

Conning Funds



Conning US High Dividend Equity Fund

SUPPLEMENT 4

Dated 20 December 2017

SUPPLEMENT 4: Conning US 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 US High Dividend Equity Fund ("**US 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 US 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 US 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 US 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 US HDE Supplement only, unless the context otherwise requires:

"Business Day"

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.

"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.

<i>"Investment Manager"</i>	means Conning, Inc ("CINC") and as defined further in this Supplement.
<i>"Subscription Currency"</i>	means the currency of the US HDE in which all US HDE Share Class of Units will be denominated, namely United States Dollars.
<i>"US HDE Accumulation Class"</i>	means a US HDE Share Class of Units available in the US HDE Accumulation Class which does not pay a dividend.
<i>"US HDE Accumulation Class Unit"</i>	means one undivided Unit in the US HDE Accumulating Class.
<i>"US HDE Base Currency"</i>	means the base currency of the US HDE, being United States Dollars.
<i>"US HDE Conning Investor Accumulation Class"</i>	means a US HDE Share Class of Units available in the US HDE Conning Investor Accumulating Class which does not pay a dividend.
<i>"US HDE Conning Investor Accumulation Class Unit"</i>	means one undivided Unit in the US HDE Conning Investor Accumulating Class.
<i>"US HDE Conning Investor Class"</i>	means a class of Units in either the US HDE Conning Investor Accumulation Class or the US 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.
<i>"US HDE Conning Investor Distribution Class"</i>	means a US HDE Share Class of Units available in the US HDE Conning Investor Distribution Class which pays a dividend as described in this Supplement.
<i>"US HDE Conning Investor Distribution Class Unit"</i>	means one undivided unit in the US HDE Conning Investor Distribution Class.
<i>"US HDE Distribution Class"</i>	means a US HDE Share Class of Units available in the US HDE Distribution Class which pays a dividend as described in this Supplement.
<i>"US HDE Distribution Class Unit"</i>	means one undivided unit in the US HDE Distribution Class.
<i>"US HDE Net Asset Value"</i>	means the net asset value of the US HDE calculated in accordance with the provisions of the Trust Deed, (Prospectus - "Administration of the Fund - Calculation of Net Asset Value of Units").
<i>"US HDE Seed Accumulation Class"</i>	means a US HDE Share Class of Units available in the US HDE Seed Accumulation Class which does not pay a dividend.

"US HDE Seed Accumulation Class Unit"

means one undivided Unit in the US HDE Seed Accumulation Class.

"US HDE Seed Class"

means a class of Units in either the US HDE Seed Accumulation Class or the US HDE Seed Distribution Class available during the Initial Offer Period only for the purposes of seeding the launch of the US HDE up to a combined total of USD 50 million plus or minus 5%, at the Manager's sole discretion.

"US HDE Seed Distribution Class"

means a US HDE Share Class of Units available in the US HDE Seed Distribution Class which pays a dividend as described in this Supplement.

"US HDE Seed Distribution Class Unit"

means one undivided unit in the US HDE Seed Distribution Class.

"US HDE Share Class"

means any US HDE Share Class of Units available in the US HDE.

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 US 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.

2. Investment Objective

The investment objective of the US 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 US HDE Fund will invest primarily in equities of companies domiciled in the US as well as companies generating considerable income in the US, but which may not be US domiciled. This is achieved by selecting qualifying securities whose issuers are traditionally orientated towards generating dividends and have strong balance sheets, narrowing the S&P 500 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 S&P 500 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.
- Minimum current dividend yield of 2%.
- 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 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 40 names and no more than 60.

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 US HDE Accumulation Share Class and US 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 US 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.

No derivatives are used in the implementation of this strategy.

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 US HDE'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 US 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 US 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.

7. Investment Manager Fee

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 US HDE Accumulation Class and the US HDE Distribution Class:

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

In respect of the US HDE Seed Class only:

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

In respect of the US HDE Conning Investor Class only:

30.0 bps per annum of the US HDE Net Asset Value of a US 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 US HDE. (22. "Formation and Organisation Costs").

8. Managing and Operating Expenses – General

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

Notwithstanding the fees and expenses payable from the assets of the US HDE to the Manager, Administrator and Trustee under the Prospectus, the Directors of the Manager of the Fund have imposed a fee cap on the total managing and operating expenses borne by each class of Unit, as follows:

<u>Class</u>	<u>Fee Cap</u>
US HDE Accumulation Class	85 bps

US HDE Distribution Class	85 bps
US HDE Seed Accumulating Class	80 bps
US HDE Seed Distribution Class	80 bps
US HDE Conning Investor Accumulating Class	75 bps
US HDE Conning Investor Distribution Class	75 bps

Unit Holders should note that this fee cap shall be calculated as per the basis point amount (set out in the table directly above) per annum of the Net Asset Value of the relevant class of Units. If the total managing and operating expenses attributable to the relevant class of Units exceed the fee cap, the Investment Manager agrees to pay to the Sub-Fund for the account of the relevant class of Units such amount as is necessary to enable the Sub-Fund, on behalf of the relevant class of Units, to pay such expenses without further recourse to the Sub-Fund's assets (the "Fee Cap Payment"). The Investment Manager is entitled, upon 30 days' written notice to the Sub-Fund, to cease making the Fee Cap Payment to the Sub-Fund, at which point the imposition of the fee cap by the Manager will automatically come to an end immediately upon the expiration of the 30 day termination period notified to Unit Holders by the Investment Manager.

9. Profile of a Typical Investor

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

10. Available Classes of Units

Units are issued to investors as Units of a Class in the US HDE. Units may be issued in one of six US 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 Investment Manager, namely:

- US HDE Accumulating Class
- US HDE Distribution Class

- US HDE Conning Investor Accumulating Class
- US HDE Conning Investor Distribution Class

- US HDE Seed Accumulating Class
- US HDE Seed Distribution Class

The US 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 "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 US HDE Base Currency is United States Dollars.

12. Dealing Day

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

13. Distribution Policy

Accumulation Units

The US HDE Accumulation Class Units, US HDE Conning Investor Accumulation Class Units and US HDE Seed Accumulation Class Units, the “US 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 US HDE Net Asset Value of a Class.

While no distribution payments are made in respect of the US 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 US HDE Conning Investor Distribution Class Units, US HDE Distribution Class Units and US HDE Seed Distribution Class Units, the “US 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 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 US HDE Net Asset Value of a Class.

Distributions in respect of US 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 US 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 US HDE Distribution Unit Class.

14. Issue of Units

Initial Offer Period

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

For subscription to the US 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 US 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 US HDE Seed Class described below. Once the US 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 US HDE Distribution Class following the closure of the US HDE Seed Class.

The Initial Offer Period for the US HDE Conning Accumulating Investor Class and for the US HDE Conning Distribution Class commenced at 9 a.m. (Irish time) on 29 May 2015 and will close either a) when the first investment is invested in the US 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 US 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 US 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 US HDE Conning Investor Class and the US HDE Seed Class during the Initial Offer Period is USD 100.00 per Unit.

For the US HDE Accumulation Class the Initial Offer Period is closed. For the US HDE Distribution Class the Initial Offer Period 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 US HDE Distribution Units during the Initial Offer Period is USD 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:

- US HDE Distribution Class @ USD 100.00 per Unit
- US HDE Conning Investor Accumulating Class @ USD 100.00 per Unit
- US HDE Conning Investor Distribution Class @ USD 100.00 per Unit
- US HDE Seed Accumulating Class @ USD 100.00 per Unit
- US 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 set out 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 US HDE are issued at a price equal to the US 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 US 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 US 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 US 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, in relation to all 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 US HDE Net Asset Value and the issue and redemption of US 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 US 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), but also published in the relevant newspapers or relevant web sites as required, and such other newspapers as the Manager may determine.

The daily US 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) 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 US 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 US HDE Conning Investor Class, US HDE Accumulation Class and US 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 US 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 US HDE.

20. Securities Lending

The US 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 US 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 US 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 US 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 US 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 US HDE receives collateral for at least 30% of its assets). The haircut policy of the US 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.

21. Formation and Organisation Costs

The costs of forming the US HDE, 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 US 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 US HDE and the relevant proportion of costs borne by the US 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.

22. Solvency II

The US 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.

23. Use of Derivatives

The US HDE will neither use derivatives for investment purposes nor use derivatives for Efficient Portfolio Management purposes.

24. Use of Leverage

The US HDE will not use leverage.

25. Additional Risk Factors

In addition to the Prospectus - "Risk Factors", the following risks, specific to the US 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 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 US HDE.

The Investment Manager shall take steps to minimise the US HDE exposure to operational risks that arise in the course of managing the US 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 US 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.

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 US 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 US 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 US 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 US HDE Net Asset Value of a Class.

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 US HDE has invested, or proposes to invest, and the possession of such information may limit the ability of the US 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 US 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.

Lending of Securities

The assets of the US HDE may be lent to brokers, dealers and other financial institutions needing to borrow securities to complete certain transactions. The US 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 US 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 US 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 US HDE might experience loss if the institution with which the Manager of the US HDE or its Agent has engaged in a portfolio loan transaction breaches its agreement with the US HDE.

Price Risk

The equity securities in which the US 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 US 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 US HDE and any fall may decrease the value. The US 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 US 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 US HDE falling to be redeemed on any US HDE Dealing Day be equal to one tenth (10%) or more of the total number of Units of the US HDE in issue or deemed to be in issue on such US 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 US 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 US 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.

26. Security Numbers

- US HDE Accumulating Class
Sedol BY9CSQ6
ISIN IE00BY9CSQ61
Bloomberg CUHUSHA ID
- US HDE Distribution Class
Sedol BY9CST9
ISIN IE00BY9CST92
Bloomberg CUHUSHD ID
- US HDE Conning Investor Accumulating Class
Sedol BY9CSR7
ISIN IE00BY9CSR78
Bloomberg CUHUHCA ID
- US HDE Conning Investor Distribution Class
Sedol BY9CSS8
ISIN IE00BY9CSS85
Bloomberg CUHUHCD ID
- US HDE Seed Accumulating Class
Sedol BY9CSV1
ISIN IE00BY9CSV15
Bloomberg CUHUHSA ID
- US HDE Seed Distribution Class
Sedol BY9CSW2
ISIN IE00BY9CSW22
Bloomberg CUHUHSD ID

