

## SUPPLEMENT

### AVI Japanese Special Situations Fund

Dated 11 March 2024

to the Prospectus issued for GATEWAY UCITS FUNDS PLC

This Supplement contains information relating specifically to **AVI Japanese Special Situations Fund** (the "Fund"), a Fund of **GATEWAY UCITS FUNDS PLC** (the "Company"), an open-ended umbrella investment company with segregated liability between funds authorised by the Central Bank of Ireland (the "Central Bank") on 16 June 2015 as a UCITS pursuant to the UCITS Regulations. As at the date hereof there are seven other portfolios authorised as funds of the Company, namely Ecofin Energy Transition UCITS Fund, Ecofin Global Renewables Infrastructure UCITS Fund, Ecofin Sustainable Listed Infrastructure UCITS Fund, Ecofin Sustainable Global Water UCITS Fund, Grand Barie Lower Multi Asset Class Fund and AVI Global Special Situations Fund.

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

**This Supplement forms part of and should be read in the context of and in conjunction with the Prospectus of the Company dated 1<sup>st</sup> December 2022, as same may be amended (the "Prospectus").**

The launch of various Classes within the Fund may occur at different times and therefore at the time of the launch of given Class(es), the pool of assets of the Fund to which a given Class relates may have commenced to trade. Financial information in respect of the Fund will be published from time to time, and the most recently published audited and unaudited financial information will be available to potential Shareholders upon request following publication.

**The difference at any one time between the sale price (to which may be added a sales charge or commission) and the redemption price of Shares (from which may be deducted a redemption fee) means an investment should be viewed as medium to long term.**

**There is no guarantee that the Fund will generate sufficient income from its investments to discharge fees and expenses incurred and consequently Shareholders and prospective Shareholders should note that all or part of the fees and expenses of the Fund (including management fees) may be charged to the capital of the Fund. If all or part of the fees and expenses of the Fund are charged to the capital of the Fund this would have the effect of lowering the capital value of an investment in the Fund. Capital may be eroded, and "income" will be achieved by foregoing the potential for future capital growth. Thus, on redemptions of Shares, Shareholders may not receive back the full amount invested.**

The Fund may utilise financial derivative instruments for efficient portfolio management subject to the conditions and within the limits laid down by the Central Bank.

Shareholders should read and consider the section of the Prospectus entitled “Risk Factors” before investing in the Fund.

**Profile of a Typical Investor:** The Fund is suitable for investors seeking medium to long-term capital appreciation who are prepared to accept moderate volatility. Investors should look to hold their investment in the Fund for a minimum of five years.

## 1. Interpretation

The expressions below shall have the following meanings:

<b>“Base Currency”</b>	Japanese Yen (JPY)
<b>"Business Day"</b>	means any day (except Saturday or Sunday or bank holidays) on which banks in Dublin, Tokyo and London are generally open for business and/or such other or additional day or days as may be determined by the Directors and notified to Shareholders in advance.
<b>“Class”</b>	means a particular division of Shares in a sub-fund.
<b>“Dealing Day”</b>	Each Business Day and/or such other days in addition thereto or substitution therefor as determined by the Manager and notified in advance to Shareholders provided there is at least one dealing day per fortnight.
<b>“Distributor”</b>	means Asset Value Investors Limited
<b>“Distribution Agreement”</b>	means the distribution agreement between the Company, the Manager, and the Distributor.
<b>“Electronic Application”</b>	shall have the meaning ascribed to it in this Supplement under the heading “11. <i>Application for Shares</i> ”.
<b>“Electronic Request”</b>	shall have the meaning ascribed to it in this Supplement under the heading “12. <i>Redemption of Shares</i> ”.
<b>“Management Company” or “Manager”</b>	means Equity Trustees Fund Services (Ireland) Limited.

**“Redemption Dealing Deadline”**

means for all redemption requests sent to the Administrator by 12 p.m Irish time one (1) Business Day prior to the relevant Valuation Point or such other time as the Directors may determine and notify to Shareholders in advance provided always that the Redemption Dealing Deadline is no later than the relevant Valuation Point. On the respective Dealing Days immediately prior to 25 December and 1 January in each year, redemption request forms or Electronic Requests must be received by 12.00 noon (Irish time). Where on such days a redemption request form or Electronic Request is received after 12.00 (noon) Irish time, the redemption request shall be deemed to be received by the Redemption Dealing Deadline in connection with next succeeding Dealing Day.

**“Sub-Investment Manager”**

Asset Value Investors Limited

**“Sub-Investment Management Agreement”**

means the agreement dated 11 March, 2024 pursuant to which the Sub-Investment Manager was appointed with discretionary investment management authority in respect of the Fund.

**“Subscription Dealing Deadline”**

means for all subscription documents sent to the Administrator, 12 p.m. Irish time one (1) Business Day prior to the relevant Valuation Point, or such other time as the Directors may determine and notify to Shareholders in advance provided always that the Dealing Deadline is no later than the relevant Valuation Point. On the respective Dealing Days immediately prior to 25 December and 1 January in each year, applications for subscriptions or Electronic Applications must be received by 12.00 noon (Irish time). Where a redemption request form or Electronic Application is received after 12.00 (noon) Irish time, the subscription shall be deemed to be received by the Subscription Dealing Deadline in connection with next succeeding Dealing Day.

**"Valuation Point"**

means 10.am (Irish Time) on the relevant Dealing Day.

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

**2. Classes of Shares**

<b>Class</b>	<b>Currency of Denomination</b>	<b>Minimum Initial Subscription</b>	<b>Minimum Transaction Size</b>	<b>Minimum Holding</b>	<b>Performance Fee</b>
A	JPY	¥190,000	¥95,000	¥95,000	N/A

A	CHF	SFr1,000	SFr500	SFr500	N/A
A	EUR	€1,000	€500	€500	N/A
A	GBP	£1,000	£500	£500	N/A
A	USD	\$1,000	\$500	\$500	N/A
A1	JPY	¥190,000	¥95,000	¥95,000	15% of outperformance above the Benchmark return
A1	CHF	SFr1,000	SFr500	SFr500	15% of outperformance above the Benchmark return
A1	EUR	€1,000	€500	€500	15% of outperformance above the Benchmark return
A1	GBP	£1,000	£500	£500	15% of outperformance above the Benchmark return
A1	USD	\$1,000	\$500	\$500	15% of outperformance above the Benchmark return
B	JPY	¥9,000,000,000	¥15,000,000	¥15,000,000	N/A
B	CHF	SFr50,000,000	SFr100,000	SFr100,000	N/A
B	EUR	€50,000,000	€100,000	€100,000	N/A
B	GBP	£50,000,000	£100,000	£100,000	N/A
B	USD	\$50,000,000	\$100,000	\$100,000	N/A

B1	JPY	¥ 4,600,000,000	¥15,000,000	¥15,000,000	15% of outperformance above the Benchmark return
B1	CHF	SFr25,000,000	SFr100,000	SFr100,000	15% of outperformance above the Benchmark return
B1	EUR	€25,000,000	€100,000	€100,000	15% of outperformance above the Benchmark return
B1	GBP	£25,000,000	£100,000	£100,000	15% of outperformance above the Benchmark return
B1	USD	\$25,000,000	\$100,000	\$100,000	15% of outperformance above the Benchmark return

The Directors have the power to issue further Classes of Shares upon prior notification to and clearance in advance with the Central Bank.

### 3. Base Currency

The Base Currency shall be Japanese Yen.

### 4. Investment Management

The Manager has appointed the Sub-Investment Manager, as discretionary sub-investment manager for the Fund pursuant to the Sub-Investment Management Agreement.

Asset Value Investors Limited is a long only equities investment manager based in London. It is authorised and regulated in the UK by the Financial Conduct Authority (No 119270). Its registered office is at 2 Cavendish Square, London, W1G 0PU, United Kingdom.

The Sub-Investment Management Agreement is for an indefinite period and may be terminated by either the Manager and the Sub-Investment Manager on the provision of not less than one hundred and eighty ((180) days' written notice or at any time without notice where there has been a breach of the Sub-Investment Management Agreement which remains un-remedied within 30 days of notice of such breach having been received or upon such other terms as detailed within the Sub-Investment Management Agreement. The Sub-Investment Management Agreement provides that the Company out of the assets of the Fund shall indemnify defend and hold harmless the Sub-Investment Manager from and against all actions, proceedings, claims, damages, costs, demands and expenses including without limitation legal and professional expenses ("Loss") which may be brought against, suffered or incurred by the Sub-Investment Manager in the performance or non-performance of its duties under the

Sub-Investment Management Agreement provided that such Loss does not arise out of negligence, fraud, bad faith, wilful default, recklessness of the Sub-Investment Manager in the performance of its duties pursuant to the Sub-Investment Management Agreement, .

The Sub-Investment Manager will carry out the discretionary asset management of the Fund subject to and in accordance with the Sub-Investment Management Agreement.

## **5. Investment Objective**

The investment objective of the Fund is to generate long-term returns.

## **6. Investment Policy and Strategy**

The Sub-Investment Manager shall seek to achieve the investment objective by investing in a focused portfolio of, what in the opinion of the Sub-Investment Manager are, over-capitalised Japanese equities, while engaging with company management and Boards to help unlock value for the benefit of all shareholders. Examples of how the Sub-Investment Manager may seek to unlock value are increased dividend payments, potential for share buybacks or promoting operational enhancements.

The term over-capitalisation refers to a situation wherein the value of a company's capital is worth more than its total assets.

The Fund is actively managed meaning the Sub-Investment Manager uses their expertise to select investments to achieve the Fund's objectives.

The Sub-Investment Manager's research process begins with initial idea generation through financial screening such as in-depth analysis of company annual accounts and filings, external research and a bottom-up fundamental analysis focused on corporate balance sheets. The thousands of listed Japanese companies are quickly filtered down to between 100 and 150 separate companies. During an average 1–3-month independent research process, meetings are held with senior management of the short-listed companies. Industry analyst calls, expert networks and shareholder register analysis are some of the methods used to garner additional information to supplement the Sub-Investment Manager's research process.

The Sub-Investment Manager looks to invest in companies with high potential capital growth upside, an engagement thesis to include, by way of example, seeking operational improvements and enhancement of corporate governance, and an understanding of the timing of realisation catalysts. Realisation catalysts can include, by way of example, increased merger and acquisitions activity, share buyback programmes or board change. This process leads the Sub-Investment Manager to construct a portfolio of high conviction companies with individual allocations determined by aspects of the selection criteria. Companies shall be considered for inclusion in the portfolio if the Sub-Investment Manager believes that they are undervalued and where cash, listed securities and/or realisable assets make up a significant proportion of the market capitalisation.

On a post investment basis, the sub-Investment Manager shall embark on an engagement agenda with invested companies' senior management, that can include operational initiatives, balance sheet allocation, shareholder communication and corporate governance/ESG. The process to this engagement varies and is bespoke to each individual company. It often will include verbal engagement,

private letters or presentations or public campaigns if required. In addition, the Sub-Investment Manager may call extraordinary general meetings or seek to change board directors.

#### *Use of Derivatives*

Where considered appropriate, the Fund may utilise financial derivative techniques and instruments for efficient portfolio management and/or to protect against foreign exchange risks as further set out below, subject always to the conditions and within the limits laid down by the Central Bank.

Efficient portfolio management transactions relating to the assets of the Fund are transactions with the one of the following aims a) a reduction of risk b) a reduction of cost with no increase or a minimal increase in risk; c) generation of additional capital or income with no, or an acceptably low level of risk (relative to the expected return). In relation to efficient portfolio management operations, the Sub-Investment Manager will look to ensure that the transaction is economically appropriate.

Forward currency contracts may, subject to the conditions and limits laid down by the Central Bank, be used for efficient portfolio management purposes and/or to hedge currency exposures of the Fund or any class in accordance with the requirements of the Central Bank. Such currency exposure will arise where the assets in which the Fund invests are denominated in a different currency than the Base Currency of the Fund or the designated currency of the relevant Class.

The Fund may trade total return swaps or options, the underlying securities of which are primarily equities, where it is more efficient to do so. Further details on the underlyings will be detailed within the Company's annual report. Counterparty details, where applicable, will also be disclosed in the Company's annual report. It is not intended that the counterparty to an OTC derivative will assume any discretion over the composition or management of the Fund's investment portfolio or over the underlying of the financial derivative instruments.

#### *Global Exposure and Leverage*

In the event that the Fund leverages itself through the use of derivatives, this will be calculated on a commitment approach basis i.e., the amount of funds at risk, in accordance with the requirements of the Central Bank. The expected level of leverage will not under normal circumstances exceed 100% of the Net Asset Value of the Fund.

It is expected that the use of financial derivative techniques and instruments will not materially increase the Fund's risk level.

#### *Environmental, Social and Governance Considerations ("ESG") and Taxonomy*

The management of sustainability risk forms part of the due diligence process implemented by the Sub-Investment Manager.

When assessing the sustainability risk associated with underlying investments, the Sub-Investment Manager is assessing the risk that the value of such underlying investments could be materially negatively impacted by an environmental, social or governance event or condition ("ESG Event").

In respect of the Fund's investments, sustainability risk will be considered in the following context, namely if a proposed equity/company/sector is likely to suffer financially from anticipated or proposed regulation related to matters such as, but not limited to, climate change, recycling of material and production pollution, the overall profit and loss/valuation impact to the investment will be considered. By way of example only, in the case of a clothing manufacturer, sustainability risk will be considered due to the market scrutinising a manufacturers supply chain, where responsible supply chain management would be considered.

Sustainability risk is identified, monitored, and managed by the Sub-Investment Manager in the following manner:

Prior to acquiring investments on behalf of the Fund, the Sub-Investment Manager will assess ESG data metrics, in order to assess the relevant investment against sustainability risk factors and to identify how vulnerable the investment is to such risks.

Sustainability risk is something that the Sub-Investment Manager will consider as part of the overall risk events/long term analysis on individual equity positions. The output of such sustainability risk integration is not the determining factor considered in the investment decisions of the Sub-Investment Manager in respect of the selection of assets which the Fund may buy and/or hold. Accordingly, the Sub-Investment Manager may buy and/or hold assets which may expose the Fund to high or low levels of sustainability risk.

The Sub-Investment Manager has determined that the Fund may have a higher prospect of being impacted by a sustainability risk given that the Fund does not promote environmental or social characteristics, nor does it have sustainable investment as its investment objective. To the extent that a sustainability risk occurs, there may be a sudden, material negative impact on the value of an investment, and hence there may be a material negative impact on the Net Asset Value of the Fund. The Sub-Investment Manager acknowledges that the Fund's exposure to sustainability risks is changeable and shall keep the Fund's exposure to these risks under periodic review.

As the Fund does not have as its objective sustainable investment, nor does it promote environmental or social characteristics, the Fund does not fall within the scope of Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment (the "**Taxonomy Regulations**"). The investments underlying the Fund do not take into account the EU criteria for environmentally sustainable economic activities.

#### *Performance Measure*

As the Fund will primarily invest in Japanese equities, the performance of the Fund may be compared against the MSCI Japan Small Cap Total Return Index (the "**Benchmark**"), for comparison purposes. The Benchmark will also be used for the purpose of calculating performance fees.

While the Benchmark is considered to be consistent with the investment policy of the Fund, the Fund is considered to be actively managed, as the portfolio is unconstrained by the Benchmark and may contain securities which are not constituents of the Benchmark and whose equity, sector and weights may not correspond to their respective weight in the Benchmark.



## 7. Collateral Management Policy

The level and type of collateral required to be posted by the Fund may vary by counterparty with which the Fund trades. The haircut policy applied to posted collateral will be negotiated on a counterparty basis and will vary depending on the class of asset posted, considering the price volatility of the relevant asset and credit standing of the relevant counterparty.

## 8. Investment Restrictions

The general investment restrictions as set out in “Permitted Investments and Investment Restrictions” in Appendix I of the Prospectus shall apply. The Fund will only invest in assets that are permitted under the UCITS Regulations.

The Fund may borrow cash provided that such borrowing is on a temporary basis and represent a maximum of 10% of its net assets.

## 9. Risk Management Process

The Fund will employ a risk management process based on the commitment approach which is one of the two methods permitted by the UCITS Regulations for measuring risk attaching to derivative positions in accordance with the requirement to accurately monitor, measure and manage the risks attached to financial derivative positions and details of this process have been provided to the Central Bank. The Fund will not utilise financial derivatives which have not been included in the risk management process until such time as a revised risk management process has been submitted to Central Bank. The Company will provide on request to Shareholders supplementary information relating to the risk management methods employed by the Company including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments.

## 10. Offer

### *Initial Offer*

Shares in the Class A and Class B Shares will be offered from 9.00 a.m. (Irish time) on 12 March 2024 to 5.00 p.m. (Irish time) on 12 September 2024 (the “**Initial Offer Period**”), at the Initial Price set out below (plus any applicable duties or charges) and Shares will be issued for the first time on the first Dealing Day after expiry of the Initial Offer Period for the relevant Class of Shares.

The Initial Offer Period may be extended or shortened by the Directors. The Central Bank will be notified in advance of any such shortening or extension if subscriptions for Shares have been received during the relevant Initial Offer Period and otherwise on a yearly basis.

### *Initial Price*

Class	Initial Price
A and A1	100.00
B and B1	100.00

### *Subsequent Offer*

After the closing of the Initial Offer Period, the relevant Share Class will be issued at their Net Asset Value per Share (plus any applicable duties or charges)

#### **11. Minimum Initial Subscription**

The Directors are entitled to impose Minimum Initial Subscription, Minimum Transaction Size and Minimum Holding requirements in respect of each Class of Shares. The Minimum Initial Subscription, Minimum Holding and Minimum Transaction Size requirements in respect of each Class is outlined at Section 2 of the Supplement.

The Directors reserve the right to differentiate between Shareholders and to waive or reduce the Minimum Initial Subscription, the Minimum Holding and the Minimum Transaction Size for certain investors having regard to the equitable treatment of Shareholders.

#### **12. Application for Shares**

During the relevant Initial Offer Period a duly completed Application Form must be received by the Administrator no later than 12 p.m. (Irish time) on the closing date of the Initial Offer Period for the relevant Class. Cleared funds in respect of the subscription monies must be received for the account of the Fund no later than 4 p.m. on the last day of the relevant Initial Offer Period. Following the close of the relevant Initial Offer Period, applications in respect of the Fund received by the Administrator prior to the Subscription Dealing Deadline before the relevant Dealing Day will be dealt with on that Dealing Day. If any application is received after the Subscription Dealing Deadline, it will be deemed to have been received in respect of the next Dealing Day and dealt with accordingly. The Directors may, at their discretion, resolve to accept applications received after the Subscription Dealing Deadline but prior to the Valuation Point, in exceptional circumstances. Following the close of the relevant initial offer period, confirmed cleared funds must be received one (1) Business Day after the relevant Dealing Day (the "**Settlement Date**") as further detailed in the Section "**Timing of Payment**" below. For further information on the application procedure Shareholders' attention is drawn to the Section of the Prospectus entitled "**The Shares**" and the sub-section therein entitled "**Application Procedure**" which outlines further information on the application procedure to be followed.

No redemptions will be paid until the original Application Form and such other papers as may be required by the Administrator have been received and all anti-money laundering procedures have been completed.

Subsequent applications to purchase Shares following the initial subscription may be made to the Administrator by mail or facsimile or posted by electronic dealing (such as SWIFT or file transfer protocol and subject to prior agreement with the Administrator and to the exclusion of unsecured or deemed unsecured media such as e-mails) ("Electronic Application") or such other means as may be permitted by the Directors and agreed with the Administrator in accordance with the requirements of the Central Bank without a requirement to submit original documentation. The Directors or the Administrator reserves the right to refuse dealing by any means it considers as non-compliant or not technically

feasible. Subsequent applications should contain such information as may be specified from time to time by the Administrator.

Amendments to a Shareholder's registration details and payment instructions will only be made following receipt of original written instructions from the relevant Shareholder.

### **Fractions**

Subscription monies representing less than the subscription price for a Share will not be returned to the investor. Fractions of Shares will be issued where any part of the subscription monies for Shares represents less than the subscription price for one Share, provided however, that fractions shall not be less than 0.001 of a Share.

Subscription monies, representing less than 0.001 of a Share will not be returned to the investor but will be retained by the Company in order to defray administration costs.

### **Method of Payment**

Subscription payments net of all bank charges should be paid by SWIFT transfer to the bank account specified in the Application Form. No interest will be paid in respect of payments received in circumstances where the application is held over until a subsequent Dealing Day.

### **Currency of Payment**

Subscription monies are payable in the currency of denomination of the relevant Class. The Company will not accept applications for Shares in currencies other than the currency of denomination of the relevant Class in which the applicant has elected to apply for Shares.

### **Timing of Payment**

Payment in respect of subscriptions must be received in cleared funds by the Administrator no later than the Settlement Date. If payment in cleared funds in respect of a subscription has not been received by the relevant time, the Company or its delegate may cancel the subscription. The Company reserves the right to cancel, or to instruct its delegate to cancel, without notice any contract for which payment has not been received by the Settlement Date and to recover any losses incurred. The Company may charge the applicant or, if the applicant is a Shareholder, redeem or sell all or part of his holding of Shares and use the proceeds thereof to satisfy and make good any loss, cost, expense or fees. In addition, settlement is conditional upon all the appropriate documentation being received by the Company or its delegate prior to the Subscription Dealing Deadline in the required format with all details correct and with valid authorization. Shareholders are invited to carefully review the risk factor entitled "Non-Payment of Subscription Monies", under the section "Risk Factors" of the Prospectus.

### **Confirmation of Ownership**

Written confirmation of each purchase of Shares will normally be sent to Shareholders within 4 Business Days of the relevant Dealing Day. Title to Shares will be evidenced by the entering of the investor's

name on the Company's register of Shareholders and no certificates will be issued.

### **13. Redemption of Shares**

#### **Redemption of Shares**

Shareholders may redeem their Shares on any Dealing Day at the Net Asset Value per Share on the relevant Dealing Day (less any applicable duties or charges) (save during any period when the calculation of Net Asset Value is suspended). Redemption requests for Shares received by the Administrator before the Redemption Dealing Deadline will be dealt with on that Dealing Day. Redemption requests received after the Redemption Dealing Deadline will, at the discretion of the Directors, be deemed to have been received in respect of the next Dealing Day and dealt with accordingly. Shareholders' attention is drawn to the Section of the Prospectus entitled "The Shares" and the sub-section therein entitled "Redemption of Shares" which outlines further information on the redemption procedure to be followed. The Directors may, at their discretion, resolve to accept redemption requests received after the Redemption Dealing Deadline but prior to the Valuation Point, in exceptional circumstances.

In addition to standard dealing by mail or facsimile, redemption orders can also be posted by electronic dealing such as SWIFT or file transfer protocol ("Electronic Request") and subject to prior agreement with the Administrator and to the exclusion of unsecured or deemed unsecured media such as e-mails. The Directors or the Administrator reserves the right to refuse any means of dealing it considers as not compliant or not technically feasible.

The redemption price per Share shall be the Net Asset Value per Share.

#### **Method of Payment**

Redemption payments will be made to the bank account detailed on the Application Form or as subsequently notified to the Administrator in writing. Redemption payments following processing of instructions received by facsimile will only be made to the account of record of a Shareholder.

#### **Currency of Payment**

Shareholders will normally be repaid in the currency of denomination of the Class from which the Shareholder has redeemed Shares.

#### **Timing of Payment**

Redemption proceeds in respect of Shares will normally be paid within three (3) Business Days of the relevant Dealing Day (and in any event should not exceed three (3) Business Days from the relevant Dealing Deadline) provided that all the required documentation has been furnished to and received by the Administrator.

## **Withdrawal of Redemption Requests**

Requests for redemption may not be withdrawn save with the written consent of the Company or its authorised agent or in the event of suspension of calculation of the Net Asset Value of the Fund.

## **Compulsory/Total Redemption**

Shares of the Fund may be compulsorily redeemed, and all the Shares may be redeemed in the circumstances described in the Prospectus under the sub-headings “Compulsory Redemption of Shares” and “Total Redemption of Shares”.

### **14. Conversion of Shares**

Subject to the Minimum Initial Subscription requirements of the relevant Fund or Class, Shareholders may request conversion of some or all of their Shares in one Fund or Class to Shares in another Fund or Class or another Class in the same Fund in accordance with the procedures specified in the Prospectus under the heading “Conversion of Shares” and subject to any Minimum Transaction Size requirements applicable to a particular Class or Fund. Requests for conversion of Shares in a Class to another Class in the Fund should be made to the Administrator prior to the Redemption Dealing Deadline and in the case of conversion of Shares in the Fund to another Fund prior to the earlier of the Redemption Dealing Deadline and the dealing deadline for subscriptions in the other Fund by facsimile, written communication or electronically (in such format or method as shall be agreed in writing in advance with the Administrator and subject to and in accordance with the requirements of the Administrator and the Central Bank) or such other means as may be permitted by the Directors and should include such information as may be specified from time to time by the Administrator.

### **15. Dividend Policy**

It is not the current intention of the Directors that dividends be recommended for payment to Shareholders in the Fund. If dividends are to become payable, Shareholders will be notified in advance and full details will be provided in an updated Supplement for the Fund.

### **16. Suspension of Dealing**

Shares may not be issued, redeemed, or converted during any period when the calculation of the Net Asset Value of the relevant 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.

### **17. Fees and Expenses**

#### *Establishment Expenses*

All fees and expenses relating to the establishment of the Fund and registering the Fund for sale in

various markets will be borne by the Fund. Such fees and expenses are estimated not to exceed an amount of €45,000 and may be amortised over the first five Accounting Periods of the Company and in such manner as the Directors in their absolute discretion deem fair.

#### *Management, Custodial and Administration Expenses*

The aggregate fees and expenses payable out of the assets of the Fund in respect of the provision of management (excluding fees payable to the Sub-Investment Manager as described under the heading “Sub-Investment Management Fee” below), administration, custodial and third-party services subject to a maximum fee of €170,000 will not exceed 135 basis points per annum of the Net Asset Value of the Fund. This will include (i) any fees and expenses payable to each of the Manager, the Administrator and the Depositary in respect of the provision of services (excluding in the case of the Manager the fees payable to the Sub-Investment Manager as more particularly described below) to the Fund (the “Service Provider Fees”) and (ii) the fees and expenses of each of the Company Secretary, the Money Laundering Reporting Officer for the Company, the fees payable to the Auditors and the Directors (the “Third Party Fees”). The Service Provider Fees shall accrue and shall be payable out of the assets of the Fund on a monthly basis. The Third-Party Fees shall accrue and shall be payable out of the assets of the Fund on a monthly basis or otherwise on an annual basis as may be agreed from time to time. In instances where the actual fees incurred at Class level are less than the maximum fees outlined above, the difference shall be returned to the Fund for the benefit of Shareholders.

Any additional fees and operating expenses of the Company which may be borne by the Fund (other than those detailed above or below) are set out in detail under the heading “Fees and Expenses” in the Prospectus.

Each of the Manager, the Administrator, the Depositary and the third-party service providers referred to above will also be reimbursed for all reasonable out-of-pocket expenses incurred on behalf of the Company in the performance of its duties. The Depositary will also charge transaction fees and sub-custodian fees and expenses at normal commercial rates.

#### **Performance Fee**

In addition to the Investment Management Fee, the Sub-Investment Manager is entitled to a performance fee (the “**Performance Fee**”) in relation to each designation of Class A1 and B1 Shares, (each a “**Sub-Class**”) at the rate (the “**Performance Fee Percentage**”) as outlined further in Section 2 of this Supplement “Classes of Shares” in respect of each Calculation Period.

The Performance Fee is only payable in respect of a Sub-Class when the Sub-Class outperforms the return of the MSCI Japan Small Cap Index Net Total Return in JPY (the “**Benchmark**”). If, during a Performance Fee period, the performance of a Sub-Class does not exceed the performance of the Benchmark, no Performance Fee is payable until such unachieved performance is reclaimed, that is any/all underperformance versus the Benchmark must be recouped in future Performance Fee Calculation Periods before any Performance Fee will become payable. Please see below for further information.

The Performance Fee for each relevant Sub-Class will be paid out of the net assets attributable to such Sub-Class. The Performance Fee shall be calculated net of all relevant fees and expenses including any accrued liability for a performance fee. The Performance Fee will accrue on each Valuation Day in the calculation of the Net Asset Value of the Fund and will be calculated as at the last Dealing Day of each calendar year (the “Crystallisation Date”). Any Performance Fee payable to the Sub-Investment Manager will be credited to the Sub-Investment Manager as of the Crystallisation Date and will be paid out of the assets of the Fund annually in arrears within 14 days of the Crystallisation Date.

#### *Performance Fee - Class A1 and Class B1 Shares*

The Performance Fee in respect of each Sub-Class is equal to the Performance Fee Percentage of any Relative Outperformance (as defined below) during the Calculation Period.

The Initial Price shall be taken as the starting price.

A “**Calculation Period**” with respect to each Sub-Class of Shares means the period beginning on either first Business Day immediately following the close of the initial offer period, the date of such Shareholder’s first purchase of Class A or Class B Shares or the first Business Day following the last Dealing Day of the immediately preceding Calculation Period, as the case may be, and ending on (a) the last Dealing Day of each calendar year (b) the effective date of the redemption of any Share; or (c) the final payment to the Shareholder following termination of the Fund. The first Calculation Period for a Sub-Class will be the period commencing on the Business Day immediately following the close of the initial offer period for each relevant Sub-Class, and running for at least twelve months, and ending on the last Dealing Day of the relevant calendar year or the effective date of the redemption of any Share.

The “**Relative Outperformance**” means the excess of the Net Asset Value of a Sub-Class as at the Crystallisation Date over the return of the Benchmark.

The Performance Fee will be calculated by the Administrator and verified by the Depositary and shall not be open to the possibility of manipulation.

**Net realised and unrealised capital gains and net realised, and unrealised capital losses will be included in the Performance Fee calculation as at the end of the Calculation Period. As a result, a Performance Fee may be paid on unrealised gains which may subsequently never be realised.**

**A Performance Fee may be paid in time of negative performance (for example, where a Sub-Class outperforms the Benchmark, but overall has a negative performance).**

The past performance of the Fund against the Benchmark is displayed in the key investor information document (“KIID”) and signposted within the key investor document (“KID”), and is available from [www.equitytrustees.com](http://www.equitytrustees.com).

#### *Performance Fee Examples*

These separate examples deal with accrual and payment of the performance fee, where applicable, for the Fund under different performance scenarios

**Example 1:**

Performance fee:	15%
Scenario:	NAV increases during the performance period by a greater amount than the increase of the return of the Benchmark over the same period. The scenario assumes no subscriptions/redemption activities for the period.
Result:	A Performance fee is paid at the end of the relevant calculation period.
Detail:	In this example: <ul style="list-style-type: none"><li>• At the start of the Calculation Period an investor purchases 100 Shares at an opening NAV per share of £100.00 (at which point the Share class NAV becomes £10,000)</li><li>• At the Calculation Day the closing Net Asset Value (“NAV”)<sup>1</sup> per share has increased to £110 (so the fund has risen 10%)</li><li>• At the Calculation Day, the total return of the Benchmark in JPY has risen by 5%.</li><li>• Assuming the Calculation period is one year, the relative Benchmark value is £105.00 i.e., (<math>£100 * 1.05</math>)</li></ul>

In this situation, a performance fee is payable on outperformance of the Benchmark (15% of  $(£110 - £105) \times$  shares in issue at the end of the relevant calculation period). £0.750 of performance fee per share is crystallised.

The Fund’s closing NAV is £10,925.00 and the NAV per share is £109.250

**Example 2:**

Performance fee:	15%
Scenario:	NAV increases during the initial performance period by a greater amount than the initial offer price but less than the Benchmark return at the end of the calculation period over the same period. The scenario assumes no subscriptions/redemption activities for the period.
Result:	A Performance fee is not paid at the end of the relevant calculation period.
Detail:	In this example: <ul style="list-style-type: none"><li>• At the start of the Calculation Period an investor purchases 100 Shares at an opening NAV per share of £100.00 (at which point the Share class NAV becomes £10,000)</li><li>• In the performance period the closing Net Asset Value (“NAV”) per share has increased to £100.5 (so the fund has risen 0.5%)</li><li>• At the Calculation Day, the total return of the Benchmark in JPY has risen by 3%.</li><li>• Assuming the Calculation period is one year, the relative Benchmark value is now £103 i.e., (<math>£100 * 1.03</math>)</li></ul>

In this situation, a performance fee is not payable because the NAV (£100.5) has increased above the initial offer price (£100) but by a lesser amount than the closing relative Benchmark value (£103) (i.e. there has not been any

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<sup>1</sup> NAV equates to the deduction of all relevant fees and expenses including any accrued liability for a performance fee.



outperformance of the Benchmark).

### Example 3:

Performance fee:	15%
Scenario:	The previous year, the NAV underperformed the Benchmark by 2% and no performance fee was payable. The next year the NAV increases by 10%, whereas the Benchmark has increased by 5%. The scenario assumes no subscriptions/redemption activities for the period.
Result:	A Performance fee is paid at the end of the relevant calculation period.
Detail:	<p>In this example:</p> <ul style="list-style-type: none"><li>• At the opening of the calculation period the NAV per share is £100.00 (at which point the Share class NAV becomes £10,000)</li><li>• The reference Benchmark at the opening period is £102.00</li><li>• In the performance period the closing Net Asset Value ("NAV") per share has increased to £110.00 (so the fund has risen 10%).</li><li>• At the Calculation Day, the total return of the Benchmark in USD has risen by 5%, resulting in a relative Benchmark return of £107.10 (£102 *1.05)</li><li>• As the Fund underperformed during the previous calculation period, it must exceed the cumulative Benchmark return.</li></ul>

In this situation, a performance fee is payable because the NAV (£100.00) has increased above the cumulative Benchmark return (£107.10).

In this situation, a performance fee is payable on outperformance of the Benchmark (15% of (£110 - £107.10) x shares in issue at the end of the relevant calculation period). £0.435 of performance fee per share is crystallised.

The Fund's closing NAV is £10,956.50 and the NAV per share is £109.565

### Example 4

Performance fee:	15%
Scenario:	The NAV decreases during the calculation period by 5%, whereas the Benchmark has decreased by 10%. As the Fund has outperformed the Benchmark, a performance fee is payable due to the NAV at the end of the calculation period being higher than the relative Benchmark value. The scenario assumes no subscriptions/redemption activities for the period.
Result:	A Performance fee is paid at the end of the relevant calculation period.
Detail:	<p>In this example:</p> <ul style="list-style-type: none"><li>• At the start of the Calculation Period both the Shares and relative Benchmark value have a NAV per share of £100.00.</li><li>• At the end of the calculation period, the closing Net Asset Value ("NAV") per share has decreased to £95.00 (so the fund has fallen by 5%)</li></ul>

- At the Calculation Day, the total return of the Benchmark in JPY has decreased by 10%.
- Assuming the Calculation period is one year, the NAV per Share has outperformed the Benchmark by 5%

In this situation, a performance fee is payable on outperformance of the Benchmark (15% of (£95- £90.00) x shares in issue at the end of the relevant calculation period). £0.75 of performance fee per share is crystallised.

The Fund's closing NAV is £9,425.00 and the NAV per share is £94.25.

### **Conversion Fee**

The Directors do not currently intend to impose a conversion fee.

### **Anti-Dilution Levy / Duties and Charges**

The Company reserves the right to impose an 'anti-dilution levy' representing a provision for market spreads (the differences between the prices at which assets are valued and/or bought or sold), and other dealing costs relating to the acquisition or disposal of assets and to preserve the value of the underlying assets of the Fund, in the event of receipt for processing of net subscriptions and/or redemptions, including subscriptions and redemptions which would be effected as a result of requests for conversion from one Fund into another Fund. Any such provision may be added to the price at which Shares will be issued in the case of net subscription requests exceeding 5% of the Net Asset Value of the Fund and deducted from the price at which Shares will be redeemed in the case of net redemption requests exceeding 5% of the Net Asset Value of a Fund, including the price of Shares issued or redeemed as a result of requests for conversion. The application of any provision will be subject to the overall direction and discretion of the Company.

### **Sub-Investment Management Fee**

The Sub-Investment Manager is entitled to charge an annual investment management fee (the "Sub-Investment Management Fee") up to the percentage specified in the table below for each Class. The Sub-Investment Management Fee shall be calculated and accrue daily and be payable monthly in arrears out of the assets of the Fund.

<b>Class</b>	<b>Sub-Investment Management Fee</b>
<b>A</b>	<b>1.00%</b>
<b>A1</b>	<b>0.70%</b>
<b>B</b>	<b>0.80%</b>
<b>B1</b>	<b>0.50%</b>

### **Distribution Fee**

The Sub-Investment Manager will not charge additional fees for the provision of distribution services to the Fund.

## **Sales Charge**

The Directors may levy a sales charge not exceeding 5% of the value of the Shares being acquired. It is not the current intention of the Directors to charge a sales charge.

## **18. Risk Factors**

Investment in the Fund carries with it a degree of risk including, but not limited to, the risks described in the “Risk Factors” section of the Prospectus.

In addition to the Prospectus disclosures, the attention of investors is drawn to the following additional risk factors:

### **Equity Risk**

Investing in equity securities (which include common stock and preferred stock) and derivatives on such equity securities may offer a higher rate of return than those investing in debt securities or other types of investments. However, the risks associated with investments in equity securities may also be higher, because the investment performance of equity securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines which are not specifically related to the particular company or issuer owing to adverse economic conditions, changes in interest rates or currency rates or general outlook for corporate entities and risks associated with individual companies or issuers. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might suddenly and substantially decrease in value as a result in changes in a company’s financial position and overall market and economic conditions. The value of convertible equity securities may also be affected by prevailing interest rates, the credit quality of the issuer and any call provisions.

### **Trading Risks**

All trading activities risk the loss of capital. While the Sub-Investment Manager attempts to moderate these risks through the Fund’s investment program and risk management techniques, there can be no assurance that the Fund’s investment and trading activities will be successful or that Shareholders of the Fund will not suffer losses.

Depending upon the investment strategies employed and market conditions, the Fund may be adversely affected by unforeseen events involving such matters as political crises, changes in currency exchange rates, interest rates and other events. Although the Sub-Investment Manager intends to implement de-risking techniques to manage investment risk, there can be no assurance that such techniques will be successful.

### **Portfolio Volatility**

The value of the Fund’s portfolio may decrease if the value of financial instruments traded by the Sub-Investment Manager decrease. The value of the Fund’s portfolio could also decrease if the overall

market declines. If this occurs, the Fund's NAV may also decrease. Certain market segments, in which the Sub-Investment Manager may invest, may be characterized by above average price volatility and rapid change of sector-specific market conditions. The Fund's Shareholders may be, therefore, exposed from time to time to relatively volatile performance curve and may experience negative performance during periods of unfavorable market situation, or in the instances of negative correlation between the U.S. securities market and the securities markets in other countries.

### **Market Risk and Change in Market Conditions**

The investments of the Fund are subject to risks inherent in all investments. The value of holdings may fall as well as rise, sometimes rapidly and unpredictably. The price of investments will fluctuate and can decline in value due to factors affecting financial markets generally or particular industries, sectors, companies, countries or geographies represented in the portfolio, thus reducing the value of a portfolio. The value of an investment may decline due to general market conditions which are not specifically related to the particular investment, such as real or perceived adverse economic conditions, changes in the general outlook of macro-economic fundamentals, changes in interest or currency rates or adverse investor sentiment generally. It may also decline due to factors which affect a particular region, sector or industry, such as labour shortages or increased production costs and competitive conditions. Some investments may be less liquid and/or more volatile than others and therefore may involve greater risk.

The Fund's performance may be adversely affected by unfavourable markets and unstable economic conditions or other events, which may result in unanticipated losses that are beyond the control of the Fund.

If there are any disruptions or failures in the financial markets or the failure of financial sector companies, the Fund's portfolio could decline sharply and severely in value or become valueless, and the Sub-Investment Manager may not be able to avoid significant losses in that Fund. Investors may lose a substantial proportion or all of their investments.

### **Concentration Risk**

A risk can arise from a concentration of investment in certain assets or markets. The sub-fund is particularly heavily dependent on the performance of equity assets and the Japanese equity market.

### **Counterparty Risk**

The Fund will have a credit risk on the counterparties with which it trades. In the event of the insolvency, bankruptcy or default of any such counterparty the Fund bears the risk that the counterparty may not settle a transaction in accordance with market practice due to credit or liquidity problems of the counterparty, or due to the insolvency, fraud or regulatory sanction of the counterparty, thus causing the Fund to suffer a loss.

The Fund may have exposure to trading counterparties other than the Depositary. The Sub-Investment Manager on account of the Fund may enter into transactions with financial institutions, such as

brokerage firms, broker-dealers and banks. These financial institutions, being counterparty to the transactions, may also be issuers of other investments in which the Fund invests.

The Fund's transactions involve counterparty credit risk and will expose the Fund to unanticipated losses to the extent that counterparties are unable or unwilling to fulfil their contractual obligations. With respect to exchange traded derivatives and centrally cleared OTC derivatives, there is a risk of a potential default of the exchange, clearing house or the clearing broker. In certain circumstances, the Fund may encounter delays and difficulties with respect to court procedures in seeking recovery of the Fund's assets.

While the Sub-Investment Manager may have contractual remedies upon any default pursuant to the agreements related to the transactions, such remedies could be inadequate, however, to the extent that the collateral or other assets available are insufficient.

Deposits of securities or cash with a depository, bank or financial institution ("**depository**") will also carry counterparty risk as the depository may be unable to perform their obligations due to credit-related and other events like insolvency or default by them. In these circumstances, the Fund may be required to exit certain transactions, may encounter delays of some years, and may encounter difficulties with respect to court procedures in seeking recovery of the Fund's assets.

#### **Lack of control and reliance on the Sub-Investment Manager**

Shareholders will have no right to participate in the daily management of the Fund or in the control of its daily business. Accordingly, no person should purchase any Shares unless he/she/it understands that the Sub-Investment Manager is responsible for the discretionary investment management of the assets of the Fund. The Fund's success will depend upon the ability of the Sub-Investment Manager to implement its investment policy and strategy so as to achieve the investment objective. The death, disability or withdrawal of one or more of the key employees of the Sub-Investment Manager, or the financial or operational difficulties of the Sub-Investment Manager could adversely affect the Fund

**These investment risks are not purported to be exhaustive and potential Shareholders should review the Prospectus and this Supplement carefully and consult with their professional advisers before making an application for Shares. There can be no assurance that the Fund will achieve its investment objective.**