

Conning Funds



**Conning International Opportunities Bond Fund
- Short Duration - GBP**

SUPPLEMENT 2

Dated 20 December 2017

SUPPLEMENT 2: Conning International Opportunities Bond Fund - Short Duration - GBP

of the Prospectus dated 20 December 2017.

This Supplement contains specific information in relation to the Sub-Fund called the Conning International Opportunities Bond Fund - Short Duration - GBP ("**CIO-SD-GBP**"), 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 CIO-SD-GBP should be viewed as medium to long term.

Application has been approved by the Irish Stock Exchange plc for all the Classes of the CIO-SD-GBP 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 CIO-SD-GBP 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 CIO-SD-GBP Supplement only, unless the context otherwise requires:

"Approved Counterparties"	means counterparties approved by the Investment Manager.
"ABS"	means an asset-backed security, which is a financial security issued as part of a securitisation for which the underlying collateral consists of assets such as loans, credit card receivables and other commercial or consumer receivables.

"Business Day"	every day which is a bank business day in Dublin, and London or such other day or days as the Manager may determine.
"CLO"	means a collateralised loan obligation, which is a security issued by a special purpose vehicle which is collateralised primarily by a portfolio of corporate loans.
"CMBS"	means a commercial mortgage backed asset security which is secured by loans on commercial property.
"Duration"	defined as modified duration being a percentage change in price of a security for a 100bp change in yield.
"GBP Accumulation Class"	means a GBP Share Class of Units available in the GBP Accumulating Class which does not pay a dividend.
"GBP Accumulation Class Unit"	means one undivided Unit in the GBP Accumulating Class.
"GBP Base Currency"	means the base currency of the CIO-SD-GBP, being United Kingdom Pounds Sterling.
"GBP Benchmark"	means the one to five year UK Government bond benchmark, specifically the Barclays UK Gilt 1-5 Year bond benchmark ID #8049 or such benchmark as may be chosen by the Investment Manager and notified in advance to the Unit Holders.
"GBP Conning Investor Accumulation Class"	means a GBP Share Class of Units available in the GBP Conning Investor Accumulating Class which does not pay a dividend.
"GBP Conning Investor Accumulation Class Unit"	means one undivided Unit in the GBP Conning Investor Accumulating Class.
"GBP Conning Investor Class"	means a class of Units in either the GBP Conning Investor Accumulation Class or the GBP Conning Investor Distribution Class Units made available to CAML'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 GBP 50 million plus or minus 5%, at the Manager's sole discretion.
"GBP Conning Investor Distribution Class"	means a GBP Share Class of Units available in the GBP Conning Investor Distribution Class which pays a dividend as described in this Supplement.
"GBP Conning Investor Distribution Class Unit"	means one undivided unit in the GBP Conning Investor Distribution Class.
"GBP Distribution Class"	means a GBP Share Class of Units available in the GBP Distribution Class which pays a dividend as described in this Supplement.

"GBP Distribution Class Unit"	means one undivided unit in the GBP Distribution Class.
"GBP Global Exposure"	means the incremental CIO-SD-GBP's global exposure generated by using FDI positions (as prescribed in the Central Bank UCITS Regulations) which relating to FDI shall not exceed the CIO-SD-GBP's GBP Net Asset Value. In general FDI positions are converted into the equivalent position in the underlying assets.
"GBP Net Asset Value"	means the net asset value of the CIO-SD-GBP calculated in accordance with the provisions of the Trust Deed, (Prospectus - "Administration of the Fund - Calculation of Net Asset Value of Units").
"GBP Seed Accumulation Class"	means a GBP Share Class of Units available in the GBP Seed Accumulation Class which does not pay a dividend.
"GBP Seed Accumulation Class Unit"	means one undivided Unit in the GBP Seed Accumulation Class.
"GBP Seed Class"	means a class of Units in either the GBP Seed Accumulation Class or the GBP Seed Distribution Class available during the Initial Offer Period only for the purposes of seeding the launch of the CIO-SD-GBP up to a combined total of GBP 50 million plus or minus 5%, at the Manager's sole discretion.
"GBP Seed Distribution Class"	means a GBP Share Class of Units available in the GBP Seed Distribution Class which pays a dividend as described in this Supplement.
"GBP Seed Distribution Class Unit"	means one undivided unit in the GBP Seed Distribution Class.
"GBP Share Class"	means any GBP Share Class of Units available in the CIO-SD-GBP.
"GBP Total Exposure"	means the aggregate of the GBP Global Exposure and the GBP Net Asset Value of the CIO-SD-GBP.
"Initial Offer Period"	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.
"Investment Manager"	means Conning Asset Management Limited ("CAML") and as defined further in this Supplement.
"Leverage"	means leverage as defined by the UCITS Regulations, as amended from time to time (and is not the same as financial leverage where typically

debt or derivatives are used to increase exposure to markets).

"Leverage Ratio"

means the ratio between the GBP Global Exposure and the GBP Net Asset Value.

"Risk Management Process", "RMP"

means the risk management process that is required to be put in place pursuant to the UCITS Regulations which shall be in a form consistent with the Central Bank UCITS Regulations issued from time to time.

"RMBS"

means a residential mortgage backed security, which is secured by loans on residential property.

"Subscription Currency"

means the GBP Base Currency of the CIO-SD-GBP in which all GBP Share Class of Units will be denominated, namely United Kingdom Pounds Sterling (GBP).

"Yield Curve"

means a curve that shows the yields of similar bonds with different maturity dates. The curve shows the relation between the level of the interest rate (or cost of borrowing) and the time to maturity of the bond.

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 CIO-SD-GBP 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.

2. Investment Objective

The investment objective of the CIO-SD-GBP is to appeal to fixed income short duration investors and its objective is to deliver risk adjusted total returns in excess of the GBP Benchmark over a rolling three year time horizon, consistent with a medium risk appetite and an emphasis on capital preservation through both strategic and tactical positioning and a diversified approach to risk allocation. 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 CIO-SD-GBP will focus on investing in securities which exhibit favourable risk/reward metrics, relative to its investment objective and which meet the investment criteria of the CIO-SD-GBP, as described herein. Based on its resources, expertise and experience in the financial markets, the Investment Manager will apply fundamental economic and financial analysis to those fixed income securities which are available in the market and will select those which it determines would be most suitable to meet the investment objective of the CIO-SD-GBP. In selecting

investments from a broad range of fixed income securities, the Investment Manager will also seek to take advantage of a number of factors, including the shape of the Yield Curve, Duration positioning, (which is used to determine how much a bond's price is likely to rise or fall when interest rates change), opportunities for arbitrage between yields in different countries and the opportunity to make tactical trades (e.g. with respect to new issues). It should be noted that bond positions will not be shorted and uncovered currency positions are not permitted. Trading of the portfolio is expected to be modest, with the focus of the Investment Manager being on making strategic calls depending on market opportunities and level of conviction of the Investment Manager. The CIO-SD-GBP pursues an investment policy based on fundamental and technical, economic and financial analysis with the aim of preserving credit quality and yield enhancement.

Specifically, the CIO-SD-GBP may invest in a diversified portfolio of fixed income securities and instruments including sovereign and supranational bonds, corporate bonds, and securitised bonds such as ABS, CLOs, CMBS, and RMBS. The fixed income securities in which the CIO-SD-GBP may invest may be below investment grade, (to a maximum of 10%), but always such that the average credit rating of the portfolio will not be below a minimum credit rating of A-/A3 as ascribed by Standard & Poor's/Moody's. The CIO-SD-GBP has a global focus and there is no geographic focus in terms of issuers.

Whilst volatility is not expected to be high, the CIO-SD-GBP will aim to minimise return volatility and to maximise efficiency and flexibility through the use of FDIs to effect Efficient Portfolio Management strategies to hedge out certain interest rate and currency risks from time to time, via forward currency contracts and bond future contracts, as more fully disclosed in 24. "Use of Derivatives" below.

The CIO-SD-GBP will have a Duration target in the range +/- 1 to the GBP Benchmark.

The CIO-SD-GBP may hold ancillary liquid assets including money market instruments e.g. certificates of deposits, commercial paper and listed fixed interest securities (including government and non-government notes and bonds) which are also transferable securities, with a maturity of one year or less.

With the exception of permitted investment in unlisted securities, the CIO-SD-GBP's investments will be listed or traded on Recognised Exchanges (Prospectus - "Appendix II - List of Recognised Exchanges").

The CIO-SD-GBP may invest in Australian Dollars (AUD), Canadian Dollars (CAD), Swiss Francs (CHF), Danish Kroner (DKK), 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.

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 fixed income securities under such transactions. For further information on SFTs please see section entitled "Securities Financing Transactions" contained in the Prospectus.

5. Investment Restrictions

The CIO-SD-GBP's investment restrictions are as under Prospectus - "The Fund - Investment Restrictions".

6. Investment Manager

The Manager has appointed Conning Asset Management Limited as the investment manager of the CIO-SD-GBP 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 amended by way of an amending agreement dated 20 December 2017.

CAML is part of the Conning group of companies ("Conning"), a leading asset management firm headquartered in Hartford, Connecticut, United States. CAML is based in London and was founded in 1998 and is regulated by the Financial Conduct Authority in the United Kingdom. Conning's primary business is asset management for financial institutions.

7. Investment Manager Fee

The Manager, Administrator and Trustee fees and expenses payable from the assets of the CIO-SD-GBP 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 GBP Accumulation Class and GBP Distribution Class:

25.0 bps per annum of the GBP Net Asset Value of such Class.

In respect of the GBP Seed Class only:

20.0 bps per annum of the GBP Net Asset Value of a GBP Seed Class.

In respect of the GBP Conning Investor Class only:

10.0 bps per annum of the GBP Net Asset Value of a GBP 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 CIO-SD-GBP. (22. "Formation and Organisation Costs").

8. Profile of a Typical Investor

A typical investor in the CIO-SD-GBP may be an investor with a medium to long term investment horizon who considers investment in the CIO-SD-GBP as a convenient way of seeking to achieve growth of capital and income, through an exposure to a diversified portfolio of fixed income securities. Derivative instruments may be utilised in an attempt to achieve the CIO-SD-GBP's investment objective. As returns which are derived from derivatives may be more volatile than returns which are derived from the asset underlying the derivatives, a typical investor should be prepared to accept a higher level of such volatility.

9. Available Classes of Units

Units are issued to investors as Units of a Class in the CIO-SD-GBP. Units may be issued in one of six CIO-SD-GBP Classes all denominated in United Kingdom Pounds Sterling, 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:

- GBP Accumulating Class
- GBP Distribution Class
- GBP Conning Investor Accumulating Class

- GBP Conning Investor Distribution Class
- GBP Seed Accumulating Class
- GBP Seed Distribution Class

The CIO-SD-GBP will only have United Kingdom Pounds Sterling as a Subscription Currency and Unit Holders may only redeem in United Kingdom Pounds Sterling 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").

10. Base Currency

The GBP Base Currency is United Kingdom Pounds Sterling.

11. Dealing Day

Every Business Day shall be a Dealing Day for the CIO-SD-GBP on which Units can be subscribed or redeemed.

12. Distribution Policy

Accumulation Units

The GBP Accumulation Class Units, GBP Conning Investor Accumulation Class Units and GBP Seed Accumulation Class Units, the "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 GBP Net Asset Value of a Class.

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

- deduct from any distribution payment to a Unit Holder all sums necessary; or
- 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 GBP Conning Investor Distribution Class Units, GBP Distribution Class Units and GBP Seed Distribution Class Units, the "Distribution Units" may make distributions once or twice 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 GBP Net Asset Value of a Class.

Distributions in respect of Distribution Units shall be paid within four months of the annual and half-yearly distribution dates, which will take place on 31 December and 30 June in each year Accounting Period and shall be made only in the GBP 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 Distribution Unit Class.

13. Issue of Units

Initial Offer Period

Classes of Units in the CIO-SD-GBP are generally available for subscription by all investors, save for the GBP Conning Investor Class and the GBP Seed Class.

For subscription to the GBP 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 GBP 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 GBP Seed Class described below. Once the GBP 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 GBP Accumulation Class and the GBP Distribution Class following the closure of the GBP Seed Class.

For both the GBP Conning Investor Classes the Initial Offer Period commenced at 9 a.m. (Irish time) on 22 October 2014 and will close either a) when the total invested in the GBP Conning Investor Class is GBP 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 both the GBP Conning Seed Classes, the Initial Offer Period commenced at 9 a.m. (Irish time) on 22 October 2014 will close either a) when the total invested in the GBP Conning Seed Class is GBP 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 GBP Conning Investor Class and the GBP Seed Class during the Initial Offer Period is GBP 100.00 per Unit.

The Initial Offer Period for the GBP Accumulation Class and GBP Distribution Class commenced at 9 a.m. (Irish time) on 22 October 2014 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 Accumulation Units and Distribution Units during the Initial Offer Period is GBP 100.00 per Unit.

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

- GBP Accumulating Class @ GBP 100.00 per Unit
- GBP Distribution Class @ GBP 100.00 per Unit

- GBP Conning Investor Accumulating Class @ GBP 100.00 per Unit
- GBP Conning Investor Distribution Class @ GBP 100.00 per Unit

- GBP Seed Accumulating Class @ GBP 100.00 per Unit
- GBP Seed Distribution Class @ GBP 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 CIO-SD-GBP are issued at a price equal to the GBP 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 CIO-SD-GBP) 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 CIO-SD-GBP. 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.

14. Subscription Procedure

In addition to the general terms under Prospectus - "Administration of the Fund - Subscription Procedure" the following shall apply to the CIO-SD-GBP.

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

15. Anti-Dilution Levy

The CIO-SD-GBP may suffer a reduction in value as a result of the costs incurred in dealing in its underlying investments and of any spread between the buying and selling prices of such investments. This is known as "dilution". To prevent this and to protect the interests of all Unit Holders, including prospective investors, an anti-dilution levy ("Anti-Dilution

Levy") may be charged, at the sole discretion of the Investment Manager, which will be for the benefit of the CIO-SD-GBP.

In calculating the subscription and redemption price for Units, the Manager may, on any Dealing Day where there are net subscriptions or redemptions, adjust the subscription or redemption price by applying an Anti-Dilution Levy to cover dealing costs and to preserve the value of the underlying assets of the CIO-SD-GBP. The trigger to apply the Anti-Dilution Levy will be to avoid any effect of the Net Asset Value of a Class, which is calculated to three decimal places ("Calculation of Net Asset Value of Units").

As the Anti-Dilution Levy is paid to the CIO-SD-GBP, not to the Manager or the Investment Manager, it forms part of the CIO-SD-GBP's assets and can be invested by the CIO-SD-GBP which ensures all Unit Holders would be treated fairly.

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

In this Supplement, the following definitions shall apply:

"Initial Minimum Subscription" means, in relation to all Classes of Units, an initial minimum subscription of GBP 500,000 or, 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 GBP 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 GBP 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 GBP 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 GBP Net Asset Value and the issue and redemption of CIO-SD-GBP Units has been suspended in the circumstances described under Prospectus - "Temporary Suspension of Calculation of Net Asset Value and of Issues and Redemptions", the GBP Net Asset Value on each Dealing Day will be made public, not only at the registered office of the Administrator and notified to the Irish Stock Exchange without delay (also for inclusion on their website 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 GBP 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) 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 CIO-SD-GBP *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 GBP Conning Investor Class GBP Accumulation Class and GBP Distribution Class, a redemption charge of up to 3% and Anti-Dilution Levy (14. "Anti-Dilution Levy") may be payable where the redemption fee is payable to the Investment Manager and the Anti-Dilution Levy is payable to the CIO-SD-GBP. 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 GBP Seed Class only, and in addition to the Anti-Dilution Levy (14. "Anti-Dilution Levy"), 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 CIO-SD-GBP.

20. Currency Hedging

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

While not the intention, over-hedged or under-hedged positions may arise due to factors outside the control of the CIO-SD-GBP. Any currency hedging will be limited to 105% of the GBP 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 GBP 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 CIO-SD-GBP 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. A RMP has been prepared also in respect of the CIO-SD-GBP for these purposes and will always cover such derivatives as are used.

22. Securities Lending

The CIO-SD-GBP 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 CIO-SD-GBP. 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 CIO-SD-GBP's securities. Such fees, costs and expenses will be at normal commercial rates and will not include hidden revenue. 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 CIO-SD-GBP 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 CIO-SD-GBP receives collateral for at least 30% of its assets). The haircut policy of the CIO-SD-GBP 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 Investment Manager will be entitled to recover any reasonable costs of forming the CIO-SD-GBP, 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 CIO-SD-GBP, where such costs will be borne by the Investment Manager initially.

24. Solvency II

The CIO-SD-GBP 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 Derivatives

The CIO-SD-GBP may, but is not required to, use futures (including government bond futures, foreign exchange futures and interest rate futures) and forward contracts (foreign exchange) for investment and Efficient Portfolio Management purposes respectively.

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. The underlying securities to which the CIO-SD-GBP will have exposure as a result of investing in derivatives will be consistent with the investment policy of the CIO-SD-GBP. Derivatives used for Efficient Portfolio Management purposes will have the aim of reducing risk, reducing costs or generating additional capital or income for the CIO-SD-GBP with an appropriate level of risk, taking into account the risk profile of the CIO-SD-GBP 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 CIO-SD-GBP.

Financial futures and forward foreign exchange contracts may be used to hedge the currency exposure of the CIO-SD-GBP and 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 CIO-SD-GBP. In particular, these may be used to hedge the designated currency of the assets of the CIO-SD-GBP to the GBP Base Currency of the CIO-SD-GBP. Interest rate futures may be used to hedge and mitigate the interest rate risk of the bonds in the CIO-SD-GBP, while bond futures are intended to provide a more economically efficient means of obtaining exposure to the underlying bonds in which the CIO-SD-GBP may invest and to hedge against the volatility and price risk of the broader financial market. The Investment Manager may further utilise some limited interest rate curve positioning within this general hedging strategy to generate extra revenue for the CIO-SD-GBP. Fund performance may be materially affected in a situation where currency hedges held by the CIO-SD-GBP do not exactly match currency exposure arising through securities held by the CIO-SD-GBP.

26. Use of Leverage

As detailed in the RMP, Leverage will be incurred by the CIO-SD-GBP as a result of the use of FDI.

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

27. Additional Risk Factors

In addition to the Prospectus - "Risk Factors", the following risks, specific to the CIO-SD-GBP, 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 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 CIO-SD-GBP.

The Investment Manager shall take steps to minimise the CIO-SD-GBP exposure to operational risks that arise in the course of managing the CIO-SD-GBP. 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 CIO-SD-GBP 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.

Basis Risk

This is the risk that the value of a derivative does not track the underlying notional asset. This is only relevant if the instrument is traded prior to maturity. Where this is the case, basis risk is measured as an additional independent source of volatility.

Counterparty Risk

As the CIO-SD-GBP 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 CIO-SD-GBP 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

Assets of the CIO-SD-GBP may be denominated in a currency other than the GBP Base Currency. Changes in the exchange rate between the GBP Base Currency and the currency of such assets may lead to a depreciation of the value of the CIO-SD-GBP's assets as expressed in the GBP Base Currency. The Investment Manager will aim to mitigate this risk by using FDIs. The CIO-SD-GBP may from time to time enter into currency exchange transactions either on a spot (i.e. cash) basis or by buying currency exchange forward contracts. Neither spot transactions nor forward currency exchange contracts eliminate all the fluctuations in the price of the CIO-SD-GBP securities or in foreign exchange rates, or prevent loss if the prices of these securities should decline. The CIO-SD-GBP may enter into currency exchange transactions to protect against changes in currency exchange rates between the trade and settlement dates of specific securities transactions or anticipated securities transactions.

Custodial Risk

In the event the CIO-SD-GBP invests in markets where the trading, settlement and custodial systems are not fully developed, the assets of the CIO-SD-GBP which are traded in such markets and which have been entrusted to sub-custodians in such markets in circumstances

where the use of such sub-custodians is necessary, the CIO-SD-GBP may be exposed to risk in circumstances in which the custodian may have no liability.

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 GBP 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 CIO-SD-GBP 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 GBP 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 CIO-SD-GBP Net Asset Value of a Class.

FDI Techniques and Risks

In respect of FDIs, the CIO-SD-GBP will invest initially in forward foreign exchange contracts and exchange traded bond future contracts, and may, at a later stage invest in others including interest rate & currency swaps, futures contracts, credit derivatives, options (including caps, floors and swaptions, contracts for difference and embedded options) and forward rate agreements. However, these additional products can only be traded after the Risk Management Process document has been updated and approved to include them specifically.

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 FDIs 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 CIO-SD-GBP, 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.

Futures Broker Risk

The Investment Manager may engage in various portfolio strategies through the use of futures. Due to the nature of futures, cash to meet margin monies will be held by a broker with whom the CIO-SD-GBP has an open position. In the event of the insolvency or bankruptcy of the broker, there can be no guarantee that such monies will be returned to the CIO-SD-GBP.

Futures Clearing Broker Risk

The Investment Manager may engage in various portfolio strategies through the use of futures. Due to the nature of futures, cash to meet margin monies will be held by a clearing broker with whom the CIO-SD-GBP has an open position. In the event of the insolvency or

bankruptcy of the clearing broker, there can be no guarantee that such CIO-SD-GBP monies will be returned to the CIO-SD-GBP by the clearing broker.

The CIO-SD-GBP may be invested in certain FDIs, which may involve the assumption of obligations as well as rights. Assets deposited as margin with brokers may not be held correctly in segregated accounts by the brokers and so may therefore become available to the creditors of such brokers in the event of the broker's insolvency or bankruptcy. If there is a counterparty default, the agreements relating to the transaction will provide contractual rights for the CIO-SD-GBP, however, for the CIO-SD-GBP to exercise such contractual rights, this may involve delays or costs, which could result in the value of the total assets of the CIO-SD-GBP being significantly less, than if the transaction had not been entered into in the first place, and so which could affect returns negatively. Further, significant value may be lost if a counterparty seeks recovery by the selling of collateral either rapidly or at distressed prices or both.

Futures Delivery Risk

The Investment Manager will endeavour to ensure that all bond future contracts are rolled into longer contracts well before bonds have to be delivered or received from the contract. Due to the nature of futures, if such a roll was not possible due to lack of liquidity there can be no guarantee that going through such a delivery process would not cause a loss for the CIO-SD-GBP.

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 CIO-SD-GBP has invested, or proposes to invest, and the possession of such information may limit the ability of the CIO-SD-GBP to buy or sell securities of such entity.

Interest Rate Risk

The fixed and floating rate securities in which the CIO-SD-GBP may invest may be interest rate sensitive, which means that their value and, consequently, the GBP Net Asset Value may fluctuate as interest rates fluctuate. An increase in interest rates will generally reduce the value of the fixed income securities. The CIO-SD-GBP's performance, therefore, will depend in part on the Investment Manager's ability to anticipate and respond to such fluctuations in market interest rates and to utilise appropriate strategies to maximise returns to the CIO-SD-GBP while attempting to minimise the associated risks to its investment capital.

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 CIO-SD-GBP 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 CIO-SD-GBP are forward foreign exchange contracts which will all be contracted with the Administrator.

Lending of Securities

The assets of the CIO-SD-GBP may be lent to brokers, dealers and other financial institutions needing to borrow securities to complete certain transactions. The CIO-SD-GBP 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 CIO-SD-GBP an opportunity to earn interest on the amount of the loan and on the loaned securities' collateral. In connection with any such transaction, the CIO-SD-GBP 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 CIO-SD-GBP might experience loss if the institution with which the Investment Manager of the CIO-SD-GBP has engaged in a portfolio loan transaction breaches its agreement with the CIO-SD-GBP.

Liquidity Risk

Futures positions may be illiquid because certain exchanges limit fluctuations in certain futures contract prices during a single day by regulation referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the CIO-SD-GBP from liquidating unfavourable positions.

Market Risk

The CIO-SD-GBP may invest in currencies, securities and instruments traded in various markets throughout the world, including in global 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 CIO-SD-GBP'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 CIO-SD-GBP investments. Unexpected volatility or illiquidity could impair the CIO-SD-GBP 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 CIO-SD-GBP may invest may prove to be illiquid or highly volatile from time to time and this may affect the price at which the CIO-SD-GBP may liquidate positions to meet repurchase requests or other funding requirements. Prospective investors should also note that the CIO-SD-GBP may have exposure to the securities of small capitalisation companies which are less liquid than larger capitalisation companies and this may result in price fluctuations.

Furthermore, default by any counterparty in the performance of its obligations could subject the CIO-SD-GBP to unwanted market or other risk. In order to mitigate this risk, swaps,

derivatives and repo agreements will be entered into by the Manager only with Approved Counterparties.

Market Spread Risk

There is a risk that at times of significant market movements the Anti-Dilution Levy (which may be charged by the CIO-SD-GBP on any Dealing Day where there are net subscriptions), may be insufficient to compensate the CIO-SD-GBP for the dealing costs which arise as a result of such market movements.

Operational Risk of Derivatives

The complexity of derivative instruments creates operational risk which necessitates the maintenance of an adequate and comprehensive internal control environment, both systems and personnel, to transact, confirm, settle, monitor and control transactions and evaluate aggregate positions or exposures created within the portfolio. Specific risk lowering operational features within CIO-SD-GBP are that:

- Government bond future trades are exchange traded and appear next day on a clearing report;
- Currency forwards are carried out by BNP Paribas as counterparty, on behalf of the CIO-SD-GBP, with a detailed reporting of transactions and positions, which are then provided to and reviewed daily by the Investment Manager;
- Bonds, interest, expenses, futures, margin and cash positions are reconciled daily between the Investment Manager's internal systems and the Administrator's daily by the respective investment operations teams; and the
- CIO-SD-GBP's detailed operating procedures are updated and reviewed regularly.

Redemption Risk

In order to allow an orderly realisation of the assets and to protect all Unit Holders equally including the last, should the number of Units of the CIO-SD-GBP falling to be redeemed on any CIO-SD-GBP Dealing Day be equal to one tenth (10%) or more of the total number of Units of the CIO-SD-GBP in issue or deemed to be in issue on such CIO-SD-GBP 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 GBP 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 CIO-SD-GBP. 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.

28. Security Numbers

- GBP Accumulating Class
Sedol BQ1KFP0
ISIN IE00BQ1KFP04
Bloomberg CIOSDG1

- GBP Distribution Class
Sedol BQ1KFQ1
ISIN IE00BQ1KFQ11
Bloomberg CIOSDG2

- GBP Conning Investor Accumulating Class
Sedol BQ1KFR2
ISIN IE00BQ1KFR28
Bloomberg CIOSDG2

- GBP Conning Investor Distribution Class
Sedol BQ1KFS3
ISIN IE00BQ1KFS35
Bloomberg CIOSDG4

- GBP Seed Accumulating Class
Sedol BQ1KFT4
ISIN IE00BQ1KFT42
Bloomberg CIOSDG5

- GBP Seed Distribution Class
Sedol BQ1KJV6
ISIN IE00BQ1KJV63
Bloomberg CIOSDG6

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