

# Conning Funds

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**Conning Global High Dividend Equity Fund**

**SUPPLEMENT 5**

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**Dated 20 December 2017**

## **SUPPLEMENT 5: Conning Global High Dividend Equity Fund**

of the Prospectus dated 20 December 2017.

This Supplement contains specific information in relation to the Sub-Fund called the Conning Global High Dividend Equity Fund ("**Global HDE**"), a sub-fund of Conning Funds (the "**Fund**"), an open-ended umbrella unit trust established as a UCITS pursuant to the **UCITS Regulations** and the **Central Bank UCITS Regulations** pursuant thereto for the time being in force.

**This Supplement forms part of and should be read in conjunction with the Prospectus and, specifically, the general description of:**

- **the Fund and its management and administration**
- **its general management and fund charges**
- **the taxation of the Fund and of its Unit Holders and**
- **its risk factors**

**which is contained in the Prospectus dated 20 December 2017 for the Fund and which is available from BNP Paribas Fund Services Dublin Limited, Trinity Point, 10-11 Leinster Street South, Dublin 2, Ireland, the Administrator.**

The Directors of the Manager of the Fund (Prospectus - "Management of the Fund"), 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 this is the case) this 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.

**A subscription and a redemption fee may be charged as more fully described in the subscription and redemption sections of this Supplement. Consequently, an investment in Global HDE should be viewed as medium to long term.**

Application has been approved by the Irish Stock Exchange plc for all the Classes of the Global HDE issued and available for issue, to be admitted to the Official List of the Irish Stock Exchange for trading on the Main Securities Market of the Irish Stock Exchange. The listing of the Classes will be completed when the Irish Stock Exchange is notified of Units being seeded in the relevant Class

As of the date of this document the Global HDE does not have, and is not expected to have, any loan capital (including term loans) outstanding or created but unissued, any outstanding mortgages, charges, debentures or other borrowings, including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase or finance lease commitments, guarantees or other contingent liabilities.

## **DEFINITIONS**

In addition to the definitions in the Prospectus, the following definitions apply to this Global HDE Supplement only, unless the context otherwise requires:

<b>"Approved Counterparties"</b>	means counterparties approved by the Investment Manager.
<b>"Business Day"</b>	every day which is a bank business day in Dublin, London and New York, or such other day or days as the Manager may determine.
<b>"Global HDE Accumulation Class"</b>	means a Global HDE Share Class of Units available in the Global HDE Accumulation Class which does not pay a dividend.

<b>"Global HDE Accumulation Class Unit"</b>	means one undivided Unit in the Global HDE Accumulating Class.
<b>"Global HDE Base Currency"</b>	means the base currency of the Global HDE, being United States Dollars.
<b>"Global HDE Conning Investor Accumulation Class"</b>	means a Global HDE Share Class of Units available in the Global HDE Conning Investor Accumulating Class which does not pay a dividend.
<b>"Global HDE Conning Investor Accumulation Class Unit"</b>	means one undivided Unit in the Global HDE Conning Investor Accumulating Class.
<b>"Global HDE Conning Investor Class"</b>	means a class of Units in either the Global HDE Conning Investor Accumulation Class or the Global HDE Conning Investor Distribution Class Units made available to Conning's existing clients only, as determined by the Investment Manager, at its sole discretion, during the Initial Offer Period up to a combined total of USD 50 million plus or minus 5%, at the Manager's sole discretion.
<b>"Global HDE Conning Investor Distribution Class"</b>	means a Global HDE Share Class of Units available in the Global HDE Conning Investor Distribution Class which pays a dividend as described in this Supplement.
<b>"Global HDE Conning Investor Distribution Class Unit"</b>	means one undivided unit in the Global HDE Conning Investor Distribution Class.
<b>"Global HDE Distribution Class"</b>	means a Global HDE Share Class of Units available in the Global HDE Distribution Class which pays a dividend as described in this Supplement.
<b>"Global HDE Distribution Class Unit"</b>	means one undivided unit in the Global HDE Distribution Class.
<b>"Global HDE Global Exposure"</b>	means the incremental Global HDE's global exposure generated by using FDI positions (as prescribed in the Central Bank UCITS Regulations) which relating to FDI shall not exceed the Global HDE's Net Asset Value. In general FDI positions are converted into the equivalent position in the underlying assets.
<b>"Global HDE Net Asset Value"</b>	means the net asset value of the Global HDE calculated in accordance with the provisions of the Trust Deed, (Prospectus - "Administration of the Fund - Calculation of Net Asset Value of Units").
<b>"Global HDE Seed Accumulation Class"</b>	means a Global HDE Share Class of Units available in the Global HDE Seed Accumulation Class which does not pay a dividend.
<b>"Global HDE Seed Accumulation Class Unit"</b>	means one undivided Unit in the Global HDE Seed Accumulation Class.
<b>"Global HDE Seed Class"</b>	means a class of Units in either the Global HDE Seed Accumulation Class or the Global HDE Seed

	Distribution Class available during the Initial Offer Period only for the purposes of seeding the launch of the Global HDE up to a combined total of USD 50 million plus or minus 5%, at the Manager's sole discretion.
<b>"Global HDE Seed Distribution Class"</b>	means a Global HDE Share Class of Units available in the Global HDE Seed Distribution Class which pays a dividend as described in this Supplement.
<b>"Global HDE Seed Distribution Class Unit"</b>	means one undivided unit in the Global HDE Seed Distribution Class.
<b>"Global HDE Share Class"</b>	means any Global HDE Share Class of Units available in the Global HDE.
<b>"Global HDE Total Exposure"</b>	means the aggregate of the Global HDE Exposure and the Global HDE Net Asset Value of the Global HDE.
<b>"Initial Offer Period"</b>	means the period as the Manager may determine and are entitled to agree in their absolute discretion (all as notified to the Irish Stock Exchange and Central Bank), during which Units in each Class are first made available for subscription.
<b>"Investment Manager"</b>	means Conning, Inc ("CINC") as defined further in this Supplement.
<b>"Subscription Currency"</b>	means the currency of the Global HDE in which all Global HDE Share Class of Units will be denominated, namely United States Dollars.

## 1. KIID

For Unit Holders and prospective investors in a) Austria, Germany and Switzerland, this Prospectus and the KIID is available in both English and German, b) Belgium and France, the KIID is available in French, and c) the Netherlands, the KIID is available in Dutch. Every effort has been made to keep the translations parallel. For Units distributed in Switzerland, the Prospectus and KIID in German are binding.

For all Global HDE Units distributed in jurisdictions other than those listed above and for the documents listed above, the Prospectus and KIID in English shall prevail, except to the extent (and only to the extent) required by any applicable law of any jurisdiction in which the Units are sold and in such circumstances, in relation to any action taken based on a disclosure contained in a non-English version of the Prospectus or KIID, that non-English language version shall instead prevail. The KIID is also available on [www.conning.com](http://www.conning.com).

## 2. Investment Objective

The investment objective of the Global HDE is to generate strong current income with growth potential over time and secondarily long term capital appreciation. However, investors should note that there is no guarantee that this objective will be achieved.

## 3. Investment Philosophy and Policy

To seek to achieve its investment objective, the Global HDE Fund will selectively invest in global equities, which should the equities qualify include what may be considered emerging markets. This is achieved by selecting qualifying securities whose issuers are traditionally orientated towards generating dividends and have strong balance sheets, narrowing the

global universe to only financially strong companies with attractive current dividend yields, a history of stable dividends and other key financial metrics which increase the Investment Manager's confidence that the dividend is financially sustainable over time. Such financial metrics shall include companies with investment grade ratings from the major rating agencies for the past 5 years or longer, an equity market capitalisation in excess of USD 10 billion and low debt levels relative to market capitalisation.

The Investment Manager uses a team of analysts to implement a multi-stage screening process to narrow the global universe to a target qualifying portfolio. In brief this is an intersection style process where each investment would need to satisfy all the screen tests in order to qualify and where the screen tests combine both quantitative screens and qualitative investment methodologies. Quantitative screens include:

- Minimum equity market capitalization of USD 10 billion for companies rated investment grade by a major rating agency or USD 20 billion if not rated.
- Minimum current dividend yield of 2% for companies rated investment grade by a major rating agency or 3% if not rated.
- Dividend pay-out needs to be stable or increasing for at least the previous four years.
- Gross debt to equity market capitalization less than or equal to 35%, or gross debt to EBITDA (earnings before interest, taxes, depreciation, and amortisation) less than or equal to 300%.

The qualitative review includes a full individual company review by the Investment Manager's global credit analysts, which also covers:

- Full review utilizing the Investment Manager's bottom up fundamental analysis.
- Eliminated names on the Investment Manager's watch list.
- If discovered, excluding names with a risk of dividend reduction.
- Similarly, names with an excessive business event risk are eliminated.

In addition to the UCITS investment restrictions, the following additional portfolio diversification criteria will apply:

- All names in the portfolio have the same initial and rebalanced weighting i.e. no preference is given to one security over another.
- Limiting the number of positions to no less than 60 names and no more than 100.

It should be understood that no industry/sector focus will apply as such an approach could distort the outcome of the investment objective.

The portfolio is reset quarterly on the first day of the last month of each calendar quarter, i.e. in March, June, September and December, where all dividends are reinvested or paid out, depending on the relevant Global HDE Accumulation Share Class and Global HDE Distribution Share Class (as defined below) and the portfolio reset to equally weight the securities once again.

Intra quarters the Investment Manager has the sole discretion as whether to reinvest the cash accumulated from dividends in US Government securities or USD money market funds.

With the exception of permitted investment in unlisted securities, the Global HDE Fund's investments will be listed or traded on Recognised Exchanges (Prospectus – "Appendix II – List of Recognised Exchanges").

Finally, the Investment Manager has the sales discipline imposed on it of acting on trigger issues raised from the ongoing portfolio review and monitoring process to act when the portfolio is rebalanced quarterly, e.g. if names no longer pass the quantitative and qualitative review processes or if changes in the name's business profile alters the Investment Manager's conviction status.

The Global HDE Fund may invest in equities in Australian Dollars (AUD), Canadian Dollars (CAD), Swiss Francs (CHF), Danish Kroner (DKR), Euro (EUR), United Kingdom Pounds Sterling (GBP), Japanese Yen (JPY), Norwegian Krone (NOK), New Zealand Dollars (NZD) Swedish Kronor (SEK) and United States Dollars (USD) or any other currency the Investment Manager may deem appropriate as required for investment purposes. It should be noted that equity positions will not be shorted and uncovered currency positions are not permitted.

#### **4. Securities Financing Transactions**

It is expected that the proportion of the Fund's assets under management that will be subject to Securities Financing Transactions ("SFTs") will typically be in the range of 0% to 30% for securities lending, but will not in any event exceed 30%, and will not exceed the investment restrictions prescribed under the heading "Investment Restrictions" in the Prospectus. The assets underlying the SFTs will be equities under such transactions. For further information on SFTs please see section entitled "Securities Financing Transactions" contained in the Prospectus.

#### **5. Investment Restrictions**

The Global HDE's investment restrictions are as under Prospectus - "The Fund - Investment Restrictions".

#### **6. Use of Derivatives**

The Global HDE will use only forward foreign exchange contracts for Efficient Portfolio Management purposes.

A derivative is a security or instrument whose value is determined by reference to the value or the change in value of one or more securities, currencies, indices or other financial instruments. Derivatives used for Efficient Portfolio Management purposes will have the aim of reducing risk, reducing costs or generating additional capital or income for the Global HDE with an appropriate level of risk, taking into account the risk profile of the Global HDE and the general provisions of the UCITS Regulations. Any such investment technique or FDI must be one which (alone or in combination with one or more other instrument techniques or FDIs) is reasonably believed by the Investment Manager to be economically appropriate to the management of the Global HDE.

Forward foreign exchange contracts may be used to hedge the currency exposure of the Global HDE for the purpose of Efficient Portfolio Management. It is intended that the use of such forward foreign exchange contracts will reduce the exchange rate risk of the Global HDE. In particular, these may be used to hedge the designated currency of the assets of the Global HDE to the Base Currency. Fund performance may be materially affected in a situation where currency hedges held by the Global HDE do not exactly match currency exposure arising through securities held by the Global HDE.

#### **7. Investment Manager**

The Manager has appointed Conning Asset Management Limited as the investment manager of the Global HDE pursuant to the CAML Investment Management Agreement dated 21 October 2014, as amended by way of side letter dated 17 August 2015 and as further as amended by way of an amending agreement dated 20 December 2017, and Conning Asset Management Limited has appointed Conning, Inc. ("CINC") as sub-investment manager, with discretion, of the Global HDE pursuant to an agreement dated 14 August 2015.

CAML and CINC. are part of the Conning group of companies ("Conning"), a leading asset management firm headquartered in Hartford, Connecticut, United States which was founded in 1912. CAML is based in London and was founded in 1998 and is regulated by the Financial Conduct Authority in the United Kingdom. CINC is based in Hartford, Connecticut

and was founded in 1982 and is regulated by the U.S. Securities and Exchange Commission. Conning's primary business is asset management for financial institutions.

## **8. Investment Manager Fee**

The Manager, Administrator and Trustee fees and expenses payable from the assets of the Global HDE are as under Prospectus - "Management and Fund Charges" and general fees under Prospectus - "General".

The Investment Manager is entitled to recover the following annual fees from Unit Holders. These investment management fees accrue daily and are paid monthly in arrears to a maximum of:

In respect of both the Global HDE Accumulation Class and the Global HDE Distribution Class:

40.0 bps per annum of the Global HDE Net Asset Value of such Class.

In respect of the Global HDE Seed Class only:

35.0 bps per annum of the Global HDE Net Asset Value of a Global HDE Seed Class.

In respect of the Global HDE Conning Investor Class only:

30.0 bps per annum of the Global HDE Net Asset Value of a Global HDE Conning Investor Class.

The Investment Manager will be entitled to recover any reasonable formation and organisation costs and out of pocket expenses incurred by it from the Global HDE. (22. "Formation and Organisation Costs").

## **9. Profile of a Typical Investor**

A typical investor in the Global HDE may be an investor with a medium to long term investment horizon who considers investment in the Global HDE as a convenient way of seeking to achieve growth of capital and income, through an exposure to a diversified portfolio of global equity securities.

## **10. Available Classes of Units**

Units are issued to investors as Units of a Class in the Global HDE. Units may be issued in one of six Global HDE Classes all denominated in United States Dollars, primarily broken down initially into either an accumulation Class or a distribution Class and then by Investment Manager fees charged by the Investment Manager, namely:

- Global HDE Accumulating Class
- Global HDE Distribution Class
  
- Global HDE Conning Investor Accumulating Class
- Global HDE Conning Investor Distribution Class
  
- Global HDE Seed Accumulating Class
- Global HDE Seed Distribution Class

The Global HDE will only have United States Dollars as a Subscription Currency and Unit Holders may only redeem in United States Dollars in the Class to which they have subscribed.

All Classes shall rank *pari passu* with one other except that a different distribution policy and different fees apply to each accumulating and distribution Class as detailed under the heading 11. "Distribution Policy" below.

Switching between the Accumulating and Distribution Classes in the same category is permitted at no fee. (Prospectus – "Administration of the Fund – Switching").

## **11. Base Currency**

The Global HDE Base Currency is United States Dollars.

## **12. Dealing Day**

Every Business Day shall be a Dealing Day for the Global HDE on which Units can be subscribed or redeemed.

## **13. Distribution Policy**

### **Accumulation Units**

The Global HDE Accumulation Class Units, Global HDE Conning Investor Accumulation Class Units and Global HDE Seed Accumulation Class Units, the "Global HDE Accumulation Units" will not pay distributions. All income earned and realised net capital gains after the deduction of expenses will be accumulated and reflected in the Global HDE Net Asset Value of a Class.

While no distribution payments are made in respect of the Global HDE Accumulation Units, the Manager may:

- (a) deduct from any distribution payment to a Unit Holder all sums necessary; or
- (b) compulsorily redeem from such Unit Holders holding Units of such value as is necessary;

to offset any liability to taxation or withholding tax arising as a result of the relevant Unit Holder's holding of Units or its beneficial ownership of them.

### **Distribution Units**

The Global HDE Conning Investor Distribution Class Units, Global HDE Distribution Class Units and Global HDE Seed Distribution Class Units, the "Global HDE Distribution Units" may make distributions four times a year from net income earned, plus realised net capital gains, after the deduction of expenses in respect of each Accounting Period. The amount of the distribution in any Accounting Period will be reduced by any accumulated realised net capital loss in respect of the current Accounting Period. The amount of the distribution for any Accounting Period will be approved by the Manager. Any sums not distributed will be accumulated and reflected in the Global HDE Net Asset Value of a Class.

Distributions in respect of Global HDE Distribution Units shall be paid within four months of the quarterly distribution dates which will take place on 31 January, 30 April, 31 July or 31 October, or the next Business Day in each year Accounting Period and shall be made only in the Global HDE Base Currency by telegraphic transfer (sent at the Unit Holders risk) to the bank account indicated on the Unit Holder's subscription application form, except as otherwise provided for. In the event that Units are held in joint names, dividends will be sent to the first Unit Holder appearing in the register.

The Manager may:

- (a) deduct from any distribution payment to a Unit Holder all sums necessary; or



(b) compulsorily redeem from such Unit Holders holding Units of such value as is necessary;

to offset any liability to taxation or withholding tax arising as a result of the relevant Unit Holder's holding of Units or its beneficial ownership of them.

Distributions not claimed within six years from their payment dates will lapse and revert to the relevant Global HDE Distribution Unit Class.

## 14. Issue of Units

### Initial Offer Period

Classes of Units in the Global HDE are generally available for subscription by all investors, save for the Global HDE Conning Investor Class and the Global HDE Seed Class.

For subscription to the Global HDE Conning Investor Class, Units will only be made available to CAML's existing clients only, as confirmed by the Investment Manager to the Manager and the Administrator in writing and as accepted by the Manager at their sole discretion.

For subscription to the Global HDE Seed Class, Units will be made available to all investors up to such time as prescribed by the Initial Offer Period in respect of the Global HDE Seed Class described below. Once the Global HDE Seed Class has reached its target, it will be closed and this Class will not be offered thereafter. It is expected that investors will subscribe for Units in the Global HDE Accumulation Class and the Global HDE Distribution Class following the closure of the Global HDE Seed Class.

For the Global HDE Conning Investor Class the Initial Offer Period commenced at 9 a.m. (Irish time) on 29 May 2015 and will close either a) when the first investment is invested in the Global HDE Conning Investor Class (such initial investment shall be capped at USD 50 million plus or minus 5%, at the Manager's sole discretion), or b) on 16 February 2018 or such earlier or later date as the Manager may determine in their absolute discretion; all as notified to the Irish Stock Exchange and Central Bank.

For the Global HDE Conning Seed Class, the Initial Offer Period commenced at 9 a.m. (Irish time) on 29 May 2015 and will close either a) when the first investment is invested in the Global HDE Conning Seed Class (such initial investment shall be capped at USD 50 million plus or minus 5%, at the Manager's sole discretion), or b) on 16 February 2018 or such earlier or later date as the Manager may determine in their absolute discretion; all as notified to the Irish Stock Exchange and Central Bank.

The price at which Units initially may be obtained in the Global HDE Conning Investor Class and the Global HDE Seed Class during the Initial Offer Period is USD 100.00 per Unit.

The Initial Offer Period for the Global HDE Accumulation Class and Global HDE Distribution Class commenced at 9 a.m. (Irish time) on 29 May 2015 and will close on the earlier of a) the first subscription is invested or b) on 16 February 2018 or such earlier or later dates as the Manager may determine in their absolute discretion; all as notified to the Irish Stock Exchange and Central Bank.

The price at which Units initially may be obtained in Global HDE Accumulation Units and Global HDE Distribution Units during the Initial Offer Period is USD 100.00 per Unit.

In summary, the initial price at which the Units may be obtained during the Initial Offer Period in respect of the first investment is as follows:

- Global HDE Accumulating Class @ USD 100.00 per Unit
- Global HDE Distribution Class @ USD 100.00 per Unit
  
- Global HDE Conning Investor Accumulating Class @ USD 100.00 per Unit
- Global HDE Conning Investor Distribution Class @ USD 100.00 per Unit
  
- Global HDE Seed Accumulating Class @ USD 100.00 per Unit
- Global HDE Seed Distribution Class @ USD 100.00 per Unit

The price at which Units in any Class may be acquired following the expiry of the Initial Offer Period shall be the prevailing Net Asset Value of that Class.

The procedures to be followed in applying for Units are as under Prospectus - "Administration of the Fund - Subscription Procedure".

In addition, the Manager may, in its discretion, accept payment for Units by a transfer *in specie* of assets, the nature of which shall be within the investment policy and restrictions of the relevant Fund. (Prospectus - "Administration of the Fund - Subscription Procedure").

### Subsequent Subscriptions

Except during the Initial Offer Period, Units in all Classes of the Global HDE are issued at a price equal to the Global HDE Net Asset Value of Units of the relevant Class on the relevant Dealing Day on which Units of that Unit Class were and continue to be issued. Applicants must subscribe for the Initial Minimum Subscription (in the case of an applicant's first subscription into the Global HDE) or in the case of a Unit Holder applying for further Units, the Subsequent Minimum Subscription.

For the avoidance of doubt, the Manager may at its sole discretion waive the Initial Minimum Subscription or Subsequent Minimum Subscription and may differentiate between applicants as to the level of the Initial Minimum Subscription or Subsequent Minimum Subscription.

A subscription fee not exceeding five per cent (5%) of the total subscription amount may be deducted from the total subscription amount and the resultant sum rounded up to the nearest cent. The subscription fee shall be paid to the Investment Manager or to any placing or sales agent or agents or distributors appointed by the Manager for its or their absolute use and benefit and shall not form part of the assets of the Global HDE. The Manager may at its sole discretion waive the fee or fees or differentiate between applicants as to the amount of the fee or fees within the permitted limits.

## 15. Subscription Procedure

In addition to the general terms under Prospectus - "Administration of the Fund - Subscription Procedure" the following shall apply to the Global HDE.

The deadline for receipt of subscription monies is the close of business on the third Business Day immediately following the relevant Dealing Day.

## 16. Minimum Holding/Initial Minimum Subscription/Minimum Redemption/Subsequent Minimum Subscription

In this Supplement, the following definitions shall apply:

**"Initial Minimum Subscription"** means an initial minimum subscription of either USD 1,000,000 for Conning's existing clients only, and for all other Classes of Units, USD 10,000,000 as confirmed by the Investment Manager to the Manager in writing and as accepted by the Manager at their sole discretion; and in each and every case, such lesser amount as may be determined by the Manager in its absolute discretion in any particular case.

**"Minimum Holding"** means, in relation to all Classes of Units, a minimum holding of USD 100,000 or such lesser amount as may be determined by the Manager in its absolute discretion.

**"Minimum Redemption"** means, in relation to all Classes of Units, a minimum redemption of USD 100,000 or such lesser amount as may be determined by the Manager in its absolute discretion.

"**Subsequent Minimum Subscription**" means, in relation to all Classes of Units, a minimum subscription of USD 100,000 or such lesser amount as may be determined by the Manager in its absolute discretion.

## 17. Publication of Net Asset Value of Units

Except where the determination of the Global HDE Net Asset Value and the issue and redemption of Global HDE Units has been suspended in the circumstances described under Prospectus - "Temporary Suspension of Calculation of Net Asset Value and of Issues and Redemptions", the Global HDE Net Asset Value on each Dealing Day will be made public, not only at the registered office of the Administrator or and notified to the Irish Stock Exchange without delay (also for inclusion on their website [www.ise.ie](http://www.ise.ie)), but also published in the relevant newspapers or relevant web sites as required, and such other newspapers as the Manager may determine.

The daily Global HDE Net Asset Value will also be made available on the Conning web site as well as Bloomberg, Lipper, Morningstar and Reuters Standard & Poor's (for its web site [www.funds-sp.com](http://www.funds-sp.com)) and Telekurs.

## 18. Redemption Procedure

In addition to the provisions under Prospectus - "Administration of the Fund - Redemption Procedure", Unit Holders may, in certain circumstances, request transfer *in specie* and such request may be accepted by the Administrator at the Manager's sole discretion. The Manager may then satisfy the redemption request by the distribution of investments *in specie* and which will then be agreed in writing to the Unit Holder to appropriate and transfer to him assets in satisfaction or part satisfaction of the redemption price or any part of the said redemption price. Where a notice of election is served on a Unit Holder, the Unit Holder may by a further notice served on the Manager, require the Manager instead of transferring the assets in question to arrange for a sale of the assets and for payment by the Administrator to the Unit Holder of the net proceeds of sale. Any distribution of the assets of the Global HDE *in specie* must not prejudice the rights of any remaining Unit Holders.

All redemption proceeds received by the Administrator from the Trustee shall be deposited in the Subscription & Redemption Account prior to payment to the relevant Unit Holder. The redemption proceeds will be payable to the Unit Holder within three (3) Business Days after the relevant Dealing Day on which the redemption was effected subject to receipt by the Administrator of the completed redemption request in respect of the Units.

For the Global HDE Conning Investor Class, Global HDE Accumulation Class and Global HDE Distribution Class, a redemption charge of up to 3% may be payable, where the redemption fee is payable to the Investment Manager. The Manager may at its sole discretion waive the fee or fees or differentiate between applicants as to the amount of the fee or fees within the permitted limits.

Redemption requests for an amount less than the Minimum Redemption may be refused. As set out in the Prospectus, on a request for redemption of part only of a Unit Holder's holding and where such request would result in the Unit Holder holding less than the Minimum Holding the Administrator may deem the request to be a request to redeem all of the Units held by that Unit Holder.

In respect of the Global HDE Seed Class only, in lieu of the lower investment management fees (6. Investment Manager Fee), the above provisions will apply only after 24 months, before which a fixed redemption fee as outlined below is payable to the Investment Manager, applied at the Investment Manager's sole discretion.

Redemption within 6 months:	3.0%
Redemption between 6 months and 12 months:	2.0%
Redemption between 12 and 24 months:	1.5%

## 19. Distributor

CAML has been appointed as the exclusive distributor to the Global HDE.

## 20. Currency Hedging

The Global HDE portfolio will be hedged back to the Base Currency by the Investment Manager using monthly forward foreign exchange contracts and reset for significant transactions and changes in value for each the Global HDE Class.

While not the intention, over-hedged or under-hedged positions may arise due to factors outside the control of the Global HDE. Any currency hedging will be limited to 105% of the Global HDE Net Asset Value attributable to that Class. Hedged positions will be kept under review by the Investment Manager to ensure they do not exceed the permitted level. Any positions materially in excess of 100% of the Global HDE Net Asset Value of the relevant Class will not be carried forward from the first valuation point of one week to the last valuation point of that week.

## 21. Efficient Portfolio Management

The Global HDE may utilise techniques and instruments for Efficient Portfolio Management purposes as described in the Prospectus and/or to protect against foreign exchange risks subject to the conditions and within the limits laid down by the Central Bank from time to time. As stated in Section 19 above, the Global HDE will use forward foreign exchange contracts for Efficient Portfolio Management purposes, as its only FDI. A RMP has been prepared also in respect of the Global HDE for these purposes and will always cover such derivatives as are used.

## 22. Securities Lending

The Global HDE may also enter into stock-lending with one or more counterparties for the purposes of Efficient Portfolio Management, and in particular with the aim of generating additional income with an appropriate level of risk, taking into account its risk profile and subject to the conditions and limits as set out in the UCITS Regulations and within any further limits laid down by the Central Bank from time to time. The Manager may engage a securities lending agent (the "Agent") to arrange these transactions on its behalf in accordance with the Central Bank UCITS Regulations, and, in particular, Regulation 24 and Schedule 3. All revenues from the stock-lending transactions, net of direct and indirect operational costs, will be returned to Global HDE. Any appointed Agent will be entitled to retain a fee for its services, out of which it will pay all of its costs and out of pocket expenses incurred in relation to the lending of the Global HDE's securities. Such fees, costs and expenses will be at normal commercial rates and will not include hidden revenue. Should any Agent be related to the Manager or the Trustee, this will be disclosed in the annual accounts of the Global HDE. The Manager shall be entitled to recall any security that has been lent out or terminate any securities lending agreement to which it is a party.

All assets received by the Global HDE in the context of Efficient Portfolio Management techniques will be considered as collateral and may only be accepted if they meet the requirements of the Central Bank UCITS Regulations, and, in particular, Regulation 24 and Schedule 3, regarding liquidity, valuation, issuer credit quality, correlation, diversification and immediate availability. For each class of assets which may be received as collateral, a haircut may be applied as determined by the Investment Manager based on the characteristics of the assets such as the credit standing or the price volatility as well as the outcome of any stress tests (which will be carried out in accordance with the Central Bank UCITS Regulations, and, in particular, Regulation 24 (7) and Regulation 24 (8) if the Global HDE receives collateral for at least 30% of its assets). The haircut policy of the Global HDE will be reflected in the securities lending agency agreement between the Manager, the Trustee and the Agent. Non-cash collateral cannot be sold, pledged or re-invested. In the

case of cash collateral, it may not be re-invested save as permitted pursuant to the Central Bank UCITS Regulations, in particular, Regulation 24 (5), Regulation 24 (6) and Schedule 3. There are investment risks associated with the reinvestment of cash collateral, in particular that the assets may suffer losses in value or may be less liquid than a cash holding. The Investment Manager will seek to reduce these risks by limiting the types of assets in which cash collateral may be re-invested, in accordance with the Central Bank UCITS Regulations and, in particular, Regulation 24 and Schedule 3.

### **23. Formation and Organisation Costs**

The costs of forming the Global HDE only, including the fees and expenses of legal advisers, product development fees and expenses, regulatory and listing fees and expenses and any other fees and expenses arising on the formation and launch of the Global HDE are not expected to exceed EUR35,000. It is intended that such costs will be borne by the Investment Manager initially. However, the Investment Manager will be entitled, but is not obliged, to recover any such costs (or a proportion thereof) out of the assets of the Global HDE and the relevant proportion of costs borne by the Global HDE will be amortised over a period of up to five years from the end of the Initial Offer Period. Should the Investment Manager seek to recover any such costs it must notify Unit Holders of this in the first accounting period following the Initial Offer Period (and any failure to do so will mean that the option to recover such costs will lapse). Unit Holders will be notified through both monthly reports issued by the Investment Manager and in the annual report of the Trust and, at all times, shall be treated equitably.

### **24. Solvency II**

The Global HDE is subject to ongoing Solvency II reviews to the standard model and this data can be provided to Unit Holders on a basis to be agreed in advance with the Investment Manager.

### **25. Use of Leverage**

As detailed in the RMP, Leverage will be incurred by the Global HDE as a result of the use of FDI and will be calculated using the commitment approach.

The Global HDE Total Exposure of the Global HDE shall not exceed 200% of the Global HDE Net Asset Value. The Leverage Ratio shall not exceed 1 and the Global HDE Global Exposure shall not exceed 100% of the Global HDE Net Asset Value.

### **26. Additional Risk Factors**

In addition to the Prospectus - "Risk Factors", the following risks, specific to the Global HDE, should be considered, and likewise, this list does not purport to be exhaustive.

#### **General Considerations**

It should be remembered that the price of Units and the income from them may fall as well as rise, and that investors may not get back the amount they have invested. In addition to market factors, changes in share prices and exchange rates may cause the value of Units to go up or down significantly. Prospective investors interested in purchasing Units should inform themselves as to (a) the legal requirements within their own countries of residence for the purchase of Units, (b) any foreign exchange restrictions which may be applicable, and (c) the income and other tax consequences of the purchase and repurchase of Units.

Investment in certain securities markets involves a greater degree of risk than usually associated with investment in the securities of other major securities markets. Prospective investors should consider the following risks and any further risks set out in this Supplement before investing in the Global HDE.

The Investment Manager shall take steps to minimise the Global HDE exposure to operational risks that arise in the course of managing the Global HDE. There are systematic controls within the process which reflect a segregation of duties within the Investment Manager. The Investment Manager will not hold money on behalf of the Manager and any professional fees and expenses which do not relate to the investment management of the Global HDE will only be incurred by or on the instructions of the Manager. The Investment Manager will use reasonable efforts to comply with the certain operational procedures.

Should supplementary information be required in respect of risk management methods, which includes internal investment limits applied by the Investment Manager, and any recent developments in the risk and yield characteristics of the portfolio, and any recent developments in the risk and yield characteristics of the FDIs, such supplementary information will be provided by the Investment Manager on request by the Unit Holder.

### **Counterparty Risk**

As the Global HDE may be affected by the poor credit quality and performance of its FDI counterparties with which the Manager has contracted, this risk is mitigated by the Investment Manager needing to approve the counterparties prior to adding to them its Approved Counterparties list. The Investment Manager of the Global HDE will maintain a list of Approved Counterparties, which may be inspected at the Investment Manager's office (also as stated in the Supplement). The Investment Manager shall value all FDI positions to market on a daily basis and shall maintain collateral balances, as appropriate, with Approved Counterparties to mitigate each party's credit exposure in the event of a default by a FDI counterparty.

### **Credit Risk**

This is the risk that the issuer or a security does not or is not able to meet its payment of interest or repayment obligations. Credit risk is a key investment manager concern and although monitored actively in real time, there can be no certainty that every issuer will meet their obligations in full.

### **Currency Risk**

Securities in the Global HDE are expected to be in several of the major currencies and at rebalancing the exchange may have moved so as to be either favourable or unfavourable to the Global HDE. The currency movement may be in addition to any change in the price of the security and Global HDE's performance, therefore, will depend in part on the Investment Manager's ability to anticipate and respond to such currency exchange fluctuations and to utilise appropriate strategies to maximise returns to the Global HDE while attempting to minimise the associated risks to its investment capital.

### **Distribution *in Specie* Risk**

In accordance with the Prospectus, where redemption monies in respect of redemption requests received from any one Unit Holder would amount to more than five per cent (5%) of the Global HDE Net Asset Value on the relevant Dealing Day, the Manager may satisfy the repurchase request by the distribution of investments *in specie*. This would mean that Unit Holders should be prepared to receive transfer of the assets on the relevant Global HDE Dealing Day. Also, further to the size of the Unit Holder's investment the Manager may elect to distribute the Unit Holder's proportion of the Global HDE Net Asset Value of the Class, rather than the Unit Holder's proportion of each asset held by the Class. Consequently, Unit Holders are advised to contact the Investment Manager at the earliest opportunity should they expect to redeem more than 5% of the Global HDE Net Asset Value of a Class.



## **FDI Techniques and Risks**

In respect of FDI, the Global HDE will invest in forward foreign exchange contracts.

The prices of FDI are highly volatile. In addition to the risks under Prospectus - "Efficient Portfolio Management", some FDI price movements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly markets in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, amongst other things, interest rate fluctuations.

Using FDI also involves certain special risks, including (1) dependence on the ability to predict movements in the prices of securities being hedged and movements in interest rates, (2) the imperfect correlation between the price movements of the derivatives and price movements of related instruments, (3) the fact that skills needed to use these instruments are different from those needed to select the securities owned by the Global HDE, and (4) the possible absence of a liquid market for any particular instrument at any particular time. These risks may make it difficult to achieve effective portfolio management or the ability to meet redemption requests.

## **Inside Information**

From time to time, the Investment Manager or its affiliates may come into possession of material, non-public information concerning an entity in which the Global HDE has invested, or proposes to invest, and the possession of such information may limit the ability of the Global HDE to buy or sell securities of such entity.

## **Investment Selection**

The Investment Manager, when exercising its discretionary investment management powers, is reliant on information and data made directly available to it from other sources. Although the Investment Manager may evaluate such information and data and seek independent corroboration when it considers it appropriate and available, the Investment Manager cannot confirm the completeness, genuineness or accuracy of such information and data.

## **Investment Strategies**

The success of the Global HDE investment strategies depends upon the ability to allocate assets, understand, and evaluate the investment strategy by the Investment Manager. Any factor which would make it more difficult to perform such analysis would be detrimental to profitability. No assurance can be given that the investment strategies used or to be used will be successful under all or any market conditions.

## **Legal Risk**

Legal risk is a description of the potential for loss arising from the uncertainty of legal proceedings, such as bankruptcy, and potential legal proceedings. The cause of most derivatives litigation arises from disagreements over the terms of contracts, especially OTC contracts. Therefore market standards will be used wherever possible (such as ISDA). For all non-standard contracts legal opinions should be sought. The only OTC contracts relevant to the Global HDE are forward foreign exchange contracts which will all be contracted with the Administrator.



## Lending of Securities

The assets of the Global HDE may be lent to brokers, dealers and other financial institutions needing to borrow securities to complete certain transactions. The Global HDE continues to be entitled to payments of amounts equal to the interest, dividends or other distributions payable in respect of the loaned securities, which affords the Global HDE an opportunity to earn interest on the amount of the loan and on the loaned securities' collateral. In connection with any such transaction, the Global HDE will receive collateral that will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. However, the Global HDE might experience loss if the institution with which the Manager of the Global HDE or its Agent has engaged in a portfolio loan transaction breaches its agreement with the Global HDE.

## Market Risk

The Global HDE may invest in currencies, securities and instruments traded in various markets throughout the world, including possibly in emerging markets, some of which are highly controlled by governmental authorities. Such investments require consideration of certain risks typically not associated with investing in currencies or securities of developed markets. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavourable currency exchange rate fluctuations, imposition of exchange control regulation by governments, withholding taxes, limitations on the removal of the Global HDE's or other assets, policies of governments with respect to possible nationalisation of their industries, political difficulties, including expropriation of assets, confiscatory taxation and social, economic or political instability in foreign nations. These factors may affect the level and volatility of securities prices and the liquidity of the underlying Global HDE investments. Unexpected volatility or illiquidity could impair the Global HDE investments and so profitability which may result in losses. The economies of countries differ in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, certain economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

Some of the Recognised Exchanges on which the Global HDE may invest may prove to be illiquid or highly volatile from time to time and this may affect the price at which the Global HDE may liquidate positions to meet repurchase requests or other funding requirements.

## Price Risk

The equity securities in which the Global HDE may invest will be sensitive to both fluctuations in the dividend amount payable and consequently, along with other factors, price fluctuations of the equity itself. This means that the value of the underlying securities and, consequently, the Global HDE Net Asset Value may fluctuate as the security price fluctuates. An increase in the price of equity securities will generally increase the value of the Global HDE and any fall may decrease the value. The Global HDE's performance, therefore, will depend in part on the Investment Manager's ability to anticipate and respond to such fluctuations in security prices and to utilise appropriate strategies to maximise returns to the Global HDE while attempting to minimise the associated risks to its investment capital.

## **Redemption Risk**

In order to allow an orderly realisation of the assets and to protect all Unit Holders equally including the last Unit Holder, should the number of Units of the Global HDE falling to be redeemed on any Global HDE Dealing Day be equal to one tenth (10%) or more of the total number of Units of the Global HDE in issue or deemed to be in issue on such Global HDE Dealing Day, subject to the provisions as stated in the Prospectus, this may mean that redemptions above 10% may be staggered and the assets may be sold at different Global HDE Net Asset Values and the redemptions may occur over a period of time. Should a significant amount be redeemed Unit Holders should also be aware that provisions may be made to cover the extraordinary costs (which *in extremis*) may include wind up costs.

## **Umbrella Structure of Fund and Cross-Liability Risk**

Each Sub-Fund is responsible for paying its fees and expenses, regardless of the level of its profitability. The Fund is an umbrella fund with segregated liability between Sub-Funds and under Irish law the Manager will not be liable as a whole to third parties and there will be no cross-liability between the Sub-Funds, including the Global HDE. Notwithstanding the foregoing, there can be no assurance that, should an action be brought against the Manager in the courts of another jurisdiction, the segregated nature of the Sub-Funds would necessarily be upheld and this might materially affect Unit Holder rights.

## 27. Security Numbers

- Global HDE Accumulating Class  
Sedol BY9CSX3  
ISIN IE00BY9CSX39  
Bloomberg CGHDACC ID
- Global HDE Distribution Class  
Sedol BY9CT07  
ISIN IE00BY9CT071  
Bloomberg CGHDDIS ID
- Global HDE Conning Investor Accumulating Class  
Sedol BY9CSY4  
ISIN IE00BY9CSY46  
Bloomberg CGHDCAC ID
- Global HDE Conning Investor Distribution Class  
Sedol BY9CSZ5  
ISIN IE00BY9CSZ52  
Bloomberg CGHDCDI ID
- Global HDE Seed Accumulating Class  
Sedol BY9CT18  
ISIN IE00BY9CT188  
Bloomberg CGHDSAC ID
- Global HDE Seed Distribution Class  
Sedol BY9CT29  
ISIN IE00BY9CT295  
Bloomberg CGHDSDI ID

