment Manager recognises that environmental, social, and governance ("**ESG**") factors, including exposure to sustainability risk, are integral to the analysis of individual issuers. The factors considered by the Investment Manager will vary depending on the security in question, but typically include the themes addressed by the sustainability risks as set out in the **Additional Risk Factors** at Annex I hereto. The Investment Manager conducts periodic monitoring of existing investments and may determine that certain investments are no longer appropriate for the Fund and accordingly may disinvest or decide not to invest in such assets.

In the event that a sustainability risk arises, the Investment Manager may determine that certain assets are no longer appropriate for the Fund and accordingly may disinvest or decide not to invest in such assets. The Investment Manager may determine specific parameters for which it expects to invest relating to sustainability factors, including but not limited to, the breakdown of ESG ratings and carbon intensity statistics relating to the portfolio.

As an active investor, the Investment Manager may also engage, if deemed appropriate, on behalf of the Fund with issuers (either directly or collaboratively) to encourage them to recognise, and potentially change their sustainability actions to engender long-term industry improvement.

Sustainability Impact Assessments

As part of the process to analyse ESG factors and any consequent sustainability considerations, the Investment Manager may consider in particular the sustainability risks detailed in Annex I hereto on the performance of the Fund and the outcomes expected of the Fund's Shareholders.

Assessment of sustainability risks is complex and relies on subjective judgements, which may be based on data that is limited, estimated, or outdated. As this is an evolving process, even when identified, it cannot be guaranteed that the Investment Manager's assessment of the impact of sustainability risks on the performance of the Fund is accurate or complete.

The impacts following the occurrence of a sustainability risk may be numerous and will vary depending on the specific risk, region, and asset class. Generally, where a sustainability risk occurs in respect of an asset, there could be a negative impact on, or entire loss of, the value of such asset.

Any sustainability risk can either represent a risk on its own or have an impact on other risks and contribute significantly to other risks, such as market risks, operational risks, liquidity risks, or counterparty risks.

RISK FACTORS

The general risk factors as set out in the Prospectus shall apply. In addition to the risk factors described in the Prospectus, prospective investors should consider the risk factors set out at Annex I of this Supplement (**Additional Risk Factors**).

KEY INFORMATION FOR BUYING AND SELLING SHARES

The following Classes of Shares are available for issue in the Fund. Each of the Share Classes not denominated in the Base Currency will be hedged share classes (the "**Hedged Share Classes**"):

Class	**Class Currency**	**Investment Management Fee (as a percentage of the NAV per Share)**	**Performance Fee**	**Initial Offer Period Open and Initial Offer Price**	**Minimum Initial Investment**	**Minimum Holding**	**Capped Fees and Expenses**
Class A1 Euro Shares (Acc)**	Euro	1%	10%	No	€250,000	€1,000	0.25%
Class A1 $ Shares (Acc)**	US Dollar	1%	10%	No	$250,000	$1,000	0.25%
Class A1 GBP Shares (Acc)**	GBP	1%	10%	No	£250,000	£1,000	0.25%
Class C1 Euro Shares (income)**	Euro	1%	10%	No	€250,000	€1,000	0.25%
Class C1 $ Shares (Acc)**	$	1%	10%	No	$250,000	$1,000	0.25%
Class C1 $ Shares (income)**	$	1%	10%	No	$250,000	$1,000	0.25%
Class C1 GBP Shares (Acc)**	GBP	1%	10%	No	£250,000	£1,000	0.25%
Class C1 GBP Shares (income)**	GBP	1%	10%	No	£250,000	£1,000	0.25%
Class C2 GBP Shares (Acc)**	GBP	1%	10%	No	£250,000	£1,000	0.25%
Class C2 GBP Shares (income)**	GBP	1.5%	10%	No	£250,000	£1,000	0.25%
Class E1 Euro Shares (Acc)* **	Euro	1%	10%	No	None	None	0.25%
Class E1 $ Shares (Acc) * **	$	1%	10%	No	None	None	0.25%
Class E1 GBP Shares (Acc)* **	GBP	1%	10%	No	None	None	0.25%

Class	Class Currency	Investment Management Fee (as a percentage of the NAV per Share)	Performance Fee	Initial Offer Period Open and Initial Offer Price	Minimum Initial Investment	Minimum Holding	Capped Fees and Expenses
Class E1 Euro Shares (income)* **	Euro	1%	10%	No	None	None	0.25%
Class E1 $ Shares (income)*	$	1%	10%	No	None	None	0.25%
Class E1 GBP Shares (income)* **	GBP	1%	10%	No	None	None	0.25%
Class E2 Euro Shares (Acc)**	Euro	1.5%	10%	No	None	None	0.25%
Class E2 $ Shares (Acc)**	$	1.5%	10%	No	None	None	0.25%
Class E2 GBP Shares (Acc)**	GBP	1.5%	10%	No	None	None	0.25%
Class E3 Euro Shares (Acc)**	Euro	2%	10%	No	None	None	0.25%
Class E3 $ Shares (Acc)**	$	2%	10%	No	None	None	0.25%
Class E3 GBP Shares (Acc)**	GBP	2%	10%	No	None	None	0.25%
Euro Management Shares (Acc)**	Euro	N/A	N/A	No	Such amount as the Directors may determine.	€1,000	0.25%
$ Management Shares (Acc)**	$	N/A	N/A	No	Such amount as the Directors may determine.	$1,000	0.25%

Class	Class Currency	Investment Management Fee (as a percentage of the NAV per Share)	Performance Fee	Initial Offer Period Open and Initial Offer Price	Minimum Initial Investment	Minimum Holding	Capped Fees and Expenses
Management Shares (Acc)**	GBP	N/A	N/A	No	Such amount as the Directors may determine.	£1,000	0.25%

*Initial investment in Class E1 Shares is only available to Eligible Investors.

Detailed information in respect of the Investment Management Fee and Performance Fee methodology operating in respect of the relevant Class is set out in the section below entitled “Performance Fee”.

Initial Offer Period

The Initial Offer Period for all Classes of Shares which are not yet in issue shall open at 9:00 a.m. (Dublin time) on the Business Day following the date of this Supplement and will close at 5:00 p.m. (Dublin time) on 20 January 2023 unless extended or shortened by the Directors. Any such extensions will be notified to the Central Bank.

It is noted that it is proposed to merge the Salar Fund plc (the "**Merging Fund"**) with the Fund. Accordingly, for Classes of Shares marked with an (**) (the "**Receiving Share Classes**"), the Initial Offer Period shall run from 9.00a.m. until 5.30p.m. (Dublin time) on the date of merger of the Merging Fund into the Fund unless such period is shortened or extended by the Directors. The only investors into these share classes during the Initial Offer Period will be the shareholders of the Merging Fund.

Initial Offer Price

The initial offer price for the Receiving Share Classes of the Fund shall be equivalent to the prevailing Net Asset Value per share of the relevant class of the Merging Fund as at the date of the merger of the Merging Fund into the Fund. Details will be available from the Administrator on request on the date of the merger and will also be published on www.cqs.com.

During the Initial Offer Period, Shares in Classes other than the Receiving Share Classes may be subscribed for at an Initial Offer Price of 100 units of the currency of the relevant Share Class.

Subsequent Subscriptions

Following the close of the relevant Initial Offer Period, Shares will be available for subscription at the Subscription Price on each Dealing Day as set out under the heading **Subsequent Subscriptions** in the Prospectus and subject to the relevant terms of this Supplement.

Availability of Shares

Shares will be available for subscription until the Directors resolve to close any Class of Shares to new subscriptions.

The Directors, in their absolute discretion, may for each relevant Class of Share waive such Minimum Initial Investment Amount, Minimum Additional Investment Amount, and/or Minimum Shareholding.

Dividend Policy

This section should be read in conjunction with the provisions set out in the Prospectus under the headings **Dividend Policy** and **Taxation**.

The Directors have designated the Fund Distributing Classes as Distributing Shares. Dividends in respect of each Class of Shares will be declared biannually each June and December at the Directors' discretion and once declared, will be paid within one month. Dividends in respect of each such Class of Shares from time to time will be paid in accordance with the dividend policy adopted by the Directors (and may be paid out of the capital of the Fund where there is insufficient net income or revenue available), broad details of which are set out in the Prospectus. Full details of the Fund's dividend policy in respect of such Distributing Shares are available from the Investment Manager on request. No dividends are currently payable in respect of any other Class of Shares of the Fund.

Base Currency

The Base Currency of the Fund is USD.

Minimum Fund Size

There is no Minimum Fund Size applicable to this Fund.

Business Day

Any day, other than a Saturday or a Sunday, on which banks are generally open for business in Dublin and London and/or such other place or such other day(s) as the Directors may determine and notify to Shareholders in advance.

Dealing Day

Unless otherwise determined by the Directors and notified in advance to Shareholders and provided that there is one Dealing Day per fortnight, every Business Day shall be a Dealing Day, except where the determination of the Net Asset Value has been temporarily suspended in the circumstances set out in the Prospectus.

Dealing Deadline

For both subscriptions and redemptions: 5.30 pm (Dublin time) two Business Days prior to the relevant Dealing Day or such other time as the Directors may determine and notify to Shareholders in advance, provided always that the Dealing Deadline is no later than the Valuation Point.

Valuation Point

10:45 p.m. (Dublin time) on the Business Day immediately preceding the relevant Dealing Day or such other time as the Directors may, with the approval of the Depositary determine, and notify to Shareholders in advance.

Settlement Date

In the case of applications, subscription proceeds must be received in cleared funds by close of business on the third Business Day following the relevant Dealing Day.

In the case of redemptions, redemption proceeds will usually be paid by close of business on the third Business Day following the relevant Dealing Day.

Deferred Redemptions

The Directors may defer redemptions at a particular Dealing Day to the next Dealing Day as set out under the heading **Deferred Redemptions** in the Prospectus.

FEES AND EXPENSES

Investment Management Fee

The Investment Manager will receive from the Company a monthly Investment Management Fee equal to the applicable fee per annum of the Net Asset Value of the relevant Class of Shares as set out in the table above.

The Investment Management Fee is calculated (on an actual day count basis) and will accrue as at each Valuation Point and is payable monthly in arrears. The Investment Manager may, at its discretion, rebate all or a portion of its Investment Management Fee and/or Performance Fee. Any such rebates may be applied in paying up additional Class A Shares, Class C Shares, Class D Shares and Class E Shares to be issued to the Shareholder, or may (at the discretion of the Investment Manager) be paid in cash.

Performance Fee

The Investment Manager is also entitled to receive an annual Performance Fee in respect of certain Classes in the Fund as set out in the above table. The Performance Fee will be calculated in respect of each calendar year by reference to the Net Asset Value per Share of the Class concerned as at the last Valuation Point prior to the commencement of that calendar year and the Net Asset Value per Share of that Class as at the last Valuation Point in that calendar year (a "**Calculation Period**"). The first Calculation Period shall be from the close of the relevant initial offer period to the last Valuation Point in the relevant year and the initial offer price of the relevant Class shall be the starting Net Asset Value per Share for the calculation of the Hurdle and the High Water Mark. Any Performance Fee payable will crystallise and be credited to the Investment Manager at the end of the relevant Calculation Period.

The Investment Manager shall be entitled to a Performance Fee equal to the percentage (as set out in the table above) of the increase in the Adjusted GAV per Share of the relevant Class at the end of the Calculation Period above the sum of the relevant High Water Mark and the relevant Hurdle (as set out below) during the Calculation Period. The relevant High Water Mark may be adjusted by the Directors in respect of the shareholders of the Merging Fund who have invested in the Fund by way of the merger so as to preserve the impact of the high water mark of the Merging Fund's share classes. Shareholders may contact the Administrator of the Fund for information on the High Water Mark applicable to their shareholding.

The Performance Fee shall be calculated and accrue at each Valuation Point and, accordingly, the Net Asset Value will be adjusted to reflect such fee. The Performance Fee will be calculated by the Administrator and verified by the Depositary and not open to the possibility of manipulation.

Notwithstanding the foregoing, any accrued Performance Fee referable to Shares redeemed prior to the end of the Calculation Period shall crystallise and become payable to the Investment Manager following such redemption.

This crystallising Performance Fee is calculated as a pro-rated proportion of the uncrystallised Performance Fee which forms part of the Redemption Price per Share at which the relevant Shareholder redeemed.

The Performance Fee is only payable on an increase in the Adjusted GAV per Share above the High Water Mark plus the Hurdle.

The Performance Fee (save any Performance Fee paid upon a redemption) shall be paid after the end of the Calculation Period in arrears. The Depositary shall verify the calculation of the Performance Fee prior to payment at the end of each Calculation Period.

Investors should note that where a Performance Fee is payable, it will be based on net realised and unrealised gains and losses at the end of each Calculation Period; as a result, a Performance Fee may be paid on unrealised gains that are never subsequently realised.

<u>Hurdle</u>

For each Calculation Period, the Hurdle in respect of:

i. Class A $ Shares, Class C $ Shares, Class D $ Shares, Class E $ Shares and Class I $ Shares shall mean the product of (a) the USD Hurdle Rate applied to (b) the High Water Mark of the relevant Share Class.

ii. Class A GBP Shares, Class C GBP Shares, Class E GBP Shares and Class I GBP Shares shall mean the product of (a) the GBP Hurdle Rate applied to (b) the High Water Mark of the relevant Share Class.

iii. Class A Euro Shares, Class C Euro Shares, Class E Euro Shares and Class I Euro Shares shall mean the product of (a) the EUR Hurdle Rate applied to (b) the High Water Mark of the relevant Share Class.

The USD Hurdle Rate shall be calculated on the first Business Day of each calendar quarter in the Calculation Period, or in the case of the first Calculation Period, on the first Business Day after the relevant initial offer period;

The GBP Hurdle Rate and the EUR Hurdle Rate shall be calculated on the first Business Day of each calendar quarter in the Calculation Period, or in the case of the first Calculation Period, on the first Business Day after the relevant initial offer period. The calculation will use the compounded rate from the prior calendar quarter.

In respect of a Share issued otherwise than on the first Dealing Day in a Calculation Period, the Hurdle will be prorated by reference to the number of days from the date of issue of that Share to the end of the Calculation Period.

The Hurdle will be added to the High Water Mark, and, in any Calculation Period, the Adjusted GAV per Share must exceed the Hurdle plus High Water Mark before a Performance Fee can be paid. For periods of less than 1 year, the Hurdle shall be pro-rated over the relevant period by multiplying by the number of actual days invested and dividing by 365. This adjustment to the Hurdle shall apply both to new subscription amounts and to redemption amounts.

Equalisation of Performance Fees – Class A Shares, Class C Shares, Class D Shares and Class I Shares

The Subscription Price at which Shares will be issued on any Dealing Day (other than the first Dealing Day in any Calculation Period) will be the Net Asset Value per Share of such Class before accrual for the Performance Fee (if any). The difference between the Subscription Price of a Share and the Net Asset Value per Share of that Class after accrual for the Performance Fee per Share is referred to as an "Equalisation Credit". An adjustment will then be made at the end of each Calculation Period to compensate for the difference between the amount of Performance Fee accrued in respect of that Class Share at the time of subscription and the Performance Fee payable in respect of that Class Share at the end of the Calculation Period. This adjustment is described in further detail below.

Adjustments – Class A Shares, Class C Shares, Class D Shares and Class I Shares

At the end of each Calculation Period, the Performance Fee per Share will be calculated in respect of all Shares subscribed for on each Dealing Day during that Calculation Period, as described above.

If the Performance Fee per Share calculated (at the end of the Calculation Period) in respect of any such Share subscribed for on a Dealing Day is less than the Performance Fee per Share accrued in respect of that Share on that Dealing Day, the difference per Share multiplied by the number of Shares of that Class subscribed for by the holder of that Share on that Dealing Day will be applied to subscribe for additional Shares of the relevant Class to be issued to that Shareholder.

If the Performance Fee per Share calculated (at the end of the Calculation Period) in respect of any such Shares of that Class subscribed for on a Dealing Day is greater than the Performance Fee per Share accrued in respect of that Share on that Dealing Day, such number of such Shares of that Class held by the holder of that Share as have an aggregate Net Asset Value equal to the difference per Share multiplied by the number of Shares of that Class subscribed for by the holder of that Share will be redeemed by the Fund at par value (the aggregate par value being retained by the Fund) and an amount equal to the aggregate Net Asset Value of the Shares so redeemed will be paid to the Investment Manager as a Performance Fee (a "**Performance Fee Redemption**").

Performance Fee Methodology - Class E Shares

The Performance Fee calculation in respect of each Calculation Period will be equal to the aggregate of the Performance Fees determined in respect of each separate subscription of Shares, accrued daily. Since Performance Fees are aggregated and applied to the Share Class as a whole, the actual Performance Fee incurred for each separate subscription is determined by the change in NAV per Share of the Share Class. There may be occasions where an investor effectively pays for which it has gained no benefit or where some investors are subsidising other investors. If the Investment Management Agreement is terminated other than at the end of a Calculation Period, the Performance Fee will be calculated as if such Calculation Period ended on the date of such termination. The Calculation Period for Shares that are redeemed shall terminate on the effective date of redemption. In the event of a partial redemption, Shares shall be redeemed on a first in, first out basis, for the purposes of calculating the Performance Fee. Investors should note that any depreciation in the Net Asset Value per Share of the Class E Shares over a Calculation Period will not cause a reduction in, or otherwise affect, the calculation of the Performance Fee in respect of the relevant Class in any subsequent Calculation Period.

Examples of Performance Fee calculations

NAV > High Water Mark (HWM), Performance greater than the Hurdle Rate

Net Asset Value at Calculation Date where a Performance Fee was last payable		100
HWM at Calculation Date where a Performance Fee was last payable		100
Hurdle = Relevant Hurdle Rate for the relevant Accounting Period		2%
Performance during the period (net of management fee and expenses)		6%
Performance Fee Test = HWM + hurdle		102
Performance Fee = (NAV + Performance – Test) * 10%	(106 - 102) *10%	0.4
HWM Reset = Max (NAV + Performance – Performance Fee, HWM)	Max (106 – 0.4, 102)	105.6
A Performance Fee will be charged because the NAV is above the High Water Mark, and the Portfolio has outperformed the hurdle rate.		

NAV < High Water Mark (HWM), but Performance > than the Hurdle Rate

Net Asset Value at Calculation Date where a Performance Fee was last payable		100
HWM at Calculation Date where a Performance Fee was last payable		102
Hurdle = Relevant Hurdle Rate for the relevant Accounting Period		2%
Performance during the period (net of management fee and expenses)		3%
Performance Fee Test = HWM + Hurdle	102 x (1 + 2%)	104.04
Performance Fee = Max ((NAV + Performance) – Test, 0) * 10%	Max ((103 – 104.04), 0) * 10%	0
HWM Reset = Max (NAV + Performance – Performance Fee, HWM)	Max (103, 102)	103
Where performance is insufficient to take the new NAV above the old HWM plus the new hurdle rate – there will be no performance fee charged. In this case the HWM would reset above the old HWM – to 103		

Performance is less than the hurdle rate.

Net Asset Value at Calculation Date where a Performance Fee was last payable	100

HWM at Calculation Date where a Performance Fee was last payable		100
Hurdle = Libor for the relevant Accounting Period		2%
Performance during the period (net of management fee and expenses)		1%
Performance Fee Test = Hurdle + HWM	100 x (1 + 2%)	102
Performance Fee = Max (NAV + Performance – Test, 0) * 10%	Max ((101 - 102) *10%, 0)	0
HWM Reset = Max (NAV + Performance – Performance Fee, HWM)	Max (101, 100)	101
The conditions for the accrual of a Performance Fee have not been met at the end of this Accounting Period, and no performance fee will be charged. The HWM will either reset to NAV + performance if this was > than the old HWM; otherwise remain the old HWM.		

These tables provide a demonstration of how performance fees are calculated under example scenarios. They are simplified for ease of understanding and intended for illustrative purposes only.

Capped Fees and Expenses

The aggregate amount per annum charged as operating, management and administrative fees and expenses, which includes the fees and expenses payable to the Manager, Administrator, Depositary and any sub-custodian as described in more detail in the **Fees and Expenses** section of the Prospectus, in relation to each Class of Shares shall be capped at the applicable rate per annum of the Net Asset Value of the relevant Class of Shares as set out in the table above ("**Capped Fees and Expenses**").

Such Capped Fees and Expenses are calculated and will accrue at each Valuation Point and are payable monthly in arrears. Any such Fees and Expenses that exceed the applicable capped rate set out in the table above shall be borne by the Investment Manager.

Establishment Costs

The cost of establishing the Fund, obtaining approval from the Central Bank, filing fees, the preparation and printing of this Supplement, marketing costs and the fees of all professionals relating to it will be borne by the Fund and amortised over the first three years of the Fund's operation (or such other period as may be determined by the Directors at their discretion) on such terms and in such manner as the Directors may at their discretion determine. Such costs are not expected to exceed EUR 50,000.

Swing Pricing

The Investment Manager will adopt a swing pricing mechanism in respect of the Fund when net subscriptions, Inter-Fund Exchanges and redemptions of Shares ("**Dealings**") exceed the Swing Threshold determined by the Investment Manager in respect of the Fund. The maximum impact of the swing pricing mechanism on an investor will not exceed 2 per cent. of the Net Asset Value of the Fund (before deduction of the transaction costs incurred by the Fund as a result of Dealings).

This section should be read in conjunction with the provisions set out in the Prospectus in the sub-section **Swing Pricing** in the section **Dilution** under the heading **Fees and Expenses**.

Distributor Fee

No distributor fees will be payable by the Company in respect of the Fund.

Preliminary Charge

The Fund will not apply a Preliminary Charge.

Redemption Charge

The Fund will not apply a Redemption Charge.

Exchange Charge

The Fund will not apply an Exchange Charge.

Further details of the Fees and Expenses to be borne by the Fund are set out in the Prospectus.

BORROWING

In accordance with the general provisions set out in the Prospectus under the heading **Borrowing Powers**, the Fund may borrow on a temporary basis (including through an overdraft facility) up to 10 per cent. of the Net Asset Value of the Fund.

TAXATION

A number of Share Classes may be certified as UK reporting funds. Share Classes that have been certified as UK reporting funds will be listed in HM Revenue and Custom's published list of reporting funds which can be found at https://www.gov.uk/government/publications/offshore-funds-list-of-reporting-funds.

This section should be read in conjunction with the provisions set out in the Prospectus under the sub-section **United Kingdom Taxation** under heading **Taxation**.

PROFILE OF A TYPICAL INVESTOR

An investment in the Fund is suitable for investors seeking capital appreciation and that are prepared to accept a moderate level of volatility.

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MISCELLANEOUS

There are three other sub-funds of the Company in existence as at the date of this Supplement:

(i) CQS Global Sustainable Convertible Fund;
(ii) Chinook Global Convertible Bond Fund; and
(iii) CQS Sustainable Total Return Credit Fund.

The Investment Manager (the "**Facilities Agent**") has been appointed, pursuant to the Investment Management Agreement, to act as the facilities agent for the Company in certain jurisdictions. For further details please refer to www.cqs.com.

Annex I

Additional Risk Factors

The general risk factors as set out in the Prospectus shall apply. In addition to the risk factors described in the Prospectus, prospective investors should consider the risk factors set out at this Annex I.

General Risk Factors

Convertible bond transactions

Should the credit status of an issuer weaken, losses may result from decreases in the market conversion premium or a loss of liquidity with respect to the security. These losses may be limited by a short hedge on the underlying security, but may be substantial in relation the Net Asset Value of the Fund. The Fund may also suffer losses if an issuer is acquired for cash or debt securities at a price that does not generate profits on the unhedged portion of a position sufficient to recover the premium paid to acquire the convertible security and any unpaid accrued interest that would be lost should conversion become necessary. Losses may result when securities are called for redemption at prices below the current market prices. Frequently, these losses will include interest accrued but not paid upon conversion of the called securities. In addition, losses may occur if the terms of the convertible bond do not allow for an adjustment in the conversion terms, or the Fund is forced to convert a security earlier than anticipated.

High Yield and Sub-Investment Grade Debt Securities Risk

High yield debt securities are debt securities with a lower credit rating than investment grade debt securities (and may be unrated). High yield debt securities are subject to greater risk of loss of income and principal due to default by the issuer than are investment grade debt securities. High yield debt securities might also be more illiquid in nature and/or harder to value than investment grade debt securities.

Credit Risk

The ability, or perceived ability, of an issuer of a debt security to make timely payments of interest and principal on the security will affect the value of the security. It is possible that the ability of the issuer to meet its obligations will decline substantially during the period when the Fund owns securities of that issuer (or holds FDIs referencing such securities), or that the issuer will default on its obligations. An actual or perceived deterioration in the ability of an issuer to meet its obligations will likely have an adverse effect on the value of the issuer's securities or any associated FDI. If a security has been rated by more than one nationally recognised ratings agency, the Investment Manager may consider the highest rating for the purposes of determining whether the security is investment grade. The Fund may continue to hold a security, or FDI referencing a relevant security, despite the rating of the relevant security falling below investment grade. The Fund may invest in securities which have not been rated by a nationally recognised statistical rating organisation. Credit rating agencies base their ratings largely on the issuer's historical financial condition and the rating agencies' investment analysis at the time of rating. The rating assigned to any particular investment does not necessarily reflect the issuer's current financial condition, and does not reflect an assessment of an investment's volatility and liquidity. Although investment grade investments generally have lower credit risk than sub-investment grade securities, they may share some of the risks of lower-rated investments, including the possibility that the issuers may be unable to make timely payments of interest and principal and thus default.

Currency Exposure

The Base Currency of the Fund is USD. Certain of the Fund's assets may be denominated in currencies other than the Base Currency of the Fund. The Investment Manager may not hedge the currency exposure of certain assets of the Fund.

Interest Rate and Call Risk

The values of bonds and other debt securities are usually affected by changes in interest rates. Declining interest rates generally increase the values of such debt securities, and rising interest rates generally decrease the value of such debt securities. Interest rate risk is generally greater for investments with long durations or maturities.

During periods of falling interest rates, issuers of callable debt securities may call (repay) securities with higher coupons or interest rates before their maturity dates. In such circumstances, the Fund would not benefit from any price appreciation above the such debt security's call price and might have to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the Fund's income.

Share Class Hedging Risk

In order to mitigate against the risk of movements in the currency of a Share Class not denominated in the Base Currency (a "**Non-Base Currency Share Class**") against the currency of the portfolio constituents (where they are different to that of the relevant Non-Base Currency Share Class), the Investment Manager may conduct currency hedging transactions. No assurance can be given that such hedging activities will be entirely effective in achieving the purpose for which they have been entered into. While currency hedging reduces risks and losses in adverse market circumstances, it can also reduce and may completely offset gains in market circumstances that would otherwise have been beneficial had the position not been hedged. Consequently, the performance of a Non-Base Currency Share Class may differ from that of the Fund as a result of the foreign exchange hedging transactions.

Emerging Markets

When trading in emerging markets, the Fund may be subject to risks, such as inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices (including accounting standards or otherwise) and confidentiality customs characteristic of developed markets and lack of enforcement of existing laws and regulations, which may have an adverse effect on the Fund.

Short Positions

The Fund may take synthetic-short positions through the use of FDIs as described in greater detail in **Financial Derivative Instruments and Techniques** above. The establishment and maintenance of a synthetic short position can involve greater risks than would be the case with a long position. These include the possibility of unlimited loss due to potentially unlimited price appreciation in the underlying reference obligation and increased transactional costs.

Epidemics and Pandemics

Many countries have been susceptible to epidemics and/or pandemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and COVID-19 (commonly known as the "**Coronavirus**"). The epidemic or pandemic outbreak of an infectious disease in a country or region of the world or globally, together with any resulting restrictions on travel, transportation or production of goods or quarantines imposed, could have a negative impact on the national, regional or global economy and business activity in any of the countries in which the Fund may invest and thereby adversely affect the performance of the Fund. While the economic impact of the global outbreak of the Coronavirus is presently uncertain, such outbreak and any future outbreak of an infectious disease or any other serious public health concern in a country, region or globally could materially harm the Fund's investments and/or restrict the ability of the Fund to acquire, sell, or liquidate investments at favourable times and/or prices, restrict the Fund's investment and trading activities, and generally impede the Fund's ability to achieve its investment objective.

In addition, a serious outbreak of infectious disease may also be a force majeure event under contracts that the Company has entered into with counterparties thereby relieving a counterparty of the timely performance of the services such counterparties have contracted to provide to the Fund (the nature of the services will vary depending on the agreement in question). In a worst case scenario, this may result in the Company being delayed in calculating the Fund's Net Asset Value, processing dealing in Shares, undertaking independent valuations of the Fund or processing trades in respect of the Fund.

Sustainability Risks

Sustainability risks may arise in respect of an issuer itself, its affiliates or in its supply chain and/or apply to a particular economic sector, geographical or political region. Environmental sustainability risks, and in particular physical risks arising from climate change, are associated with events or conditions affecting the natural environment including increasing erratic and potentially catastrophic weather events such as droughts, wildfires, flooding and heavy precipitations, heat/coldwaves, landslides, storms, flooding, erosion and water stress. Environmental risks can also include Carbon emissions risks with many economic sectors, regions and/or jurisdictions currently or in the future subject to transition risks relating to a greener, lower carbon and less polluting economic model. Sectors, regions, businesses and technologies which are carbon-intensive, higher polluting or are otherwise not environmentally sustainable may suffer from a significant fall in demand and/or obsolescence, resulting in stranded assets the value of which is significantly reduced or entirely lost. Social risks may be internal or external to an issuer and are associated with employees, local communities, customers or populations of companies or countries and regions. Governance risks are associated with the quality, effectiveness and process for the oversight of day to day management of companies and issuers.

Loss of investment value following a sustainability risk may occur in numerous ways. For investments in a corporate issuer, losses may result from damage to its reputation with a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital. Laws, regulations and industry norms play a significant role in controlling the impact of sustainability factors on many industries, particularly in respect of environmental and social factors. Any changes in such measures, such as increasingly stringent environmental or health and safety laws, can have a material impact on the operations, costs and profitability of businesses. A corporate may also suffer the impact of fines and other regulatory sanctions. The time and resources of the corporate's management team may be diverted from furthering its business and be absorbed seeking to deal with the sustainability risk, including changes to business practices and dealing with investigations and litigation. Sustainability risks may also give rise to loss of assets and/or physical loss including damage to real estate and infrastructure. The utility and value of assets held by businesses to which the Fund is exposed may also be adversely impacted by a sustainability risk. Further, certain industries face considerable scrutiny from regulatory authorities, non-governmental organisations and special interest groups in respect of their impact on sustainability, which may cause affected industries to make material changes to their business practices which can increase costs and result in a material negative impact on the profitability of businesses. Such scrutiny may also materially impact the consumer demand for a business's products and services which may result in a material loss in value of an investment linked to such businesses.

Sustainability risks are relevant as both standalone risks and as cross-cutting risks which manifest through many other risk types which are relevant to the assets of the Fund. For example, the occurrence of a sustainability risk can give rise to financial and business risk, including through a negative impact on the creditworthiness of other businesses.

Risk Factors relating to the use of SFTs and TRS

<u>The Securities Financing Transactions Regulation</u>

The European Parliament and Council have adopted Regulation (EU) No 2015/2365 of 25 November 2015 which was published in the Official Journal of the European Union on 23 December 2015 and took effect as of 12 January 2016 known as the Securities Financing Transactions Regulation ("**SFTR**"). The SFTR introduces certain requirements in respect of SFTs applying to financial counterparties, including UCITS investment companies, and certain non-financial counterparties. Such requirements include, amongst other things, the reporting of each SFT that has been concluded between such financial counterparties and non-financial counterparties, together with any modification or termination of an SFT, to a trade repository. The SFTR also introduces restrictions and disclosure requirements on the reuse of financial instruments received as collateral under a "collateral arrangement". Whilst an SFT may constitute a collateral arrangement, it is important to note that the provisions relating to the reuse of collateral are not restricted to SFTs and in fact relate to the broader collateral markets. In addition, the SFTR introduces new investor disclosure rules in periodical reports and in pre-contractual documents in respect of the use of SFTs and TRSs. The Investment Manager needs to ensure compliance with these requirements.

Prospective investors should be aware that the regulatory changes arising from the SFTR may in due course significantly raise the costs of entering into SFTs and TRSs, and may adversely affect the Fund's ability to engage in such transactions. This could adversely affect the performance of the Fund and the value of Shares of any Class as a result.

<u>Counterparty Risk and SFTs</u>

Where the Fund enters into a repurchase transaction, it is exposed to the risk that its counterparty will default. Where the Fund is acting as buyer under a repurchase transaction, and the Fund has provided collateral that exceeds the value of the relevant securities being purchased, then the Fund is exposed to the risk that its counterparty will default and not return the value of such excess.

Counterparties may also be subject to action by resolution authorities. Any resolution action taken in respect of a counterparty may adversely affect the Fund. For example, amongst other things, the Fund's claims against the counterparty may potentially be mandatorily transferred to a different entity or the Fund's claims may be reduced (in part or in full) or converted into equity.

Upon an insolvency of its counterparty the Fund is also exposed to the legal risk that, depending on the insolvency rules of the relevant jurisdiction, it is not possible to set-off or net the value of the obligations to redeliver or repurchase the relevant securities against the value of the collateral. This would significantly increase the losses of the Fund.

In each case set out above, the use of SFTs may result in the Fund and its Shareholders suffering losses.

Counterparty Risk and TRS

Investing in a TRS gives rise to different risks compared with directly investing in the relevant underlying asset. In particular, the Fund will have no ownership interest in the underlying security or asset and the only recourse will be against the counterparty to the relevant TRS. Accordingly, the Fund is exposed to the credit risk of its counterparties and investors may suffer losses upon the default of a counterparty, particularly where any collateral that is received is realised at a lower value than expected and is not sufficient to cover the exposure of the Fund to the counterparty. To the extent that a Fund makes a large up-front payment on commencement of the TRS, the counterparty risk taken by that Fund may be significantly increased.

Chains of SFTs

A party to an SFT will typically acquire a contractual right against its counterparty enabling it to require redelivery of equivalent assets at conclusion of the relevant SFT. However, the counterparty is not obliged to retain the relevant assets during the life of the SFT and may enter into further SFTs with other parties in respect of the same assets resulting in it giving up title to the relevant assets. In such circumstances, a default of a party with whom the counterparty is transacting may impact on the ability of the counterparty to perform under the SFT with the Fund. For example, it may not be able to readily source the relevant asset from elsewhere or its own ability to perform may be materially impacted by the defaults of other parties to SFTs. The Fund may also enter into further SFTs and be exposed to such risks.

Alternatively, the counterparty or the Fund may simply sell the relevant assets outright and be unable to readily re-acquire equivalent assets in the market for the purpose of satisfying its redelivery obligations which may result in a default and the Fund incurring losses.

Reuse

Where financial instruments are transferred under a title transfer collateral arrangement or if a right of use is exercised in relation to any financial instruments that the Fund has provided by way of collateral under an agreement containing a right of use, the Fund will be exposed to certain risks. In particular, the Fund's rights, including any proprietary rights that it may have had, in those financial instruments will be replaced by an unsecured contractual claim for delivery of equivalent financial instruments subject to the terms of the relevant agreement. Those financial instruments will not be held by the relevant counterparty in accordance with client asset rules, and, no client asset protection rights will apply (for example, the financial instruments will not be segregated from other counterparty assets and will not be held subject to a trust).

In the event of the counterparty insolvency or default under the relevant agreement the Fund's claim for delivery of equivalent financial instruments will not be secured and will be subject to the terms of the relevant agreement and applicable law and, accordingly, the Fund may not receive such equivalent financial instruments or recover the full value of the financial instruments.

Collateral Management Risk

In seeking to reduce credit risk through the posting or receiving of collateral in OTC derivatives and efficient portfolio management techniques, the management of the collateral posted/received will be subject to liquidity and counterparty risks associated with the relevant collateral instruments. Collateral is also subject to other types of risks as set out below:

a) Operational risks: including that the valuation of the underlying instrument for which such collateral is posted is inaccurate due to inadequate or failed internal processes, people or systems which may cause the Fund to have an incorrect level of margin posted or received.

b) Legal risks: including risks associated with contracts and change of regulations in the relevant jurisdiction. as well as the risk that collateral provided in cross-border transactions could result in conflicts of law preventing the Fund from recovering collateral posted or from enforcing its rights in relation to collateral received.

c) Custody risk: collateral received by the Fund on a title transfer basis will be held by the Depositary or by a third party depositary subject to prudential regulation and will be subject to custody risks associated with those entities. Collateral pledged by the Fund will continue to be held by the Depositary.

d) Reinvestment of Cash Collateral: cash collateral that is reinvested may realise a loss, which would reduce the value of the collateral and result in the Fund being less protected if there is a counterparty default.

While commercially reasonable efforts are used to ensure that collateral management is effective, such risks cannot be eliminated.

Annex II

SECURITIES FINANCING TRANSACTIONS REGULATION

The SFTR introduces certain requirements in respect of SFTs and TRSs applying to financial counterparties, including UCITS investment companies, and non-financial counterparties. Such requirements include, among other things, pre-investment disclosure of certain information (as set out below) to potential investors in the Fund.

Investment Strategy and Associated risks

The Fund may invest in those securities (and enter into certain financial transactions relating to such securities) described in this Supplement, including (for the purposes of the SFTR), certain SFTs and TRSs. Such transactions expose such Funds to different operational, liquidity, counterparty and legal risks, as described below and at Annex I (**Additional Risk Factors**) above.

Securities Financing Transactions

Repurchase transactions

The Fund may enter into repurchase transactions in respect of the various securities and asset classes described in the section entitled **Investment Policy** above, subject to the conditions and limits set out in the UCITS Regulations, under which one party will sell securities to the other party and agree to repurchase equivalent securities in the future, at a price including a market rate of interest for borrowing (a repurchase transaction seen from the point of view of the party buying the securities is known as a reverse repurchase transaction). Repurchase transactions will be entered into for efficient portfolio management purposes that provide funding for the party selling the relevant assets and generate a return for the other party.

The parties will also exchange margin by reference to the market value of the securities and the relevant repurchase obligations.

The Fund will not enter into reverse repurchase transactions.

SFTs and the impact on the Fund's proprietary rights

Under the SFTs described above, the Fund's proprietary rights in the relevant securities it sells or lends, or when acting as purchaser or borrower, the collateral it transfers to its counterparty(s) is replaced by an unsecured contractual claim for redelivery of equivalent assets. The Fund retains no direct rights in relation to the asset that has been sold or lent (or collateral that it has transferred).

Total Return Swaps

The Fund may enter into enter into TRSs as described more fully in the section entitled **Financial Derivative Instruments and Techniques** in the Supplement above.

Counterparty Selection

The Investment Manager will conduct appropriate due diligence in the selection of counterparties. Such counterparties will be credit institutions authorised in the EEA or a signatory state to the Basel Capital Convergence Agreement of July 1988 or a credit institution in a third country deemed equivalent pursuant to Article 107(4) of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, an investment firm authorised in accordance with MiFID or a group company of an entity approved as a bank holding company by the Federal Reserve of the United States of America where that group company is subject to bank holding company consolidated supervision by the Federal Reserve. In addition, such counterparties will be subject to a credit rating by an agency registered and supervised by the European Securities and Markets Authority and that rating shall be taken into account in the credit assessment process and if downgraded to A-2 or below (or comparable rating) by the credit rating agency, will be subject to a new credit assessment.

The Fund will adhere to the UCITS Regulations and any other relevant requirements of the Central Bank (to the extent applicable) in relation to cases where rated counterparties are subject to a ratings downgrade. Due regard will be given to a number of risk and reputational factors including legal status, regulatory supervision and jurisdiction and/or country of origin, management, capital adequacy and solvency ratios, historical financial performance, credit ratings, parent company standing, market-implied probability of default derived by monitoring the counterparty's corporate debt securities, credit default swaps referencing the counterparty and its corporate debt securities, and the stock price of the counterparty.

Acceptable Collateral

Acceptable collateral for the Fund to receive in connection with SFTs and TRS is normally as follows:

(i) Repurchase transactions: the Fund will only receive cash in exchange for any security subject to a repurchase transaction. Variation margin owed to the Fund will be received in the form of cash.

(ii) TRS: variation margin owed to the Fund will be received in the form of cash.

In certain exceptional circumstances for repurchase transactions and TRS, acceptable collateral may be in the form of securities, provided those securities are permitted by the Fund's investment strategy and the Company's Collateral Policy (as further detailed in the Prospectus).

Collateral Valuation

The mark-to-market value of the SFTs and/or TRS entered into by the Fund (including any collateral in relation to such arrangements) will be valued daily in accordance with the terms of the relevant agreement and the Fund will require the delivery of variation margin to cover its exposure to its counterparty over certain thresholds.

There can be no guarantee that an investment in the Fund will ultimately be realised at any such future valuation. Because of overall size, concentration in particular markets and/or counterparties and maturities of positions held by the Fund, the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations. In addition, the timing of liquidations may also affect the values obtained on liquidation. At times, third party pricing information may not be available for certain positions held by the Fund. Valuations of the Fund's securities and other investments may involve uncertainties and subjective judgmental determinations and if such valuations should prove to be incorrect, the Net Asset Value of the Fund could be adversely affected.

Return, costs and fees relating to SFTs and TRS

The Company shall ensure that all the revenues arising from SFTs and any efficient portfolio management techniques shall be returned to the Fund following the deduction of any direct and indirect operational costs and fees arising. Such direct and indirect operational costs and fees will include fees and expenses payable to SFT and/or TRS counterparties engaged by the Investment Manager on behalf of the Fund from time to time. Such fees and expenses of any counterparties engaged by the Investment Manager on behalf of the Fund, which will be at normal commercial rates together with VAT, if any, thereon, will be borne by the Fund. Details of the Fund's revenues arising and attendant direct and indirect operational costs and fees, the identity of those SFT and/or TRS counterparties most frequently engaged by the Investment Manager on behalf of the Fund and the expected impact of efficient portfolio management techniques on the performance of the Fund shall be included in the Fund's annual report.

Safe-keeping of Fund assets

The Depositary is responsible for the safe-keeping of the Fund's assets, including collateral received by the Fund. Information on the arrangements entered into with the Depositary is set out in this Prospectus under the section entitled **Depositary**.

Purpose of, and Exposure to, SFTs and TRSs

Transaction Type	Purpose of Transaction	Type of assets that can be subject to such Transaction	Expected proportion of NAV subject to such transactions	Max proportion of NAV subject to such transactions
Total return swaps	Typically used for efficient portfolio management purposes in order to achieve efficient financing on underlying securities or used to access markets and products which are otherwise unavailable and manage leverage to assist in achieving the Fund's investment objective	Bonds issued by corporate and financial issuers, government bonds, convertible bonds, bond total return indices	0-20 per cent.	100 per cent
Repurchase Transactions	Used for efficient portfolio management purposes in order to raise funds for re-investment or to increase cash reserves and manage leverage to assist in achieving the Fund's investment objective	Bonds issued by corporate and financial issuers, convertible bonds, and government bonds	0-10 per cent.	10 per cent

The Investment Manager will report to the Shareholders of the Company the amount of assets engaged in each type of TRS, as well as such other information on the use of TRS as is required under the SFTR, as part of its annual report.