

## PARETO NORDIC OMEGA

### Supplement to the Prospectus for Pareto plc

This Supplement contains specific information in relation to Pareto Nordic Omega (the **Fund**), an open-ended Fund of Pareto plc (the **Company**) an umbrella type investment company with segregated liability between sub-funds and with variable capital governed by the laws of Ireland and authorised by the Central Bank of Ireland.

**This Supplement forms part of and should be read in conjunction with the general description of the Company contained in the Prospectus of the Company dated 1 October 2020 (the Prospectus).**

**The Company and its Fund have been authorised by the Central Bank for marketing solely to Qualifying Investors. Accordingly, while the Company is authorised by the Central Bank, the Central Bank has not set any limits or other restrictions on the investment objectives, the investment policies or on the degree of leverage which may be employed by the Company and each of its Funds.**

The Directors of the Company whose names appear under Directors of the Company in 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.

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

**Dated:** 9 March 2021

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## **1. INVESTMENT OBJECTIVE AND POLICIES**

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### **Investment Objective**

The objective of the Fund is to offer investors the opportunity to participate in an alternative investment product focusing on the Nordic region (namely Denmark, Finland, Norway and Sweden). The Fund's investment objective is to obtain capital appreciation, regardless of the equity markets' directions.

The Fund will be managed to achieve optimal risk adjusted returns through security selection and asset allocation.

### **Investment Policies**

#### **Overview**

The purpose of the Fund is to offer investors the opportunity to participate in an alternative investment product that seeks to achieve its investment objective primarily by investing in equities in the Nordic Countries. The Investment Manager will take long and short positions in equities and equity-linked instruments and may also invest in derivatives (as outlined below). The Investment Manager expects to utilise expertise in the Nordic Region (namely Denmark, Finland, Norway and Sweden) and the Fund may, at times, have a majority of its exposure to Nordic companies and securities.

#### **Policy**

The Fund will invest primarily, but not exclusively, in listed equity securities (including preferred stocks, warrants and convertible securities) of small and medium capitalised issuers (market size less than 2 billion Euro), and may invest in the securities of larger capitalized issuers. The Fund may also invest in fixed income securities (including government securities, bonds, municipal, state, local authority and supranational issues, commercial paper, and certificates of deposit). The Fund may hold positions in financial instruments, such as convertible bonds (being bonds convertible into equities) and structured products (which may be broadly defined as financial products linked to different types of financial instruments including securities whose returns are linked to the performance of an index or basket of securities – investments will include products of 0 to 7 years maturity with the principal/underlying assets protected (at least A3/A- rating) and with exposure to a set of equity indices, baskets of equities or other securities). The Fund may also enter into exchange-traded and over the counter derivative instruments, including, but not limited to, futures, swaps (including but not limited to interest rate swaps, equity swaps and exchange rate swaps where the return on cash is exchanged for the return on varying lengths of interest rates, equities of the type described in this paragraph and varying currencies, respectively), forwards, options and warrants and may enter into sales and repurchase agreements (repos) and stock lending agreements, in all cases for the purpose of hedging in the interest of efficient portfolio management, or for an investment purpose in its own right.

The fixed income and debt securities in which the Fund invests will primarily, but not exclusively, be rated at least investment grade by a rating agency or deemed to have an equivalent rating by the Investment Manager. The Fund will use a proactive trading strategy utilising short and/or long positions and/or a combination of both in the equity and interest rate markets. A portion of the Fund's investments will be denominated in currencies other than Norwegian Kroner. The Fund may seek to hedge against currency fluctuations on a timely basis in order to protect the yield. The Fund may use leverage and derivatives (as outlined above) in its investment programme.

Alternative asset management strategies historically represent an attractive risk adjusted return, which has a low correlation with the equity markets in general.

The Fund will have a diversified investment strategy primarily within the Nordic markets, but also in other OECD markets (through for example investing in ADR's of Nordic listed companies). In the Nordic equity market the small and medium capitalised issuers are not extensively researched by sell side analysts. Approximately 40% of the issuers in this segment have no sell side coverage and an additional 10% by only one analyst. The Fund will seek to exploit the inefficiencies in pricing that comes from the lack of sell side analyst coverage.

The Nordic markets are considered to be modern, well organised and regulated. The Nordic region represents a significant portion of the European financial capital. The Nordic market is generally characterised with a limited use of stock lending and leverage. Compared to the leading markets, the Nordic region's use of "short" positions is low. This leads the Investment Manager to characterise the Nordic market place as a "long-only market".

The lack of “short” positions in the Nordic area will give investors, like the Fund, the opportunity to engage in active short positions with better prospects than in other markets with more long/short investors.

The Fund will invest in the fixed income markets when the markets for these products look favourable compared to equity products. Investments in the fixed income markets include traditional trades like investments in fixed income products, sovereign and corporate debt, yield curve plays and spread trades between countries as noted above.

In order to optimise the investment strategies the Fund will utilise leverage and derivatives. This means that the Fund can take more tailor made risk when deemed appropriate without having to jeopardise other diversified positions within the portfolio. The use of derivatives will also help to enhance the overall efficiency and flexibility of the Fund. In accordance with normal market practice, margin deposits or equivalent may be placed with OTC, repo and stock lending counterparties (the “Counterparties” or a “Counterparty”) by way of collateral in order to secure the Fund’s obligations to that Counterparty. These deposits or equivalent may exceed the value of the obligations of the Fund to the Counterparty due to excess margin requirements. The level of margin deposits or equivalent will be monitored by the Investment Manager on an ongoing basis. The Fund will have a right against the Counterparty, where it has satisfied its obligations to that Counterparty in respect of which such margin deposits or equivalent were given, for the return of assets equivalent to those placed with that Counterparty.

A portion of the Fund’s investments may be denominated in currencies other than NOK. The Fund may seek to hedge against currency fluctuations on a timely basis in order to protect the return. However, there can be no assurance that such hedging transaction will be effective.

### **Investment Strategy**

The Fund will utilise a Long/Short investment strategy involving long or short positions or a combination of both. The Investment Manager will have exposure both short and long in the equity markets and to a lesser extent the interest rate markets. The Investment Manager will look to purchase exposure which it believes will appreciate (long) and sell exposure it believes will depreciate (short). In this way the Investment Manager can generate a positive return for the Shareholders regardless of which direction the general equity market is going.

In assessing the optimal way to obtain the investment objective, the Investment Manager has assessed the following elements, which will be utilised:

- Degree of inefficient pricing, partly a result of liquidity and research intensity.
- Degree of the managers’ knowledge of sectors.
- Geographical and cultural aspects.

Where the assets of the Fund are not fully invested the Fund may keep surplus assets on deposit, or invest it in liquid assets in short term investments such as commercial paper, bankers’ acceptances, certificates of deposit and government securities issued by OECD member countries or by any supranational entity and which are traded on a regulated market in the OECD region and in undertakings for collective investment in transferable securities (“UCITS”) investing in the foregoing.

### **Disclosure under Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the SFDR)**

A sustainability risk in the context of the Fund means an environmental, social or governance (**ESG**) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment (**Sustainability Risk**).

### **How are sustainability risks integrated into investment decisions made in respect of the Fund?**

The Fund’s investment policy contains environmental social, and governance consideration in line with the UN Principles for Responsible Investment (**PRI**) and the guidelines for the Norwegian Government Pension Fund Global.

The Investment Manager’s integration of Sustainability Risks into the investment decisions may vary to reflect the differences in its investment strategy between long and short positions.

Although the Fund does not have a specific sustainable investment objective, the Investment Manager shall promote among other characteristics, environmental and social characteristics and invest in companies following good governance practices. The Investment Manager shall apply the following binding exclusions and shall not

invest, on behalf of the Fund, in companies which themselves or through entities they control:

- produce weapons that, in normal use, violate basic humanitarian principles;
- produce tobacco;
- sell weapons or military equipment to states subject to sanctions from the UN Security Council or other international measures directed at a particular country that Norway has supported (mandate for the management of the Government Pension Fund of Norway section 3-1 second paragraph letter c);
- mining companies and power producers that themselves or consolidated with controlled entities receive 30 per cent or more of their revenues from thermal coal, or base 30 per cent or more of their operations on thermal coal activity; or
- produce pornography

Additionally, the Investment Manager may decide to exclude a company if there is an unacceptable risk that the company contributes or is responsible for any of the following which do not support environmental and social characteristics:

- human rights violations, such as killing, torture, deprivation of liberty, forced labour and exploitation of children, including child labour;
- violations of individuals' rights in war or conflict situations;
- breach of basic employee rights;
- severe environmental damage;
- actions or omissions that lead to greenhouse gas emissions at an aggregated company level;
- Corruption; and
- other repeated or significant violations of basic ethical norms.

The Fund shall also seek to avoid investing in companies which are significantly harming any of the environmental objectives set out in Regulation (EU) 2020/852 (Taxonomy) on the establishment of a framework to facilitate sustainable investment (the **Taxonomy Regulation**). This assessment is made through qualitative investment research process conducted on the companies in which the Fund may invest.

The investment strategy is bottom-up where ESG consideration is combined with the financial and non-financial analysis for each company in the portfolio.

The Investment Manager and the Fund seeks to invest in companies that have good quality of operations and management. The companies should have a clear focus on ethical issues in their attitudes and actions, as well as having a strong corporate value base. The companies must exert good corporate governance, comply with national legislation as well as international conventions, and show a transparent information policy. When selecting investments, the Investment Manager emphasizes social conditions, environmental impact, sustainability and good corporate governance when considering a company. Strong sustainability efforts and emphasis often provides companies with competitive advantages and contribute to long-term value creation.

The Fund will favour investments that contribute to a viable transition towards reduced carbon emissions.

The extent to which Sustainability Risks represent potential or actual material risks to the Fund is considered by the Investment Manager in its investment decision-making and risk monitoring. Along with any other material risk, the Investment Manager will consider Sustainability Risks in order to seek to maximize long-term risk-adjusted returns for the Fund.

In the event that a Sustainability Risk arises, this may cause the Investment Manager to determine that a particular investment is no longer suitable and to sell it or decide not make an investment in it.

More information on how the Investment Manager selects sustainable investments can be found at its website [www.paretoam.com](http://www.paretoam.com).

### **Sustainability Risks**

Due to the nature of the Fund's investment strategy and types of securities it holds, the Fund is exposed to varied Sustainability Risks which include, but are not limited to:

- corporate governance malpractices (e.g. board structure, executive remuneration);

- shareholder rights (e.g. election of the likely directors, capital amendments);
- changes to regulation (e.g. greenhouse gas emissions restrictions, governance codes);
- physical threats (e.g. extreme weather, climate change, water shortages);
- brand and reputational issues (e.g. poor health & safety records, cyber security breaches);
- supply chain management (e.g. increase in fatalities, lost time injury rates, labour relations); and work practices (e.g. observation of health, safety and human rights provisions).

### **Statement that an assessment is undertaken of the likely impacts of those Sustainability Risks on the Fund's return**

An assessment is undertaken of the likely impacts of the Sustainability Risks on the Fund's return. Assets held by the Fund may be subject to partial or total loss of value because of the occurrence of a Sustainability Risk due to fines, reduction of demand in the asset's products or services, physical damage to the asset or its capital, supply chain disruption, increased operating costs, inability to obtain additional capital, or reputational damage.

Assessment of Sustainability Risks is complex and requires subjective judgements, which may be based on data which is difficult to obtain and may be incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that the Investment Manager will correctly assess the impact of Sustainability Risks on the Fund's investments or proposed investments.

### **Results of that impact assessment**

The impacts following the occurrence of a Sustainability Risk may be numerous and may vary depending on the specific risk, region and asset class. In general, where a Sustainability Risk occurs in respect of an asset, there could be a negative impact on, or entire loss of, its value.

A Sustainability Risk event may arise and impact a specific investment or may have a broader impact on an economic sector, geographical or political region or country which may impact the portfolio of the Fund in its entirety.

### **Principal adverse impacts**

The Investment Manager has elected for the time being not to consider the principal adverse impacts of its investment decisions on sustainability factors in the manner contemplated by Article 4(1)(a) of the SFDR, primarily as the regulatory technical standards supplementing SFDR which will set out the content, methodology and information required in the principal adverse sustainability impacts statement remain in draft form and their application has been delayed. The Investment Manager will review this position following the coming into effect of the regulatory technical standards.

## **2. HEDGING AND EFFICIENT PORTFOLIO MANAGEMENT TECHNIQUES AND INSTRUMENTS**

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The Fund is a multi-class investment fund with Class A Shares denominated in Euro, Class B Shares denominated in NOK, Class C Shares denominated in US Dollars, Class M Shares denominated in NOK and Class I Shares denominated in NOK. It is intended in respect of Class A Shares and Class C Shares which will be denominated in Euro and US Dollars respectively to conduct currency hedging transactions (and hence such transactions will be clearly attributable to that specific Class therefore currency exposures of different currency Classes may not be combined or offset and currency exposures of assets of the Fund may not be allocated to separate Share Classes.), the benefit and cost of such transactions shall accrue solely to the investors in the relevant class and the Net Asset Value per Share of that Class shall be increased/reduced as the case may be by the benefit/cost of any such hedging transactions. Accordingly, Class A Shares and Class C Shares will be Hedged Currency Share Classes.

It is the current intention to hedge the currency exposure of holders of Class A Shares and Class C Shares to Norwegian Kroner into Euro and US Dollars respectively. While it is not the intention, over-hedged or under-hedged positions may arise due to factors outside the control of the Investment Manager. The adoption of this strategy may substantially limit holders of the Class A Shares and/or Class C Shares from benefiting if the Euro and/or US Dollar, as the case may be, falls against NOK. All costs and gains/losses of such hedging transactions will accrue solely to the holders of the Class A Shares and the Class C Shares respectively. Any hedging into Euro and US Dollars will not exceed the pro rata holding of Euro for holders of Class A Shares and US Dollars for holders of Class C Shares respectively and in any event will not exceed 105% of the net assets of the relevant class. If due to market movements, the relevant class is more than 105% hedged, a reduction to such exposure

will be a priority objective. Hedged positions will be kept under review to ensure that over-hedged positions do not exceed 105% of the net asset value of the relevant class. The review will also incorporate a procedure to ensure that positions materially in excess of 100% will not be carried forward from month to month. The relevant class may not be leveraged as a result of these hedging transactions.

### **3. SECURITIES FINANCING TRANSACTIONS AND TOTAL RETURN SWAPS**

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Subject to the investment policies and restrictions for the Fund set out above, the Fund may enter into one or more Securities Financing Transactions and/or Total Return Swap for investment purposes and/or efficient portfolio management, including, inter alia, for the purposes of generating additional capital or income or for reducing costs or risk.

The types of assets of the Fund that may be subject to a Securities Financing Transaction or a Total Return Swap will be determined by the AIFM in accordance with the investment policy of the Fund outlined above and may include, but shall not be limited to, equity and equity related securities, debt and debt related securities, fixed income and liquid and near cash assets, such as instruments and obligations including sovereign and foreign debt, bills, commercial paper and notes, derivatives and other permitted investments of the Fund.

While all assets of the Fund will be eligible for such transactions, the proportion of assets under management that may be subject to Securities Financing Transactions is expected to vary between 0% and 50% of the Net Asset Value of the Fund subject to a maximum of 100% of the Net Asset Value of the Fund. Such variations may be dependent on, but not limited to, factors such as the total size of the Fund, borrower demand to borrow stocks from the underlying market and seasonal trends in the underlying market.

In accordance with the AIFMD Legislation, the AIFM is required to exercise due diligence when selecting and appointing counterparties taking into account the services provided by such counterparties. When selecting counterparties to an OTC derivatives transaction, securities lending or repurchase agreement, such counterparties must meet the conditions that they are subject to supervision by a public authority, financially sound and have an organisational structure for performing the services which are to be provided by them to the Fund. Factors that may be taken into account when considering financial soundness include whether the counterparty is subject to prudential regulation and supervision. Other criteria that could be used when selecting counterparties include legal status, country of origin and any credit rating. The Company's requirements in respect of financing counterparties are set out in the Prospectus.

The Fund may accept cash collateral and non-cash collateral (subject to it being custodial at the Sub-Custodian) as agreed in the agreement with the counterparty or otherwise between the parties from time to time (**Eligible Collateral**). Non-cash collateral could include, inter alia, transferable securities, debt securities, such as government or supranational bonds, and near cash assets traded on a regulated market or multilateral trading facility with transparent pricing. The AIFM may accept less liquid non-cash collateral in certain circumstances. Non-cash collateral received should be issued by an entity that is independent from the counterparty and considered by the AIFM to be of appropriate quality.

Non-cash collateral may be diversified in terms of country, markets and issuers/issue, provided that the Fund may be fully collateralised in securities and instruments issued by a single issuer or in different securities and instruments issued or guaranteed by a Member State, one or more of its local authorities, a third country, or a public international body to which one or more Member States belong where the Fund diversifies its exposure to the issuer by receiving securities from a number of different issues. The AIFM may also limit the securities from any one issue to a maximum percentage of the NAV where considered appropriate by the AIFM.

Collateral must be capable of being valued on at least a daily basis. The market value of Eligible Collateral is determined by the relevant counterparty, acting in good faith, based on the relevant valuation provisions contained in the relevant securities financing transaction agreement. For purposes of determining the market value of collateral, the Fund may rely on any recognised pricing service.

Collateral may be re-used as agreed with the relevant counterparty from time to time.

Direct and indirect operational costs and/or fees arising from the use of Securities Financing Transactions and/or Total Return Swaps on behalf of the Fund may be deducted from the revenue delivered to the Fund. These costs and/or fees will be charged at normal commercial rates and will not include hidden revenue.

Where applicable, the entities to which such direct and indirect operational costs and/or fees have been paid during

the annual period to the relevant accounting year end of the Company (including whether such entities are related to the AIFM) will be disclosed in the annual report for such period.

The Depositary is responsible for the safekeeping of the assets of the Fund as outlined in the Prospectus.

#### **4. INVESTMENT RESTRICTIONS**

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The investment restrictions applicable to the Fund are set out under the section entitled **Investment Restrictions** in the Prospectus.

The Fund may not invest any more than 50% of its Net Asset Value in any one unregulated collective investment scheme.

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

#### **5. BORROWING AND LEVERAGE**

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The Fund may borrow from brokers, banks and others on a secured or unsecured basis, and may employ leverage to the extent deemed appropriate by the Company to take advantage of investment opportunities, to meet delivery obligations and/or to provide liquidity. Leverage may take the form of loans (including trading on margin), and investments in derivative instruments that are inherently leveraged, in addition to other forms of direct or indirect borrowings or leverage. The Fund may also borrow for cash management purposes, including in anticipation of additional subscriptions and to fund redemptions, and may do so when deemed appropriate by the Company.

The Company proposes to authorise the use of such borrowing and/or leverage powers, prudently exercising its professional judgement as to when it is in the best interests of the Fund to borrow and/or leverage or to reduce borrowings or leverage in the light of the prevailing conditions. For the purpose of providing margin or collateral in respect of the Fund's investment activities, the Depositary upon the instruction of the Company, may transfer, mortgage, charge or encumber any assets or cash forming part of the Fund's assets.

Pursuant to the AIFM Legislation, the leverage of the Fund will be required to be calculated using the commitment method and the gross notional method. The commitment method requires each derivative position to be converted into the market value of an equivalent position in the underlying asset and takes into account netting and hedging and other arrangements which affect the exposure of the Fund. The gross notional method converts derivative positions into an equivalent position in the underlying assets.

The maximum intended level of leverage, calculated using the commitment method as required pursuant to the AIFMD Legislation, will be 200% of the Net Asset Value of the Fund and using the gross notional method will be 300% of the Net Asset Value of the Fund.

#### **6. RISK FACTORS**

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The risk factors under the section entitled **Risk Factors** in the Prospectus apply to this Fund.

#### **7. DISTRIBUTION POLICY**

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It is not envisaged that any income or gains derived from its investments will be distributed by the Fund by way of dividend. This does not preclude the Directors, at their absolute discretion, from declaring a dividend at any time in the future if they consider it appropriate to do so. Any change in the dividend policy for the Fund will be notified to all Shareholders in advance.

No declarations or distributions shall be made in respect of the Accumulating Shares. Accordingly, any distributable income will remain in the Fund's assets and will be reflected in the Net Asset Value of the Accumulating Shares.



## 8. KEY INFORMATION FOR SUBSCRIBING AND REPURCHASING SHARES

### Base Currency

The Base Currency of the Fund is NOK.

### Available Share Classes

The Fund may issue Shares in each of the Share Classes set out in the table below.

	Share Class	Denominated Currency	Minimum Shareholding	Minimum Initial Investment Amount**	Minimum Additional Investment Amount	Minimum Redemption Amount
1	Class A	EUR	EUR 500,000	EUR 500,000	N/A	N/A
2	Class B	NOK	NOK 1,000,000	NOK 1,000,000	N/A	N/A
3	Class C	USD	USD 750,000	USD 750,000	N/A	N/A
4	Class M*	NOK	N/A	N/A	N/A	N/A
5	Class I	NOK	NOK20,000,000	NOK20,000,000	N/A	N/A

\* Class M Shares may only be issued at the Directors discretion and to Accredited Investors.

\*\*provided that the minimum subscription amount for Qualifying Shareholders (other than Accredited Investors) must be at least the equivalent of €100,000 in accordance with the requirements of the Central Bank.

The Directors (upon written confirmation to the Administrator) reserve the right to differentiate between Shareholders and to waive or reduce the Minimum Shareholding or Minimum Initial Investment Amount for any such Shareholders or to refuse an application for any such Shares at their absolute discretion, provided that the minimum subscription amount for Qualifying Investor Shareholders (other than Accredited Investors) must be at least €100,000 in accordance with the requirements of the Central Bank.

Accredited Investors will not be subject to any Minimum Initial Investment Amount or Minimum Shareholding.

All Share Classes comprise Accumulating Shares.

Additional classes of Shares may be created in accordance with the requirements of the Central Bank.

### Initial Offer Period and Issue Price

The Initial Offer Period for Class A and Class C Shares will commence at 9am (Irish time) on 2 October 2020 and end at 5pm (Irish time) on 1 April 2021 or such earlier or later time as the Directors may decide and notify the Central Bank.

The Initial Issue Price of the Class A Shares is EUR100. The Initial Issue Price of the Class C Shares is USD100.

After the Initial Offer Period, Shares in Classes A, B, C and I are continuously open for subscriptions at the Issue Price per Share of the relevant Share Class on the relevant Dealing Day.

Shares in Class M are available at the discretion of the Directors as outlined above at the Issue Price per Share of Shares in the Class M on the relevant Dealing Day.

The Directors may make an adjustment by way of a deduction from the Subscription Amount received when there are net subscriptions to include a charge/anti-dilution levy which the Directors, in consultation with the Investment Manager, consider to represent an appropriate figure to cover dealing costs and/or to preserve the value of the underlying assets of the Fund. Any such charge/levy shall be retained for the benefit of the Fund and the Directors reserve the right to waive such charge at any time.

Fractions of up to three decimal places (rounded naturally) of a Share may be issued.

## **Business Day**

A day (except Saturday or Sunday) on which the banks in Dublin, Oslo, Stockholm, and London are open generally for business and the last weekday of each calendar year shall be a Business Day, or such other day as the Directors may determine and notify to Shareholders in advance.

## **Dealing Day**

The first Business Day of each calendar month and/or such other day(s) as the Directors may determine from time to time and notify in advance to all Shareholders of the Fund, provided that there shall be at least one Dealing Day per month.

## **Dealing Deadline**

### Subscription Deadline

10.00 a.m. (Irish time) on the 6<sup>th</sup> Business Day prior to the relevant Dealing Day.

### Redemption Deadline

10.00 a.m. (Irish time) on the 15<sup>th</sup> day prior to the relevant Dealing Day.

### Exchange Deadline

10.00 a.m. (Irish time) on the 15<sup>th</sup> day prior to the relevant Dealing Day.

In the case of Subscription Deadline, the Redemption Deadline or the Exchange Deadline, the Directors may agree to waive the notice period at their discretion provided that the relevant application or repurchase request shall be received before the Valuation Point for the relevant Dealing Day.

## **Valuation Day**

The Valuation Day is the last Business Day of each calendar month and such other day(s) as the Directors may determine from time to time and notify in advance to all Shareholders of the Fund.

## **Valuation Point**

The Valuation Point is the close of business in the last relevant market to close on the relevant Valuation Day or such other time as the Directors may determine from time to time and notify in advance to Shareholders.

## **Settlement Date**

In the case of subscription(s), the Subscription Amount in cleared funds must be received on or before the end of the Initial Offer Period or two (2) Business Days prior to the relevant Dealing Day, as applicable. However, the Directors may resolve to accept late subscription monies provided that the application for Shares shall be received before the Valuation Point for the relevant Dealing Day.

In the case of redemptions, the Redemption Proceeds will be paid within 6 Business Days following the relevant Dealing Day, assuming timely receipt of all duly signed repurchase documentation, the original initial Application Form and all documentation required by the Administrator, including any original document in connection with the AML Act and any anti-money laundering procedures.

## **Subscription Fee**

Up to 0.1% of the Subscription Amount may be charged as a Subscription Fee which fee is payable to the Fund. The Subscription Fee may be waived in whole or in part at the discretion of the Directors who may consult with the Investment Manager.

## **Redemption Fee**

If Shares are repurchased on a Dealing Day there shall be no Repurchase fee. However, if a Shareholder requests that his/her Shares be repurchased on a day which is not a Dealing Day, the Directors may with the

approval of the Depositary designate such day to be a Dealing Day (for all Shareholders) and may impose a repurchase charge of up to 2.5% of the redemption proceeds.

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

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Requests for the subscription for Shares should be made in accordance with the provisions set out in the section entitled **Subscription for Shares** in the Prospectus.

## **10. HOW TO REQUEST THE REDEMPTION OF SHARES**

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

Notwithstanding the limitations on redemptions set out in the section entitled **Limitations on Redemptions** in the Prospectus, the Directors shall use all reasonable endeavours to facilitate all redemption requests received from Shareholders unless doing so would violate any applicable laws or requirements of the Central Bank.

## **11. FEES AND EXPENSES**

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The following sections on fees should be read in conjunction with the section entitled **Fees and Expenses** in the Prospectus.

### **AIFM/Investment Manager Fees**

The AIFM shall be entitled to receive out of the assets of the Fund an annual fee, accrued and calculated as at each Valuation Point and payable monthly in arrears, at an annual rate of up to and not exceeding (i) 1.5% of the NAV of the Class A, Class B and Class C Share Classes which may be increased up to 3.0% per annum on giving reasonable prior notification to Shareholders; and (ii) .95% of the NAV of the Class I Share Class, in each case plus VAT (if applicable) and calculated prior to the accrual of this fee and the Performance Fee (if any). No fee shall be payable to the AIFM in respect of the Class M Shares.

The AIFM is also entitled to be reimbursed out of the assets of the Fund for the reasonable costs and out-of-pocket expenses incurred by the AIFM in the performance of its duties (including, but not limited to, expenses for legal, auditing and consulting services) and investment related expenses, to include software expenses, (and any value added tax payable on any disbursement (including trading advisory fees) incurred for the benefit of the Fund.

### **Performance Fee**

#### Amount:

The AIFM will also be entitled to an annual performance fee in respect of each Share in Class A Shares, Class B Shares, Class C Shares and Class I Shares. The Performance Fee will be calculated in respect of each calendar year by reference to the difference in the Net Asset Value per Share from the Initial Issue Price (in the case of the first calendar year) or the Net Asset Value per Share at the Valuation Point prior to the commencement of that calendar year to the Net Asset Value per Share as at the last Valuation Point in that calendar year (each a "Calculation Period") (the "Performance Fee"). The first Calculation Period will end on 31 December 2018.

The Performance Fee in any Calculation Period will be equal to 20 per cent of any appreciation in the Net Asset Value per Share of the relevant class in respect of each Calculation Period above the Hurdle Rate (as defined below) applied to that Share during the Calculation Period. As at each Valuation Point, the Performance Fee will be accrued and taken into account in the calculation of the Net Asset Value per Share of the applicable class.

The Performance Fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value per Share before the deduction of any accrued Performance Fee.

The Performance Fee will normally be payable in arrears within 14 days of the end of each Calculation Period in respect of Shares in issue at the end of the Calculation Period. However, in the case of Shares repurchased during a Calculation Period, the Performance Fee will be calculated as though the date of repurchase were the end of a Calculation Period and an amount equal to any accrued Performance Fee in respect of such Shares will be deducted from the repurchase proceeds and will be paid to the Investment Manager. In the event of a partial redemption, Shares will be treated as repurchased on a first in, first out basis for the purpose of calculating the Performance Fee.

If the AIFM Agreement is terminated before the last Valuation Point in a Calculation Period the Performance Fee in respect of the then current Calculation Period will be calculated and paid as though the date of termination were the end of the Calculation Period.

### Overview of Methodology

The Performance Fee will be calculated on a per Share basis for the relevant classes so that each Share is only charged a Performance Fee which equates with that Share's performance. Generally this method of calculation is intended to ensure so far as possible (and with respect to each class of Shares) that (i) any Performance Fee paid to the Investment Manager is charged only to those Shares which have appreciated in value, (ii) all holders of Shares have the same amount of capital per Share at risk in the Fund and (iii) all Shares have the same Net Asset Value per Share.

### Hurdle Rate

The Hurdle Rate for each Class shall be calculated at an annual rate of 2% of the High Water Mark (calculated on a 365 day year basis) which will be pro-rated for each month in the Calculation Period during which such Shares are in issue ("Hurdle Rate"). Any underperformance of the Hurdle Rate in a previous Calculation Period will be clawed back before a Performance Fee becomes payable.

For the first Calculation Period, the **High Water Mark** is the Initial Issue Price per Share. For the Calculation Period in each subsequent calendar year, the High Water Mark is the NAV per Share in respect of which a Performance Fee was paid (if any) as at the year end of the previous Calculation Period.

### Equalisation

In order to achieve these objectives, the Subscription Price at which Shares will be issued (other than the Initial Issue of Shares) will be the Net Asset Value per Share before the accrual of any Performance Fee. The difference between the subscription price of a Share and the Net Asset Value per Share after the accrual of any Performance Fee is referred to as an "Equalisation Credit". An adjustment will be made at the end of each Calculation Period to compensate for the difference between the amount of Performance Fee accrued in respect of a Share at the time of subscription and the Performance Fee payable in respect of that Share at the end of the Calculation Period. This adjustment is described in further detail below.

### Adjustments

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

If the Performance Fee per Share calculated in respect of any Share subscribed for on a Dealing Day is less than the Performance Fee per Share of a Share in issue at the start of the Calculation Period, the difference per Share multiplied by the number of Shares subscribed for by the holder of that Share on that Dealing Day will be applied to subscribe for additional Shares to be issued to that Shareholder. Any unadjusted Equalisation Credit will be carried forward to ensure that Shareholders will not be subject to a Performance Fee until all Equalisation Credit is recovered.

If the Performance Fee per Share calculated in respect of any Share subscribed for on a Dealing Day is greater than the Performance Fee per Share of a Share in issue at the start of the Calculation Period, such number of Shares 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 subscribed for by the holder of that Share will be repurchased by the Company for no consideration and an amount equal to the aggregate Net Asset Value of the Shares so repurchased will be paid to the Investment Manager as a Performance Fee (a "Performance Fee Redemption").

The Performance Fee is subject to adjustment upon completion of the relevant audit for the Calculation Period. The calculation of the performance fee will be verified by the Depositary.

The Investment Manager may request the Company, prior to the Dealing Deadline for any Dealing Day, that any performance fee then payable to it should be applied in the purchase of Shares.

In the event of a dispute arising as to the amount of the Performance Fee payable, the same shall be referred to the auditors for settlement, who shall be entitled to make such future or other adjustments as may in the circumstances appear to them to be appropriate and whose decision shall be regarded as the decision of an expert and not of an arbitrator and shall be final and binding upon the parties.

### **Administrator Fees**

The Administrator shall be entitled to an administration fee which shall be payable, monthly in arrears, prorated as at each Valuation Point based on the percentage figure below of the Net Asset Value, out of the assets of the Fund (prior to the accrual of performance fees) together with VAT, if any, which shall be calculated as at each Valuation Point as follows:

0.10 per cent of the Net Asset Value per annum in respect of the first €150 million, 0.09 per cent of the Net Asset Value per annum from €150 million to €250 million and 0.08 per cent of the Net Asset Value per annum of the balance subject to a minimum fee of €40,000 per annum prorated as at each Valuation Point. The Administrator is also entitled to a transaction charge of €20 per movement on the Fund share register. The Administrator shall also be reimbursed by the Fund for all fees and properly vouched disbursements, costs, charges out-of-pocket expenses properly incurred by the Administrator in the performance of its duties.

The Administrator is entitled to be repaid all of its reasonable out-of-pocket expenses out of the assets of the Fund (plus VAT thereon, if any).

### **Depositary Fees**

The Depositary shall also be entitled to a fee which shall be payable, monthly in arrears, an amount equal to 1/12 of the percentage figure below of the Net Asset Value, out of the assets of the Fund (prior to the accrual of performance fees) together with VAT, if any, which shall be calculated as at each Valuation Point as follows:

0.035 per cent of the Net Asset Value per annum with no minimum monthly fee. The Depositary shall also be reimbursed by the Fund all properly vouched sub-custody (at normal commercial rates) and other reasonable and properly vouched fees and expenses incurred by the Depositary in the performance of its duties.

The Depositary and Administrator will be entitled to additional fees to be agreed between the parties in circumstances including, but not limited to the following: additional work required, amendments to the Prospectus or the Articles; changes of other service providers to the Company; changes to the infrastructure of other service providers to the Company which necessitate changes to the infrastructure of the Administrator/Depositary; changes to the structure of the Fund which necessitate changes to documents or the operations of the Administrator/Depositary, termination of the Fund.

The Depositary is also entitled to reasonable out-of-pocket expenses out of the assets of the Fund (plus VAT thereon, if any).

### **Establishment Expenses**

The establishment expenses involved in the formation of the Fund, including the conversion of the Company from a standalone structure to an umbrella Fund, are expected to amount to €37,750 (plus VAT where applicable). These expenses are intended to be amortised by the Fund over the first financial year of its operation (or such other period as may be determined by the Directors at their discretion).

## **12. MISCELLANEOUS**

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At the date of this Supplement, there is one other Fund of the Company in existence namely Pareto Total.

New Funds may be created from time to time by the Directors with the prior approval of the Central Bank in which case further Supplements incorporating provisions relating to those Funds will be issued by the Company.