

## SUPPLEMENT 3

### Sanlam Credit Fund

**Supplement dated 26 November, 2020 to the Prospectus for Tideway UCITS Funds ICAV dated 17 April, 2020.**

This Supplement contains information relating specifically to Sanlam Credit Fund (the “**Fund**”), a Fund of Tideway UCITS Funds ICAV (the “**ICAV**”), an open-ended umbrella type Irish collective asset-management vehicle with limited liability and segregated liability between sub-funds authorised by the Central Bank on 16 October, 2015 as a UCITS pursuant to the UCITS Regulations.

**This Supplement forms part of and should be read in the context of and in conjunction with the Prospectus for the ICAV dated 17 April, 2020 (the “Prospectus”) which immediately precedes this Supplement and is incorporated in this Prospectus. To the extent that there is any inconsistency between the Prospectus and this Supplement, the Supplement shall prevail.**

The Directors of the ICAV whose names appear in the Prospectus under the heading “**Management and Administration**” accept responsibility for the information contained in this Supplement and the Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) 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.

Investors should read and consider the section entitled “**Risk Factors**” before investing in the Fund.

Application has been made to the Irish Stock Exchange for the Class A GBP Accumulation Shares, Class B GBP Income Shares, Class C USD Income Shares, Class E USD Accumulation Shares and Class F EUR Accumulation Shares of the Fund to be admitted to the Official List and to trading on the Main Securities Market of The Irish Stock Exchange. The Directors do not expect that an active secondary market will develop in such Shares. No application has been made for such Shares to be listed on any other stock exchange. This Supplement, as well as the Prospectus, including all information required to be disclosed by the Irish Stock Exchange’s listing requirements shall constitute listing particulars for the purpose of listing the Shares on the Irish Stock Exchange.

Neither the admission of the Shares to the Official List and to trading on the Main Securities Market of the Irish Stock Exchange nor the approval of these listing particulars pursuant to the listing requirements of the Irish Stock Exchange shall constitute a warranty or representation by the Irish Stock Exchange as to the competence of the service providers or any other party connected with the ICAV, the adequacy of information contained in the Prospectus or the suitability of the ICAV for investment purposes.

**An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

**The Fund may charge all or part of the fees (including management fees) and expenses to capital which will have the effect of lowering the capital value of an investment. Thus, on redemption of holdings of such Shares, Shareholders may not receive back the full amount invested. The policy of charging fees and expenses to capital seeks to maximise distributions but it will also have the effect of lowering the**

capital value of your investment, constraining the potential for future capital growth and capital may be eroded.

## 1. Interpretation

The expressions below shall have the following meanings:

**“Business Day”** means each day (except Saturday or Sunday) on which banks in Dublin and London are generally open for business. For the avoidance of doubt, a day during which banks in Ireland are closed due to red weather warnings issued by the Met Éireann will not be a Business Day unless the Directors determine otherwise. Additional Business Days may be created by the Directors and notified to Shareholders in advance.

**“Dealing Day”** means each Valuation Day and/or such other day or days as may be determined by the Directors and notified to Shareholders in advance provided that there shall be at least one Dealing Day in each fortnight. See also the section entitled **“Suspension of Valuation of Assets”** in the Prospectus.

**“Dealing Deadline”** means for each Dealing Day

- (i) in relation to subscription requests 12pm (Irish time) on the relevant Dealing Day; and
- (ii) in relation to redemption requests 12pm (Irish time) on the relevant Dealing Day; or
- (iii) such other time as the Directors may determine and notify to Shareholders in advance provided always that the Dealing Deadline is no later than the Valuation Point on that Dealing Day.

**“Initial Offer Price”** means the initial fixed price applicable to each relevant Share Class on the first Dealing Day of that Share Class and is shown for each share class in the section entitled **“Information on Share Classes”**.

**“Redemption Settlement Cut-off”** means 3 Business Days after the relevant Dealing Day.

**“Subscription Settlement Cut-off”** means 3 Business Days after the relevant Dealing Day.

**“Valuation Day”** means each Business Day and/or such other day or days as may be determined by the Directors.

**“Valuation Point”**

means 11pm Irish time on each Valuation Day or such time as the Directors may determine and notify Shareholders in advance provided that the Valuation Point shall be after the Dealing Deadline.

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

**2. Base Currency**

The Base Currency shall be GBP Sterling

**3. Investment Objective**

The Fund aims to generate income, net of all expenses, equivalent to Bank of England UK Base Rates plus 1-2%, from a credit portfolio (as described under the heading Investment Policy below) with low to medium volatility.

**4. Investment Policy**

***General***

The Fund will invest only in debt securities which are listed or traded on Recognised Exchanges worldwide, as further detailed below. The investments of the Fund represent a fixed income credit portfolio. Fixed income credit is defined as a corporate or asset-backed debt instrument.

The Fund's investment in debt securities shall be through all varieties of fixed and floating rate income securities (i.e. fixed rate, floating rate, secured (including asset-backed), unsecured, subordinated, dated, perpetual and inflation-linked bonds).. Asset-backed securities are securities made up of pools of debt securities and securities with debt like characteristics. Such asset-backed securities will not embed derivatives and/or generate leverage.

Bonds may be bought as “New Issues” (subject to the security being UCITS eligible on first settlement date). The Fund's investments may include treasury bills and debentures, issued or guaranteed by government and government-related issuers (EU Member States, another OECD member state, another G20 member state or Singapore, their sub-divisions, agencies or instrumentalities), bank, corporate or other commercial issuers worldwide. The Fund's investment in debt securities shall include both primary market and secondary market securities.

*Debt securities:* Up to 50% of the Fund's NAV may be invested in high yield/sub-investment grade debt securities. High yield securities are sub-investment grade securities which have a credit rating at best of BB+/Ba1 or below (or its equivalent) from a recognised rating agency such as Standard & Poor's or which are deemed by the Investment Manager to be of equivalent quality. Further details in relation to the different limits and ratings of the issuers and bonds, in respect of the proposed investment in debt securities, are set out below.

- *Senior credit rating limits:* Up to 25% of the Fund's NAV may be invested in high yield/sub-investment grade debt securities where the *senior* credit rating of the issuer is sub-investment grade, with a credit rating at best of BB+/Ba1 or below (or its equivalent) from a recognised

rating agency such as Standard & Poor's or which are deemed by the Investment Manager to be of equivalent quality.

- *Buy limits:* The Fund may not purchase sub-investment grade securities which have a credit rating of B+/B1 or below (or its equivalent) from a recognised rating agency such as Standard & Poor's or which are deemed by the Investment Manager to be of equivalent quality at the time of purchase.
- *Hold limits:* The Fund may hold up to 5% in sub-investment grade securities which have a credit rating of B+/B1 or below (or its equivalent) from a recognised rating agency such as Standard & Poor's or which are deemed by the Investment Manager to be of equivalent quality where this credit rating has arisen as a result of a credit rating downgrade from a higher credit rating.
- *Unrated securities limits:* The Fund may invest in up to 15% of securities which have no credit rating from a recognised rating agency such as Standard & Poor's provided that the Investment Manager has reasonably determined that credit rating would comply, if the security was explicitly rated, with the credit rating parameters set out in this Supplement.

The Fund may, on an ancillary basis, hold cash or cash equivalents which shall include, but shall not be limited to short-term fixed income securities (i.e. UK Government treasury bills) and time deposits (i.e. a savings account or certificate of deposit (CD) held for a fixed-term, with the understanding that the depositor can make a withdrawal only by giving notice).

Depending on the market conditions, the Fund may however at any time at the Investment Manager's discretion take a defensive investment strategy and may move up to 50% of the portfolio (i.e. up to 50% of its net asset value) to cash or cash equivalents.

The Fund may invest on a global basis and there is no geographical, industry or sectoral focus in relation to the asset classes to which exposure may be taken.

The Fund may invest up to 10% of its net assets in aggregate in units of other Eligible CIS (including exchange traded funds or "ETF") as permitted by the UCITS Regulations in order to gain exposure to the asset classes described above.

The total gross long positions will not exceed 100% of the Net Asset Value of the Fund. There will be no short positions in the Fund.

The Fund may use foreign exchange forwards for hedging purposes as described in the section entitled "Currency Hedging" below. The ICAV employs a Risk Management Process which will enable it to accurately measure, monitor and manage the risks attached to financial derivative instruments and details of this process have been provided to the Central Bank.. The ICAV will provide on request to Shareholders supplementary information relating to the risk management methods employed by the Investment Manager including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments.

The Fund is considered to be actively managed in reference to the Bank of England UK Base Rate (the "Index") by virtue of the fact that it aims to generate net income equivalent Index plus 1-2% p.a.

on a rolling basis. However, the Index is not used for portfolio composition on the basis that there are no constituents in the Index. The Index is the United Kingdom's official borrowing interest rate and sets the level of interest all other banks charge borrowers.

**There can be no assurance that the investment objective and policy of the Fund will be achieved.**

### ***Investment Strategy***

The Investment Manager will pursue a long-only discretionary investment strategy, i.e. a policy of only holding "long" positions in debt securities, as described under the heading Investment Policy above. This means that the Fund's Net Asset Value will rise (or fall) in value based on the market value of the bonds held. Factors which influence the market price of the bonds include interest rates, global credit market conditions and individual issuer creditworthiness.

Selection of bonds is based on a number of factors independently assessed by the Investment Manager. These factors include:

- Creditworthiness and credit history of the bond issuer including leverage, free cash flow and interest cover and other credit metrics;
- Terms and conditions of the bond with particular reference to the degree of subordination to other debt holders;
- Yield to maturity of the bond;
- Expected date for repayment of principal; and
- Issue size and liquidity.

Long positions may be held only through direct securities investment.

There will be no leverage in the Fund.

The core investment strategy to be deployed by the Investment Manager in respect of the Fund is "*Yield and Income Accrual*", as further described in the paragraphs below.

Returns are to be generated predominantly from bond interest accrual and payment. There will be additional capital gains or losses based on changes in principal values of the bonds. The Fund will operate predominantly on a "buy and hold to redemption" policy where bonds are bought with a view to holding until capital is repaid at GBP 100 (or the relevant equivalent currency). For example, a bond may be purchased at GBP 96.00 (or the relevant equivalent currency) with a redemption at GBP 100 (or the relevant equivalent currency) in 4 years time. In this case, the additional return from capital appreciation over 4 years will be 4%, the difference between 96 and 100.

As set out under the heading Investment Policy above, the Fund invests in bonds, some of which could have limited liquidity in certain market conditions. However, by investing in bonds which have an active secondary market, the Investment Manager will limit the liquidity risk of the Fund. In addition, as set out under the heading Investment Policy above, depending on the market conditions, the Fund may at any time at the Investment Manager's discretion take a defensive investment strategy and move up to 50% of the portfolio (i.e. up to 50% of its net asset value) to cash or cash equivalents. The cash balance of the Fund will be maintained at an appropriate level in order to meet expected investor

redemptions taking into account bond market liquidity in all market conditions.

Subject to the limits set out above, the amount of cash and/or cash equivalents that the Fund will hold will vary depending on prevailing circumstances. For example, in times of high market volatility and limited opportunity to deploy capital effectively, cash balances in the Fund will be higher than periods where good investments are available at attractive prices.

### **Leverage**

It is intended the Fund will use foreign exchange forwards solely for hedging, as described under the heading “Currency Hedging”, below.

The Fund will use the commitment approach methodology to accurately measure, monitor and manage the “leverage” effect produced by the use of derivatives. As stated above, the Fund will be not be leveraged through the use of derivatives which are for hedging purposes only. In accordance with the requirements of the Central Bank where using the commitment approach, the Fund will explicitly not be leveraged in excess of 100% of its net assets as a result of the use of derivatives.

The Fund’s gross global exposure will not exceed its total net asset value. Global exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

The commitment approach is calculated by converting the derivative position into the equivalent position in the underlying asset, based on the market value of the underlying asset or the market value of the contract.

Risks associated with the use of financial derivatives are detailed in the Prospectus at the section entitled “Risk Factors”.

### **Borrowing Powers**

The ICAV may only borrow on a temporary basis and the aggregate amount of such borrowings may not exceed 10% of the Net Asset Value of the Fund. Subject to this limit, the Directors may exercise all borrowing powers on behalf of the Fund. In accordance with the provisions of the UCITS Regulations, the Directors may instruct that the Depositary may charge the assets of the Fund as security for such borrowings.

### **Currency Hedging**

The Fund may enter into forward foreign exchange (FX) contracts for the purpose of currency hedging. In a forward FX contract, holders are obliged to buy or sell a particular underlying currency at a specified price in a specified quantity and on a specified future date. Forwards may also be cash settled. In contrast to futures, forwards are not traded on an exchange, but in the OTC market. Forward FX contracts may be used to hedge or generate exposure. They can be used to express both positive and negative views on the underlying currencies.

#### **(i) Portfolio Currency Hedging**

Assets of the Fund may be denominated in a currency other than the Base Currency and changes in the exchange rate between the Base Currency and the currency of the assets may lead to a depreciation of the value of the Fund's assets as expressed in the Base Currency. The aim of this hedging will be to reduce the Fund's level of risk and to hedge the currency exposure of the Fund's underlying securities into the Base Currency. No assurance however can be given that such mitigation will be successful. Any such transactions shall be carried out at normal commercial rates. Investors should note that further information is set out in the Prospectus at the section entitled "**Currency Risk**".

Investors should also note that the hedging strategies implemented by the Investment Manager at Fund level are distinct from any currency hedging strategies that the Investment Manager may implement in respect of Hedged Share Classes, information on which is set out below under "**Share Class Currency Hedging**".

(ii) Share Class Currency Hedging

In the case of the Classes not denominated in the same currency as the base currency, the Investment Manager will hedge the value of these Shares against changes in the rate of exchange between the Base Currency and currency of denomination of the relevant class.

Where a Class of Shares is designated as a hedged Class Share, that Class will be hedged against exchange rate fluctuation risks between the denominated currency of the Share Class and the base currency of the Fund and/or between the denominated currency of the Class and the denominated currencies in which the assets of the Fund are denominated. Such hedging strategy may not be implemented in the following circumstances:

The hedging strategies implemented by the Investment Manager shall be subject to the conditions and within the limits laid down by the Central Bank but may not be implemented in the following circumstances:

- (i) if the Net Asset Value of the Fund falls below USD\$10,000,000 or any other level whereby the Investment Manager considers that there is a risk that it is no longer able to hedge the currency exposure in an effective manner, on the basis that is prohibitively expensive; and
- (ii) if, in the opinion of the Investment Manager, market conditions are such that hedging against exchange rate fluctuations is prohibitively expensive and may be highly detrimental to the share class.

Further information is set out in the Prospectus at the section entitled "Hedged Classes" and "Share Currency Designation Risk". It should be noted that the successful execution of a hedging strategy which mitigates this currency risk exactly cannot be assured. Investors should also note that the hedging of hedged share classes is distinct from any hedging strategies that the Investment Manager may implement at Fund level, information on which is set out above under "**Portfolio Currency Hedging**".

Where a Class is unhedged, a currency conversion will take place on subscriptions, redemptions, conversions and distributions at prevailing exchange rate. In such circumstances, the value of the Share expressed in the Class currency will be subject to exchange rate risk in relation to the Base Currency and/or in relation to the designated currencies of the underlying assets.

## 5. Profile of a Typical Investor

The Fund is suitable for investors with a medium term holding period and who have a low to moderate risk appetite.

## 6. Offer

### Initial Offer

The initial offer period for Class A GBP Accumulation, Class B GBP Income Shares and Class C USD Income Shares has now closed and these classes have now launched.

Class D EUR Income Shares, Class E USD Accumulation Shares, Class F EUR Accumulation Shares, Class SR USD Income Shares and Class SR USD Accumulation Shares shall be made available at the Initial Offer Price and subject to acceptance of applications for Shares by the ICAV and will be issued for the first time on the last Business Day of the initial offer period. The initial offer period starts at 9am (Irish time) on 18 September, 2020 and ends at 5pm (Irish time) on 16 March 2021 for all Share Classes save for the Class E USD Accumulation Shares and Class F EUR Accumulation Shares. The initial offer period for the Class E USD Accumulation Shares and Class F EUR Accumulation Shares starts at 9am (Irish time) on 27 November, 2020 and ends at 5pm (Irish time) on 25 May, 2021. The Initial Offer Period may be shortened or extended by the Directors in accordance with the Central Bank's requirements.

### Subsequent Offer

After closing of the Initial Offer Period Shares in the Fund will be issued at the Net Asset Value per Share. Please see the section entitled "**Application for Shares**" for more information regarding the cost of shares.

## 7. Information on Share Classes

| Class                           | Currency | Initial Offer Price | Initial Subscription | Minimum Holding | Minimum Transaction Size | Investment Management Fee |
|---------------------------------|----------|---------------------|----------------------|-----------------|--------------------------|---------------------------|
| Class A GBP Accumulation Shares | GBP      | GBP 100             | £1000                | GBP £1000       | GBP £1000                | 0.50%                     |
| Class B GBP Income Shares       | GBP      | GBP 100             | £ 1000               | GBP £1000       | GBP £1000                | 0.50%                     |
| Class C USD Income              | USD      | USD 100             | USD 1000             | USD 1000        | USD 1000                 | 0.50%                     |

|  |     |            |                   |                   |             |       |
|--|-----|------------|-------------------|-------------------|-------------|-------|
| Shares                                 |     |            |                   |                   |             |       |
| Class D EUR<br>Income<br>Shares        | EUR | EUR<br>100 | EUR<br>1000       | EUR<br>1000       | EUR<br>1000 | 0.50% |
| Class E USD<br>Accumulation<br>Shares  | USD | USD<br>100 | USD<br>1000       | USD<br>1000       | USD<br>1000 | 0.50% |
| Class F EUR<br>Accumulation<br>Shares  | EUR | EUR<br>100 | EUR<br>1000       | EUR<br>1000       | EUR<br>1000 | 0.50% |
| Class SR USD<br>Accumulating<br>Shares | USD | USD<br>100 | USD<br>25,000,000 | USD<br>25,000,000 | USD<br>1000 | 0.70% |
| Class SR USD<br>Income<br>Shares       | USD | USD<br>100 | USD<br>25,000,000 | USD<br>25,000,000 | USD<br>1000 | 0.70% |

## 8. Initial Subscription and Minimum Holding Size

Each investor must satisfy the Initial Subscription requirements applicable to the relevant Class as outlined above and must retain Shares having a Net Asset Value of the Minimum Holding applicable to the relevant Class as outlined above.

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

## 9. Application for Shares

Applications for Shares may be made through the Administrator through the process described in the Prospectus.

## 10. Redemption of Shares

Requests for redemption of Shares may be made through the Administrator through the process described in the Prospectus.

### *Timing of payment*

Redemption proceeds in respect of Shares will normally be paid within 3 Business Days (but no later than 10 Business Days) from the relevant Dealing Deadline provided that all the required documentation has been furnished to and received by the Administrator.

## 11. Conversion of Shares

Subject to the Initial Subscription and Minimum Holding requirements of the relevant Classes, Shareholders may request conversion of some or all of their Shares in one Fund of the ICAV or Class to Shares in another Fund of the ICAV or Class or another Class in the Fund in accordance with the

procedures specified in the Prospectus under the heading “**Conversion of Shares**”.

### **Conversion Charge**

It is not currently intended to impose a conversion charge on the conversion of Shares in any Class to Shares in another Class of a Fund.

## **12. Suspension of Dealing**

Shares may not be issued, redeemed or converted during any period when the calculation of the Net Asset Value of the Fund is suspended in the manner described in the Prospectus under the heading “**Suspension of Valuation of Assets**”. Applicants for Shares and Shareholders requesting redemption and/or conversion of Shares will be notified of such suspension and, unless withdrawn, applications for Shares will be considered and requests for redemption and/or conversion will be processed as at the next Dealing Day following the ending of such suspension.

## **13. Fees and Expenses**

The fees and operating expenses of the ICAV are set out in detail under the heading "Fees and Expenses" in the Prospectus. The fees payable out of the Fund's assets are as follows:

### **Establishment Expenses**

The fees and expenses relating to the establishment and organisation of the Fund (including the fees of the Fund's professional advisers) will be borne by the Fund. Such fees and expenses (which are estimated not to exceed EUR 25,000) will be amortised over a period of up to 5 years from the date of the launch of the Fund.

### **Subscription Fee**

It is not currently intended to charge a Subscription Fee.

### **Redemption Fee**

It is not currently intended to charge a Redemption Fee

### **Manager's Fee**

The Manager for its own benefit and use, shall be entitled to receive a management fee (the “Management Fee”) from the Fund calculated and based on an annual rate of the percentages in the following table of the Net Asset Value of the Fund as described below subject to a minimum fee of €1,500 per month:

| <b>Management Fee</b> | <b>Net Asset Value</b>    |
|-----------------------|---------------------------|
| 0.03%                 | Up to €200,000,000        |
| 0.02%                 | In excess of €200,000,000 |

The Management Fee accrues as of each Valuation Point and is payable monthly in arrears (plus

VAT, if any). The Manager shall also be entitled to reimbursement of all reasonable and vouched out-of-pocket expenses (plus any applicable taxes) it incurs out of the assets of the Fund.

### **Investment Manager's Fee**

Pursuant to the Investment Management Agreement, the Investment Manager is entitled to charge an investment management fee equal to a per annum percentage of the Net Asset Value of each Class. The percentage fee per annum for each Class is shown above in the section entitled “**Information on Share Classes**”.

The Investment Management Fee is charged separately against each Class, and may be waived or reduced with the Directors' approval.

The Investment Manager shall be entitled to be reimbursed by the ICAV for reasonable out of pocket expenses incurred by it and any VAT on all fees and expenses payable to or by it.

### **Administrator's Fees**

The Administrator for its own benefit and use, shall be entitled to receive a fee (the “Administration Fee”) from the Fund calculated and based on an annual rate of the percentages in the following table of the Net Asset Value of the Fund as described below subject to a minimum fee of €5,500 per month:

| <b>Administration Fee</b> | <b>Net Asset Value</b>                |
|---------------------------|---------------------------------------|
| 0.09%                     | Up to €200,000,000                    |
| 0.08%                     | Between €200,000,000 and €400,000,000 |
| 0.07%                     | In excess of €400,000,000             |

The Administration Fee accrues as of each Valuation Point and is payable monthly in arrears (plus VAT, if any).

The Administrator shall also be compensated out of the assets of the Fund for other services, including inter alia account maintenance, secretarial services, preparation of financial statements of the ICAV, registration and transaction fees, each of which shall be at normal commercial rates together with VAT, if any, thereon.

The Administrator shall also be entitled to reimbursement of all reasonable and vouched out-of-pocket expenses (plus any applicable taxes) it incurs out of the assets of the Fund.

### **Depositary Fees**

The Depositary shall be entitled to receive out of the assets of the Fund an annual fee not exceeding 0.03% of the Net Asset Value of the Fund (plus VAT, if any), accrued and calculated on each Valuation Point and payable monthly in arrears, subject to a minimum annual fee of €35,000.

The Depositary shall, also be entitled to be repaid out of the assets of the Fund for all of its reasonable disbursements incurred on behalf of the Fund, including the safe-keeping fees and expenses of any sub-custodian (which shall be at normal commercial rates) and transaction charges (which shall also be at normal commercial rates) levied by the Depositary or any sub-custodian and any applicable taxes

it incurs on behalf of the Fund. Such custody fees shall accrue and be payable monthly in arrears.

### **Anti-Dilution Levy**

An Anti-Dilution Levy may be charged at the discretion of the Directors as outlined in the Prospectus in the section entitled “**Anti-Dilution Levy**”.

## **14. Dividends and Distributions**

### *Class A GBP Accumulation Shares, Class E USD Accumulation Shares, Class F EUR Accumulation Shares and Class SR USD Accumulation Shares*

The Class A GBP Accumulation Shares, Class E USD Accumulation Shares, Class F EUR Accumulation Shares and Class SR USD Accumulation Shares are accumulating Shares and therefore it is not intended to distribute dividends to the Class A GBP Accumulation Shareholders, Class E USD Accumulation Shares, Class F EUR Accumulation Shares and Class SR USD Accumulation Shareholders.

In the case of accumulating Classes, all net income and net realised and unrealised gains (i.e. realised and unrealised capital gains net of all realised and unrealised losses) less accrued expenses of the Fund attributable to the relevant Class will be accumulated and reflected in the Net Asset Value per Share.

### *Class B GBP Income Shares, Class C USD Income Shares, Class D EUR Income Shares and Class SR USD Income Shares*

It is the current intention of the Directors to distribute net income on a quarterly basis in respect the Class B GBP Income Shares, Class C USD Income Shares, Class D EUR Income Shares and Class SR USD Income Shares (the “Distribution Shares”). Dividends will be declared on the last Business Day of December, March, June and September each year, to the Class B GBP Income Shareholders, Class C USD Income Shareholders, Class D EUR Income Shareholders and Class SR USD Income Shareholders if the Fund generates sufficient income. Dividends will be paid within one month of the declaration date. Dividends will usually be paid to the Shareholder’s bank account as detailed on the subscription application form.

In the case of the Class C USD Income Shares, Class D EUR Income Shares and Class SR USD Income Shares a currency conversion will take place on the amount of income being distributed at prevailing exchange rates. In such circumstances, the value of the Share expressed in the Class currency will be subject to exchange rate risk in relation to the Base Currency and/or in relation to the designated currencies of the underlying assets.

The Fund operates equalisation in relation to the Distribution Shares. A Shareholder who has purchased Distribution Shares during a distribution period will receive a distribution made up of two amounts:

- income which has accrued from the date of purchase, and
- the equalisation element which represents the return of the income accrued but not distributed on the date of purchase.

This method does not use capital to pay income distributions. The method is used to simplify the payment process so that all payment values are the same, with the adjustment for the proportion of income actually accrued to the Shareholder being made through the “equalisation amount” which is calculated for each settlement date of the Fund.

The effects are that:

- All payments to Shareholders are the same, irrespective of the duration of their holding period but income is distributed to Shareholders in proportion to the duration of their ownership of the Distribution Shares in the relevant distribution period.
- All Distribution Shares purchased during a distribution period will contain in their purchase price an amount called equalisation amount which represents a proportion of the income (if any) of the Fund, attributable to the Distribution Share Class, that has accrued (but has not been distributed) up to the date of issue.

The amount of equalisation is averaged across all the Shareholders of the relevant Distribution Share Class and is refunded to them as part of the first distribution after their purchase of Distribution Shares. Such returned equalisation may be treated as a return of capital for tax purposes depending on the tax rules in the country where a Shareholder pays tax. Shareholders of Distribution Shares who redeem their Shares will receive an amount which will include the income accrued to the date of redemption and which may be treated as income for tax purposes, subject to the tax rules in the country where a Shareholder pays tax.

The Directors may at any time determine to change the policy of the Fund with respect to dividends distribution. If the Directors so determine full details of any such change will be disclosed in an updated prospectus or supplement and Shareholders will be notified in advance.

## 15. Risk Factors

In addition to the risk factors outlined below, the attention of investors is drawn to the “**Risk Factors**” section in the Section of the Prospectus.

### *Fixed Income Securities Risk*

Investment in fixed income securities is subject to interest rate, sector, security and credit risks. Lower-rated fixed income securities are securities rated below Baa by Moody’s Investors Services, Inc., (“Moody’s”) or BBB by Standard & Poor’s (“S&P”), or equivalent rating by an equivalent recognised rating agency. The lower ratings of certain securities held by a Fund reflect a greater possibility that adverse changes in the financial condition of the issuer, or in general economic conditions, or both, or an unanticipated rise in interest rates, may impair the ability of the issuer to make payments of interest and principal. Such securities carry a higher degree of default risk which may affect the capital value of an investment.

The inability (or perceived inability) of issuers to make timely payments of interest and principal may make the values of securities approximate only to the values the Fund had placed on such securities. In the absence of a liquid trading market for securities held by it, a Fund at times may be unable to establish the fair value of such securities.

The rating assigned to a security by Moody's, S&P or an equivalent recognised rating agency, does not reflect an assessment of the volatility of the security's market value or the liquidity of an investment in the security. A Fund will not necessarily dispose of a security when its rating is reduced below its rating at the time of purchase.

The volume of transactions effected in certain international bond markets may be appreciably below that of the world's largest markets, such as the United States. Accordingly, a Fund's investment in such markets may be less liquid and their prices may be more volatile than comparable investments in securities trading in markets with larger trading volumes. Moreover, the settlement periods in certain markets may be longer than in others which may affect portfolio liquidity.