PARETO TOTAL

Supplement to the Prospectus for Pareto plc

This Supplement contains specific information in relation Pareto Total (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: 13 December 2021

DIRECTORY

1. INVESTMENT OBJECTIVE, POLICIES AND STRATEGY

Investment Objective

The objective of the Fund is to achieve robust long term returns through flexible and active investments, whilst curbing downside volatility. 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 and corporate bonds. The Investment Manager will take long and short positions in equities and fixed-income instruments globally 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 significant part of its exposure to Nordic companies and securities.

Policy

The Fund will, directly or indirectly, invest primarily, but not exclusively, in:

(i) listed equity and equity related securities (including preferred stocks, warrants and convertible securities) of large and medium capitalised issuers; and

(ii) fixed income, debt and debt related securities which may be issued by corporate and/or sovereign issuers (including government securities, bonds, municipal, state, local authority and supranational issues, sovereign and corporate debt, commercial paper, and certificates of deposit). The fixed income and debt securities in which the Fund invests may offer fixed or floating interest rates and may have varying credit risk ranging from high to low.

The Fund will have a diversified investment strategy in markets across the world, primarily in Europe and the USA, expectedly with a tilt to Nordic markets. The primary focus for the Fund is to invest in equity and fixed income securities of corporations of good quality at a price that rewards Shareholders in the medium and long term.

It is expected that the Fund will seek to obtain exposure to fixed income and debt securities markets, in particular, when the Investment Manager considers that the markets for these securities look favourable compared to equity securities. In doing so, the Fund seeks to increase total return through harvesting some of the sizeable potential inherent in the varying return differentials of the different asset classes.

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 and have 0-7 years maturity with the principal/underlying assets protected and with exposure to a set of equity indices, baskets of equities or other securities).

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 in order to achieve capital appreciation, regardless of the prevailing market conditions. Long positions will be held through a combination of direct investment and/or derivative instruments. Short positions may be held through derivative positions, primarily equity or interest rate swaps, contracts for difference (CFD) and futures. Any short positions in equity securities will primarily be utilised to reduce the overall downside volatility of the Fund's returns on its investments.

To optimise the investment strategies, the Fund may utilise leverage, derivatives (FDI) and other techniques and instruments and accordingly may enter into exchange-traded and over the counter instruments, including, but not limited to, futures, swaps, forwards, options, CFD and warrants and may enter into sales and repurchase agreements (repos) and stock lending agreements. The Fund's exposure to securities is expected to normally be in the range of 100-150% of the Fund's Net Asset Value, but the Fund may deviate from this range at any time.

The Investment Manager may utilise FDI to seek to hedge (i) net equity long exposure by establishing short exposure, so as to reduce volatility from the equity markets; and (ii) any undesirable currency exposure and credit exposure of the Fund's investments when deemed appropriate. The Fund's exposure to FDI will also be determined by the extent of short equity exposure and/or leverage deemed appropriate by the Investment Manager at any time.

The Fund may also invest in assets consistent with its investment objective and policies by acquiring the shares or units of collective investment schemes which may undertakings for collective investment in transferable securities (UCITS) or non UCITS and may be open or closed-ended and will not be limited by their domicile or confined to regulated schemes.

The Fund may also hold and invest in ancillary liquid assets, such as bank deposits and money market instruments and securities, including but not limited to short-term fixed income instruments, certificates of deposit, promissory notes, commercial paper, floating rate notes, medium term notes, bankers acceptances and any other short term instrument which the Investment Manager believes to be of appropriate credit quality as further outlined below. The Investment Manager may, depending on its tactical viewpoint and perception of investment opportunities for the Fund, increase or decrease the level of investment by the Fund in ancillary liquid assets. There is no maximum or minimum amount of liquidity that the Fund may hold at any one time.

Investment Strategy

The Fund may utilise a long/short investment strategy involving long or short positions or a combination of both. The Fund may have exposure both short and long in the equity and interest rate markets. The Investment Manager will seek to obtain exposure which it believes will appreciate (long) and may sell exposure it believes will depreciate (short). In this way the Investment Manager believes that it should be able to generate a robust risk-adjusted return for the Shareholders in the long term.
In assessing the optimal way to obtain the investment objective, the Investment Manager will target as decisive factors:

- Investing in companies with robust business models, which consistently produce high return on equity and build shareholder value;
- Investing in securities of companies in good financial health;
- Investing in securities of companies with underappreciated intrinsic value;
- Investing in securities of companies with underappreciated growth potential;
- Preferring companies with a margin of safety inherent in the market valuation;
- Correctly identifying the degree of inefficient pricing in company securities;

- Seeking counter cyclicality as overarching rule in weighting between equities, bonds, long and short positions and in determining company selection;

- Keeping the adequate level of liquidity in the Fund for different market cycles;

- Investing more in times of market declines and distress, reducing risk exposure in times of high valuations;

- Maintaining minimum cost in the management and trading of the Fund's assets.

Where the assets of the Fund are not fully invested, the Fund may keep surplus assets on deposit, or invest in liquid assets in short term investments and/or in or in collective investment schemes as outlined in section detailing its investment policies above.

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.

The Investment Manager shall apply the following binding exclusions and shall not invest in long positions, 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 long investments in a company if there is an unacceptable risk that the company contributes or is responsible for:

- 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 Investment Manager follows a principle of caution with investing in biotechnology companies, weapons, gambling and alcohol.

Sustainability Risks are integrated into the investment decision making and risk monitoring to the extent that they represent a potential or actual material risks and/or opportunities for maximizing the long-term risk-adjusted returns. The Investment Manager considers Sustainability Risks as part of its broader analysis of potential investments and the factors considered will vary depending on the security in question, but typically include ownership structure, board structure and membership, capital allocation track record, management incentives, labour relations history, and climate risks.

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.

Disclosure under Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (the **Taxonomy Regulation**)

The Taxonomy Regulation is a piece of directly effective EU legislation.

Its purpose is to establish a framework to facilitate sustainable investment. It sets out harmonised criteria for determining whether an economic activity qualifies as environmentally sustainable and outlines a range of disclosure obligations to enhance transparency and to provide for objective comparison of financial products regarding the proportion of their investments that contribute to environmentally sustainable economic activities.

It is notable that the scope of environmentally sustainable economic activities, as prescribed in the Taxonomy Regulation, is narrower than the scope of sustainable investments under SFDR. Therefore, although there are disclosure requirements for both, these two concepts should be considered and assessed separately. This section addresses only the specific disclosure requirements of the Taxonomy Regulation.

Given the investment focus and the asset classes/sectors in which the Fund invests, the Investment Manager does not integrate a consideration of environmentally sustainable economic activities (as prescribed by the Taxonomy Regulation) into the investment process for the Fund. Therefore, for the purpose of the Taxonomy Regulation, it should be noted that the investments underlying the Fund do not take into account the EU criteria for environmentally sustainable economic activities.

More information on how the Investment Manager selects sustainable investments can be found at its website 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. INVESTMENT RESTRICTIONS

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.

3. BORROWING AND LEVERAGE

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.

4. RISK FACTORS

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

The risk profile of the Fund is high due to flexibility in the investment strategy with regard to asset allocation, financial instruments and leverage. However, the Fund may not have a high risk profile at all times and the Investment Manager will seek to manage risk through active allocation and diversification among asset classes and careful selection of well-run, successful companies with limited company-specific risk and reasonable pricing.

5. DISTRIBUTION POLICY

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.

6. 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 Institutional Share Class	Denominated Currency	Minimum Shareholding	Minimum Initial Investment Amount**	Minimum Additional Investment Amount	Minimum Redemption Amount
1	Institutional Class A	NOK	NOK 50,000,000	NOK 50,000,000	N/A	N/A
2	Institutional Class B	NOK	NOK 1,000,000	NOK 1,000,000	N/A	N/A
3	Institutional Class I	NOK	NOK 100,000,000	NOK 100,000,000	N/A	N/A
4	Founder Class*	EUR	EUR 100,000,000	EUR 100,000,000	N/A	N/A

*Shares in the Founder Class may be issued at the discretion of the Directors and may, in particular, be issued to Shareholders who have subscribed during the Initial Offer Period for that Share Class and, if applicable, majority owned subsidiary companies thereof, subject to the overall discretion of the Directors and provided that Shares in the Founder Class may only be issued to Qualifying Investors or Accredited Investors. Shareholders should note that the Founder Class is an Unhedged Currency Share Class and may wish to refer to the relevant risk factor in the Prospectus.

**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 Shareholders (other than Accredited Investors) must be at least €100,000 (or its equivalent in other currencies) 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

Shares in Institutional Class A Shares, Institutional Class B and Institutional Class I are continuously open for subscriptions at the Issue Price per Share of the relevant Share Class on the relevant Dealing Day.

Shares in in the Founder Class will be available at the discretion of the Directors as outlined above at the Issue Price per Share of Shares in the Founder Class 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.

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 January, April, July and October 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 quarter.

Dealing Deadline

<u>Subscription Deadline</u>

10.00 a.m. (Irish time) on the 3rd Business Day prior to the relevant Dealing Day.

<u>Redemption Deadline</u>

10.00 a.m. (Irish time) on the 15th day prior to the relevant Dealing Day, provided that if such day is not a Business Day, the Redemption Deadline shall be the next Business Day following such day.

<u>Exchange Deadline</u>

10.00 a.m. (Irish time) on the 15th day prior to the relevant Dealing Day, provided that if such day is not a Business Day, the Exchange Deadline shall be the next Business Day following such 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 March, June, Sept. and December 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 Valuation Day per quarter.

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 one (1) Business Day 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 10 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

A Redemption Fee of 1.5% of the Redemption Proceeds payable may be charged in respect of Shares in a Share Class which are requested to be redeemed within 1 year of a Shareholders initial holding of Shares in that Share Class.

After 1 year of a Shareholders initial holding of Shares in a Share Class of the Fund, a Redemption Fee of 1.0% of the Redemption Proceeds payable may be charged in respect of Shares in that Share Class requested to be redeemed within 2 years of a Shareholders initial holding of Shares in that Share Class.

After 2 years of a Shareholders initial holding of Shares in a Share Class of the Fund, a Redemption Fee of 0.5% of the Redemption Proceeds payable may be charged in respect of Shares in that Share Class requested to be redeemed within 3 years of a Shareholders holding of Shares in that Share Class.

After 3 years of a Shareholders initial holding of Shares in the Institutional Class A Shares, the Institutional Class B or the Institutional Class I Share Classes, a Redemption Fee of up to 0.1% of the Redemption Proceeds payable may be charged in respect of Shares in the relevant Share Class requested to be redeemed.

The Redemption Fees are payable to the Fund. The Redemption Fee may be waived in whole or in part, at the discretion of the Directors in consultation with the Investment Manager.

7. HOW TO SUBSCRIBE FOR SHARES

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.

8. HOW TO REQUEST THE REDEMPTION OF SHARES

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.

9. FEES AND EXPENSES

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 at each Valuation Point and payable quarterly in arrears, at an annual rate of up to and not exceeding (i) 0.75% of the NAV of the Institutional A Share Class; (ii) 1% of the NAV of the Institutional B Share Class; and (iii) 0.5% of the NAV of the Institutional 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).

The AIFM shall be entitled to receive out of the assets of the Fund an annual fee, accrued at each Valuation Point and payable quarterly in arrears at an annual rate of up to and not exceeding (i) 0.15% per annum of the total NAV of the Founder Class for the first EUR 100million and (ii) 0.05% per annum of the total NAV of the Founder Class above EUR 100million.

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 Investment Manager in the performance of its duties (including, but not limited to, expenses for legal, auditing and consulting services) and any value added tax payable on any disbursement incurred for the benefit of the Fund.

Performance Fee

Amount:

The AIFM as Investment Manager will be entitled to receive out of the assets of the Fund an annual performance fee in respect of each Share Class below (the **Performance Fee**) calculated on a per Share basis 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 of the same Class have the same amount of capital per Share at risk in the Fund and (iii) all Shares of the same Class have the same Net Asset Value per Share.

The Performance Fee will be calculated and accrued at each Valuation Point in respect of each Dealing Day and payable annually in respect of each Accounting Period of the Company (each a **Calculation Period**). The first Calculation Period will be the period commencing on the Business Day immediately following the close of the Initial Offer Period of the relevant Share Class to 31 December in that year. The Hurdle Rate (as defined below) will be applied with effect from the Calculation Period commencing on 1 January 2016 and each subsequent Calculation Period and all references to the Hurdle Rate below will only apply from 1 January 2016.

For each Calculation Period, the Performance Fee for the Institutional A, Institutional I and Institutional B Shares will be equal to 15% of the amount by which the NAV per Share on each Dealing Day exceeds the **High Water Mark** (as set out below) and above the **Hurdle Rate** (as defined below).

1. 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.

2. If the Net Asset Value per Share at the end of a Calculation Period exceeds the High Water Mark and exceeds the Hurdle Rate, a performance fee is payable. For each subsequent Calculation Period, the High Water Mark is the reported, final Net Asset Value per Share as at the year end of the previous Calculation Period for which a Performance Fee was payable.

3. If the Net Asset Value per Share at the end of a Calculation Period is lower than the High Water Mark, no performance fee is payable. In this case, the High Water Mark for the next Calculation Period is the High Water Mark for the previous Calculation Period, being the previous Calculation Period for which a Performance Fee was payable or the Initial Issue Price where no Performance Fee has been previously paid.

4. When a Performance Fee is payable on Shares, it is calculated as the Net Asset Value per Share less the High Water Mark, less the Hurdle Rate, multiplied by the performance fee rate for the Class set out above.

The Performance Fee will be calculated and be taken into account in the calculation of the Net Asset Value per Share as at the Valuation Point in respect of each Dealing Day.

As at each Valuation Point, the Performance Fee will be calculated by reference to the NAV per Share attributable to the Share Class before making any deduction for accrued Performance Fees.

The Performance Fee in normally payable in arrears within 60 days of the end of each 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 Redemption Proceeds and will be paid to the Investment Manager. In the event of a partial redemption, Shares will be treated as redeemed on a first in, first out basis for the purpose of calculating the Performance Fee. The Performance Fee in respect of those Shares is normally paid within 30 days after the date of redemption.

If the Investment Management 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.

Hurdle Rate

With effect from 1 January 2016, the Hurdle Rate in respect of the Shares 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"). The 15% Performance Fee is only calculated when the High Water Mark after the application of the hurdle rate has been reached and any portion of a Hurdle Rate that is not earned for any Calculation Period will be recovered in future Calculation Periods before the performance fee is earned.

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.

Adjustments

If an investor subscribes for Shares at a time when the Net Asset Value per Share of the relevant Class is not equal to the High Water Mark for the relevant Calculation Period in respect of that Class, certain adjustments will be made to reduce inequities that could otherwise result to the Shareholder or to the Investment Manager.

(A) If Shares are subscribed for at a time when the Net Asset Value per Share in the Share Class is less than the applicable High Water Mark in respect of that Share Class, the Shareholder will be required to pay a Performance Fee with respect to any subsequent appreciation in the value of those Shares. With respect to any appreciation in the value of those Shares from the Net Asset Value per Share at the date of subscription up to the applicable High Water Mark, the Performance Fee will be charged at the end of each Calculation Period by redeeming at par value, such number of Shares of the relevant Share Class held by the Shareholder as have an aggregate Net Asset Value (after accrual for any Performance Fee) equal to 15% of any such appreciation for Institutional A, Institutional I and Institutional B Shares, as applicable, (a **Performance Fee Redemption**). The aggregate Net Asset Value of the Shares so redeemed will be paid to the Investment Manager as a Performance Fee. Performance Fee Redemptions are employed to ensure that the Fund maintains a uniform Net Asset Value per Share in a Share Class. As regards any appreciation in those Shares above the applicable High Water Mark, a Performance Fee will be charged in the normal manner described above.

(B) If Shares are subscribed for at a time when the Net Asset Value per Share in the relevant Share Class is greater than the applicable High Water Mark in respect of that Share Class, the Shareholder will be required to pay an amount in excess of the then current Net Asset Value per Share equal to 15% in the case of Institutional A, Institutional I and Institutional B Shares, as applicable, of the difference between the then current Net Asset Value per Share (before accrual of the Performance Fee) and the applicable High Water Mark (an **Equalisation Credit**). At the date of subscription the Equalisation Credit will equal the Performance Fee per Share accrued with respect to the other Shares of that Class in the Fund (the **Maximum Equalisation Credit**). The Equalisation Credit is payable to account for the fact that the Net Asset Value per Share in a Class has been reduced to reflect an accrued Performance Fee to be borne by existing Shareholders in that Class and serves as a credit against Performance Fees that might otherwise be payable but that should not, in equity, be charged against the Shareholder making the subscription because, as to such Shares of that Class, no favourable performance has yet occurred. The Equalisation Credit seeks to ensure that all Shareholders in the same Share Class have the same amount of capital at risk per Share.

The additional amount invested as the Equalisation Credit will be at risk in the Fund and will therefore appreciate or depreciate based on the performance of the Fund subsequent to the issue of the relevant Shares but will never exceed the Maximum Equalisation Credit. In the event of a decline as at any Valuation Point in the Net Asset Value per Share in the relevant Share Class, the Equalisation Credit will also be reduced by an amount equal to 15% in the case of the Institutional A, Institutional I and Institutional B Shares, as applicable, of the difference between the Net Asset Value per Share (before accrual for the Performance Fee) at the date of issue and as at the Valuation Point. Any subsequent appreciation in the Net Asset Value per Share in the relevant Share Class will result in the recapture of any reduction in the Equalisation Credit but only to the extent of the previously reduced Equalisation Credit up to the Maximum Equalisation Credit.

At the end of each Calculation Period, if the Net Asset Value per Share (before accrual for the Performance Fee) exceeds the relevant prior High Water Mark in respect of that Share Class, that portion of the Equalisation Credit equal to 15% in the case of Institutional A, Institutional I and Institutional B Shares, as applicable, of the excess, multiplied by the number of Shares of the relevant Class subscribed for by the Shareholder, will be applied to subscribe for additional Shares of that Class for the Shareholder. Additional Shares of that Class will continue to be so subscribed for at the end of each Calculation Period until the Equalisation Credit, as it may have appreciated or depreciated in the Fund after the original subscription for Shares of that Class was made, has been fully applied. If the Shareholder redeems Shares of that Class before the Equalisation Credit has been fully applied, the Shareholder will receive additional repurchase proceeds equal to the Equalisation Credit then remaining multiplied by a fraction, the numerator of which is the number of Shares of that Class being redeemed and the denominator of which is the number of Shares of that Class held by the Shareholder immediately prior to the repurchase in respect of which an Equalisation Credit was paid on subscription.

The calculation of the Performance Fee will be verified by the Depositary.

Administrator Fees

The Administrator shall be entitled to be paid out of the assets of the Fund an annual fee, accrued on each Valuation Day and payable quarterly in arrears plus VAT if any thereon at a rate of 0.06% per annum of the total Net Asset Value for the first EUR 200million and 0.04% per annum of the total Net Asset Value above EUR 200million. This fee is subject to a minimum fee of €80,000 per annum plus VAT if any thereon. The fee is calculation prior to the accrual of performance fees.

When the Fund's Net Asset Value attributable to investments by Shareholders other than the Founder Class equals or exceeds 50% of the Net Asset Value of the Fund, the fee changes to a rate of 0.09% per annum of the total Net Asset Value for the first EUR100million, 0.06% per annum of the total Net Asset Value for the next EUR100million and 0.04% per annum of the total Net Asset Value above EUR200million. This fee is subject to a minimum fee of €80,000 per annum plus VAT if any thereon. The fee is calculation prior to the accrual of performance fees.

The Administrator is also entitled to a fee of:

- EUR 25 per movement on the register plus VAT if any thereon payable quarterly in arrears;

- EUR 75 per new investor plus VAT if any thereon into the Fund for AML verification payable quarterly in arrears;

- A fixed fee of EUR 3,500 per annum plus any VAT thereon for preparation of the annual financial statements.

- EUR 7,000 as a transition fee which can be amortised against the Fund's set up costs.

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 be entitled to receive out of the assets of the Fund an annual fee, accrued on each Valuation Day and payable quarterly in arrears, of 0.04% per annum, plus VAT thereon (if any), of the Net Asset Value of the Fund, subject to a minimum fee of €36,000 per annum, plus VAT thereon (if any). The fee is calculated prior to the accrual of performance fees.

When the Net Asset Value of the Fund attributable to Shareholders other than the Founder Class equals or exceeds 50%of the Net Asset Value of the Fund, the fee changes to a rate of 0.06% per annum, plus VAT thereon (if any), of the Net Asset Value of the Fund, subject to a minimum fee of €36,000 per annum, plus VAT if any thereon (if any). The fee is calculated prior to the accrual of performance fees.

The Depositary shall also be entitled to be repaid all of its disbursements out of the assets of the Fund. The Depositary shall be entitled to and shall pay out of the assets of the Fund, the fees of any sub-custodian (which will be at normal commercial rates) appointed by it, plus VAT if any thereon and all costs in relation to the set-up of proxy voting and applicable notarization costs.

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

The Administrator and Depositary 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 Fund; changes to the infrastructure of other service providers to the Fund which necessitate changes to the infrastructure of the Administrator and Depositary changes to the structure of the Fund which necessitate changes to documents or the operations of the Administrator and Depositary, termination of the Fund.

Establishment Expenses

The cost of establishing the Company and obtaining authorisation from the Central Bank were be borne by the Fund and have been fully amortised.

10. MISCELLANEOUS

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

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.