

**FundLogic Alternatives plc**  
**Promoter and Distributor**  
**Morgan Stanley & Co. International plc**

**Supplement dated 21 July 2017**  
**for**

**Abante 80% Proteccion Creciente Fund**

This Supplement contains specific information in relation to the **Abante 80% Proteccion Creciente Fund** (the “**Sub-Fund**”), a sub-fund of **FundLogic Alternatives plc** (the “**Fund**”), an umbrella fund with segregated liability between sub-funds and authorised by the Central Bank of Ireland (the “**Central Bank**”) pursuant to the Regulations. The Sub-Fund will be managed by FundLogic SAS (the “**Investment Manager**”). The Investment Manager has appointed Abante Asesores Gestion SGIIC SA (“**Abante**”) to act as sub-investment manager to the Sub-Fund (the “**Sub-Investment Manager**”).

**This Supplement forms part of and should be read in conjunction with the Prospectus for the Fund dated 21 July 2017 (the “Prospectus”).**

**The Sub-Fund’s principal economic exposure may be effected through financial derivative instruments.**

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

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

Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement. In the event of any conflict between the Prospectus and this Supplement, this Supplement shall prevail.

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## 1. INVESTMENT OBJECTIVE AND POLICIES

### 1.1 Investment Objective

The Sub-Fund's investment objective is to provide Shareholders with long term exposure to the performance of the Portfolio Strategy with 80% of the highest NAV (from the launch of the Sub-Fund onwards) being protected as a minimum exit Net Asset Value (the "**Minimum Target NAV**").

### 1.2 Investment Policy

The portfolio strategy (the "**Portfolio Strategy**") consists of long and short positions in a portfolio of securities and other assets as set out below whose composition is determined from time to time by the Sub-Investment Manager (the "**Reference Strategy**") and exposure to an effective overnight interest rate for the Euro (the "**Cash Component**") – allocated in accordance with a risk control strategy as set out under "Risk Control Mechanism" below and with an aim of protection of 80% of the highest NAV per Share Class (from the launch of the Sub-Fund onwards) being protected as a minimum exit Net Asset Value through exposure to a put option (the "**Put Option**"). The overnight interest rate used for the Cash Component will be the Effective Overnight Index Average ("**Eonia**") minus a floating spread (which is a rate as may be agreed between the Investment Manager and Approved Counterparty from time to time and which is determined in light of market conditions such as financial liquidity). The Sub-Fund will gain exposure to the Portfolio Strategy and the Put Option through one or more unfunded total return swaps with the Approved Counterparty (collectively the "**Portfolio Total Return Swap**").

#### 1.2.1 Description of Reference Strategy

The Reference Strategy is a notional portfolio with long and short exposure to the asset classes of fixed income, foreign exchange and equities. The Reference Strategy does not have any particular geographical or industry focus.

The Reference Strategy will obtain exposure to such asset classes in the following manner:

#### (a) Fixed Income

(i) Direct investment in fixed income securities, such as bonds and money market instruments (such as short and medium-term treasury bills and treasury notes, and certificates of deposit and bankers' acceptances), which are issued by corporate or government issuers (including those located in emerging markets), which are fixed or floating rate, rated investment grade or below investment grade or unrated and listed or traded on the Markets referred to in Appendix II of the Prospectus;

(ii) Indirect investment through regulated investment funds (including ETFs) with exposure to fixed income securities set out in (i) above, which are domiciled in the EEA, Jersey, Guernsey, the Isle of Man or the United States, and which are UCITS funds or alternative investment funds which are equivalent to UCITS; and

(iii) Total return swaps, futures and options (as set out in more detail in section 6 "Information on Financial Derivative Instruments" below) which reference direct or indirect fixed income investments set out in (i) and (ii) above or eligible indices which are comprised of fixed income investments set out in (i) above.

Short exposure to fixed income will be achieved by the Sub-Fund through the use of FDI, including swaps, futures and options.

#### (b) Equities

(i) Direct investment in equity securities which are issued by corporate issuers (including those located in emerging markets), which are listed or traded on the Markets referred to in Appendix II of the Prospectus (with no specific industry or capitalisation focus);

(ii) Indirect investment through regulated investment funds (including ETFs) with exposure to equity securities set out in (i) above, which are domiciled in the EEA, Jersey, Guernsey, the Isle of Man or the United States, and which are UCITS funds or alternative investment funds which are equivalent to UCITS; and

(iii) Total return swaps futures and options (as set out in more detail in section 6 “Information on Financial Derivative Instruments” below) which reference direct or indirect equities investments set out in (i) and (ii) above or eligible indices which are comprised of equity investments set out in (i) above.

Short exposure to equities will be achieved by the Sub-Fund through the use of FDI, including swaps, futures and options.

#### (c) Foreign Exchange

Swaps, options, futures and options on futures and forward currency exchange contracts (as set out in more detail in section 6 “Information on Financial Derivative Instruments” below) which reference foreign exchange rates or currencies and eligible indices with exposure to foreign exchange rates or currencies.

The Sub-Investment Manager shall determine the allocation to the constituents of the Reference Strategy on a discretionary basis, subject to a maximum allocation of 100% of net exposure to fixed income, maximum allocation of 65% of net exposure to equities and maximum of 40% of net exposure to foreign exchange.

The first step in the investment process employed within the Reference Strategy is to define the overall asset allocation between the different asset classes. The Sub-Investment Manager will determine the asset allocation through a fundamental analysis of the macroeconomic factors (e.g., relative attractiveness of equity valuations, level of interest rates and exchange rates, and overall credit environment). The asset allocation process takes into account expected return as well as volatilities and correlations between asset classes described in the categories above. The Sub-Investment Manager strives for a broad diversification while being reactive to changing market conditions.

The Sub-Investment Manager then implements its asset allocation by investing in the asset classes as outlined above.

The Sub-Investment Manager makes allocation to equities that it believes are likely to make positive returns from a medium to long term perspective. The Sub-Investment Manager may invest in equities of all sizes and geographic locations (although with a primary focus on the European region). The allocation is characterised by a fundamental and research driven approach to investing. The investment process aims to identify attractive investment opportunities based on a thorough understanding of the underlying company’s business and financial positioning.

The Sub-Investment Manager evaluates potential investment opportunities based on a strategic analysis of a company, which typically includes an assessment of its industry dynamics, quality of management, pricing and competitive landscape etc.

The financial analysis generally includes an assessment of cash flows, return on capital, quality and stability of earnings, valuation and other relevant factors.

The Sub-Investment Manager may invest into foreign exchange instruments for both investment and hedging purposes e.g. (i) it can take long positions in currencies that, based on market forecasts and macroeconomic factors, are expected to appreciate (ii) it can invest in currencies to hedge the currency exposure of investments.

The Reference Strategy may, from time to time, hold all or a portion of its assets in cash or cash equivalents (which shall include, but shall not be limited to, short-term fixed income securities including commercial paper (i.e. investment grade short-term paper issued by credit institutions) and money market obligations such as short and medium-term treasury bills and treasury notes (both fixed and floating rate), certificates of deposit and bankers’ acceptances, when opportunities are limited or in other circumstances deemed appropriate by the Sub-Investment Manager.

As disclosed above in sections 1.2.1 (a), (b) and (c), the Reference Strategy may obtain exposure to (a) and (b) above through investment in other collective investment schemes. Notwithstanding any contrary provision in the Prospectus, the Reference Strategy may be comprised of up to 100% in regulated investment funds (including ETFs) which are domiciled in the EEA, Jersey, Guernsey, the Isle of Man or the United States, and which are UCITS funds or alternative investment funds which are equivalent to UCITS. Any such collective investment scheme will not charge annual management fees of in excess of 5% of those underlying funds’ respective net asset values. The Reference Strategy may not invest more

than 20% of net asset value in any one collective investment scheme. Investments in alternative investment funds schemes may not, in aggregate, exceed 30% of net asset value. Investment may not be made in any collective investment scheme which itself invests more than 10% of its net asset value in other open-ended collective investment schemes.

The ratio of long and short investments may vary through time. The maximum gross short exposure within the Reference Strategy will be -50% and the maximum gross long exposure will be 150% of the Sub Fund's Net Asset Value. The maximum net long exposure of the Reference Strategy will be 100% of the Sub-Fund's Net Asset Value. The Reference Strategy will not have a net short exposure.

As set out above the Reference Strategy expects to enter into FDI transactions to gain exposure to the securities referred to in Description of Reference Strategy above. The Reference Strategy may take long positions either physically or synthetically through the use of FDIs. The Reference Strategy will not take physical short positions. All short positions will be taken through the use of an FDI. The Reference Strategy may utilise swaps, options, futures and forward currency exchange contracts. The Reference Strategy may invest in FDI transactions both for investment and efficient portfolio management purposes. For example: (i) equity swaps may be utilised for efficient cash management; or (ii) single name options may be utilised to hedge out the risk associated with an industry or gain exposure to an issuer; (iii) index futures on broad based indices may be utilised in order to hedge the equity portion of the strategy from movements in the general equity market and (iv) forward currency exchange contracts, currency index futures and currency index forwards in order to hedge the currency risk for the components of the Reference Strategy.

FDIs may be exchange traded or over-the-counter.

The Reference Strategy will have no more than 20% exposure to equities and equity related securities of issuers located in emerging markets.

### 1.2.3 General

In accordance with the requirements of the Central Bank, the absolute VaR of the Sub-Fund on any day may not exceed 20% of the Net Asset Value of the Sub-Fund using a one-tailed confidence interval of 99% and a holding period of one month and a historical observation period of 4 years. The Sub-Fund's gross leverage calculated using the sum of the notional exposure of its derivatives positions (including leverage inherent in the Portfolio Strategy) is expected to be between 300% and 350% of the Net Asset Value of the Sub-Fund and will never exceed 425% of the Net Asset Value of the Sub-Fund. The maximum gross leverage of Reference Strategy will be 210% of the Net Asset Value of the Sub-Fund. The leverage inherent in the Reference Strategy is included in the gross leverage figures outlined above.

The aggregate gross exposure of the constituents of the Reference Strategy, as measured using the commitment approach (which includes netting and hedging), shall not exceed 210% of the net asset value of the Reference Strategy. The Sub-Fund will use the absolute VaR risk measurement approach and any reference to the commitment approach in respect of the Reference Strategy in this Supplement is intended solely as a supplementary disclosure to investors and relates to the Reference Strategy and not the Sub-Fund.

The Sub-Fund may enter into Financing Swaps (as defined below under "Unfunded Total Return Swaps and Reverse Repurchase Transaction"). The Sub-Fund may enter into repurchase / reverse repurchase arrangements (subject to the conditions and limits laid down by the Central Bank for efficient portfolio management purposes).

The Sub-Fund will have an exposure to the Put Option as part of the Portfolio Total Return Swap from the Approved Counterparty that aims to pay any shortfall amount that the Fund may need to receive in order to pay Minimum Target NAV to the Shareholders. The purpose of holding exposure to the Put Option is to offer an element of capital protection equal to at least 80% of the highest Net Asset Value per Share (subject to disclosures as laid out in Section 13: Risk Factors below) achieved from the launch of the Sub-Fund onwards (i.e. commencing with the initial offer price). The premium payable for the Put Option will be at normal commercial rates.

The Sub-Fund and the Reference Strategy will only utilise those derivatives that are listed in the risk management process in respect of the Sub-Fund and that have been cleared by the Central Bank as detailed in section 6 "Information on Financial Derivative Instruments".

### *Risk Control Mechanism*

The Investment Manager rebalances the exposure to the Reference Strategy and the Cash Component (which may occur daily) through the Portfolio Total Return Swap, as agreed between the Investment Manager and the Approved Counterparty(as further described below) on the basis of certain volatility rules summarised herein. The rebalancing seeks to control the volatility risk of the Portfolio Strategy by reducing the allocation to the Reference Strategy if and when the realised volatility of the Reference Strategy as observed for certain periods increases. As the realised volatility of the Reference Strategy increases, the exposure to the Reference Strategy is adjusted downwards to a minimum of 0% and the corresponding exposure to the Cash Component is adjusted upwards to a maximum of 100%, such that the anticipated realised volatility of the Portfolio Strategy within the observed periods is consistent with the volatility budget. The volatility budget i.e. the maximum targeted level of annualised change in value of the Portfolio Strategy is 8% over the term of the Portfolio Total Return Swap. A lower volatility ensures that the exposure of Portfolio Total Return Swap to the Reference Strategy is maximised, as a higher realised volatility of the Portfolio Strategy would otherwise result in a higher allocation to the Cash Component.

### *Minimum Target NAV*

The Sub-Fund will aim on each Dealing Day to offer an element of capital protection equal to 80% of the highest Net Asset Value per Share achieved from the launch of the Sub-Fund onwards (i.e. commencing with the initial offer price). The Sub-Fund aims to achieve this capital protection through exposure to the Put Option which forms part of the exposure of the Portfolio Total Return Swap, as described above. The aim of holding exposure to the Put Option, when combined with holding exposure to the Portfolio Strategy is to deliver the Minimum Target NAV as the Put Option is expected to pay into the assets of the Sub-Fund any shortfall amount that the Fund may need to receive in order to pay the Minimum Target NAV to the Shareholders.

The initial term of the Portfolio Total Return Swaps is four years but the Sub-Fund will aim to periodically extend the Portfolio Total Return Swap.

The Sub-Fund will pay additional premium in relation to the extension of the Portfolio Total Return Swap (which embeds the Put Option) and / or for increasing the allocation to the Reference Strategy within the Portfolio Strategy.

### *Termination Date*

The Sub-Fund will terminate on the Business Day following the termination of the Portfolio Total Return Swap (which may occur, for example, as a result of the termination of the Sub-Investment Manager's appointment in respect of the Sub-Fund). The initial term of the Portfolio Total Return Swap is four years, but the Sub-Fund will endeavour to extend the maturity of the Portfolio Total Return Swap at least once a year. If the Portfolio Total Return Swap can no longer be extended, the Shareholders will be informed about the expected termination date of the Portfolio Total Return Swap and about the expected termination date of the Sub-Fund (at least 3 months prior to such termination dates).

## **1.3 Profile of a Typical Investor**

Investment in the Sub-Fund is suitable for investors seeking medium to long-term appreciation of capital.

## **2. APPROVED COUNTERPARTY(IES)**

The sole approved counterparty/ counterparties for all off exchange derivatives and the repurchase agreement is Morgan Stanley or any of its affiliates or subsidiaries that is a UCITS eligible counterparty (the "**Approved Counterparty**"). The Approved Counterparty does not have discretion over the Sub-Fund's assets.

### 3. UNFUNDED TOTAL RETURN SWAPS AND REVERSE REPURCHASE TRANSACTIONS

The Sub-Fund may use, as described in 1.2 & 1.2.3 above, a Portfolio Total Return Swap (which will deliver the economic performance of the Portfolio Strategy and the Put Option) and the Financing Swaps (as defined below) (together, the “**Swaps**”).

#### 3.1 The Portfolio Total Return Swap

The Portfolio Total Return Swap will give the Sub-Fund the economic exposure to the Portfolio Strategy and the Put Option in exchange for a floating rate of return being paid by the Sub-Fund.

The Portfolio Total Return Swap contains exposure to the Put Option which is held with the aim of providing an element of capital protection equal to at least 80% of the highest Net Asset Value per Share achieved from the launch of the Sub-Fund onwards (i.e. commencing with the initial offer price).

#### 3.2 The Financing Swaps

The Sub-Fund will purchase Financing Assets (as defined below) and transfer the full economic interest in such Financing Assets (as defined below) to the Approved Counterparty pursuant to swap agreements (the “**Financing Swaps**”) in exchange for a floating rate of return (i.e. a market rate of return agreed with the Approved Counterparty from time to time generated through the Financing Swaps) being received by the Sub-Fund from the Approved Counterparty. This floating rate of return shall in turn be paid to the Approved Counterparty under the Portfolio Total Return Swap referred to above.

“**Financing Assets**” will include equity securities and other securities with equity characteristics, including, but not limited to, preferred stocks, warrants on equities (which gives the holder the right to buy the underlying equity at a specified price and time) and depository receipts for such securities (American depository receipts traded in the United States markets and global depository receipts traded in other world markets), issued by companies worldwide and which may or may not be constituents of the Reference Strategy. They may also include debt securities which may include, without limitation, government and corporate bonds and notes (fixed and floating interest rate) and commercial paper and may be rated either above or below “investment grade” by Standard & Poor’s and/or Moody’s or, if unrated, determined to be of equivalent credit quality by the Investment Manager. They may also include (without aggregate limits) UCITS-eligible regulated investment funds (including money market funds and ETFs) domiciled in the EEA, Jersey, Guernsey, the Isle of Man, or the United States, with a maximum management fee of 5% of any such fund’s net assets. Such investment funds will be UCITS funds or alternative investment funds which are equivalent to UCITS which will deliver exposure to the asset classes of fixed income, equities, foreign exchange and alternative assets (without any minimum or maximum allocation limits for each asset class). The Financing Assets acquired will be those which, in the opinion of the Investment Manager, are suited for the purpose of meeting the investment objective of the Sub-Fund, based on its assessment of the underlying liquidity of the securities, where it will select securities that match the daily liquidity of the Sub-Fund.

The Approved Counterparty does not have discretion over the Financing Assets.

Financing Assets may have unlimited exposure to emerging market and sub investment grade assets.

Financing Assets (other than permitted unlisted investments) will be listed or traded on the Markets referred to in Appendix II of the Prospectus. For the avoidance of doubt, the Swaps will not be listed or traded as they are permitted unlisted investments.

The Sub-Fund may also enter into reverse repurchase agreements with the Approved Counterparty for efficient portfolio management purposes (which will generate a floating rate of return as well). The floating rate of return generated through the reverse repurchase agreement shall in turn be paid to the Approved Counterparty under the Portfolio Total Return Swap referred to above. The Sub-Fund will not enter into repurchase agreements or stock lending agreements. The Sub-Fund’s exposure to total return swaps and reverse repurchase agreements is as set out below (in each case as a percentage of Net Asset Value):

	Expected	Maximum
Total Return Swaps	300%	425%
Reverse Repurchase Agreements	1%	100%

The Approved Counterparty may provide collateral to the Sub-Fund so that the Sub-Fund's risk exposure to the Approved Counterparty is reduced to the extent required by the Central Bank as set out under section 6 below.

The Sub-Fund may not enter into fully funded swaps.

The performance of the Sub-Fund will primarily be determined by the performance of the Portfolio Total Return Swap. It is not accordingly anticipated that the Sub-Fund will be exposed to the performance or risks of the Financing Assets other than in the event of a default by the Approved Counterparty under the terms of the Financing Swap.

#### 4. HEDGING STRATEGY

The Approved Counterparty may incur costs in hedging its obligations under the Swap transactions. Any costs incurred by the Approved Counterparty in implementing its hedging strategy (including costs and fees of the Investment Manager as disclosed in point 1 of the sub-section headed "Management Charge" in Section 16 on Charges and Expenses) which are paid or reimbursed by Approved Counterparty may ultimately be borne by the Sub-Fund as costs, at normal commercial rates, under the terms of the Swap.

#### 5. INVESTMENT RESTRICTIONS OF THE PORTFOLIO

The general investment restrictions as set out in the Prospectus shall apply.

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

#### 6. INFORMATION ON FINANCIAL DERIVATIVE INSTRUMENTS WITHIN THE REFERENCE STRATEGY AND SUB-FUND

**The following types of Financial Derivative Instruments will be used within the Reference Strategy (and in the case of Swaps and Forward Currency Exchange Contracts, the Sub-Fund) to provide exposure to fixed income, equities and foreign exchange as set out in more detail in section 1.2.1 of the "Investment Policy" section above.**

**Swaps.** These include contracts for difference and total return swaps. A contract for difference (CFD) is a bilateral contract that allows involved parties to exchange the difference between current market value of an underlying asset and its market value at the inception of the contract. A total return swap is a bilateral financial contract, which allows one party to enjoy all of the cash flow benefits of an asset without actually owning this asset. The underlying reference assets of swaps can be single name securities, indexes or custom baskets of securities. The swaps underlying the Reference Strategy will be unfunded.

**Options.** Options may be exchange traded or traded over-the-counter options and may have single name securities, indexes or custom baskets of securities as underlying reference assets. Unlike exchange traded options, which are standardised with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of OTC options are generally established through negotiation with the other party to the option contract. A call option on an investment is a contract under which the purchaser, in return for a premium paid, has the right to buy the underlying reference assets at the specified exercise price at any time during the term of the option. A put option is a contract that gives the purchaser, in return for a premium paid, the right to sell the underlying reference asset at the specified exercise price during the term of the option. The Reference Strategy may invest in options on equities, equity indices, fixed income instruments, foreign exchange. The Sub-Fund may take exposure to an option that protects 80% of the maximum NAV of the Sub-Fund.

**Futures.** The sale of a futures contract creates an obligation by the seller to deliver the type of financial instrument called for in the contract in a specified delivery month for a stated price. The purchase of a futures contract creates an obligation by the purchaser to pay for and take delivery of the type of financial instrument called for in the contract in a specified delivery month, at a stated price. The Reference Strategy may employ indices that are comprised of futures. The Reference Strategy may invest in futures on equities, equity indices, fixed income instruments and foreign exchange.

**Forward Currency Exchange Contracts.** A forward currency exchange contract involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract. The forward currency exchange contracts will be used to hedge the currency risk of Reference Strategy assets, non-base currency Share Classes and the Financing Assets.

## 7. INVESTMENT MANAGER

The Investment Manager for the Sub-Fund is FundLogic SAS. The Investment Manager is incorporated in France with a registered office at 61 Rue de Monceau, 75008 Paris, France.

The Investment Manager is regulated by the Autorité des Marchés Financiers in France. As at 28 February 2017, FundLogic SAS had approximately \$3.6 billion of assets under management.

The Fund has appointed the Investment Manager as investment manager for the Sub-Fund pursuant to an amendment to the investment management agreement between the Fund and the Investment Manager dated 27 July 2010, as amended and as may be further amended (the “**Agreement**”)

Subject to controls imposed by the Directors under the Agreement, all relevant laws and regulations, this Supplement, the Prospectus and the Articles, the Investment Manager has discretion to take day-to-day investment decisions and to deal in investments and to conduct the investment management of the Sub-Fund.

The Agreement provides that the Investment Manager shall be responsible for loss to the Sub-Fund and/or the Fund to the extent such loss arises out of negligence, wilful default or fraud by itself, its directors, officers, servants, employees and appointees. The Investment Manager, its directors, officers, servants, employees and appointees shall not be liable for loss to the Sub-Fund and / or the Fund on account of anything done or suffered by the Investment Manager in good faith in accordance with or in pursuance of any request or advice of the Sub-Fund and/or the Fund.

The Agreement shall continue in force until terminated pursuant to the terms set out therein. Except as set forth in the Agreement, either party may terminate the Agreement on giving not less than 90 days’ prior written notice (or such other period as may be agreed between the parties).

## 8. SUB-INVESTMENT MANAGER

The Investment Manager has appointed **Abante** as the Sub-Investment Manager, pursuant to the sub-investment management agreement between the Investment Manager, Fund and the Sub-Investment Manager dated 23 January 2017, as amended and as may be further amended (the “**Sub-Investment Management Agreement**”), to provide the Investment Manager with discretionary investment management services in relation to the investments in the Reference Strategy.

The Sub-Investment Manager has its registered office at PADILLA, 32 - 28006 MADRID (SPAIN). It is authorised and regulated by the **Comisión Nacional de Mercado de Valores (CNMV)** in Spain. Its principal activity is providing collective portfolio management services.

The Sub-Investment Manager shall be responsible for loss to the Investment Manager and the Fund to the extent such loss is due to wilful misfeasance, wilful deceit, fraud, bad faith, negligence or material breach by the Sub-Investment Manager by itself, its directors, officers, servants, employees, agents and appointees, for its recklessness, breach of fiduciary duty and any misrepresentation made by or on behalf of the Sub-Investment Manager or its reckless disregard of or its failure to comply with the Investment Guidelines (as defined in the Sub-Investment Management Agreement).

The Sub-Investment Management Agreement may be terminated by either the Investment Manager or the Sub-Investment Manager on giving not less than 3 months prior written notice (or such other period as may be agreed between the parties) to the other party.

## 9. SUB-CUSTODIAN

Pursuant to an agreement dated 23 January 2017 (the “**Sub-Custody Agreement**”), the Depositary has appointed Morgan Stanley & Co. International plc (“**MSI plc**”) as sub-custodian in relation to the Sub-Fund, subject to the overall supervision of the Depositary, and MSI plc may in such capacity hold certain assets of the Sub-Fund from time to time. MSI plc is a company incorporated with limited liability under the laws of England and Wales whose principal place of business for this agreement is at 25 Cabot Square, Canary Wharf, London E14 4QA and is regulated by the Financial Conduct Authority in the UK.

The Sub-Custody Agreement may be terminated by either party on 30 days’ written notice, or, where the Services Agreement (as defined below) is not terminated, with MSI plc’s written permission or forthwith by notice in writing in certain circumstances such as the insolvency of MSI plc. The Sub-Custody Agreement provides that MSI plc shall indemnify the Depositary for certain losses unless MSI plc’s liability arises (i) in connection with the potential liability of the Depositary that is released pursuant to applicable law following the occurrence of an external event beyond the reasonable control of MSI plc the consequences of which would have been unavoidable despite all reasonable efforts to the contrary; (ii) out of the negligence, wilful default or fraud of the Depositary or any of its affiliates; or (iii) as a result of the delegation by MSI plc of the safekeeping of assets to the Depositary or any of its affiliates.

## 10. SERVICE PROVIDER

The Fund has appointed MSI plc (the “**Service Provider**”) to provide certain services (being the services set out in the paragraph immediately below) to the Fund as service provider pursuant to a Services Agreement dated 23 January 2017 in respect of the Sub-Fund (the “**Services Agreement**”).

Under the Services Agreement, the Service Provider or certain other members of the Morgan Stanley Group of companies (the “**Morgan Stanley Companies**”) will provide services to the Fund including the provision to the Fund of settlement, clearing and foreign exchange facilities. The Service Provider does not have discretion over the Sub-Fund’s assets. The Fund may also utilise Morgan Stanley Companies and other brokers and dealers for the purposes of executing transactions for the Sub-Fund.

Further detail in respect of the Services Agreement is set out in the section entitled **Other Information** below.

## 11. RISK MANAGER

Pursuant to a risk management agreement dated 26 August 2010, as amended (the “**Risk Management Agreement**”), MSI plc (the “**Promoter**”) has agreed to provide certain Sub-Funds of the Fund, including the Sub-Fund, with risk management and compliance reporting services in accordance with the Risk Management Agreement and the risk management processes in respect of the Sub-Funds.

The Risk Management Agreement provides that the Promoter shall not be liable for any loss, damage or expense (including, without limitation, reasonable legal counsel and professional fees and other costs and expenses incurred in connection with the defence of any claim, action or proceedings) directly suffered or incurred by the Fund or the Sub-Fund arising directly out of any act or omission done or suffered by the Promoter (its directors, officers, servants, employees, delegates or sub-contractors) in the performance or non-performance of its duties thereunder, save for such loss, damage or expense as shall directly result from the negligence, bad faith, wilful default or fraud of the Promoter (its directors, officers, servants, employees, delegates or sub-contractors) in the performance or non-performance of its duties under this Risk Management Agreement. In no circumstance shall the Promoter be liable for any indirect, special or consequential losses of the Fund or the Sub-Fund or any other party arising from the performance or non-performance of its duties thereunder.

The Risk Management Agreement shall continue in force until terminated pursuant to the Risk Management Agreement. Either party may terminate the Risk Management Agreement on giving not

less than 90 days' written notice at any time. The Risk Management Agreement may also be terminated at any time in the circumstances set out in the Risk Management Agreement.

## 12. **BORROWING AND LEVERAGE**

The Fund may borrow money in an amount up to 10% of its net assets at any time for the account of any Sub-Fund and the Depositary may charge the assets of the Sub-Fund as security for any such borrowing, provided that such borrowing is only for temporary purposes.

In accordance with the requirements of the Central Bank, the absolute VaR of the Sub-Fund on any day may not exceed 20% of the Net Asset Value of the Sub-Fund using a one-tailed confidence interval of 99% and a holding period of one month and a historical observation period of 4 years. The Sub-Fund's gross leverage calculated using the sum of the notional exposure of its derivatives positions (including leverage inherent in the Portfolio Strategy) is expected to be between 300% and 350% of the Net Asset Value of the Sub-Fund and will never exceed 425% of the Net Asset Value of the Sub-Fund.

The aggregate gross exposure of the constituents of the Reference Strategy, as measured using the commitment approach, shall not exceed 210% of the net asset value of the Reference Strategy. The Sub-Fund may be leveraged through the use of FDI, including through the Portfolio Total Return Swap which provides exposure to the Reference Strategy.

## 13. **RISK FACTORS**

The risk factors set out in the section entitled **Risk Factors** in the Prospectus apply.

The following additional risk factors also apply:

### **Counterparty Risk**

The Sub-Fund will be exposed to the credit risk of the parties with which it transacts and may also bear the risk of settlement default. Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Sub-Fund. This would include the counterparties to any FDI or repo that it enters into. Trading in FDI which have not been collateralised gives rise to direct counterparty exposure. The Sub-Fund mitigates much of its credit risk to its counterparties by receiving collateral with a value at least equal to the exposure to each counterparty but, to the extent that any FDI is not fully collateralised, a default by the counterparty may result in a reduction in the value of the Sub-Fund. The Company maintains an active oversight of counterparty exposure in line with Regulations and the collateral management process in respect of the Sub-Fund.

The restrictions on cash collateral as set out in the section entitled Efficient Portfolio Management in the Prospectus shall apply. Where cash collateral is re-invested it will be subject to the same risks as direct investments as set out in the section entitled Risk Factors in the Prospectus.

### **No Exposure to Reference Strategy**

Based on the risk control mechanism, there is a risk that there is no exposure to the Reference Strategy for certain periods. In this case, Shareholders will be exposed to overnight interest rates which might be negative and thus might generate negative returns.

### **Minimum Target NAV**

The Sub-Fund aims to provide an element of capital protection, however, this will be dependent on the solvency of the Approved Counterparty. In the event of insolvency of Approved Counterparty, the Sub-Fund will be exposed to the performance of Financing Assets.

Investors should note that the Minimum Target NAV does not provide complete capital protection and only aims to provide a payment equal to a minimum of 80% of the highest Net Asset Value per Share achieved from the launch of the Sub-Fund onwards. It is important to note that, while a repurchasing Shareholder will receive an amount equal to the Net Asset Value per Share on redemption, each Share may benefit from limited capital protection only, regardless of the Net Asset Value per Share at which such Share was purchased by the Shareholder.

## Deposit Risk

An investment in the Sub-Fund is not in the nature of a deposit in a bank account and is not protected by any government, government agency or other guarantee scheme which may be available to protect the holder of a bank deposit account.

## Active Management Risk

The Sub-Investment Manager decides the composition of the Reference Strategy and so the success of the Sub-Fund depends, among other things, upon the ability of the Sub-Investment Manager to manage the asset allocation within the Reference Strategy. No assurance can be given that the Sub-Investment Manager will be successful in managing the Reference Strategy. Moreover, decisions made by the Sub-Investment Manager may cause the Sub-Fund to incur losses or to miss profit opportunities on which it may otherwise have capitalized. Additionally, the management of the Reference Strategy will result in brokerage and other transaction costs to which the Sub-Fund will be indirectly exposed. Shareholders will have no right or power to participate in the day-to-day management or control of the business of the Sub-Fund, nor an opportunity to evaluate the determination of (and any changes to) the specific strategies used, or investments made, by the Sub-Investment Manager within the Reference Strategy or the terms of any such investment.

## Impact of the valuation of Off Exchange Derivatives on the Net Asset Value of the Sub-Fund

The Sub-Fund invests in complex derivatives (eg, the Financing Swaps and the Portfolio Total Return Swap) whose valuation depends on multiple market parameters. Thus, Shareholders will not be able to derive the Net Asset Value of the Sub-Fund from an increase in the level of the Reference Strategy alone.

## Depositary / MSI plc Insolvency

The Sub-Fund is subject to a number of risks relating to the insolvency, administration, liquidation or other formal protection from creditors (“**Insolvency**”) of the Depositary and/or MSI plc in its capacity as sub-custodian. These risks include without limitation: the loss of all cash which the Depositary and/or MSI plc has failed to treat as client money in accordance with any agreed procedures; the loss of some or all of any securities held on trust which have not been properly segregated and so identified both at the level of the Depositary and/or MSI plc (“trust assets”) or client money held by or with the Depositary and/or MSI plc in connection with a reduction to pay for administrative costs of an Insolvency and/or the process of identifying and transferring the relevant trust assets and/or client money for other reasons according to the particular circumstances of the Insolvency; losses of some or all assets due to the incorrect operation of the accounts by the Depositary and/or MSI plc; and losses caused by prolonged delays in receiving transfers of balances and regaining control over the relevant assets.

## 14. DIVIDEND POLICY

It is not the intention of the Directors to declare a dividend in respect of any Share Class. Any distributable profits will remain in the Sub-Fund’s assets and be reflected in the Net Asset Value of the relevant Share Class.

## 15. KEY INFORMATION FOR PURCHASES AND SALES OF SHARES

### Base Currency

EUR

### Classes of Shares

Shares in the Sub-Fund will be available in different Classes as follows:

Class	Currency Denomination	Currency Hedged	Initial Issue	Minimum Initial Subscription	Minimum Subsequent	Minimum
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		Shares	Price per Share		Subscription	Holding (Number of Shares)
<b>Class A EUR Shares</b>	Euro	NO	€10	€10	N/A	N/A

The limits set out above may be raised, lowered or waived at the discretion of the Directors (or their delegate). Shareholders will be notified of any permanent change to the Minimum Initial Subscription Amount, the Minimum Subsequent Subscription Amount, the Minimum Holding and/or the Minimum Repurchase Amount. The Fund has the power to redeem the remaining holding of any Shareholder who redeems his holding of Shares in any Share Class to below the Minimum Holding (or its foreign currency equivalent, where applicable).

Investors must subscribe into a Share Class in the currency in which that Share Class is denominated. Repurchase payments are also made in the currency in which the relevant Share Class is denominated.

The Directors may, in their discretion, waive the minimum amounts above either generally or in relation to any subscription or repurchase.

Class A EUR Shares are available at their Net Asset Value on each Dealing Day.

### **Business Day**

Every day (except legal public holidays in London, Paris, Spain (as published in Spain's BOE official state bulletin) or Dublin or days on which the stock markets in Paris, Dublin, Madrid and/or in London are closed) during which banks in Paris, Dublin and London are open for normal business and such other day or days as the Directors may from time to time determine and notify in advance to Shareholders. The 24<sup>th</sup> and the 31<sup>st</sup> December are deemed public holidays for the purpose of this Supplement.

### **Dealing Day**

Every Business and/or such other day or days as the Directors may from time to time determine and notify in advance to Shareholders, provided that in any event there shall be at least one Dealing Day per fortnight.

### **Dealing Deadline**

3 PM Irish time one Business Day prior to the relevant Dealing Day.

The Directors may, in their discretion and on an exceptional basis only, waive the Dealing Deadline either generally or in relation to any specific subscription provided that applications are received prior to the Valuation Point (being the earliest close of business of any relevant market on that Dealing Day) for that particular Dealing Day. For the avoidance of doubt, no application shall be accepted after the close on a Dealing Day of any market relevant to the assets and liabilities of the Sub-Fund.

### **Settlement Date**

In the case of subscriptions, by 12 Noon Irish time, 3 Business Days after the relevant Dealing Day.

In the case of repurchases, 3 Business Days after the relevant Dealing Day.

In respect of subscriptions investors will be liable for any interest, losses or other costs incurred as a result of failing to settle an order within these time frames.

## **Valuation Point**

Close of business on the relevant Dealing Day.

In the case of transferable securities and listed FDI, the Valuation Point will be such time on a Dealing Day which reflects the close of business on the markets relevant to such assets and liabilities or such other time as the Directors may determine from time to time and notify to Shareholders. In the case of OTC FDI, the Valuation Point will be the close of business on the Dealing Day or such other time as the Directors may determine from time to time and notify to Shareholders. For the avoidance of doubt, the time at which the Net Asset Value is determined will always be after the Dealing Deadline.

## **16. CHARGES AND EXPENSES**

### **Redemption in Specie**

The provisions of the section of the Prospectus entitled **Repurchase of Shares** in respect of the ability of the Directors to satisfy a repurchase request in whole or in part by an in-kind distribution of securities of the relevant Sub-Fund in lieu of cash with or without consent of the Shareholder shall not apply to the Sub-Fund.

### **Management Charge**

The Fund will pay (i) up to 0.10% per annum in respect of the Class A EUR Shares to the Investment Manager and (ii) up to 1.25% per annum in respect of the Class A EUR Shares to the Sub Investment Manager from the assets attributable to the Sub-Fund which are based on a percentage of net assets attributable to such Class of Shares, which is accrued daily and paid quarterly in arrears.

### **Risk Management, Administrator's and Depository's Fees**

The Fund will pay to the Promoter, out of the assets of the Sub-Fund, a fee which will not exceed 0.25% per annum of the net assets of the Sub-Fund and will be accrued daily and paid monthly in arrears.

The Promoter will, inter alia, pay the fees and expenses of any service provider to the Sub-Fund and in particular, the Administrator and Depository which are not covered by the Management Charge payable to the Investment Manager and will be entitled to retain any excess after payment of such fees for risk management services provider by the Promoter.

Notwithstanding the above, any transaction charges, reasonable fees and customary agents' charges due to any local market sub-custodian (not including the Depository or any of its affiliates), which shall be charged at normal commercial rates, together with value added tax, if any, thereon, shall be paid out of the assets of the Sub-Fund or, if paid by the Depository, shall be reimbursed to the Depository out of the assets of the Sub-Fund.

### **Subscription Charge**

A subscription charge of up to 3% of the subscription amount may apply in respect of each Share Class. Any subscription charge received by the Sub-Fund may be paid to the Distributor, or any sub-distributor or intermediary.

### **Ongoing Charges and Expenses**

The additional charges and expenses specified in the section entitled **Ongoing Charges and Expenses** in the Prospectus will, save in respect of the fees of the Distributor, be paid out of the assets of the Sub-Fund. The Investment Manager will be responsible for discharging the fees of the Distributor out of its own fees.

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

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

The Directors reserve the right to reject in whole or part any subscription at their sole discretion, but in particular may do so where the Approved Counterparty is unwilling to agree to an equivalent increase in the notional of the Portfolio Total Return Swap.

## 18. HOW TO SELL SHARES

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

## 19. HOW TO EXCHANGE SHARES

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

## 20. ESTABLISHMENT CHARGES AND EXPENSES

The cost and expenses of establishing the Sub-Fund will be paid by the Promoter.

## 21. OTHER CHARGES AND EXPENSES

Further details of charges and expenses payable out of the assets of the Sub-Fund are set out in the Prospectus under the headings **Management Charges and Expenses** and **General Charges and Expenses**.

## 22. OTHER INFORMATION

As at the date of this Supplement, there are fifty other sub-funds of the Fund currently in existence, Emerging Markets Equity Fund, Salar Convertible Absolute Return Fund, MS PSAM Global Event UCITS Fund, Indus Select Asia Pacific Fund, MS Algebris Global Financials UCITS Fund, Indus PacifiChoice Asia Fund, MS Ascend UCITS Fund, MS Alkeon UCITS Fund, RiverCrest European Equity Alpha Fund, MS SLJ Macro UCITS Fund, MS QTI UCITS Fund, MS Turner Spectrum UCITS Fund, MS Long Term Trends UCITS Fund, MS Discretionary Plus UCITS Fund, MS Lynx UCITS Fund, MS Dalton Asia Pacific UCITS Fund, MS Broadmark Tactical Plus UCITS Fund, MS Swiss Life Multi Asset Protected Fund, MS TCW Unconstrained Plus Bond Fund, MS Fideuram Equity Smart Beta Dynamic Protection 80 Fund, MS Nezu Cyclical Japan UCITS Fund, MS Scientific Beta Global Equity Factors UCITS ETF, MS Kairos Enhanced Selection UCITS Fund, MS Scientific Beta US Equity Factors UCITS ETF, MSCI Emerging Markets ESG Equity Fund, MS Tremblant Long/Short Equity UCITS Fund, Global Equity Risk Premia Long/Short UCITS Fund, MS Fideuram Equity Smart Beta Dynamic Protection 80 Fund II, DAX® 80 Garant, IPM Systematic Macro UCITS Fund, Quantica Managed Futures UCITS Fund, Smartfund 80% Protected Growth Fund, Smartfund 80% Protected Balanced Fund, MSCI China A International Fund, Mariner Lenus Healthcare UCITS Fund, Smartfund Cautious Fund, Smartfund Balanced Fund, Smartfund Growth Fund, 80% Protected Index Portfolio, Mariner Investment Diversifying Alternative UCITS Fund, Market Neutral Credit UCITS Fund, Academy Quantitative Global UCITS Fund, Arno Fund, QW Equity Market & Sector Neutral UCITS Fund, Cautious 85% Protected Fund, Moderate 80% Protected Fund, Equity Risk Managed Fund, Cube Global Cross Assets Fund, CZ Absolute Alpha UCITS Fund and Investcorp Geo-Risk Fund.

### **Services Agreement**

Pursuant to the Services Agreement, neither the Service Provider nor any Morgan Stanley Company nor their employees or officers will be liable for any loss, cost, charge, fee, expense, damage or liability resulting from any act or omission made in connection with the Services Agreement or the services provided thereunder. In particular, but without limitation, the Service Provider will not be liable for any loss of, or any failure to insure, investments, or for the quality, quantity, condition or delivery of investments or the correctness, validity, sufficiency or genuineness of any of the documents relating to investments. This exclusion does not apply where such loss results directly from the negligence, wilful default or fraud of the Service Provider or any Morgan Stanley Company or their employees or officers.

The Service Provider or any Morgan Stanley Company or their employees or officers will not in any circumstances be liable for any consequential loss, damage or liability regardless of whether it is aware of the likelihood of such loss, damage or liability. The Fund will fully indemnify the Service Provider or any Morgan Stanley Company or their employees or officers on demand against any and all claims which the Service Provider or any Morgan Stanley Company or their employees or officers may suffer or incur directly or indirectly (including those incurred to a sub-custodian, broker, executing broker,

exchange, clearing house or other regulatory authority) as a result of, or in connection with, or arising out of, the Services Agreement, related documents, related transactions and any other matters set out in the Services Agreement. This indemnity will not extend to the Service Provider or any Morgan Stanley Company or their employees or officers in so far as the claims suffered by the same are a direct result of its fraud, wilful default, negligence, breach of applicable law or regulation (other than where the breach of law or regulation arises as a result of the indemnified person taking any action or inaction on the instructions of the Fund or its agents or as a result of the failure by the Fund to take any action required to be taken by it under applicable law or regulation).

As security for the payment and discharge of all liabilities of the Fund to the Service Provider and the Morgan Stanley Companies, all investments and cash held by the Service Provider and each such Morgan Stanley Company will be charged by the Fund in their favour and will therefore constitute collateral for the purposes of the rules of the Financial Conduct Authority (the "**FCA**"). Investments and cash may also be deposited by the Fund with the Service Provider and other Morgan Stanley Companies as margin and will also constitute collateral for the purposes of the FCA rules. Investments which constitute collateral for the purposes of the FCA rules may not be segregated from the Service Provider's own investments and may be available to creditors of the Service Provider or the Morgan Stanley Companies. Cash which the Fund transfers to the Service Provider will, subject to the terms of the Agreement, be client money for the purposes of the FCA Rules and will therefore be subject to the client money protections conferred by the FCA Rules.

Either party may terminate the Services Agreement by giving at least five business days' prior written notice. The Service Provider may terminate the Services Agreement with immediate effect if it determines in its discretion that it has become unlawful under any applicable law for the Service Provider or the Morgan Stanley Companies or the Fund to perform of any or all of its respective obligations thereunder.