

**If you are in any doubt about the contents of this Prospectus, the risks involved in investing in the Company or whether investment in the Company is suitable for you, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial or tax adviser.**

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

## **BMO INVESTMENTS II (IRELAND) PLC**

(an investment company with variable capital incorporated with limited liability in Ireland with registration number 457359 and operating as an umbrella fund with segregated liability between Funds pursuant to the UCITS Regulations)

### **PROSPECTUS**

for

BMO LGM Asian Growth and Income Fund  
BMO LGM Asian Smaller Companies Fund  
BMO LGM Frontier Markets Fund  
BMO LGM Global Emerging Markets Growth and Income Fund  
BMO LGM Global Emerging Markets Smaller Companies Fund  
BMO LGM Greater China Fund  
BMO LGM Greater India Fund

The date of this Prospectus is 19 September 2014

## IMPORTANT INFORMATION

Certain terms used in this Prospectus are defined under the heading “Definitions”.

### The Prospectus

This Prospectus describes BMO Investments II (Ireland) plc, an open-ended investment company with variable capital and with segregated liability between Funds incorporated in Ireland and authorised by the Central Bank as a UCITS pursuant to the UCITS Regulations. The Company is structured as an umbrella fund and may be divided into different Funds, each Fund representing a separate portfolio of assets and further sub-divided to denote differing characteristics attributable to particular Classes of Shares.

Distribution of this Prospectus is not authorised after the publication of the first annual report of the Company unless the Prospectus is accompanied by a copy of the latest annual report. Such report will form part of this Prospectus. However, Shareholders should note that the audited financial statements contained in the annual report are presented to the Shareholders as a body at the date of the audited financial statements and the Auditor does not accept liability to any other party in respect of such financial statements. The latest published annual and half yearly reports of the Company will be supplied to investors of the Company free of charge on request and will be available to the public as further described under the heading “General Information – Documents Available for Inspection”.

### Authorisation by the Central Bank

The Company is both authorised and supervised by the Central Bank. **Authorisation of the Company by the Central Bank shall not constitute a warranty as to the performance of the Company and the Central Bank shall not be liable for the performance or default of the Company. The authorisation of the Company is not an endorsement or guarantee of the Company by the Central Bank and the Central Bank is not responsible for the contents of this Prospectus.**

### Restrictions on Distribution and Sale of Shares

The distribution of this Prospectus and the offering or purchase of Shares may be restricted in certain jurisdictions. No person receiving a copy of this Prospectus or an Application Form in any such jurisdiction may treat this Prospectus or Application Form as constituting an invitation to such person to subscribe for Shares nor should such person use an Application Form unless in the relevant jurisdiction such an invitation could lawfully be made to such person and such Application Form could lawfully be used without compliance with any registration or other legal requirements. Accordingly, this Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone whom it is unlawful to make such offer or solicitation. It is the responsibility of any person in possession of this Prospectus and any person wishing to apply for Shares pursuant to this Prospectus to inform oneself of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Shares should inform themselves as to the legal requirements of so applying and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile.

The Directors may restrict the ownership of Shares by any person, firm or corporation where such ownership would be in breach of any regulatory or legal requirement or may affect the tax status of the Company. Any restrictions applicable to a particular Fund or Class shall be specified in the Prospectus. Any person who is holding Shares in contravention of the restrictions set out above or, by virtue of holding the Shares, is in breach of the laws and regulations of any competent jurisdiction or could, in the opinion of the Directors, cause the Company or any Shareholder or any Fund to incur any liability to taxation or to suffer any pecuniary liability which any or all of them might not

otherwise have incurred or sustained or otherwise in circumstances which the Directors believe might be prejudicial to the interests of the other Shareholders, shall indemnify the Company, the Distributor (as defined below), the Investment Manager, the Custodian, the Administrator and Shareholders for any loss suffered by it or them as a result of such person or persons acquiring or holding Shares in the Company.

The Directors have the power under the Articles of Association to compulsorily redeem and/or cancel any Shares held or beneficially owned in contravention of the restrictions described herein.

### *United Kingdom*

The Company is a recognised scheme under section 264 of the FSMA. Accordingly, the promotion of the Company in the United Kingdom by persons authorised to conduct investment business in the United Kingdom under the FSMA is not subject to restrictions contained in section 238 of the FSMA. The Company provides the facilities required by the Collective Investment Schemes Sourcebook published by the Financial Conduct Authority regulations governing such schemes at the offices of the Distributor in the United Kingdom as specified in this Prospectus under the heading “Directory”. The Company does not have a permanent place of business in the United Kingdom. In relation to the Company, and any overseas agent thereof who is not a person authorised to carry on investment business in the United Kingdom, a United Kingdom investor will not benefit from certain protections afforded by the United Kingdom regulatory system, and in particular will not benefit from rights under the Financial Services Compensation Scheme or access to the Financial Ombudsman Service which are designed to protect investors as described in the FSMA and the rules of the FCA.

### *United States of America*

None of the Shares have been, nor will be, registered under the United States Securities Act of 1933, as amended (the “1933 Act”) and, except in a transaction which does not violate the 1933 Act or any other applicable United States securities laws (including without limitation any applicable law of any of the States of the United States), none of the Shares may be directly or indirectly offered or sold in the United States of America (including the District of Columbia), or any of its territories or possessions or areas subject to its jurisdiction, or to or for the benefit of a U.S. Person. Neither the Company nor any Fund has been or will be registered under the United States Investment Company Act of 1940, as amended. **Notwithstanding the foregoing prohibition on offers and sales in the United States or to or for the benefit of U.S. Persons, the Company may make a private placement of its Shares to a limited number or category of U.S. Persons.**

### **Risk Factors**

**It should be appreciated that the value of the Shares and the income from them may go down as well as up and accordingly an investor may not get back the full amount invested. There can be no assurance that the investment objective of the Company will be achieved and results may vary substantially over time. The Directors are empowered to levy a redemption fee of up to 3 per cent of the Net Asset Value of Shares being redeemed. The difference at any one time between the subscription price (to which may be added a sales charge or commission) and the redemption price of Shares (from which may be deducted a redemption fee) means that an investment in the Company should be viewed as medium to long term investment. This Prospectus should be read in its entirety and the risk factors set forth on pages 24 to 34 should be considered before making an application for Shares.**

### **Reliance on this Prospectus**

Statements made in this Prospectus are based on the law and practice in force in the Republic of Ireland as at the date of the Prospectus, which may be subject to change. Neither the delivery of this Prospectus nor the offer, issue or sale of Shares in the Company shall under any circumstances

constitute a representation that the affairs of the Company have not changed since the date hereof. This Prospectus will be updated by the Company to take into account any material changes from time to time and any such amendments will be notified in advance to the Central Bank. Any information or representation not contained herein or given or made by any stockbroker, salesperson or other person should be regarded as unauthorised and should accordingly not be relied upon.

Investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or other matters. You should consult your stockbroker, accountant, solicitor, independent financial adviser or other professional adviser.

### **Translations**

This Prospectus may be translated into other languages provided that any such translation shall only contain the same information and have the same meaning as the English language Prospectus. To the extent that there is any inconsistency between the English language Prospectus and the Prospectus in another language, the English language Prospectus will prevail, except to the extent (but only to the extent) required by the law of any jurisdiction where the Shares are sold, that in an action based upon disclosure in a prospectus in a language other than English, the language of the Prospectus on which such action is based shall prevail.

## DIRECTORY

<b>BMO INVESTMENTS II (IRELAND) PLC</b>	
<b>Directors</b>	<b>Registered Office</b>
Anthony Cousins Eimear Cowhey Barry McInerney Paul McNaughton Drew Newman Diane Seymour-Williams	78 Sir John Rogerson's Quay Dublin 2 Ireland
<b>Promoter</b>	<b>Custodian</b>
BMO Investments Inc. 1 First Canadian Place 100 King St. W 43rd Floor M5X 1A1 Canada	State Street Custodial Services (Ireland) Limited 78 Sir John Rogerson's Quay Dublin 2 Ireland
<b>Investment Manager and Distributor</b>	<b>Legal Adviser</b>
LGM Investments Limited 95 Wigmore Street London W1U 1HH United Kingdom	Arthur Cox Earlsfort Centre Earlsfort Terrace Dublin 2 Ireland
<b>Administrator</b>	<b>Company Secretary</b>
State Street Fund Services (Ireland) Limited 78 Sir John Rogerson's Quay Dublin 2 Ireland	Bradwell Limited Arthur Cox Building Earlsfort Terrace Dublin 2 Ireland
<b>Auditor</b>	
KPMG 1-2 Harbourmaster Place International Financial Services Centre Dublin 1 Ireland	

DEFINITIONS.....	1
INTRODUCTION .....	10
The Company.....	10
Investment Objective and Policies.....	11
Investment Restrictions.....	24
Borrowing Powers .....	24
Adherence to Investment and Borrowing Restrictions .....	24
Changes to Investment and Borrowing Restrictions .....	24
Efficient Portfolio Management.....	24
Hedged Classes .....	26
Financial Derivative Instruments.....	26
Types and Descriptions of Financial Derivative Instruments .....	27
Risk Factors .....	29
MANAGEMENT AND ADMINISTRATION .....	40
Directors.....	40
The Promoter .....	41
Investment Manager.....	41
Administrator .....	42
Custodian .....	43
Paying Agents/Representatives/Sub-Distributors.....	43
Potential Conflicts of Interest, Best Execution and Exercising of Voting Rights.....	43
Soft Commissions .....	45
Cash/Commission Rebates and Fee Sharing.....	45
FEES AND EXPENSES.....	46
Establishment Expenses.....	46
Operating Expenses and Fees .....	46
Administrator’s Fees.....	47
Custodian’s Fees .....	47
Investment Manager’s Fees .....	47
Paying Agents’ Fees .....	50
Distributor’s Fees.....	50
Redemption Fee .....	50
Anti-Dilution Levy/Duties and Charges .....	51
Directors’ Fees.....	51
Allocation of Fees and Expenses .....	51
Reimbursement of Fees.....	51
THE SHARES .....	52
General.....	52
Abusive Trading Practices/Market Timing.....	52
Initial Offer of Share Classes .....	53
Application for Shares .....	54
Confirmation of Ownership .....	57
Minimum Subscription, Minimum Holding and Minimum Transaction Size.....	57
Redemption of Shares .....	59
Conversion of Shares .....	62
Net Asset Value and Valuation of Assets .....	63
Publication of Net Asset Value per Share.....	66
Suspension of Valuation of Assets.....	66
Suspension of Dealing .....	67
Dividends and Distributions .....	68
Taxation on the occurrence of certain events.....	68

TAXATION .....	70
Taxation of the Company .....	70
Exempt Irish Resident Shareholders .....	72
Taxation of Non-Irish Resident Shareholders .....	73
Taxation of Irish Resident Shareholders .....	73
Overseas Dividends .....	75
Stamp Duty .....	75
Residence .....	75
Disposal of Shares and Irish Capital Acquisitions Tax .....	76
European Union Taxation of Savings Income Directive .....	77
GENERAL INFORMATION .....	79
Incorporation, Registered Office and Share Capital .....	79
Variation of Share Rights and Pre-Emption Rights .....	79
Voting Rights .....	79
Meetings .....	80
Reports and Accounts .....	81
Communications and Notices to Shareholders .....	81
Transfer of Shares .....	81
Directors .....	82
Directors' Interests .....	83
Winding Up .....	84
Indemnities and Insurance .....	85
General .....	85
Complaints Handling .....	86
Material Contracts .....	86
Documents Available for Inspection .....	87
APPENDIX I .....	88
APPENDIX II .....	94
APPENDIX III .....	98

## DEFINITIONS

In this Prospectus the following words and phrases have the meanings set forth below:

All references to a specific time of day are to Irish time, unless otherwise specified.

“Accounting Date”	means 31 December in each year or such other date as the Directors may from time to time decide and notify in advance to Shareholders and the Central Bank.
“Accounting Period”	means a period ending on an Accounting Date and commencing from the first day immediately following expiry of the immediately preceding Accounting Period.
“Act”	means the Companies Acts 1963 to 2005, Parts 2 and 3 of the Investment Funds, Companies and Miscellaneous Provisions Act 2006, Companies (Amendment) Act 2009, the Companies (Miscellaneous Provisions) Act 2009, the Companies (Amendment) Act 2012 and the Companies (Miscellaneous Provisions) Act 2013, all enactments which are to be read as one with, or construed or read together as one with, the Companies Acts and every statutory modification and re-enactment thereof for the time being in force.
“Administrator”	means State Street Fund Services (Ireland) Limited or such other person as may be appointed as the administrator of the Company in accordance with the requirements of the Central Bank.
“Administration Agreement”	means the administration agreement entered into between the Company and the Administrator dated 30 May 2008, as may be amended from time to time.
“Application Form”	means any application form (including any subsequent application form) to be completed by persons wishing to subscribe for Shares as prescribed by the Company from time to time.
“Articles of Association”	means the Memorandum and Articles of Association of the Company, as amended from time to time in accordance with the requirements of the Central Bank.
“Auditor”	means KPMG.
“Base Currency”	means the base currency of each Fund (as described in further detail under the heading “The Company – Investment Objective and Policies”).
“Benchmark Index”	means:  (i) in the case of BMO LGM Asian Growth and Income Fund – the change in the value of the MSCI AC Asia ex Japan Index (Net Dividends Reinvested) over the same period as the calculation period for the performance fee expressed as a percentage. The MSCI AC Asia ex Japan Index (Net Dividends Reinvested) is a free float-adjusted market capitalisation weighted index that is designed to measure the



equity market performance of Asia, excluding Japan. For further information, please see [www.msci.com](http://www.msci.com).

- (ii) in the case of BMO LGM Asian Smaller Companies Fund – the change in the value of the MSCI AC Asia ex Japan Small Cap Index (Net Dividends Reinvested) over the same period as the calculation period for the performance fee expressed as a percentage. The MSCI AC Asia ex Japan Small Cap Index (Net Dividends Reinvested) is a free float-adjusted market capitalisation weighted index that is designed to measure the small cap equity market performance of Asia, excluding Japan. For further information, please see [www.msci.com](http://www.msci.com).
- (iii) in the case of BMO LGM Frontier Markets Fund – a change in the value of the Index (as defined below) over the same period as the calculation period in the performance fee expressed as a percentage.

“Index” means a composite index consisting of:

50% of the daily return of the MSCI Frontier Markets Index (Net Dividends Reinvested) which is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of certain Frontier Markets. As of 19 September 2014, the MSCI Frontier Markets Index (Net Dividends Reinvested) consisted of the following 24 countries: Argentina, Bahrain, Bangladesh, Bulgaria, Croatia, Estonia, Jordan, Kazakhstan, Kenya, Kuwait, Lebanon, Lithuania, Mauritius, Morocco, Nigeria, Oman, Pakistan, Romania, Serbia, Slovenia, Sri Lanka, Tunisia, Ukraine and Vietnam; and

50% of the daily return of the MSCI Frontier Markets ex GCC Countries Index (Net Dividends Reinvested) which is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of certain Frontier Markets excluding Gulf Cooperation Council countries which as of 19 September 2014 excludes the following markets: Bahrain, Kuwait and Oman.

The composite Index is rebalanced on each index publishing day to a 50% allocation to each index component. For further information, please see [www.msci.com](http://www.msci.com).

- (iv) in the case of BMO LGM Global Emerging Markets Growth and Income Fund – the change in the value of the MSCI Emerging Markets Index (Net Dividends Reinvested) over the same period as the calculation period in the performance fee expressed as a percentage. The MSCI Emerging Markets Index (Net Dividends Reinvested) is a free float-adjusted market capitalisation index that is designed to measure equity market performance of emerging markets. For further information, please see [www.msci.com](http://www.msci.com).

- (v) in the case of BMO LGM Global Emerging Markets Smaller Companies Fund – the change in the value of the MSCI Emerging Markets Small Cap Index (Net Dividends Reinvested) over the same period as the calculation period in the performance fee expressed as a percentage. The MSCI Emerging Markets Small Cap Index (Net Dividends Reinvested) is a free float-adjusted market capitalisation index that is designed to measure small cap equity market performance of emerging markets. For further information, please see [www.msci.com](http://www.msci.com).
- (vi) in the case of BMO LGM Greater China Fund – the change in the value of the MSCI Golden Dragon Index (Net Dividends Reinvested) over the same period of the calculation period and for the performance fee expressed as a percentage. The MSCI Golden Dragon Index (Net Dividends Reinvested) is a free float-adjusted market capitalisation index that is designed to capture the equity market performance of large and mid capitalisation China securities (H shares, B shares, Red-Chips and P-Chips) and non-domestic China securities listed in Hong Kong and Taiwan. For further information, please see [www.msci.com](http://www.msci.com).
- (vii) in the case of BMO LGM Greater India Fund – the change in the value of the S&P BSE 100 Index over the same period as the calculation period for the performance fee expressed as a percentage. The S&P BSE 100 Index is a free float-adjusted index based on the capital returns of 100 companies listed on the Bombay Stock Exchange. For further information, please see [www.bseindia.com](http://www.bseindia.com).

“Benchmark Value”	means the Performance Fee High Watermark adjusted by any return (positive or negative) in the Benchmark Index since the previous Calculation Day taking account of any Calculation Period that is less than a year.
“Business Day”	means any day (except Saturday or Sunday) on which banks in Dublin, Hong Kong and London are generally open for business or such other day or days as may be determined by the Directors and notified to Shareholders in advance.
“Calculation Day”	has the meaning ascribed thereto under the heading “Fees and Expenses – Investment Manager’s Fees – Performance Fee”.
“Calculation Period”	has the meaning ascribed thereto under the heading “Fees and Expenses – Investment Manager’s Fees – Performance Fee”.
“Central Bank”	means the Central Bank of Ireland, or any successor regulatory authority with responsibility for the authorisation and supervision of the Company.
“Class”	means a class or classes of Shares in a Fund.
“Company”	means BMO Investments II (Ireland) plc.

“Country Supplement”	means a supplement to this Prospectus specifying certain information pertaining to the offer of Shares of the Company or a Fund or Class as may be required by a particular jurisdiction or jurisdictions.
“Custodian”	means State Street Custodial Services (Ireland) Limited or such other person as may be appointed as the custodian of the Company in accordance with the requirements of the Central Bank.
“Custodian Agreement”	means the custodian agreement entered into between the Company and the Custodian dated 30 May 2008, as may be amended from time to time.
“Dealing Day”	<p>means</p> <ul style="list-style-type: none"> <li>(i) in respect of BMO LGM Asian Growth and Income Fund, BMO LGM Asian Smaller Companies Fund, BMO LGM Global Emerging Markets Growth and Income Fund, BMO LGM Greater China Fund, BMO LGM Global Emerging Markets Smaller Companies Fund, BMO LGM Greater India Fund, each Business Day or such other day or days as may be determined by the Directors and notified in advance to Shareholders, provided that there is at least one Dealing Day each fortnight.</li> <li>(ii) in respect of the BMO LGM Frontier Markets Fund, the 15<sup>th</sup> calendar day of each month (or the immediately preceding Business Day if it is not a Business Day) and the last Business Day of the month or such other day or days as may be determined by the Directors and notified in advance to Shareholders, provided that there shall be at least two such Dealing Days per month at regular intervals.</li> </ul>
“Dealing Deadline”	<p>means</p> <ul style="list-style-type: none"> <li>(i) in respect of BMO LGM Asian Growth and Income Fund, BMO LGM Global Emerging Markets Growth and Income Fund, BMO LGM Greater China Fund and BMO LGM Greater India Fund, 4 p.m. (Irish time) on the Business Day prior to any Dealing Day or such other time as may be determined by the Directors and notified in advance to Shareholders, provided that the Dealing Deadline is no later than the Valuation Point.</li> <li>(ii) in respect of each Class of Shares of BMO LGM Asian Smaller Companies Fund, BMO LGM Global Emerging Markets Smaller Companies Fund and Class of Shares of BMO LGM Frontier Markets Fund other than Class A Income Shares and Class A Accumulating Shares, 4 p.m. (Irish time) four (4) Business Days prior to the Dealing Day; and, in respect of Class A Income Shares and Class A Accumulating Shares of BMO LGM Asian Smaller Companies Fund, BMO LGM Global Emerging Markets Smaller Companies Fund and BMO LGM Frontier Markets Fund, 4 p.m. (Irish time) one (1) Business Day prior to any</li> </ul>

Dealing Day, or such other time as may be determined by the Directors and notified in advance to Shareholders, provided that the Dealing Deadline is no later than the Valuation Point.

“Directors”	means the directors of the Company or any duly authorised committee or delegate thereof.
“EEA”	means the European Economic Area.
“Euro” or “€”	means the unit of the European Union single currency.
“European Union”	means the European Union, which, as at the date of this Prospectus, includes Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.
“FCA”	means the Financial Conduct Authority of the United Kingdom.
“Final Net Asset Value”	has the meaning ascribed thereto under the heading “Fees and Expenses – Investment Manager’s Fees – Performance Fee”.
“Frontier Markets”	are markets that are at a very early stage of development, which typically involves higher risk and potentially higher returns as compared to developed markets and emerging markets, and such Frontier Markets include, but are not limited to, Argentina, Bahrain, Bangladesh, Bulgaria, Croatia, Estonia, Jordan, Kazakhstan, Kenya, Kuwait, Lebanon, Lithuania, Mauritius, Morocco, Nigeria, Oman, Pakistan, Romania, Serbia, Slovenia, Sri Lanka, Tunisia, Ukraine, Vietnam.
“FSMA”	means the United Kingdom Financial Services and Markets Act 2000 and every amendment or re-enactment of the same.
“Fund”	means any sub-fund from time to time established by the Company, including any of the sub-funds contained in this Prospectus, where appropriate.
“Initial Price”	means the initial offer price or re-offer price payable for a Share (as described in further detail under the heading “The Shares – Initial Offer of Classes of Shares”).
“Investment Manager”	means LGM Investments Limited or such other person appointed as the investment manager of the Company in accordance with the requirements of the Central Bank provided that the Investment Manager may appoint sub-investment managers in accordance with the requirements of the Central Bank.
“Investment Management and Distribution Agreement”	means the investment management and distribution agreement entered into between the Company and the Investment Manager

dated 30 May 2008, as may be amended from time to time.

“Ireland”	means the Republic of Ireland.
“Member State”	means any state that from time to time is a member of the European Union.
“Minimum Holding”	means the minimum number or value of Shares which must be held by Shareholders.
“Minimum Subscription”	means the minimum initial subscription for Shares.
“Money Market Instruments”	means instruments normally dealt in on the money market which are liquid and have a value which can be accurately determined at any time.
“Net Asset Value”	means the net asset value of the Company, a Fund or a Class (as appropriate), calculated as described herein.
“Net Asset Value per Share”	means the Net Asset Value applicable to a Class divided by the number of Shares in issue representing that Class and shall be rounded to such number of decimal places as the Directors may determine.
“OECD Member Country”	means each of Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom and the United States and such other countries as may from time to time become member countries.
“Paying Agent”	means one or more paying agents, representatives, distributors, or correspondent banks appointed by the Company in certain jurisdictions.
“Performance Fee High Watermark”	means (a) for the first Calculation Period, the initial issue price of the Shares in question (excluding any preliminary charge or anti-dilution levy) or (b) for subsequent Calculation Periods (i) the Performance Fee High Watermark for the previous Calculation Period adjusted by the return Benchmark Index in that previous Calculation Period or, if a Performance Fee was paid for the previous Calculation Period, (ii) the Final Net Asset Value per Share at the end of such previous Calculation Period adjusted for all Performance Fee paid.
“Prospectus”	means this prospectus of the Company issued in accordance with the requirements of the UCITS Regulations.
“Recognised Exchange”	means the stock exchanges or markets set out in Appendix II.
“Share”	means a share or shares, or, save as otherwise provided in this Prospectus, a fraction thereof, representing any share or shares in the Company.

“Shareholder”	means a person who is registered as the holder of Shares in the register of Shareholders for the time being kept by or on behalf of the Company.
“Sterling” or “£”	means the lawful currency for the time being of the United Kingdom.
“UCITS”	means an undertaking for collective investment in transferable securities established pursuant to the UCITS Regulations or, in the case of a UCITS established in a Member State other than Ireland, the UCITS Directive.
“UCITS Notices”	such notice or notices issued from time to time by the Central Bank and applicable to a UCITS fund.
“UCITS Directive”	means the Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as amended, consolidated, replaced or substituted from time to time.
“UCITS Regulations”	means the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended, consolidated, substituted or replaced from time to time) and any regulations or notices issued by the Central Bank.
“UK”	means the United Kingdom of Great Britain and Northern Ireland.
“United States”	means the United States of America (including the District of Columbia), its territories, possessions and all other areas subject to its jurisdiction.
“U.S.D”	means the lawful currency of the United States.
“U.S. Person”	means: <ul style="list-style-type: none"> <li>(a) any natural person resident in the United States;</li> <li>(b) any partnership or corporation organised or incorporated under the laws of the United States;</li> <li>(c) any estate of which any executor or administrator is a U.S. Person;</li> <li>(d) any trust for which a trustee is a U.S. person;</li> <li>(e) any agency or branch of a foreign entity located in the United States;</li> <li>(f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;</li> <li>(g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised,</li> </ul>

incorporated, or (if an individual) resident in the United States;  
and

- (h) any partnership or corporation if:
  - (i) organised or incorporated under the laws of any foreign jurisdiction; and
  - (ii) formed by a U.S. person principally for the purpose of investing in securities not registered under the 1933 Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a)) of Regulation D of the 1933 Act who are not natural persons, estate or trusts.

The following are not a “U.S. Person”:

- (a) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. Person by a dealer or other professional fiduciary organised, incorporated, or (if an individual) resident in the United States;
- (b) any estate of which any professional fiduciary acting as executor or administrator is a U.S. Person if:
  - (i) an executor or administrator of the estate who is not a U.S. person has sole or shared investment discretion with respect to the assets of the estate; and
  - (ii) the estate is governed by foreign law;
- (c) any trust of which any professional fiduciary acting as trustee is a U.S. person, if a trustee who is not a U.S. Person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. Person;
- (d) an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country;
- (e) any agency or branch of a U.S. Person located outside the United States if:
  - (i) the agency or branch operates for valid business reasons; and
  - (ii) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; and
- (f) the International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, and their agencies,

affiliates and pension plans, and any other similar international organisations, their agencies, affiliates and pension plans.

“Valuation Point”

means close of business (Irish time) on the relevant Dealing Day or such other time or times as may be determined by the Directors and notified in advance to Shareholders, provided that the Valuation Point is not before the Dealing Deadline.



## INTRODUCTION

### The Company

The Company is an open-ended investment company with variable capital and was incorporated in Ireland on 14 May 2008 under the Act with registration number 457359. The Company has been authorised by the Central Bank as a UCITS pursuant to the UCITS Regulations.

The Company is structured as an umbrella fund consisting of different Funds each comprising one or more Classes and with segregated liability between Funds. The Shares issued in each Fund will rank pari passu with each other in all respects provided that they may differ as to certain matters including currency of denomination, hedging strategies if any applied to the currency of a particular Class, dividend policy, voting rights, return of capital, the level of fees and expenses to be charged, or the Minimum Subscription and Minimum Holding applicable. The assets of each Fund will be invested separately on behalf of each Fund in accordance with the investment objective and policies of each Fund. A separate portfolio of assets is not maintained for each Class.

The Company has obtained the approval of the Central Bank to establish the Classes listed in the table set forth below. Additional Funds and Classes of such additional Funds may be issued in the future in accordance with the requirements of the Central Bank.

Name of Fund	Base Currency	Classes
BMO LGM Asian Growth and Income Fund	U.S.D	Class A Income Shares Class A Accumulating Shares Class B Income Shares Class B Accumulating Shares Class C Income Shares Class C Accumulating Shares Class E Income Shares Class E Accumulating Shares
BMO LGM Asian Smaller Companies Fund	U.S.D	Class A Income Shares Class A Accumulating Shares Class B Income Shares Class B Accumulating Shares Class C Income Shares Class C Accumulating Shares Class E Income Shares Class E Accumulating Shares
BMO LGM Frontier Markets Fund	U.S.D	Class A Income Shares Class A Accumulating Shares Class B Income Shares Class B Accumulating Shares Class E Income Shares Class E Accumulating Shares

<b>Name of Fund</b>	<b>Base Currency</b>	<b>Classes</b>
BMO LGM Global Emerging Markets Growth and Income Fund	U.S.D	Class A Income Shares Class A Accumulating Shares Class B Income Shares Class B Accumulating Shares Class C Income Shares Class C Accumulating Shares Class D Income Shares Class D Accumulating Shares Class E Income Shares Class E Accumulating Shares Class F Income Shares Class F Accumulating Shares
BMO LGM Global Emerging Markets Smaller Companies Fund	U.S.D	Class A Income Shares Class A Accumulating Shares Class B Income Shares Class B Accumulating Shares Class C Income Shares Class C Accumulating Shares Class E Income Shares Class E Accumulating Shares
BMO LGM Greater China Fund	U.S.D	Class A Income Shares Class A Accumulating Shares Class B Income Shares Class B Accumulating Shares Class C Income Shares Class C Accumulating Shares Class E Income Shares Class E Accumulating Shares
BMO LGM Greater India Fund	U.S.D	Class A Income Shares Class A Accumulating Shares Class B Income Shares Class B Accumulating Shares Class C Income Shares Class C Accumulating Shares Class E Income Shares Class E Accumulating Shares

### **Investment Objective and Policies**

The specific investment objective and policies of each Fund are set forth below.

Pending investment of the proceeds of a placing or offer of Shares or where market or other factors so warrant, a Fund's assets may be invested in Money Market Instruments, including but not limited to certificates of deposit, floating rate notes and fixed or variable rate commercial paper listed or traded on Recognised Exchanges and in cash deposits denominated in such currency or currencies as determined by the Investment Manager.

The investment objective of a Fund may not be altered and material changes in the investment policy of a Fund may not be made without approval of Shareholders on the basis of a majority of votes cast at a meeting of the Shareholders of the particular Fund duly convened and held. In the event of a change of the investment objective and/or policy of a Fund, Shareholders in the relevant Fund will be given reasonable notice of such change to enable them to redeem their Shares prior to implementation of such a change should they wish to do so.

The list of Recognised Exchanges on which a Fund's investments in securities and financial derivative instruments, other than permitted investments in unlisted securities and over the counter derivative instruments, will be listed or traded is set out in Appendix II.

**Each Fund may engage in transactions in financial derivative instruments for investment and/or for hedging purposes. While derivatives may be used for investment and/or hedging purposes, it is expected that derivatives will typically be used to reduce risk in the Fund. It is not expected that the Fund will experience a high degree of volatility through the use of financial derivative instruments. Each Fund will not be leveraged in excess of 100 per cent of its net assets.**

**An investment in a Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors. Investors should read and consider the section entitled "Risk Factors" before investing in a Fund.**

## **BMO LGM Asian Growth and Income Fund**

### **Investment Objective**

The Fund aims to achieve long-term capital growth through investment in an actively managed portfolio, primarily invested in equity and equity-related securities of companies in the Asian region with the potential for capital appreciation and a growing stream of dividends.

### **Investment Policy**

The Fund will invest primarily in equity and equity-related securities as described below of companies in the Asian region which are listed or traded on a Recognised Exchange and which have, in the opinion of the Investment Manager, the potential for both capital appreciation and a growing stream of dividends. The Fund may also invest in companies that have, in the opinion of the Investment Manager, substantial economic activities in the Asian region. The Asian region may include, but is not limited to, Hong Kong, Singapore, Malaysia, Thailand, Taiwan, China, Indonesia, South Korea and the Philippines. Investment may be made in developed and emerging markets and Frontier Markets in the Asian region and exposure to countries that do not form part of the MSCI AC Asia ex Japan Index (Net Dividends Reinvested), such as Japan and Vietnam, is permitted up to a maximum of 20 per cent of the Fund's Net Asset Value. In addition to the above, in constructing the portfolio, the Investment Manager will focus on the selection of securities of quality companies and consider factors including but not limited to sustainable business models, robust balance sheets, proven management teams with disciplined capital management, clear and fair alignment between majority and minority shareholders, share valuations, market capitalisation, liquidity and dividend yield.

The Fund could be exposed to any sector or industry and in general will have a well-diversified sector and industry allocation. The Investment Manager researches companies with a long-term view and is prepared to wait for the opportunity to buy high quality companies without overpaying for their inherent quality. The Investment Manager will choose securities by taking into account all relevant information at that point in time and will not be veering towards or against allocating to any industry or sector but more focusing on individual companies' quality and potential valuation upside.

Such equity securities or/and equity-related securities may include common and preferred stocks (which will not be leveraged), American depository receipt/global depository receipt (“ADR/GDR”), participation notes (which could contain a derivative component), non-voting depository receipts (“NVDR”) in Thailand, real estate investment trusts (“REITs”), exchange traded funds, business trusts, convertible preferred stocks, convertible debt instruments such as convertible bonds and warrants (which contain a derivative component).

The Fund may hold ancillary liquid assets. The Fund may also hold Money Market Instruments certificates of deposit and commercial paper for defensive purposes.

Notwithstanding the above, the Fund may invest up to 10 per cent of its net assets in securities which are not listed or traded on a Recognised Exchange and, further, the Fund may invest up to 10 per cent of its net assets in recently issued securities which will be admitted to official listing on a Recognised Exchange within a year.

The Fund may also invest in other open-ended collective investment schemes which have a similar investment policy to this Fund (including other Funds of the Company and other schemes managed by the Investment Manager) and listed closed-ended collective investment schemes and, subject to the aggregate limit set out under investment restriction, unlisted closed-ended collective investment schemes which the Investment Manager believes to be in the interests of the Shareholders of the Fund. The Fund will not invest more than 10 per cent of its net asset value in other collective investment schemes.

Subject to the limitations set forth in this Prospectus and consistent with the investment policies of the Fund, the Fund may invest in or utilise derivatives, including over-the-counter derivatives (“OTC Derivatives”), as part of its investment policy as described in the “Investment Techniques and Instruments” – “Types and Descriptions of Financial Derivatives Instruments” section herein, including, but not limited to, futures, swaps, options and forward contracts or may be embedded in other securities such as convertible securities and participation notes. The derivatives may be used for hedging and for investment purposes, including as a substitute for direct investment in securities or to obtain additional exposure beyond that which might be obtained from a traditional securities portfolio, subject always to the restrictions and requirements of the UCITS Regulations. The commercial purposes for the use of financial derivative instruments are typically: (a) in circumstances where a market or currency that the Fund is invested in is expected to decline in order to try to reduce exposure in a more efficient manner; (b) for the purposes of management of large redemptions and subscriptions to disinvest/invest efficiently; or (c) when a specific security can be more efficiently accessed through a derivative rather than the underlying share e.g. where there are limits on foreign ownership. Because currency positions held by the Fund may not correspond with the asset position held by the Fund, the effect of movements in foreign exchange rates may be significantly different in the Fund compared to another fund with similar investments.

The use of derivative instruments (whether for hedging and/or for investment purposes) may expose the Fund to the risks disclosed below under the heading “Risk Factors”. Position exposure to underlying assets of derivative instruments (other than index based derivatives) when combined with positions resulting from direct investments will not exceed the investment limits set out in the Prospectus and UCITS Notices. The Fund will not be leveraged in excess of 100 per cent of its net assets.

The Base Currency shall be U.S.D.

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

The Fund may be appropriate for investors who consider investing in funds as a convenient way of participating in capital market developments with a focus in the equities and equity related securities of companies in the Asian Region and who are aware of the risks of investing in equities. The Fund is

also suitable for more experienced investors wishing to attain a defined investment objective. There is no guarantee the Fund will be able to achieve its investment objective. Investors should have experience with investments in equities and be able to accept significant temporary losses, thus the Fund is suitable primarily for investors who can afford to set aside the capital for several years. There may be significant volatility depending on market conditions.

## **BMO LGM Asian Smaller Companies Fund**

### **Investment Objective**

The Fund aims to achieve long-term capital growth through investment in an actively managed portfolio, primarily invested in equity and equity-related securities of smaller companies in the Asian region.

### **Investment Policy**

The Fund will invest primarily in equity and equity-related securities as described below smaller companies in the Asian region which are listed or traded on a Recognised Exchange. In this context, smaller companies generally mean companies which are, at the time of investment, of a market capitalisation within a small company sector benchmark market capitalisation range. Investments in companies which subsequently outgrow the small company sector benchmark will not be sold unless, in the opinion of the Investment Manager, this is in the best interests of Shareholders. The Fund may also invest in smaller companies that have, in the opinion of the Investment Manager, substantial economic activities in the Asian region. The Asian region may include, but is not limited to, Hong Kong, Singapore, Malaysia, Thailand, Taiwan, China, Indonesia, South Korea and the Philippines. Investment may be made in developed and emerging markets and Frontier Markets in the Asian region and exposure to countries that do not form part of the MSCI AC Asia ex Japan Small Cap Index (Net Dividends Reinvested), such as Japan and Vietnam, is permitted up to a maximum of 20 per cent of the Fund's Net Asset Value. In addition to the above, in constructing the portfolio, the Investment Manager will focus on the selection of securities of quality companies and consider factors including but not limited to sustainable business models, robust balance sheets, proven management teams with disciplined capital management, clear and fair alignment between majority and minority shareholders, share valuations, market capitalisation, liquidity and dividend yield.

The Fund could be exposed to any sector or industry and in general will have a well-diversified sector and industry allocation. The Investment Manager will research companies with a long-term view and will be prepared to wait for the opportunity to buy high quality companies without overpaying for their inherent quality. The Investment Manager will choose securities by taking into account all relevant information at that point in time and will not be veering towards or against allocating to any industry or sector but more focusing on individual companies' quality and potential valuation upside.

Such equity securities or/and equity-related securities may include common and preferred stocks (which will not be leveraged), ADR/GDR, participation notes (which could contain a derivative component), NVDR in Thailand, REITs, exchange traded funds, convertible preferred stocks, convertible debt instruments such as convertible bonds and warrants (which contain a derivative component).

The Fund may hold ancillary liquid assets. The Fund may also hold Money Market Instruments certificates of deposit and commercial paper for defensive purposes.

Notwithstanding the above, the Fund may invest up to 10 per cent of its net assets in securities which are not listed or traded on a Recognised Exchange and, further, the Fund may invest up to 10 per cent of its net assets in recently issued securities which will be admitted to official listing on a Recognised Exchange within a year.

The Fund may also invest in other open-ended collective investment schemes which have a similar investment policy to this Fund (including other Funds of the Company and other schemes managed by the Investment Manager) and listed closed-ended collective investment schemes and, subject to the aggregate limit set out under investment restriction, unlisted closed-ended collective investment schemes which the Investment Manager believes to be in the interests of the Shareholders of the Fund. The Fund will not invest more than 10 per cent of its net asset value in other collective investment schemes.

Subject to the limitations set forth in this Prospectus and consistent with the investment policies of the Fund, the Fund may invest in or utilise derivatives, including over-the-counter derivatives (“OTC Derivatives”), as part of its investment policy as described in the “Investment Techniques and Instruments” – “Types and Descriptions of Financial Derivatives Instruments” section herein, including, but not limited to, futures, swaps, options and forward contracts or may be embedded in other securities such as convertible securities and participation notes. The derivatives may be used for hedging and for investment purposes, including as a substitute for direct investment in securities or to obtain additional exposure beyond that which might be obtained from a traditional securities portfolio, subject always to the restrictions and requirements of the UCITS Regulations. The commercial purposes for the use of financial derivative instruments are typically: (a) in circumstances where a market or currency that the Fund is invested in is expected to decline in order to try to reduce exposure in a more efficient manner; (b) for the purposes of management of large redemptions and subscriptions to disinvest/invest efficiently; or (c) when a specific security can be more efficiently accessed through a derivative rather than the underlying share e.g. where there are limits on foreign ownership. Because currency positions held by the Fund may not correspond with the asset position held by the Fund, the effect of movements in foreign exchange rates may be significantly different in the Fund compared to another fund with similar investments.

The use of derivative instruments (whether for hedging and/or for investment purposes) may expose the Fund to the risks disclosed below under the heading “Risk Factors”. Position exposure to underlying assets of derivative instruments (other than index based derivatives) when combined with positions resulting from direct investments will not exceed the investment limits set out in the Prospectus and UCITS Notices. The Fund will not be leveraged in excess of 100 per cent of its net assets.

The Base Currency shall be U.S.D.

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

The Fund may be appropriate for investors who consider investing in funds as a convenient way of participating in capital market developments with a focus in the equities and equity related securities of smaller companies in the Asian Region and who are aware of the risks of investing in equities. The Fund is also suitable for more experienced investors wishing to attain a defined investment objective. There is no guarantee the Fund will be able to achieve its investment objective. Investors should have experience with investments in equities and be able to accept significant temporary losses, thus the Fund is suitable primarily for investors who can afford to set aside the capital for several years. There may be significant volatility depending on market conditions.

### **BMO LGM Frontier Markets Fund**

**This Fund proposes to invest significantly in securities of companies in Frontier Markets worldwide. As such markets can experience greater volatility than more established markets, the Fund may experience higher volatility than a fund which invests in securities of emerging or more developed countries.**

### ***Investment Objective***

The Fund aims for long-term capital growth through investment in an actively managed portfolio, primarily invested in equity and equity-related securities of companies in Frontier Markets worldwide. In exceptional circumstances, the Fund may invest in debt securities.

### ***Investment Policy***

The Fund will invest primarily in equities and equity-related securities as described below of companies which are listed or traded on a Recognised Exchange in countries of Frontier Markets and companies which have, in the opinion of the Investment Manager, substantial economic activities in Frontier Markets, but whose stock listing may only be on a Recognised Exchange outside Frontier Markets region. In constructing the portfolio, the Investment Manager will focus on the selection of securities of quality companies and consider factors including but not limited to sustainable business models, robust balance sheets, proven management teams with disciplined capital management, clear and fair alignment between majority and minority shareholders, share valuations, market capitalisation, liquidity and dividend yield.

The Fund could be exposed to any sector or industry and in general will have a well-diversified sector and industry allocation. The Investment Manager will research companies with a long-term view and will be prepared to wait for the opportunity to buy high quality companies without overpaying for their inherent quality. The Investment Manager will be choosing stocks taking into account all relevant information at that point in time and will not be veering towards or against allocating to any industry or sector but more focusing on individual companies' quality and potential valuation upside.

Such equity securities or/and equity-related securities include common and preferred stocks (which will not be leveraged), ADR/GDR, participation notes (which could contain a derivative component), convertible debt instruments such as convertible bonds and warrants (which contain a derivative component). The Fund may also invest up to 20 per cent in equity and equity related securities such as convertible stocks or preferred stocks, NVDR of companies which may not have substantial economic activities in Frontier Markets and which are listed or traded on Recognised Markets other than countries of Frontier Markets. The Fund may also invest up to 10 per cent of its net assets in REITs and exchange traded funds. The Fund will measure its performance against the Index. The Fund may invest up to 10 per cent in Russian equity securities or Russian securities with equity characteristics.

The Fund may hold ancillary liquid assets. The Fund may also hold Money Market Instruments, certificates of deposit and commercial paper for defensive purposes such as circumstances when the Investment Manager is of the view that Frontier Markets may experience a sustained downturn. In addition, in exceptional market circumstances, the Fund may hold all or part of its assets in debt securities which may be government and/or corporate bonds which are fixed and/or floating rate and rated at least investment grade or considered in the opinion of the Investment Advisor to be of comparable quality and listed or traded on any Recognised Exchanges.

Notwithstanding the above, the Fund may invest up to 10 per cent of its net assets in securities which are not listed or traded on a Recognised Exchange and, further, the Fund may invest up to 10 per cent of its net assets in recently issued securities which will be admitted to an official listing on a Recognised Exchange within a year.

The Fund may also invest in other open-ended collective investment schemes which have a similar investment policy to this Fund (including other Funds of the Company and other schemes managed by Investment Manager) and listed closed-ended collective investment schemes and, subject to the aggregate limit set out under investment restrictions, unlisted closed-ended funds which the Investment Manager believes to be in the interests of the Shareholders of the Fund. The Fund will not invest more than 10 per cent of its net asset value in other collective investment schemes.

Subject to the limitations set forth in this Prospectus and consistent with the investment policies of the Fund, the Fund may invest in or utilise derivatives, including OTC Derivatives, as part of its

investment policy as described in the “Investment Techniques and Instruments” – “Types and Descriptions of Financial Derivatives Instruments” section herein, including, but not limited to, futures, swaps, options and forward contracts or may be embedded in other securities such as convertible securities and participation notes. The derivatives may be used for hedging and for investment purposes, including as a substitute for direct investment in securities or to obtain additional exposure beyond that which might be obtained from a traditional securities portfolio, subject always to the restrictions and requirements of the UCITS Regulations. The commercial purposes for the use of financial derivative instruments are typically: (a) in circumstances where a market or currency that the Fund is invested in is expected to decline in order to try to reduce exposure in a more efficient manner; (b) for the purposes of management of large redemptions and subscriptions to disinvest/invest efficiently; or (c) when a specific security can be more efficiently accessed through a derivative rather than the underlying share e.g. where there are limits on foreign ownership. Because currency positions held by the Fund may not correspond with the asset position held by the Fund, the effect of movements in foreign exchange rates may be significantly different in the Fund compared to another fund with similar investments.

The use of derivative instruments (whether for hedging and/or for investment purposes) may expose the Fund to the risks disclosed below under the heading “Risk Factors”. Position exposure to underlying assets of derivative instruments (other than index based derivatives) when combined with positions resulting from direct investments will not exceed the investment limits set out in the Prospectus and UCITS Notices. Under normal market conditions, the Fund will be leveraged between 0 per cent and 30 per cent of the Net Asset Value of the Fund and may be leveraged up to 100 per cent of the Net Asset Value of the Fund in exceptional circumstances. The Fund will not be leveraged in excess of 100 per cent of its net assets.

The Base Currency shall be U.S.D.

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

The Fund may be appropriate for investors who consider investing in funds as a convenient way of participating in capital market developments with a focus in equities and equity related securities of companies which are listed or traded in countries in Frontier Markets (i.e., markets that are at a very early stage of development and that typically involve higher risk and potentially higher returns and losses as compared to developed markets and emerging markets) or which have substantial activity in Frontier Markets and investors who are aware of the risks of investing in equities. The Fund is also suitable for more experienced investors wishing to attain a defined investment objective. There is no guarantee the Fund will be able to achieve its investment objective. Investors should have experience with investments in equities and be able to accept significant temporary losses, thus the Fund is suitable primarily for investors who can afford to set aside the capital for several years. There may be significant volatility depending on market conditions.

## **BMO LGM Global Emerging Markets Growth and Income Fund**

### ***Investment Objective***

The Fund aims for long-term capital growth through investment in an actively managed portfolio, primarily invested in equity and equity-related securities of companies in emerging markets worldwide, with the potential for capital appreciation and a growing stream of dividends.

### ***Investment Policy***

The Fund will invest primarily in equity and equity-related securities as described below of companies which are listed or traded on a Recognised Exchange in emerging market countries worldwide, including Russia, which have, in the opinion of the Investment Manager, the potential for both capital appreciation and a growing stream of dividends. The Fund also may invest in companies



which have, in the opinion of the Investment Manager, substantial economic activities in an emerging market or markets including Russia, but whose stock listing may only be on a Recognised Exchange in a developed market, namely any market not deemed to be an emerging market in the opinion of the Investment Manager. Investment in Russian equity securities will not exceed 25 per cent of the Net Asset Value of the Fund. Emerging markets are investment markets which, in the opinion of the Investment Manager, have yet to reach a level of maturity associated with developed stock markets. In addition to the above, in constructing the portfolio, the Investment Manager will focus on the selection of securities of quality companies and consider factors including but not limited to sustainable business models, robust balance sheets, proven management teams with disciplined capital management, clear and fair alignment between majority and minority shareholders, share valuations, market capitalisation, liquidity and dividend yield.

The Fund could be exposed to any sector or industry and in general will have a well-diversified sector and industry allocation. The Investment Manager will research companies with a long-term view and will be prepared to wait for the opportunity to buy high quality companies without overpaying for their inherent quality. The Investment Manager will choose securities by taking into account all relevant information at that point in time and will not be veering towards or against allocating to any industry or sector but more focusing on individual companies' quality and potential valuation upside.

Such equity securities or/and equity-related securities may include common and preferred stocks (which will not be leveraged), ADR/GDR, participation notes (which could contain a derivative component), NVDR in Thailand, REITs, exchange traded funds, convertible preferred stocks, convertible debt instruments such as convertible bonds and warrants (which contain a derivative component).

The Fund may hold ancillary liquid assets. The Fund may also hold Money Market Instruments, certificates of deposit and commercial paper for defensive purposes.

Notwithstanding the above, the Fund may invest up to 10 per cent of its net assets in securities which are not listed or traded on a Recognised Exchange and, further, the Fund may invest up to 10 per cent of its net assets in recently issued securities which will be admitted to official listing on a Recognised Exchange within a year.

The Fund may also invest in other open-ended collective investment schemes which have a similar investment policy to this Fund (including other Funds of the Company and other schemes managed by Investment Manager) and listed closed-ended collective investment schemes and, subject to the aggregate limit set out under investment restriction, unlisted closed-ended funds which the Investment Manager believes to be in the interests of the Shareholders of the Fund. The Fund will not invest more than 10 per cent of its net asset value in other collective investment schemes.

Subject to the limitations set forth in this Prospectus and consistent with the investment policies of the Fund, the Fund may invest in or utilise derivatives, including OTC Derivatives, as part of its investment policy as described in the "Investment Techniques and Instruments" – "Types and Descriptions of Financial Derivatives Instruments" section herein, including, but not limited to, futures, swaps, options and forward contracts or may be embedded in other securities such as convertible securities and participation notes. The derivatives may be used for hedging and for investment purposes, including as a substitute for direct investment in securities or to obtain additional exposure beyond that which might be obtained from a traditional securities portfolio, subject always to the restrictions and requirements of the UCITS Regulations. The commercial purposes for the use of financial derivative instruments are typically: (a) in circumstances where a market or currency that the Fund is invested in is expected to decline in order to try to reduce exposure in a more efficient manner; (b) for the purposes of management of large redemptions and subscriptions to disinvest/invest efficiently; or (c) when a specific security can be more efficiently accessed through a derivative rather than the underlying share e.g. where there are limits on foreign ownership. Because currency positions held by the Fund may not correspond with the asset position

held by the Fund, the effect of movements in foreign exchange rates may be significantly different in the Fund compared to another fund with similar investments.

The use of derivative instruments (whether for hedging and/or for investment purposes) may expose the Fund to the risks disclosed below under the heading “Risk Factors”. Position exposure to underlying assets of derivative instruments (other than index based derivatives) when combined with positions resulting from direct investments will not exceed the investment limits set out in the Prospectus and UCITS Notices. The Fund will not be leveraged in excess of 100 per cent of its net assets.

The Base Currency shall be U.S.D.

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

The Fund may be appropriate for investors who consider investing in funds as a convenient way of participating in capital market developments with a focus in equities and equity related securities of emerging markets worldwide, including Russia, and investors who are aware of the risks of investing in equities. The Fund is also suitable for more experienced investors wishing to attain a defined investment objective. There is no guarantee the Fund will be able to achieve its investment objective. Investors should have experience with investments in equities and be able to accept significant temporary losses, thus the Fund is suitable primarily for investors who can afford to set aside the capital for several years. There may be significant volatility depending on market conditions.

## **BMO LGM Global Emerging Markets Smaller Companies Fund**

### ***Investment Objective***

The Fund aims for long-term capital growth through investment in an actively managed portfolio, primarily invested in equity and equity-related securities of smaller companies in emerging markets worldwide.

### ***Investment Policy***

Fund will invest primarily in equity and equity-related securities as described below of smaller companies which are listed or traded on a Recognised Exchange in emerging market countries worldwide, including Russia. The Fund may also invest up to 30 per cent of its net assets in securities of issuers located in Frontier Markets, Hong Kong and Singapore. In this context, smaller companies generally mean companies which are, at the time of investment, of a market capitalisation within a small company sector benchmark market capitalisation range. Investments in companies which subsequently outgrow the small company sector benchmark will not be sold unless, in the opinion of the Investment Manager, this is in the best interests of Shareholders. The Fund also may invest in smaller companies which have, in the opinion of the Investment Manager, substantial economic activities in an emerging market or markets including Russia, and, subject to the limit above Frontier Markets, Hong Kong and Singapore, but whose stock listing may only be on a Recognised Exchange in a developed market, namely any market not deemed to be an emerging market in the opinion of the Investment Manager. Investment in Russian equity securities will not exceed 25 per cent of the Net Asset Value of the Fund. Emerging markets are investment markets which, in the opinion of the Investment Manager, have yet to reach a level of maturity associated with developed stock markets. In addition to the above, in constructing the portfolio, the Investment Manager will focus on the selection of securities of quality companies and consider factors including but not limited to sustainable business models, robust balance sheets, proven management teams with disciplined capital management, clear and fair alignment between majority and minority shareholders, share valuations, market capitalisation, liquidity and dividend yield.

The Fund could be exposed to any sector or industry and in general will have a well-diversified sector and industry allocation. The Investment Manager will research companies with a long-term view and will be prepared to wait for the opportunity to buy high quality companies without overpaying for their inherent quality. The Investment Manager will choose securities by taking into account all relevant information at that point in time and will not be veering towards allocating to or against any industry or sector but more focusing on individual companies' quality and potential valuation upside.

Such equity securities or/and equity-related securities may include common and preferred stocks (which will not be leveraged), ADR/GDR, participation notes (which could contain a derivative component), NVDR in Thailand, REITs, exchange traded funds, convertible preferred stocks, convertible debt instruments such as convertible bonds and warrants (which contain a derivative component).

The Fund may hold ancillary liquid assets. The Fund may also hold Money Market Instruments, certificates of deposit and commercial paper for defensive purposes.

Notwithstanding the above, the Fund may invest up to 10 per cent of its net assets in securities which are not listed or traded on a Recognised Exchange and, further, the Fund may invest up to 10 per cent of its net assets in recently issued securities which will be admitted to official listing on a Recognised Exchange within a year.

The Fund may also invest in other open-ended collective investment schemes which have a similar investment policy to this Fund (including other Funds of the Company and other schemes managed by Investment Manager) and listed closed-ended collective investment schemes and, subject to the aggregate limit set out under investment restriction, unlisted closed-ended funds which the Investment Manager believes to be in the interests of the Shareholders of the Fund. The Fund will not invest more than 10 per cent of its net asset value in other collective investment schemes.

Subject to the limitations set forth in this Prospectus and consistent with the investment policies of the Fund, the Fund may invest in or utilise derivatives, including OTC Derivatives, as part of its investment policy as described in the "Investment Techniques and Instruments" – "Types and Descriptions of Financial Derivatives Instruments" section herein, including, but not limited to, futures, swaps, options and forward contracts or may be embedded in other securities such as convertible securities and participation notes. The derivatives may be used for hedging and for investment purposes, including as a substitute for direct investment in securities or to obtain additional exposure beyond that which might be obtained from a traditional securities portfolio, subject always to the restrictions and requirements of the UCITS Regulations. The commercial purposes for the use of financial derivative instruments are typically: (a) in circumstances where a market or currency that the Fund is invested in is expected to decline in order to try to reduce exposure in a more efficient manner; (b) for the purposes of management of large redemptions and subscriptions to disinvest/invest efficiently; or (c) when a specific security can be more efficiently accessed through a derivative rather than the underlying share e.g. where there are limits on foreign ownership. Because currency positions held by the Fund may not correspond with the asset position held by the Fund, the effect of movements in foreign exchange rates may be significantly different in the Fund compared to another fund with similar investments.

The use of derivative instruments (whether for hedging and/or for investment purposes) may expose the Fund to the risks disclosed below under the heading "Risk Factors". Position exposure to underlying assets of derivative instruments (other than index based derivatives) when combined with positions resulting from direct investments will not exceed the investment limits set out in the Prospectus and UCITS Notices. The Fund will not be leveraged in excess of 100 per cent of its net assets.

The Base Currency shall be U.S.D.

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

The Fund may be appropriate for investors who consider investing in funds as a convenient way of participating in capital market developments with a focus in equities and equity related securities of smaller companies in emerging markets worldwide, including Russia and, subject to the limit above Frontier Markets, Hong Kong and Singapore, and investors who are aware of the risks of investing in equities. The Fund is also suitable for more experienced investors wishing to attain a defined investment objective. There is no guarantee the Fund will be able to achieve its investment objective. Investors should have experience with investments in equities and be able to accept significant temporary losses, thus the Fund is suitable primarily for investors who can afford to set aside the capital for several years. There may be significant volatility depending on market conditions.

### **BMO LGM Greater China Fund**

#### **Investment Objective**

The Fund aims to achieve long-term capital growth through investment in an actively managed portfolio, primarily invested in equity and equity-related securities of companies in Greater China (which includes the Republic of China, Hong Kong Special Administrative Region and Taiwan) and companies which, in the opinion of the Investment Manager, have significant economic activities in Greater China.

#### **Investment Policy**

The Fund will invest primarily in equity securities and equity-related securities as described below of companies in Greater China that are listed or traded on a Recognised Exchange. The Fund may also invest in companies that have, in the opinion of the Investment Manager, substantial economic activities in Greater China, but that are listed or traded on another Recognised Exchange outside of Greater China. In constructing the portfolio, the Investment Manager will focus on the selection of securities of quality companies and consider factors including but not limited to sustainable business models, robust balance sheets, proven management teams with disciplined capital management, clear and fair alignment between majority and minority shareholders, share valuations, market capitalisation, liquidity and dividend yield.

The Fund could be exposed to any sector or industry and in general will have a well-diversified sector and industry allocation. The Investment Manager will research companies with a long-term view and will be prepared to wait for the opportunity to buy high quality companies without overpaying for their inherent quality. The Investment Manager will choose securities by taking into account all relevant information at that point in time and will not be veering towards or against allocating to any industry or sector but more focusing on individual companies' quality and potential valuation upside.

Such equity securities or/and equity-related securities may include common and preferred stocks (which will not be leveraged), ADR/GDR, participation notes (which could contain a derivative component), NVDR in Thailand, REITs, exchange traded funds, convertible preferred stocks, business trusts, convertible debt instruments such as convertible bonds, and warrants (which contain a derivative component).

The Fund may hold ancillary liquid assets. The Fund may also hold Money Market Instruments, certificates of deposit and commercial paper for defensive purposes.

Notwithstanding the above, the Fund may invest up to 10 per cent of its net assets in securities which are not listed or traded on a Recognised Exchange and, further, the Fund may invest up to 10 per cent of its net assets in recently issued securities which will be admitted to official listing on a Recognised Exchange within a year.

The Fund may also invest in other open-ended collective investment schemes which have a similar investment policy to this Fund (including other Funds of the Company and other schemes managed by the Investment Manager) and listed closed-ended collective investment schemes and, subject to the aggregate limit set out under investment restriction, unlisted closed-ended funds which the Investment Manager believes to be in the interests of the Shareholders of the Fund. The Fund will not invest more than 10 per cent of its net asset value in other collective investment schemes.

Subject to the limitations set forth in this Prospectus and consistent with the investment policies of the Fund, the Fund may invest in or utilise derivatives, including OTC Derivatives, as part of its investment policy as described in the “Investment Techniques and Instruments” – “Types and Descriptions of Financial Derivatives Instruments” section herein, including, but not limited to futures, swaps, options and forward contracts or may be embedded in other securities such as convertible securities and participation notes. The derivatives may be used for hedging and for investment purposes, including as a substitute for direct investment in securities or to obtain additional exposure beyond that which might be obtained from a traditional securities portfolio, subject always to the restrictions and requirements of the UCITS Regulations. The commercial purposes for the use of financial derivative instruments are typically: (a) in circumstances where a market or currency that the Fund is invested in is expected to decline in order to try to reduce exposure in a more efficient manner; (b) for the purposes of management of large redemptions and subscriptions to disinvest/invest efficiently; or (c) when a specific security can be more efficiently accessed through a derivative rather than the underlying share e.g. where there are limits on foreign ownership. Because currency positions held by the Fund may not correspond with the asset position held by the Fund, the effect of movements in foreign exchange rates may be significantly different in the Fund compared to another fund with similar investments.

The use of derivative instruments (whether for hedging and/or for investment purposes) may expose the Fund to the risks disclosed below under the heading “Risk Factors”. Position exposure to underlying assets of derivative instruments (other than index based derivatives) when combined with positions resulting from direct investments will not exceed the investment limits set out in the Prospectus and UCITS Notices. The Fund will not be leveraged in excess of 100 per cent of its net assets.

The Base Currency shall be U.S.D.

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

The Fund may be appropriate for investors who consider investing in funds as a convenient way of participating in capital market developments with a focus in the equities and equity related securities of companies in Greater China and investors who are aware of the risks of investing in equities. The Fund is also suitable for more experienced investors wishing to attain a defined investment objective. There is no guarantee the Fund will be able to achieve its investment objective. Investors should have experience with investments in equities and be able to accept significant temporary losses, thus the Fund is suitable primarily for investors who can afford to set aside the capital for several years. There may be significant volatility depending on market conditions.

## **BMO LGM Greater India Fund**

### **Investment Objective**

The Fund aims to achieve long-term capital growth through investment in an actively managed portfolio, primarily invested in equity and equity-related securities of companies in India and may include investment in other countries in the Indian sub-continent such as Sri Lanka and Bangladesh.

### **Investment Policy**

The Fund will invest primarily in equity securities and equity-related securities as described below of companies in India or other countries in the Indian sub-continent that are listed or traded on a Recognised Exchange. The Fund may also invest in companies that, in the opinion of the Investment Manager, have substantial economic activities in India or other countries in the Indian sub-continent, but that are listed or traded on a Recognised Exchange outside of India or other countries in the Indian sub-continent. In constructing the portfolio, the Investment Manager will focus on the selection of securities of quality companies and consider factors including but not limited to sustainable business models, robust balance sheets, proven management teams with disciplined capital management, clear and fair alignment between majority and minority shareholders, share valuations, market capitalisation, liquidity and dividend yield.

The Fund could be exposed to any sector or industry and in general will have a well-diversified sector and industry allocation. The Investment Manager will research companies with a long-term view and will be prepared to wait for the opportunity to buy high quality companies without overpaying for their inherent quality. The Investment Manager will choose securities by taking into account all relevant information at that point in time and will not be veering towards allocating to or against any industry or sector but more focusing on individual companies' quality and potential valuation upside.

Such equity securities or/and equity-related securities may include common and preferred stocks (which will not be leveraged), ADR/GDR, participation notes (which could contain a derivative component), NVDR, REITs, exchange traded funds, convertible preferred stocks, business trusts, convertible debt instruments such as convertible bonds and warrants (which contain a derivative component).

The Fund may hold ancillary liquid assets. The Fund may also hold Money Market Instruments, certificates of deposit and commercial paper for defensive purposes.

Notwithstanding the above, the Fund may invest up to 10 per cent of its net assets in securities which are not listed or traded on a Recognised Exchange and, further, the Fund may invest up to 10 per cent of its net assets in recently issued securities which will be admitted to official listing on a Recognised Exchange within a year.

The Fund may also invest in other open-ended collective investment schemes which have a similar investment policy to this Fund (including other Funds of the Company and other schemes managed by the Investment Manager) and listed closed-ended collective investment schemes and, subject to the aggregate limit set out under investment restriction, unlisted closed-ended funds which the Investment Manager believes to be in the interests of the Shareholders of the Fund. The Fund will not invest more than 10 per cent of its net asset value in other collective investment schemes.

Subject to the limitations set forth in this Prospectus and consistent with the investment policies of the Fund, the Fund may invest in or utilise derivatives, including OTC Derivatives, as part of its investment policy as described in the "Investment Techniques and Instruments" – "Types and Descriptions of Financial Derivatives Instruments" section herein, including, but not limited to, futures, swaps, options and forward contracts or may be embedded in other securities such as convertible securities and participation notes. The derivatives may be used for hedging and for investment purposes, including as a substitute for direct investment in securities or to obtain additional exposure beyond that which might be obtained from a traditional securities portfolio, subject always to the restrictions and requirements of the UCITS Regulations. The commercial purposes for the use of financial derivative instruments are typically: (a) in circumstances where a market or currency that the Fund is invested in is expected to decline in order to try to reduce exposure in a more efficient manner; (b) for the purposes of management of large redemptions and subscriptions to disinvest/invest efficiently; or (c) when a specific security can be more efficiently accessed through a derivative rather than the underlying share e.g. where there are limits on foreign ownership. Because currency positions held by the Fund may not correspond with the asset position

held by the Fund, the effect of movements in foreign exchange rates may be significantly different in the Fund compared to another fund with similar investments.

The use of derivative instruments (whether for hedging and/or for investment purposes) may expose the Fund to the risks disclosed below under the heading “Risk Factors”. Position exposure to underlying assets of derivative instruments (other than index based derivatives) when combined with positions resulting from direct investments will not exceed the investment limits set out in the Prospectus and UCITS Notices. The Fund will not be leveraged in excess of 100 per cent of its net assets.

The Base Currency shall be U.S.D.

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

The Fund may be appropriate for investors who consider investing in funds as a convenient way of participating in capital market developments with a focus in equities and equity related securities of companies in India or other countries in the Indian sub-continent and investors who are aware of the risks of investing in equities. The Fund is also suitable for more experienced investors wishing to attain a defined investment objective. There is no guarantee the Fund will be able to achieve its investment objective. Investors should have experience with investments in equities and be able to accept significant temporary losses, thus the Fund is suitable primarily for investors who can afford to set aside the capital for several years. There may be significant volatility depending on market conditions.

### **Investment Restrictions**

Investment of the assets of each Fund must comply with the UCITS Regulations. The Directors may impose further restrictions in respect of any Fund. The investment and borrowing restrictions applying to the Company and each Fund are set out in Appendix I. Each Fund may also hold ancillary liquid assets.

### **Borrowing Powers**

The Company may only borrow on a temporary basis and the aggregate amount of such borrowings may not exceed 10 per cent of the Net Asset Value of each Fund. Subject to this limit the Directors may exercise all borrowing powers on behalf of the Company. In accordance with the provisions of the UCITS Regulations, the Company may charge its assets as security for such borrowings.

### **Adherence to Investment and Borrowing Restrictions**

The Company will, with respect to each Fund, adhere to any investment or borrowing restrictions described herein and any criteria necessary to obtain and/or maintain any credit rating in respect of any Shares or Fund or Class in the Company, subject to the UCITS Regulations.

### **Changes to Investment and Borrowing Restrictions**

It is intended that the Company shall have the power (subject to the prior approval of the Central Bank) to avail itself of any change in the investment and borrowing restrictions specified in the UCITS Regulations which would permit investment by the Company in securities, derivative instruments or in any other forms of investment in which investment is at the date of this Prospectus restricted or prohibited under the UCITS Regulations. In such circumstances, the Prospectus will be updated and Shareholders notified accordingly.

### **Efficient Portfolio Management**

The Company may, on behalf of each Fund, engage in techniques and instruments (such as financial derivative instruments, repurchase/reverse repurchase and securities lending agreements and when issued/delayed delivery securities) for the purposes of efficient portfolio management, including as part of a cash management strategy and reduction of risk or cost or the generation of additional capital or income for the Fund with an appropriate level of risk, taking into account the risk profile of the Fund and the general provisions of the UCITS Directive. Such transactions may include foreign exchange transactions which alter the currency characteristics of transferable securities held by the Fund. Such techniques and instruments are set out in Appendix III to this Prospectus.

The Company may also employ (subject to the conditions and within the limits laid down by the Central Bank) techniques and instruments intended to provide protection against exchange and/or interest rate risks in the context of the management of its assets and liabilities. The techniques and instruments which the Company may use on behalf of any Fund include, but are not limited to, those set out in Appendix III and, if applicable to a particular Fund, those set out in the investment policies for the relevant Fund.

For the purpose of providing margin or collateral in respect of transactions in techniques and instruments, the Company may mortgage, charge or encumber any assets or cash forming part of the relevant Fund.

The policy that will be applied to collateral arising from over the counter (“OTC”) derivative transactions or efficient portfolio management techniques relating to the Funds is to adhere to the requirements set out in Appendix III. This sets out the permitted types of collateral, level of collateral required and haircut policy and, in the case of cash collateral, the re-investment policy prescribed by the Central Bank pursuant to the UCITS Regulations. The categories of collateral which may be received by the Funds include cash and non-cash assets such as equities, debt securities and money market instruments. From time to time and subject to the requirements set out in Appendix III, the policy on levels of collateral required and haircuts may be adjusted, at the discretion of the Investment Manager, where this is determined to be appropriate in the context of the specific counterparty, the characteristics of the asset received as collateral, market conditions or other circumstances. The haircuts applied (if any) by the Investment Manager are adapted for each class of assets received as collateral, taking into account the characteristics of the assets such as the credit standing and/or the price volatility, as well as the outcome of any stress tests performed in accordance with the requirements in Appendix III. Each decision to apply a specific haircut, or to refrain from applying any haircut, to a certain class of assets should be justified on the basis of this policy.

If cash collateral received by a Fund is re-invested, the Fund is exposed to the risk of loss on that investment. Should such a loss occur, the value of the collateral will be reduced and the Fund will have less protection if the counterparty defaults. The risks associated with the re-investment of cash collateral are substantially the same as the risks which apply to the other investments of the Fund. For further details, see the disclosure under the heading “Risk Factors – Derivatives and Techniques and Instruments Risk”.

Direct and indirect operational costs and fees arising from the efficient portfolio management techniques of securities lending, repurchase and reverse repurchase arrangements may be deducted from the revenue delivered to the Funds (e.g., as a result of revenue sharing arrangements). These costs and fees should not include hidden revenue. All the revenues arising from such efficient portfolio management techniques, net of direct and indirect operational costs, will be returned to the relevant Fund. The entities to which direct and indirect costs and fees may be paid include banks, investment firms, broker-dealers, securities lending agents or other financial institutions or intermediaries and may be parties related to the Custodian. The revenues arising from such efficient portfolio management techniques for the relevant reporting period, together with the direct and indirect operational costs and fees incurred and the identity of the counterparty(ies) to these efficient portfolio management techniques, will be disclosed in the annual and half yearly reports of the Funds.



## **Hedged Classes**

The Company may (but is not obliged to) enter into certain currency related transactions in order to hedge the currency exposure of all the assets of a Fund attributable to a particular Class into the currency of denomination of the relevant Class for the purposes of efficient portfolio management. Any financial instruments used to implement such strategies with respect to one or more Classes shall be assets/liabilities of a Fund as a whole but will be attributable to the relevant Class(es) and the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant Class. Any currency exposure of a Class may not be combined with or offset against that of any other Class of a Fund. The currency exposure of the assets attributable to a Class may not be allocated to other Classes. While it is not the intention, overhedged or underhedged positions may arise here due to factors outside the control of the Investment Manager. Such over hedged positions shall not exceed 105 per cent of the Net Asset Value of the relevant Class. Hedged positions will be kept under review to ensure that over-hedged positions do not exceed the permitted level. This review will also incorporate a procedure to ensure that positions materially in excess of 100 per cent of the Net Asset Value of the relevant Class will not be carried forward from month to month. To the extent that hedging is successful, the performance of the class is likely to move in line with the performance of the underlying assets. Investors should note however that investors in a hedged class will not benefit if the class currency falls against the base currency and/or the currency in which the assets of the Fund are denominated.

In the case of an unhedged Class of Shares, a currency conversion will take place on subscriptions, redemptions, switches and distributions at prevailing exchange rates. The value of the Share expressed in the Class currency will be subject to exchange rate risk in relation to the Base Currency.

In general, it is not the Investment Manager's intention to hedge any Class of Shares, unless otherwise specified in this Prospectus.

## **Financial Derivative Instruments**

The Company and each Fund may invest in financial derivative instruments including equivalent cash settled instruments dealt in on a Recognised Exchange and/or in over the counter derivative instruments in each case under and in accordance with conditions or requirements imposed by the Central Bank. The financial derivative instruments in which the Company may invest and the expected effect of investment in such financial derivative instruments on the risk profile of a Fund are disclosed in Appendix III. If other financial derivative instruments may be invested in for a particular Fund, such instruments and their expected effect on the risk profile of such Fund, will be disclosed in the investment policies for the relevant Fund.

The Company will employ a risk management process which will enable it to measure, monitor and manage the risks attached to financial derivative positions and details of this process have been provided to the Central Bank. The Company will not utilise financial derivatives which have not been included in the risk management process until such time as a revised risk management process has been submitted to the Central Bank. Each Fund employs the "commitment approach" to measuring global exposure. The Company will provide on request to Shareholders supplementary information relating to the risk management methods employed by the Company including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments.

For the purpose of providing margin or collateral in respect of transactions in financial derivative instruments, the Company may mortgage, charge or encumber any assets or cash forming part of the relevant Fund.

## **Types and Descriptions of Financial Derivative Instruments**

Set forth below are examples of the types of financial derivative instruments that a Fund may purchase from time to time.

Futures may be used to hedge against changes in market prices and/or interest rates and currency exchange rates as part of the Fund's overall investment strategy. The Fund may also use future contracts to gain a direct exposure to equities or equity related securities as a substitute for direct investment where to do so would be more cost effective for the relevant Fund. The Fund may sell futures on such equity securities or securities with equity characteristics, currencies (where assets are in currencies other than the base currency) or equity indices to provide an efficient, liquid and effective method for the management of risks by "locking in" gains and/or protecting against future declines in value. The Fund may also buy futures on equity securities or securities with equity characteristics, currencies (where assets are currencies other than the base currency) or equity indices to provide a cost effective and efficient mechanism for taking position in securities. The Fund may also buy or sell equity index futures as a method to equitise significant cash positions in the Fund.

The Fund may employ forward currency exchange contracts to purchase or sell a specific currency at a future date at a price set at the time of the contract. The Base currency of each Fund is U.S.D but securities in a Fund may be denominated in large range of currencies. Consequently, a Fund may enter into forward currency contracts to hedge against exchange rate risk. Performance may be significantly influenced by movements in foreign exchange rates because currency positions held by a Fund may not correspond with the currency of the securities invested in.

The Fund may purchase equity warrants to provide an efficient, liquid mechanism for taking position in securities without the need to purchase and hold the security.

The Fund may enter into one or more swap agreements. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a day to many years. In the case of the Fund, these may take the form of equity swaps or currency swaps. In a standard swap transaction, two parties agree to exchange the returns earned on specific assets, such as the return on, or increase in value of, a particular amount invested in a particular foreign currency, in a security, in an equity index or in a basket of securities.

Equity swaps could be used to enable the Fund to gain exposure to equity securities or securities with equity characteristics, equity indices or a basket of securities. An equity swap would be used if it provided exposure to a security, an equity index position or a basket of securities in a more cost efficient manner. Any such investment by the Fund will be made in a manner consistent with the investment policy of the Fund.

Exchange rate swaps may be used in order to protect a Fund against foreign exchange risks. They could be used by the Fund to protect assets held in foreign currencies from foreign exchange risk with the base currency of the Fund.

Options would be held as long positions (buying calls and puts). Calls would be held to give exposure to underlying securities or indices. Puts would be held to hedge position exposure, for example index puts to hedge market risk in a single security or group of securities.

The Fund may purchase convertible bonds. This is a bond that can be converted into a predetermined amount of a company's equity at certain times during its life. Thus, convertible bonds tend to offer a lower rate of return in exchange for the option to trade the bond into stock. Conversely, convertible bonds may be used when volatility is low as an alternative to common stock as convertible bonds may yield a greater return than the common equity and hence build premium when a share price is weak.

The Fund may purchase participation notes. A participation note is a form of medium term note issued by a brokerage firm or other counterparty that provides the purchaser with (a) exposure to an individual equity or a basket or index of equities, or (b) exposure to the relative performance of these types of assets and may include the benefit of capital protection over the term. Participation notes are generally traded over-the counter. Participation notes are often used as a convenient means of investing in local securities (such as equity securities or securities with equity characteristics) by a foreign investor. In a participation note, the investor's principal investment may be guaranteed over the term or participation notes can be structured without a capital guarantee, in which case the investor's risk of loss is limited to the purchase price of the participation note. A participation note is typically exchangeable daily by a purchaser for cash equivalent to the economic value of the investment position embedded in the participation note.

## **Risk Factors**

### *General*

**The risks described herein should not be considered to be an exhaustive list of the risks that potential investors should consider before investing in a Fund. Potential investors should be aware that an investment in a Fund may be exposed to other risks, that may not be included in this section at this time but may be of an exceptional nature that could arise from time to time. Investment in the Company carries with it a degree of risk. Different risks may apply to different Funds and/or Classes. Prospective investors should review this Prospectus carefully and in its entirety and consult with their professional and financial advisers before making an application for Shares. Prospective investors are advised that the value of Shares and the income from them may go down as well as up and, accordingly, an investor may not get back the full amount invested and an investment should only be made by persons who can sustain a loss on their investment. Past performance of the Company or any Fund should not be relied upon as an indicator of future performance. The attention of potential investors is drawn to the taxation risks associated with investing in the Company. Please refer to information provided under the heading “Taxation”. The securities and instruments in which the Company invests are subject to normal market fluctuations and other risks inherent in investing in such investments and there can be no assurance that any appreciation in value will occur.**

There can be no guarantee that the investment objective of a Fund will actually be achieved.

### *Market Capitalisation Risk*

The securities of small-to-medium-sized (by market capitalisation) companies, or financial instruments related to such securities, may have a more limited market than the securities of larger companies. Accordingly, it may be more difficult to effect sales of such securities at an advantageous time or without a substantial drop in price than securities of a company with a large market capitalisation and broad trading market. In addition, securities of small-to-medium-sized companies may have greater price volatility as they are generally more vulnerable to adverse market factors such as unfavourable economic reports.

### *Market Risk*

Some of the Recognised Exchanges in which a Fund may invest may be less well-regulated than those in developed markets and may prove to be illiquid, insufficiently liquid or highly volatile from time to time. This may affect the price at which a Fund may liquidate positions to meet redemption requests or other funding requirements.

### *Exchange Control and Repatriation Risk*

It may not be possible for Funds to repatriate capital, dividends, interest and other income from certain countries, or it may require government consents to do so. Funds could be adversely affected by the introduction of, or delays in, or refusal to grant any such consent for the repatriation of funds or by any official intervention affecting the process of settlement of transactions. Economic or political conditions could lead to the revocation or variation of consent granted prior to investment being made in any particular country or to the imposition of new restrictions. This type of risk may be more significant in Frontier Markets with the potential for greater losses.

### *Liquidity Risk*

Not all securities or instruments invested in by the Funds will be listed or rated and consequently liquidity may be low. Moreover, the accumulation and disposal of holdings in some investments may be time consuming and may need to be conducted at unfavourable prices. The Funds may also

encounter difficulties in disposing of assets at their fair price due to adverse market conditions leading to limited liquidity.

### ***Redemption Risk***

Large redemptions of Shares in a Fund might result in a Fund being forced to sell assets at a time and price at which it would normally prefer not to dispose of those assets.

### ***Credit Risk***

There can be no assurance that issuers of the securities or other instruments in which a Fund invests will not be subject to credit difficulties leading to the loss of some or all of the sums invested in such securities or instruments or payments due on such securities or instruments. Funds will also be exposed to a credit risk in relation to the counterparties with whom they transact or place margin or collateral in respect of transactions in financial derivative instruments and may bear the risk of counterparty default.

### ***Currency Risk***

Assets of a Fund may be denominated in a currency other than the Base Currency of the Fund and changes in the exchange rate between the Base Currency and the currency of the asset may lead to a depreciation of the value of the Fund's assets as expressed in the Base Currency. It may not be possible or practical to hedge against such exchange rate risk. The Fund's Investment Manager may, but is not obliged to, mitigate this risk by using financial instruments. In general, it is not the Investment Manager's intention to hedge currencies.

Funds may from time to time enter into currency exchange transactions either on a spot basis or by buying currency exchange forward contracts. Neither spot transactions nor forward currency exchange contracts eliminate fluctuations in the prices of a Fund's securities or in foreign exchange rates, or prevent loss if the prices of these securities should decline. Performance of a Fund may be strongly influenced by movements in foreign exchange rates because currency positions held by a Fund may not correspond with the securities positions held.

A Fund may enter into currency exchange transactions and/or use techniques and instruments to seek to protect against fluctuation in the relative value of its portfolio positions as a result of changes in currency exchange rates or interest rates between the trade and settlement dates of specific securities transactions or anticipated securities transactions. Although these transactions are intended to minimise the risk of loss due to a decline in the value of hedged currency, they also limit any potential gain that might be realised should the value of the hedged currency increase. The precise matching of the relevant contract amounts and the value of the securities involved will not generally be possible because the future value of such securities will change as a consequence of market movements in the value of such securities between the date when the relevant contract is entered into and the date when it matures. The successful execution of a hedging strategy which matches exactly the profile of the investments of any Fund cannot be assured. It may not be possible to hedge against generally anticipated exchange or interest rate fluctuations at a price sufficient to protect the assets from the anticipated decline in value of the portfolio positions as a result of such fluctuations.

### ***Share Currency Designation Risk***

A Class of Shares of a Fund may be designated in a currency other than the Base Currency of the Fund. Changes in the exchange rate between the Base Currency and such designated currency may lead to a depreciation of the value of such Shares as expressed in the designated currency. The Fund's Investment Manager may try but is not obliged to mitigate this risk by using financial instruments such as those described under the heading "Currency Risk". While it is not the intention, overhedged or underhedged positions may arise here due to factors outside the control of the Investment Manager.

Such over hedged positions shall not exceed 105 per cent of the Net Asset Value of the relevant Class. Hedged positions will be kept under review to ensure that over-hedged positions do not exceed the permitted level. This review will also incorporate a procedure to ensure that positions materially in excess of 100 per cent of the Net Asset Value of the relevant Class will not be carried forward from month to month. To the extent that hedging is successful, the performance of the class is likely to move in line with the performance of the underlying assets. Investors should note however that investors in a hedged class will not benefit if the class currency falls against the base currency and/or the currency in which the assets of the Fund are denominated.

### ***Changes in Interest Rates Risk***

The value of Shares may be affected by substantial adverse movements in interest rates.

### ***Performance Fee Risk***

Where performance fees are payable by a Fund they will be based on net realised and net unrealised gains and losses as at the end of each Calculation Period (as more fully described under the heading “Fees and Expenses – Investment Manager’s Fees – Performance Fee”). As a result, performance fees may be paid on unrealised gains which may subsequently never be realised.

### ***Emerging Markets and Frontier Markets Risk***

Certain Funds may invest in equity securities of companies in emerging markets and Frontier Markets. Such securities may involve a high degree of risk and may be considered speculative. Risks include: (i) greater risk of expropriation, confiscatory taxation, nationalisation, and social, political and economic instability; (ii) the small current size of the markets for securities of emerging markets and Frontier Markets issuers and the currently low or non-existent volume of trading, resulting in lack of liquidity and in price volatility, (iii) certain national policies which may restrict a Fund’s investment opportunities including restrictions on investing in issuers or industries deemed sensitive to relevant national interests; and (iv) the absence of developed legal structures governing private or foreign investment and private property. This type of risk may be more significant in Frontier Markets with the potential for greater losses.

### ***Accounting, Auditing and Financial Reporting Standards Risk***

Investors’ attention is drawn to the fact that the accounting and financial reporting standards, practices and disclosure requirements applicable to some of the countries in whose markets each Fund may invest do not necessarily provide the same degree of shareholder protection and information to investors as would generally apply in more developed markets.

### ***Settlement Risk***

The reliability of the trading and settlement systems in such markets and the liquidity of such markets may also not be equal to that available in more developed markets, which may increase settlement risk and/or result in delays in realising investments made by each Fund.

### ***Political Risk***

Investments may be made in markets located in countries which are exposed to the risks of political change or periods of political uncertainty which could also adversely affect the assets of each Fund.

### Political and Economic Risk (Russia)

Investments in companies organised in or who principally do business in the independent states that were once part of the Soviet Union, including the Russian Federation, pose special risks, including economic and political unrest and may lack a transparent and reliable legal system for enforcing the rights of creditors and shareholders of the Fund. Furthermore, the standard of corporate governance and investor protection in Russia may not be equivalent to that provided in other jurisdictions. While the Russian Federation has returned to positive growth, is generating fiscal and current account surpluses, and is current on its obligations to bondholders, uncertainty remains with regard to structural reforms (e.g. banking sector, land reform, property rights), the economy's heavy reliance on oil, unfavourable political developments and/or government policies, and other economic issues.

Prior to 1 April 2013, there was no central registration system for shareholders. Evidence of legal title to shares in a Russian company was maintained in book entry form. In order to register an interest of a Fund's shares, an individual was required to travel to the company's registrar and open an account with the registrar. The individual was provided with an extract of the share register detailing his interests but the only document recognised as conclusive evidence of title was the register itself. Registrars were not subject to effective government supervision. There was a possibility that the Fund could lose its registration through fraud, negligence, oversight or catastrophe such as a fire. Registrars were not required to maintain insurance against these occurrences and were unlikely to have sufficient assets to compensate the Fund in the event of loss. In other circumstances, such as the insolvency of a sub-custodian or registrar, or retroactive application of legislation, the Fund may not have been able to establish title to investments made and may have suffered loss as a result. In such circumstances, the Fund may have found it impossible to enforce its right against third parties. None of the Funds, the Investment Manager, the Custodian or the Administrator or any of their agents made or make any representation or warranty in respect of, or in guarantee of, the operations or performance of any registrar.

On or after 1 April 2013, the holding of many Russian securities by investors, such as a Fund, are no longer be evidenced by a direct entry on the issuer's register of shareholders. Instead, the ownership of, and settlement of transactions in, those Russian securities have been moved to a central securities depository, the National Settlement Depository ("NSD"). The Custodian or its local agent in Russia is a participant on the NSD. The NSD in turn will be reflected as the nominee holder of the securities on the register of the relevant issuer. Therefore, while this change is intended to introduce a centralised and regulated system for recording of the ownership of, and settlement of transactions in, Russian securities, it does not eliminate all of the risks associated with the registrar system outlined above.

### Political and Economic Risk (Frontier Markets)

Where a Fund invests in equities or securities of companies incorporated in or whose principal operations are in Frontier Markets, additional risks may be encountered. The currencies in which investments are denominated may be unstable, may be subject to significant depreciation, may be subject to government intervention or other restrictions and may not be fully convertible or repatriated. The value of the Fund's assets may be affected by political, legal, economic and fiscal uncertainties. Existing laws and regulations may not be consistently applied in Frontier Markets. The risk of government intervention is particularly high in Frontier Markets because of both the political climate in many of these countries and the less developed character of their markets and economies. Government intervention could result from political, economic or internal policies and could cause a complete loss of the Fund's investment in such countries. Frontier Markets are still in the early stages of their development, have less volume, are less liquid and experience greater volatility than more established markets and are not highly regulated. When seeking to sell securities of Frontier Market, little or no market may exist for such securities. Settlement of transactions may be subject to delay and administrative uncertainties. Custodians in Frontier Markets are not able to offer the level of service and safe-keeping, settlement and administration of securities that is customary in more developed markets and there is a risk that the Fund will not be recognised as the owner of securities

held on its behalf by a sub-custodian. The disclosure of fiscal and other information available to investors may be less complete and reliable. It may also be the case that companies that are listed on recognised exchanges that are part of Frontier Markets or conduct much of their business in Frontier Markets are subject to accounting standards and requirements that differ in significant respects from those applicable to companies established or listed in developed countries. This, if combined with a weak regulatory environment, could result in lower standards of corporate governance and less protection of minority shareholder rights of the companies in which the Fund will invest. The lower level of disclosure, transparency and reliability of certain material information may impact on the value of investments made by the Fund and may lead the Investment Manager, a sub-investment manager, the Investment Advisor or other service providers of the Fund to an inaccurate conclusion about the value of the investments of the Fund.

### ***Liquidity Risk***

Investments in emerging markets and Frontier Markets tend to be highly volatile and can suffer from partial or total illiquidity which could result in a large decline in capital value or an inability to redeem your investment.

### ***Custody Risk***

Certain Funds may invest in economies of emerging markets and Frontier Markets which may differ favourably or unfavourably from the economies of industrialised countries and where custodial and/or settlement systems are not fully developed. Such economies may 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. Investment in emerging markets and Frontier Markets entails risks which include the possibility of political or social instability, adverse changes in investment or exchange control regulations, nationalisation, expropriation and withholding of dividends at source. In addition, such securities may trade with less frequency and volume than securities of companies and governments of developed nations. There is also a possibility that redemption of shares following a redemption request may be delayed due to the illiquid nature of the assets. In circumstances where the use of sub-custodians is necessary, the assets of such Funds may be exposed to risk in circumstances where the Custodian will have no liability.

### ***Derivatives and Techniques and Instruments Risk***

The prices of derivative instruments, including futures and options prices, are highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts 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, among other things, interest rate fluctuations.

The use of techniques and instruments 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) imperfect correlation between the price movements of the derivatives and price movements of related investments, (3) the fact that skills needed to use these instruments are different from those needed to select the Fund's securities, (4) the possible absence of a liquid market for any particular instrument at any particular time, and (5) possible issues arising from an unexpected application of law or regulation or arising as a result of the unenforceability of a contract.

The Funds may be invested in certain derivative instruments, which may involve the assumption of obligations as well as rights and assets. Assets deposited as margin with brokers may not be held in



segregated accounts by the brokers and may therefore become available to the creditors of such brokers in the event of their insolvency or bankruptcy.

The Funds may from time to time utilise both exchange-traded and over-the-counter credit derivatives, such as collateralised debt obligations or credit default swaps as part of its investment policy and for hedging purposes. These instruments may be volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or a loss that is high in proportion to the amount of funds actually placed as initial margin and may result in further loss exceeding any margin deposited. Furthermore, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in over-the-counter derivatives, such as credit derivatives, may involve additional risk as there is no exchange market on which to close out an open position.

#### Risks relating to settlement

The trading and settlement practices of some of the stock exchanges or markets on which the Fund may trade derivatives may not be the same as those in more developed markets, which may increase settlement risk and/or result in delays in realising investments made by the Fund.

#### Risks relating to swaps

A Fund may enter into swap agreements (including total return swaps) with respect to currencies, interest rates and securities. A Fund may use these techniques to protect against changes in interest rates and currency exchange rates. A Fund may also use these techniques to take positions in or protect against changes in securities indices and specific securities prices.

In respect of currencies a Fund may utilise currency swap contracts where the Fund may exchange currencies at a fixed rate of exchange for currencies at a floating rate of exchange or currencies at a floating rate of exchange for currencies at a fixed rate of exchange. These contracts allow a Fund to gain or manage exposures to various currencies. For these instruments the Fund's return is based on the movement of currency exchange rates relative to a fixed currency amount agreed by the parties.

In respect of interest rates, a Fund may utilise interest rate swap contracts where the Fund may exchange floating interest rate cash flows for fixed interest rate cash flows or fixed interest rate cash flows for floating interest rate cash flows. These contracts allow a Fund to manage its interest rate exposures. For these instruments the Fund's return is based on the movement of interest rates relative to a fixed rate agreed by the parties.

In respect of securities and securities indices a Fund may utilise total return swap contracts where the Fund may exchange floating interest rate cash flows for fixed cash flows based on the total return of an equity or fixed income instrument or a securities index or fixed cash flow based on total return of an equity or fixed income instrument or a securities index for floating interest rate cash flows. These contracts allow a Fund to manage its exposures to certain securities or securities indexes. For these instruments the Fund's return is based on the movement of interest rates relative to the return on the relevant security of index.

#### Risks relating to options

Each Fund may seek to increase its current return by writing covered call and put options on securities it owns or in which it may invest and on non-base currencies for hedging and/or for investment purposes. A Fund receives a premium from writing a call or put option, which increases the return if the option expires unexercised or is closed out at a net profit.

When a Fund writes a call option, it gives up the opportunity to profit from any increase in the price of a security or currency above the exercise price of the option; when it writes a put option, a Fund takes the risk that it will be required to purchase a security or currency from the option holder at a price above the current market price of the security or currency. A Fund may terminate an option that it has written prior to its expiration by entering into a closing purchase transaction in which it purchases an option having the same terms as the option written.

Each Fund may also buy and sell put and call options for hedging purposes and/or investment purposes. From time to time, a Fund may also buy and sell combinations of put and call options on the same underlying security or currency to earn additional income. The use of options strategies may be limited by applicable law.

#### Risks relating to forwards

Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. Market illiquidity or disruption could result in major losses to a Fund.

A Fund may enter from time to time into currency exchange transactions by buying currency exchange forward contracts for hedging and/or for investment purposes. Forward currency exchange contracts do not eliminate fluctuations in the prices of a Fund’s securities or in foreign exchange rates, or prevent loss if the prices of these securities should decline. Performance may be strongly influenced by movements in foreign exchange rates because currency positions held by the Fund may not correspond with securities positions held. Forward currency transactions shall generally only be entered into in the currencies in which a Fund normally transacts business.

A Fund may enter into forward contracts to hedge against a change in such currency exchange rates that would cause a decline in the value of existing investments denominated or principally traded in a currency other than the base currency of that Fund or for investment purposes. To do this, a Fund may enter into a forward contract to sell the currency in which the investment is denominated or principally traded in exchange for the base currency of a Fund. Although many such transactions are intended to minimise the risk of loss due to a decline in the value of hedged currency, at the same time they limit any potential gain that might be realised should the value of the hedged currency increase. The precise matching of the forward contract amounts and the value of the securities involved will not generally be possible because the future value of such securities will change as a consequence of market movements in the value of such securities between the date when the forward contract is entered into and the date when it matures. The successful execution of a hedging strategy which matches exactly the profile of the investments of any Fund cannot be assured.

#### Risks relating to convertible securities

Investors should note that convertible bonds and warrants take the form of securities which contain a derivative component. Any such embedded derivative will be taken into account when calculating the leverage limits of the Fund.

#### Risks related to participation notes

The use of P-Notes to invest in local securities carries an additional level of risk to the risk against the issuer of the underlying security, namely counter-party risk. The Fund will be exposed to a credit risk in relation to the issuer of the P-Note and may bear the risk of issuer default. P-Notes are often

considered a convenient means of investing in local securities without the administrative and possibly expense implications of FI registration.

#### Risks related to management

Derivative products are highly specialised instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions.

#### Risks related to credit

The use of a derivative instrument involves the risk that a loss may be sustained as a result of the failure of another party to the contract (usually referred to as a “counterparty”) to make required payments or otherwise comply with the contract’s terms. Additionally, credit default swaps could result in losses if a Fund does not correctly evaluate the creditworthiness of the company on which the credit default swap is based.

#### Risks related to liquidity

Liquidity risk exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

#### Risks related to exposure

Certain transactions may give rise to a form of exposure. Such transactions may include, among others, reverse repurchase agreements, and the use of when-issued, delayed delivery or forward commitment transactions.

#### Risks related to lack of availability

Because the markets for certain derivative instruments are relatively new and still developing, suitable derivatives transactions may not be available in all circumstances for risk management or other purposes. Upon the expiration of a particular contract, the portfolio manager may wish to retain the Fund’s position in the derivative instrument by entering into a similar contract, but may be unable to do so if the counterparty to the original contract is unwilling to enter into the new contract and no other suitable counterparty can be found. There is no assurance that a Fund will engage in derivatives transactions at any time or from time to time. A Fund’s ability to use derivatives may also be limited by certain regulatory and tax considerations.

#### Risks related to market, legal and other matters

Like most other investments, derivative instruments are subject to the risk that the market value of the instrument will change in a way detrimental to a Fund’s interest. If a portfolio manager incorrectly forecasts the values of securities, currencies or interest rates or other economic factors in using derivatives for a Fund, the Fund might have been in a better position if it had not entered into the transaction at all. While some strategies involving derivative instruments can reduce the risk of loss, they can also reduce the opportunity for gain or even result in losses by offsetting favourable price movements in other Fund investments. A Fund may also have to buy or sell a security at a disadvantageous time or price because the Fund is legally required to maintain offsetting positions or asset coverage in connection with certain derivatives transactions. There may also be a risk of loss due to the unexpected application of a law or regulation or because contracts are not legally enforceable or documented correctly.

### Necessity for counterparty trading relationships

Participants in the OTC currency market typically enter into transactions only with those counterparties which they believe to be sufficiently creditworthy, unless the counterparty provides margin, collateral, letters of credit or other credit enhancements. While the Company believes that it will be able to establish the necessary counterparty business relationships to permit each Fund to effect transactions in the OTC currency market and other counterparty markets, including the swaps market, there can be no assurance that it will be able to do so. An inability to establish such relationships would limit each Fund's activities and could require a Fund to conduct a more substantial portion of such activities in the futures markets. Moreover, the counterparties with which the Company expects to establish such relationships will not be obligated to maintain the credit lines extended to a Fund, and such counterparties could decide to reduce or terminate such credit lines at their discretion.

### Counterparty valuation risk

The counterparty valuation of an OTC Derivative may be approved or verified by an independent unit within the counterparty's group which gives rise to a conflict of interest and the Fund shall rely on the counterparty to manage that conflict appropriately.

### ***Investing in Fixed Income Securities Risk***

Investment in fixed income securities is subject to interest rate, sector, security and credit risks. Lower-rated securities will usually offer higher yields than higher-rated securities to compensate for the reduced creditworthiness and increased risk of default that these securities carry. Lower-rated securities generally tend to reflect short-term corporate and market developments to a greater extent than higher-rated securities which respond primarily to fluctuations in the general level of interest rates. There are fewer investors in lower-rated securities and it may be harder to buy and sell such securities at an optimum time.

The volume of transactions effected in certain international bond markets may be appreciably below that of the world's largest markets, such as the United States. Accordingly, a Fund's investment in such markets may be less liquid and their prices may be more volatile than comparable investments in securities trading in markets with larger trading volumes. Moreover, the settlement periods in certain markets may be longer than in others which may affect portfolio liquidity.

### ***Credit and Default Risk***

Investors normally expect to be compensated in proportion to the risk they are assuming. Thus, debt of issuers with poor credit prospects usually offers higher yields than debt of issuers with more secure credit. Higher-rated investments generally offer lower credit risk, but not necessarily lower interest rate risk. The values of higher-rated investments still fluctuate in response to changes in interest rates.

A Fund will not necessarily sell an investment if its rating is reduced after the Investment Manager or its delegate purchases it. To the extent that a security is assigned a different rating by one or more of the various rating agencies, the Fund will use the highest rating assigned by any agency.

Debt Securities rated below BBB or its equivalent and comparable unrated securities are considered below investment grade and are commonly known as "junk bonds". They are considered to be of poor standing and mainly speculative. They reflect a greater possibility that the issuers may be unable to make timely payments of interest and principal. If this happens, or is perceived as likely to happen, the values of those investments will usually be more volatile. A default or expected default could also make it difficult for the Investment Manager or its delegate to sell the investments at prices approximating the values the Investment Manager or its delegate had placed on them. Because junk

bonds are traded mainly by institutions, they usually have a limited market, which may at times make it difficult for the Fund to establish their fair value.

Credit ratings are based largely on the issuing company's historical financial condition and the rating agencies' investment analysis at the time of purchase. The rating assigned to any particular investment does not necessarily reflect the issuing company's current financial condition and does not reflect an assessment of an investment's volatility or liquidity.

Although the Investment Manager may consider credit ratings in making investment decisions, it performs its own investment analysis and does not rely only on ratings assigned by the rating agencies. The Investment Manager seeks to minimise the risks of debt securities through careful analysis of such factors as a company's experience, managerial strength, financial condition, borrowing requirements and debt maturity schedule. When a Fund buys debt securities of a company with poor credit, the achievement of its objectives depends more on the Investment Advisor's ability to analyse credit risks than would be the case if the Fund were buying debt securities of a company with better credit.

Because the likelihood of default is higher for the lower-rated debt securities, if a Fund mainly invests in these instruments, that Fund is more likely to have to participate in various legal proceedings or to take possession of and manage assets that secure the issuing company's obligations. This could increase that Fund's operating expenses and decrease its net asset value.

Although they are generally thought to have lower credit risk, a Fund's investment-grade debt securities may share some of the risks of lower-rated debt securities.

Zero coupon bonds are issued at less than their face value and make payments of interest only at maturity rather than at intervals during the life of the bond. Payment-in-kind bonds give the issuing company the option to make interest payments in additional bonds of the same kind rather than cash. Both kinds of bonds allow a company to avoid generating cash to make current interest payments. These bonds therefore involve greater credit risk and are subject to greater price fluctuations than bonds that pay current interest in cash.

### ***Valuation Risk***

A Fund may invest some of its assets in illiquid and/or unquoted securities or instruments. Such investments or instruments will be valued by the Directors or their delegate in good faith in consultation with the Investment Manager as to their probable realisation value. Such investments are inherently difficult to value and are the subject of substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales or "close-out" prices of such securities.

### ***Investment Manager Valuation Risk***

The Administrator may consult the Investment Manager with respect to the valuation of certain investments. There is an inherent conflict of interest between the involvement of the Investment Manager in determining the valuation price of each Fund's investments and the Investment Manager's other duties and responsibilities in relation to the Funds as the fees payable to the Investment Manager which is valuing such securities may increase as the value of assets increases.

### ***Cross-Liability Open Funds Risk***

The Company is established as an umbrella fund with segregated liability between Funds. Under Irish law, the assets of one Fund are not available to satisfy the liabilities of or attributable to another Fund. However, the Company may operate or have assets in countries other than Ireland which may not

recognise segregation between Funds and there is no guarantee that creditors of one Fund will not seek to enforce one Fund's obligations against another Fund.

***Income Equalisation Risk***

All Funds operating an income or accumulating share class intend to operate income equalisation. Income equalisation prevents the dilution of current shareholders' earnings by applying a portion of the proceeds from Shares issued or redeemed to undistributed income. When Shares are purchased or redeemed the price may include an element of income. Equalisation is this element of income paid out to shareholders who have purchased or redeemed during this period.

**The investment risks set out in this Prospectus do not purport to be exhaustive and investors, including prospective investors, should be aware that an investment in the Company or any Fund may be, from time to time exposed to risks of an exceptional nature.**

## MANAGEMENT AND ADMINISTRATION

The Directors control the affairs of the Company and are responsible for the formulation of investment policy. The Directors have delegated certain of their duties to the Administrator, the Investment Manager and the Distributor.

### Directors

The Company shall be managed and its affairs supervised by the Directors of the Company. A brief description of each Director is set forth below.

**Mr. Anthony Cousins** is Chief Executive Officer, Chief Investment Officer and Director, Portfolio Management, of Pырford International Limited. Mr. Cousins joined Pырford International Limited in 1989 and obtained his Master of Arts and became a CFA charterholder in 1990. As Director, Portfolio Management, he is responsible for the European region (including the U.K.) and is a member of the investment strategy committee of Pырford International Limited. Mr. Cousins was promoted to the position of Joint Chief Investment Officer in November 2009. On 1 January 2011, he was further promoted to the roles of Chief Executive Officer and Chief Investment Officer. Mr. Cousins also acts as the Chief Executive Officer of the Investment Manager, LGM (Bermuda) Limited and BMO Global Asset Management (Asia) Limited, having been appointed to those roles in January 2014. After graduating from Cambridge University with a Bachelor of Arts in 1985, Mr. Cousins joined Daiwa International Capital Management in London, England as an Equity Portfolio Manager.

**Ms. Eimear Cowhey** has over 20 years' experience in the offshore funds industry and currently acts as an independent director to a number of Irish companies and investment funds. From 1999 to 2006 she held various executive positions within The Pioneer Group, including Head of Legal and Compliance and Head of Product Development. From 1992 to 1999 she was Global Fund Director and Head Legal Counsel of INVESCO Asset Management. She qualified in 1990 as an Irish solicitor with the Irish law firm William Fry and she holds a Bachelor of Civil Law received from University College Dublin in 1986. She also holds a C. Dip. A F (Certified Diploma in Accounting and Finance) which was received from the Chartered Association of Certified Accountants in 1989. She is a former Council member and past Chairman of IFIA (formerly DFIA, the Irish funds industry association) and a former member of the IFSC Funds group a joint government/industry group to advise the government on investment fund related matters. Ms. Cowhey lectures at the Law Society of Ireland on financial services and investment funds law and is a regular conference speaker.

**Mr. Barry McNerney** is President and Chief Executive Officer of BMO Asset Management Corp. and Co-Chief Executive Officer of BMO Global Asset Management. Prior to joining BMO Financial Group in early 2009, Mr. McNerney was Managing Director, Americas Institutional, for Russell Investments where he served as a member of Russell Global Management Committee and the Russell Trust Company Board. Prior to Russell, Mr. McNerney spent 19 years with Mercer Inc. where he held a number of senior leadership positions including President of Mercer Global Investments in the U.S. and, globally, President and Chairman of the Mercer Trust Company and President of Mercer Investment Consulting in the U.S.. Mr. McNerney holds an MBA from the University of Toronto, where he also earned a Bachelor's Degree in Commerce and Finance. In addition, Mr. McNerney holds the Chartered Financial Analyst designation, is a member of the CFA Institute and is a Fellow of the Society of Actuaries.

**Mr. Paul McNaughton** was formerly Global Head of Fund Administration and Custody for Deutsche Bank Group. Mr. McNaughton was also Chief Executive of Deutsche Bank Group's fund administration and custody business in Ireland for ten years. Prior to this Mr. McNaughton held several senior management positions including General Manager of IFSC operations with the Investment Bank of Ireland from 1987 to 1991. He is also a director of a number of Irish investment companies.

**Mr. Drew Newman** is Chief Operating Officer and Director of Pырford International Limited and is responsible for investment operations, performance analysis, technology and other non-investment related matters. Mr. Newman also became Global Chief Operating Officer of LGM Investments (as defined below) in 2014. Prior to joining Pырford International Limited in October 2005, Mr. Newman had over 20 years of institutional investment management, strategic investment consulting and business development experience. From 1991 to 2002 Mr. Newman was the Chief Investment Officer at GE Insurance Holdings and from 2002 to 2003 he was investment marketing director of GE Life. In 2004 Mr. Newman left GE to join Cambridge Associates in London where he worked as an investment consultant for twelve months. Mr. Newman graduated from Jordanhill College in Glasgow with a Bachelor of Education (Honours) in 1983 and completed his Masters of Arts in Finance and Investment Analysis at Southbank University in 1990.

**Ms. Diane Seymour-Williams** has an MA in Economics from Cambridge University. She joined Morgan Grenfell/Deutsche Asset Management in 1981 and specialised in investing in Asian and Global equity markets for institutional and mutual fund clients. From 1985 to 1998 she was Head of the Asian ex-Japan Equity team. Ms. Seymour-Williams was based in Singapore from 1993-96 as CEO and CIO of Asia ex Japan and responsible for offices in Singapore, Hong Kong and a joint venture in Thailand. Ms. Seymour-Williams was also responsible for a wide range of institutional client relationships and business management as Head of the International ex U.S. equity business in London (1996-98), Head of Continental European Clients (1998-2005) and Head of Global Equity Product (2003-2005). After leaving Deutsche Asset Management in 2005, Ms. Seymour-Williams advised on developing a global equity business for WP Stewart and establishing Spencer House Capital Management for Lord Rothschild. She joined LGM Investments (as defined below) in 2007 as Head of Client and Business Strategy. Ms. Seymour-Williams was also a Director of The China Fund (1993-2005), the Pakistan Fund (1993-96), Batavia Fund (1993-96) and Chairman of the Greater Korea Trust Advisory Board (1993-97).

None of the Directors have had any convictions in relation to indictable offences, been involved in any bankruptcies, individual voluntary arrangements, receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company or partnership voluntary arrangements, any composition or arrangements with its creditors generally or any class of its creditors of any company where they were a director or partner with an executive function, nor have had any public criticisms by statutory or regulatory authorities (including recognised professional bodies) nor has any director ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

### **The Promoter**

BMO Investments Inc. (“BMOII”) is the promoter of the Company. BMOII was established in 1987. It engages primarily in mutual fund distribution and investment fund management activities.

### **Investment Manager**

The Company has appointed LGM Investments Limited, as distributor (the “Distributor”) and investment manager with discretionary powers pursuant to the Investment Management and Distribution Agreement. Under the terms of the Investment Management and Distribution Agreement, the Investment Manager is responsible, subject to the overall supervision and oversight by the Directors, for managing the assets and investments of the Company in accordance with the investment objective and policies of each Fund.

The Investment Manager is a private company limited by shares incorporated in England and Wales on 28 February 1995 with registered number 3029249 under the Companies Acts 1985.

The Investment Manager is authorised to carry on investment business and is regulated by the FCA in the UK and the SEC in United States.



The Investment Manager is a subsidiary of LGM (Bermuda) Limited and is a member of the LGM group of companies (collectively, "LGM Investments"), which commenced business in December 1991, and has offices in Hong Kong, London and Mumbai. LGM Investments is a specialist Asian, Global Emerging (GEM) and Frontier Markets equity manager established in 1991, with investment management as the sole activity. Assets under management were U.S.D.2.9 billion as at 31 August 2014, with a team of over 20 investment professionals, based in offices in Hong Kong, London and Mumbai. The focus of investment is on active equity management and LGM Investments has a fundamental, bottom-up, and non-index driven investment approach.

LGM Investments currently manages six core strategies, GEM, Asia, Asian Small Cap, Frontier, China and India and as at 19 September 2014, is planning to establish a GEM Small Cap strategy. LGM Investments' client base is largely institutional. LGM Investments became a wholly owned subsidiary of Bank of Montreal in April 2011.

The Investment Manager may delegate some or all of the investment management functions to one or more sub-investment managers. If a sub-investment manager's fee is payable out of the assets of the Fund, then details of such sub-investment manager shall be disclosed in the Prospectus. Details of any sub-investment manager appointed but not paid out of the assets of the Fund may not be disclosed in the Prospectus but shall be disclosed in the periodic reports. In any event, information relating to any sub-investment manager appointed will be provided to Shareholders upon request and details thereof will be set out in the periodic reports. The Investment Manager shall not be held liable for any actions, costs, claims, losses, damages or expenses arising as a result of the acts or omissions of sub-investment managers appointed by it or for its own acts or omissions in bona fide following the advice or recommendations of sub-investment managers.

The Investment Manager may advise or manage other Funds and other collective investment schemes in which a Fund may invest or which have similar or overlapping investment objectives to or with the Company or its Funds and that investment opportunities shall be fairly allocated to their respective clients.

### **Administrator**

The Company has appointed State Street Fund Services (Ireland) Limited as administrator and registrar of the Company pursuant to the Administration Agreement with responsibility for the day to day administration of the Company's affairs. The responsibilities of the Administrator include share registration and transfer agency services, valuation of the Company's assets and calculation of the Net Asset Value per Share and the preparation of the Company's semi-annual and annual reports.

The principal activity of the Administrator is to act as administrator for collective investment schemes. The Administrator is regulated by the Central Bank. The Administrator is a private limited company incorporated in Ireland on 23 March 1992 and is ultimately owned by State Street Corporation. The authorised share capital of the Administrator is GBP5,000,000 with an issued and paid up share capital of GBP350,000.

The Administrator's principal business is the provision of fund administration, accounting, registration, transfer agency and related shareholder services to collective investment schemes and investment funds.

## **Custodian**

The Company has appointed State Street Custodial Services (Ireland) Limited as custodian of all of its assets pursuant to the Custodian Agreement.

The Custodian is a limited liability company ultimately owned by State Street Corporation. Its authorised share capital is GBP5,000,000 and its issued and paid up capital is GBP200,000. As at 31 May 2014 the Custodian held funds under custody in excess of U.S.D. 500 billion.

State Street Corporation is a leading world-wide specialist in providing sophisticated global investors with investment servicing and investment management. State Street Corporation is headquartered in Boston, Massachusetts, USA, and trades on the New York Stock Exchange under the symbol "STT".

The principal activity of the Custodian is to act as trustee/custodian of the assets of collective investment schemes. The Custodian is regulated by the Central Bank.

The Custodian is obliged, inter alia, to ensure that the issue and repurchase of Shares in the Company is carried out in accordance with the relevant legislation and the Memorandum and Articles of Association of the Company. The Custodian is responsible for carrying out the instructions of the Investment Manager unless such instructions conflict with the UCITS Regulations, the Articles of Association of the Company or the Custodian Agreement. The Custodian is also obliged to enquire into the conduct of the Company in each financial year and report thereon to the Shareholders.

The Custodian has power to delegate the whole or any part of its custodial functions but its liability will not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping. The Company and the Custodian acknowledge that the Central Bank considers that in order for the Custodian to discharge its responsibility under the UCITS Regulations, the Custodian must exercise care and diligence in the selection of sub-custodians as safekeeping agents so as to ensure they have and maintain the expertise, competence and standing appropriate to discharge their responsibilities as sub-custodians. The Custodian must maintain an appropriate level of supervision over sub-custodians and make appropriate enquiries, periodically, to confirm that their obligations continue to be competently discharged. This, however, does not purport to be a legal interpretation of the UCITS Regulations or the corresponding provisions of the UCITS Directive.

## **Paying Agents, Representatives or Sub-Distributors**

Local laws/regulations of Member States/EEA may require the appointment of Paying Agents and maintenance of accounts by such Paying Agents through which subscription and redemption monies or dividends may be paid. Shareholders who choose or are obliged under local regulations to pay or receive subscription or redemption monies or dividends via an intermediate entity rather than directly to the Custodian (e.g. a Paying Agent in a local jurisdiction) bear a credit risk against that intermediate entity with respect to (a) subscription monies prior to the transmission of such monies to the Custodian for the account of the Company or the relevant Fund and (b) redemption monies payable by such intermediate entity to the relevant Shareholder. Fees and expenses of Paying Agents appointed by the Company or a Fund which will be at normal commercial rates may be borne by the Company or the Fund in respect of which a Paying Agent has been appointed.

Country Supplements dealing with matters pertaining to Shareholders in jurisdictions in which Paying Agents are appointed may be prepared for circulation to such Shareholders.

The Investment Manager has also been appointed as the distributor of the Company. The Investment Manager may appoint sub-distributors from time to time. Any fees of the sub-distributor shall be paid by the Investment Manager.

## **Potential Conflicts of Interest, Best Execution and Exercising of Voting Rights**

The Company has policies designed to ensure that in all transactions, a reasonable effort is made to avoid conflicts of interest, and when they cannot be avoided, that the Funds and their Shareholders are treated fairly. The Directors, the Investment Manager, the Distributor, the Administrator and the Custodian and their respective affiliates, officers, directors and shareholders, employees and agents (collectively the “Parties”) are or may be involved in other financial, investment and professional activities which may on occasion cause a conflict of interest with the management of the Company and/or their respective roles with respect to the Company. These activities may include managing or advising other funds, purchases and sales of securities, banking and investment management services, brokerage services, valuation of unlisted securities (in circumstances in which fees payable to the entity valuing such securities may increase as the value of assets increases) and serving as directors, officers, advisers or agents of other funds or companies, including funds or companies in which the Company may invest. In particular, the Investment Manager may advise or manage other Funds and other collective investment schemes in which a Fund may invest or which have similar or overlapping investment objectives to or with the Company or its Funds.

Each of the Parties will use its reasonable endeavours to ensure that the performance of their respective duties will not be impaired by any such involvement they may have and that any conflicts which may arise will be resolved fairly.

There is no prohibition on transactions with the Company by the Investment Manager, the Administrator, the Custodian, the Distributor or entities related to each of them including, without limitation, holding, disposing or otherwise dealing with Shares issued by or property of the Company and none of them shall have any obligation to account to the Company for any profits or benefits made by or derived from or in connection with any such transaction provided that such transactions are consistent with the best interests of Shareholders and dealings are carried out as if effected on normal commercial terms negotiated on an arm’s length basis and:

- (a) a person approved by the Custodian (or in the case of a transaction involving the Custodian, the directors) as independent and competent certifies the price at which the relevant transaction is effected is fair; or
- (b) the relevant transaction is executed on best terms reasonably obtainable on an organised investment exchange or other regulated market in accordance with the rules of such exchange or market; or
- (c) where the conditions set out in (a) and (b) above are not practical, the relevant transaction is executed on terms which the Custodian is (or in the case of a transaction involving the Custodian, the Directors are) satisfied are consistent with the best interests of Shareholders and dealings are carried out as if effected on normal commercial terms negotiated on an arm’s length basis.

Conflicts of interest may arise as a result of transactions in financial derivative instruments and efficient portfolio management techniques and instruments. For example, the counterparties to, or agents, intermediaries or other entities which provide services in respect of, such transactions may be related to the Custodian. As a result, those entities may generate profits, fees or other income or avoid losses through such transactions. Furthermore, conflicts of interests may also arise where the collateral provided by such a counterparty is subject to a valuation or haircut applied by a party related to such counterparty.

The Company has adopted a policy designed to ensure that its service providers act in the Company’s best interests when executing decisions to deal and placing orders to deal on behalf of those Funds in the context of managing the Funds’ portfolios. For these purposes, all reasonable steps must be taken to obtain the best possible result for the Funds, taking into account price, costs, speed, likelihood of execution and settlement, order size and nature, research services provided by the broker to the Investment Manager, or any other consideration relevant to the execution of the order. Information

about the Company's execution policy and any material change to the policy are available to Shareholders at no charge upon request.

The Investment Manager or an associated company of the Investment Manager may invest in Shares so that a Fund or Class may have a viable minimum size or is able to operate more efficiently. In such circumstances the Investment Manager or its associated company may hold a high proportion of the Shares of a Fund or Class in issue.

Details of interests of the Directors are set forth under the heading "General Information – Directors' Interests".

The Company has developed a strategy for determining when and how voting rights are exercised. Details of the actions taken on the basis of those strategies are available to Shareholders at no charge upon request.

### **Soft Commissions**

Neither the Company nor the Investment Manager shall enter into any soft commission arrangements in relation to any Fund.

### **Cash/Commission Rebates and Fee Sharing**

Where the Investment Manager, or any of its delegates, successfully negotiates the recapture of a portion of the commissions charged by brokers or dealers in connection with the purchase and/or sale of securities, financial derivative instruments or techniques and instruments for the Company or a Fund, the rebated commission shall be paid to the Company or the relevant Fund as the case may be. Currently, the Investment Manager does not have any such arrangements in place and as a result does not receive any fee in relation to the management of the provision of brokerage services to the Company.

## **FEES AND EXPENSES**

### **Establishment Expenses**

All fees and expenses relating to the establishment and organisation of the Company, including each Fund created and launched at the time of incorporation of the Company, including the fees of the Company's professional advisers and registering them for sale in various markets were borne by the Company and amortised over the first five Accounting Periods of the Company or such other period as the Directors determined and in such manner as the Directors in their absolute discretion deemed fair and subject to such adjustment following the establishment of new Funds as the Directors determined and notified to Shareholders. Costs and expenses incurred in relation to the creation and launch of other Funds after the incorporation of the Company, including any new Funds, are and will be allocated to the relevant Fund and will be amortised on a straight line basis over five years (or such shorter period as the Directors may determine).

Fees and expenses relating to the re-launch of BMO LGM Asian Growth and Income Fund, BMO LGM Greater India Fund and BMO LGM Greater China Fund are not expected to exceed €25,000 per Fund. These will be allocated to the relevant Fund and will be amortised on a straight line basis over five years (or such shorter period as the Directors may determine).

Fees and expenses relating to the creation of the BMO LGM Asian Smaller Companies Fund and BMO LGM Global Emerging Markets Smaller Companies Fund are not expected to exceed €25,000 per Fund. These will be allocated to the relevant Fund and will be amortised on a straight line basis over five years (or such shorter period as the Directors may determine).

Each new Fund shall bear: (i) the fees and expenses relating to the establishment of the relevant Fund which may be amortised over the first five Accounting Periods of the Fund or such other period as the Directors may determine and in such manner as the Directors in their absolute discretion deem fair and notify to Shareholders; and (ii) its attributable portion of the fees and operating expenses of the Company.

### **Operating Expenses and Fees**

The Company will pay all its operating expenses and the fees hereinafter described as being payable by the Company. Expenses paid by the Company throughout the duration of the Company, in addition to fees and expenses payable to the Administrator, the Custodian, the Investment Manager, the Distributor and the Paying Agent appointed by or on behalf of the Company include but are not limited to brokerage and banking commissions and charges, legal and other professional advisory fees, company secretarial fees, Companies Registration Office filings and statutory fees, regulatory fees, auditing fees, translation and accounting expenses, interest on borrowings, taxes and governmental expenses applicable to the Company costs of preparation, translation, printing and distribution of reports and notices, all marketing material and advertisements and periodic update of the Prospectus, key investor information documents, stock exchange listing fees, all expenses in connection with registration, listing and distribution of the Company and Shares issued or to be issued, all expenses in connection with obtaining and maintaining a credit rating for any Funds or Classes or Shares, expenses of Shareholders meetings, Directors' insurance premia, expenses of the publication and distribution of the Net Asset Value, clerical costs of issue or redemption of Shares, postage, telephone, facsimile and telex expenses and any other expenses in each case together with any applicable value added tax. Any such expenses may be deferred and amortised by the Company, in accordance with standard accounting practice, at the discretion of the Directors. An estimated accrual for operating expenses of the Company will be provided for in the calculation of the Net Asset Value of each Fund. Operating expenses and the fees and expenses of service providers which are payable by the Company shall be borne by all Funds in proportion to the Net Asset Value of the relevant Fund or attributable to the relevant Class provided that fees and expenses directly or indirectly attributable to a particular Fund or Class shall be borne solely by the relevant Fund or Class.

### Administrator's Fees

The Company shall pay to the Administrator out of the assets of the Company an annual fee, accrued at each Valuation Point and payable monthly in arrears at a rate which shall not exceed 0.07 per cent per annum of the Net Asset Value of each Fund subject to a minimum annual fee of U.S.D.72,000 (plus VAT, if any thereon), which may be negotiated from time to time. Shareholders will be notified in advance of any proposed increase in the Administrator's annual fee.

The Administrator shall also be entitled to be repaid out of the assets of the Company all of its reasonable out-of-pocket expenses incurred on behalf of the Fund.

Each Fund will bear its proportion of the fees and expenses payable to the Administrator.

### Custodian's Fees

The Custodian shall be entitled to receive out of the assets of the Company an annual fee, accrued at each Valuation Point and payable monthly in arrears, which shall not exceed 0.02 per cent per annum of the average monthly Net Asset Value of each Fund thereon.

The Custodian shall also be entitled to be repaid all of its disbursements out of the assets of the relevant Fund, including expenses of any sub-custodian appointed by it, couriers' fees and telecommunication costs and expenses and the fees and transaction charges which shall be at normal commercial rates together with VAT, if any, thereon.

Each Fund will bear its proportion of the fees and expenses payable to the Custodian.

### Investment Manager's Fees

The Investment Manager is entitled to charge the following investment management fee per annum in respect of each of the Classes set forth in the table below.

<b>Name of Fund</b>	<b>Annual Percentage of a Fund's Net Asset Value (Class A Income Shares and Class A Accumulating Shares)</b>	<b>Annual Percentage of a Fund's Net Asset Value (Class B Income Shares and Class B Accumulating Shares)</b>	<b>Annual Percentage of a Fund's Net Asset Value (Class C Income Shares and Class C Accumulating Shares)</b>	<b>Annual Percentage of a Fund's Net Asset Value (Class D Income Shares and Class D Accumulating Shares)</b>	<b>Annual Percentage of a Fund's Net Asset Value (Class E Income Shares and Class E Accumulating Shares)*</b>	<b>Annual Percentage of a Fund's Net Asset Value (Class F Income Shares and Class F Accumulating Shares)</b>
<b>BMO LGM Asian Growth and Income Fund</b>	1.00	0.75	0.50 plus performance fee referred to below	N/A	0.00	N/A
<b>BMO LGM Asian Smaller Companies Fund</b>	1.50	1.00	0.60 plus performance fee referred to below	N/A	0.00	N/A

<b>Name of Fund</b>	<b>Annual Percentage of a Fund's Net Asset Value (Class A Income Shares and Class A Accumulating Shares)</b>	<b>Annual Percentage of a Fund's Net Asset Value (Class B Income Shares and Class B Accumulating Shares)</b>	<b>Annual Percentage of a Fund's Net Asset Value (Class C Income Shares and Class C Accumulating Shares)</b>	<b>Annual Percentage of a Fund's Net Asset Value (Class D Income Shares and Class D Accumulating Shares)</b>	<b>Annual Percentage of a Fund's Net Asset Value (Class E Income Shares and Class E Accumulating Shares)*</b>	<b>Annual Percentage of a Fund's Net Asset Value (Class F Income Shares and Class F Accumulating Shares)</b>
<b>BMO LGM Frontier Markets Fund</b>	2.00 plus performance fee referred to below	1.50 plus performance fee referred to below	N/A	N/A	0.00	N/A
<b>BMO LGM Global Emerging Markets Growth and Income Fund</b>	1.00	0.75	0.50 plus performance fee referred to below	0.75	0.00	0.75
<b>BMO LGM Global Emerging Markets Smaller Companies Fund</b>	1.50	1.00	0.60 plus performance fee referred to below	N/A	0.00	N/A
<b>BMO LGM Greater China Fund</b>	1.50	1.00	0.60 plus performance fee referred to below	N/A	0.00	N/A
<b>BMO LGM Greater India Fund</b>	1.50	1.00	0.60 plus performance fee referred to below	N/A	0.00	N/A

*\* Class E Income Shares and Class E Accumulating Shares are available only to investors who have entered into an investment agreement with the Investment Manager (see the "Initial Offer of Classes of Shares" for further information).*

The fee payable to the Investment Manager will be calculated and accrued daily based on the daily Net Asset Value of the Shares and will be paid monthly in arrears.

The Investment Manager will pay the fees of any sub-distributor which it appoints out of its fees.

The Investment Manager shall be entitled to be reimbursed by the Company for reasonable out of pocket expenses incurred by it and any VAT on fees and expenses payable to or by it in relation to the Fund.

### *Performance Fee*

The Investment Manager will also be entitled to receive a performance fee out of the assets of the Fund in respect of certain of the Classes as listed in the table above (the “Performance Fee”). The Performance Fee will be calculated in respect of each year ending 31 December (or the immediately preceding Business Day if it is not a Business Day) in each year (a “Calculation Period” with each end date being a “Calculation Day”). The first Calculation Period will be the period commencing on the Business Day immediately following the close of the Initial Offer Period and ending on 31 December of the same year. The Performance Fee will accrue on each Dealing Day. The Performance Fee will normally be payable to the Investment Manager in arrears within 14 days of the end of each Calculation Period. However, in the case of Shares redeemed during a Calculation Period, the accrued Performance Fee in respect of those Shares will be payable within 14 days after the date of repurchase as though the date of redemption was the end of the relevant Calculation Period. The Custodian will verify the calculation of any performance fee paid to the Investment Manager.

The Performance Fee will be calculated separately for each Shareholder as set out below.

The Performance Fee is payable at the rate of 20 per cent of the amount by which the Net Asset Value per Share on the Calculation Day without deduction of any accrued Performance Fee, exceeds the Benchmark Value.

In order for a Performance Fee to be payable in respect of a Calculation Period, the Net Asset Value per Share on the relevant Calculation Date, without deduction of any accrued Performance Fee (the “Final Net Asset Value per Share”) must exceed the Benchmark Value.

Where the Benchmark Value is exceeded, the Performance Fee payable per Share is equal to 20 per cent of the amount by which the Final Net Asset Value per Share exceeds the Benchmark Value.

For the purpose of calculating the Performance Fee, the Net Asset Value per Share will be calculated without accounting for the Performance Fee payable in respect of the relevant Calculation Period.

If the determination of the Net Asset Value per Share is suspended on any Calculation Day, the calculation of the Performance Fee on that date will be based upon the next available determination of the Net Asset Value per Share and the amount of any Performance Fee accrued will be adjusted accordingly.

Any underperformance of the Benchmark Index in preceding periods is claimed back (cleared) before a fee becomes due in subsequent periods.

If the Investment Manager receives a Performance Fee with respect to the performance of the Fund during a Calculation Period, and the Fund suffers losses in a subsequent Calculation Period, the Investment Manager is under no obligation to, and will not, refund such Performance Fee.

If the Investment Management Agreement is terminated during a Calculation Period, the Performance Fee in respect of the current Calculation Period will be calculated and paid as though the date of termination were the end of the relevant Calculation Period. Upon termination of the Fund the Investment Manager will receive the Performance Fee for the Calculation Period in which the termination occurs. If the termination occurs prior to the end of a month, the Investment Manager shall receive the amount of the Investment Management Fee prorated through the effective date of the termination of the Fund, as appropriate.



**Where performance fees are payable by a Fund, these fees will be based on net realised and net unrealised gains and losses as at the end of each Calculation Period. As a result, performance fees may be paid on unrealised gains which may subsequently never be realised.**

### ***Adjustment and Equalisation Credit Due to Deficit and Premium Subscriptions***

#### ***Adjustment Subscriptions***

Where an investor subscribes for Shares at a time when the Net Asset Value per Share is less than the Benchmark Value, an adjustment (hereinafter called an “Adjustment”) is required to reduce inequalities that may otherwise result to the respective subscriber or to the Investment Manager.

Such new Shareholders will be required to pay an Adjustment with respect to any subsequent appreciation in the Net Asset Value per Share of those Shares until the Benchmark Value has been reached. This will be achieved by the Fund having the power to redeem a portion of that Shareholder’s holding for no consideration and to pay the equivalent Performance Fee at the end of each Calculation period to the Investment Manager. After the Benchmark Value has been achieved, the Performance Fee will be calculated and levied in the same manner as for all other Shares. No Performance Fee will be accrued for existing Shareholders until the Benchmark Value for the Shares has been reached.

#### ***Premium Subscriptions***

Where Shares are purchased at the time when the Net Asset Value per Share is greater than the Benchmark Value for the Shares (hereinafter called a “Premium Subscription”), the prospective Shareholder is required to pay an additional sum equal to the accrued Performance Fee per Share (hereinafter called the “Equalisation Credit”). The Equalisation Credit is designed to ensure that all holders of Shares have the same amount of capital at risk per Share.

The Equalisation Credit will be at risk in the Fund and may depreciate based on the performance of the Fund subsequent to the subscription. In the event of a decline in the Net Asset Value per Share, the Equalisation Credit due to the Shareholder will reduce in line with the Performance Fee accrual for other Shares until the Equalisation Credit is exhausted. Subsequent appreciation in the value of the Net Asset Value will result in a recapture of any Equalisation Credit lost due to such reductions, but only to the extent of the previously lost Equalisation Credit up to the amount paid at subscription.

### **Paying Agents’ Fees**

Fees and expenses of Paying Agents appointed by the Company on behalf of the Company or a Fund, which will be at normal commercial rates together with VAT, if any, thereon, may be borne by the Company or the Fund in respect of which a Paying Agent has been appointed.

### **Distributor’s Fees**

Holders of Class A Income Shares and Class A Accumulating Shares of a Fund may be subject to a sales commission calculated as a percentage of subscription monies subject to a maximum of 3 per cent per annum of the Net Asset Value per Share which shall be payable to the Investment Manager as distributor who may then remunerate a sub-distributor. The Company may at its sole discretion waive such charge or differentiate between applicants as to the amount charged within the permitted limits. Other than the Classes of Shares specified above, it is not the Investment Manager’s intention to charge a distributor’s fee in respect of any other Class of Shares.

### **Redemption Fee**

Shareholders may be subject to a redemption fee calculated as a percentage of redemption monies as specified under the heading “The Shares – Redemption of Shares”. Unless otherwise stated in the Prospectus, it is not the current intention of the Directors to charge a redemption fee. If it is at any stage in the future proposed to charge a redemption fee, reasonable notice shall be given to Shareholders. In the event of a redemption fee being charged, Shareholders should view their investment as medium to long-term.

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

Where the Company deems there to be large net subscriptions and net redemptions and to prevent any adverse effect on the value of the assets of the Fund, the Company may charge an anti-dilution levy for retention as part of the assets of the Fund. The levy will be calculated to cover the dealing costs and to preserve the value of underlying investments of the Fund. Such costs will include any dealing spreads, commissions, transfer taxes, and other dealing costs relating to the acquisition or disposal of assets and to preserve the value of the underlying assets of a Fund in the event of receipt for processing of net subscription or net redemption requests. If charged, such anti-dilution levy will be based on estimated actual costs up to a maximum of 0.5 per cent of the value of any net subscription or net redemption of each Class of Shares of each Fund (other than BMO LGM Frontier Markets Fund in respect which the anti-dilution levy may be up to 1.25 per cent of the value of any net subscription or net redemption of each Class of Shares of such Fund and the BMO LGM Greater India Fund in respect which the anti-dilution levy may be up to 1.00 per cent of the value of any net subscription or net redemption of each Class of Shares of such Fund). Such Anti-Dilution Levy shall be added/deducted from the subscription amount and the redemption proceeds respectively.

### **Directors’ Fees**

The Articles of Association authorise the Directors to charge a fee for their services at a rate determined by the Directors and which is not expected to exceed €70,000. The Directors may be entitled to special remuneration if called upon to perform any special or extra services to the Company. All Directors will be entitled to reimbursement by the Company of expenses properly incurred in connection with the business of the Company or the discharge of their duties.

### **Allocation of Fees and Expenses**

All fees, expenses, duties and charges will be charged to the relevant Fund and within such Fund to the Classes in respect of which they were incurred. Where an expense is not considered by the Directors to be attributable to any one Fund, the expense will normally be allocated to all Funds in proportion to the Net Asset Value of the Funds or otherwise on such basis as the Directors deem fair and equitable. In the case of any fees or expenses of a regular or recurring nature, such as audit fees, the Directors may calculate such fees or expenses on an estimated figure for yearly or other periods in advance and accrue them in equal proportions over any period.

### **Reimbursement of Fees**

The Investment Manager may, at its discretion, reimburse all or part of any fees charged to a Shareholder. Any such reimbursement may be effected, at the Investment Manager’s discretion, either by way of cash or the Investment Manager may subscribe for additional Shares at its own expense for the account of the Shareholder.

## **THE SHARES**

### **General**

Shares may be issued on any Dealing Day. Shares issued in a Fund or Class will be in registered form and denominated in the Base Currency for the relevant Fund or a currency attributable to the particular Class. Shares will have no par value and will first be issued on the first Dealing Day after expiry of the initial offer period at the Initial Price. Thereafter Shares shall be issued at the Net Asset Value per Share plus any relevant subscription fee. Title to Shares will be evidenced by the entering of the investor's name on the Company's register of Shareholders and no certificates will be issued. Amendments to a Shareholder's registration details and payment instructions will only be made following receipt of original written instructions from the relevant Shareholder.

The Directors may decline to accept any application for Shares without giving any reason and may restrict the ownership of Shares by any person, firm or corporation in certain circumstances including where such ownership would be in breach of any regulatory or legal requirement or might affect the tax status of the Company or might result in the Company suffering certain disadvantages which it might not otherwise suffer. Any restrictions applicable to a particular Fund or Class shall be specified in the Prospectus. Any person who holds Shares in contravention of restrictions imposed by the Directors or, by virtue of his holding, is in breach of the laws and regulations of any applicable jurisdiction or whose holding could, in the opinion of the Directors, cause the Company to incur any liability to taxation or to suffer any pecuniary liability which it or the Shareholders or any or all of them might not otherwise have incurred or sustained or otherwise in circumstances which the Directors believe might be prejudicial to the interests of the Shareholders, shall indemnify the Company, the Investment Manager, the Distributor, the Custodian, the Administrator and Shareholders for any loss suffered by it or them as a result of such person or persons acquiring or holding Shares in the Company.

The Directors have power under the Articles of Association to compulsorily redeem and/or cancel any Shares held or beneficially owned in contravention of any restrictions imposed by them or in breach of any law or regulation.

While Shares will generally not be issued or transferred to any U.S. Person, the Directors may authorise the purchase by or transfer to a U.S. Person in their discretion. The Directors will seek reasonable assurances that such purchase or transfer does not violate United States securities laws, e.g., require the Shares to be registered under the United States Securities Act of 1933 Act or the Company or any Fund to be registered under the United States Investment Company Act of 1940 or result in adverse tax consequences to the Company or the non-U.S. Shareholders. Each investor who is a U.S. Person will be required to provide such representations, warranties or documentation as may be required to ensure that these requirements are met prior to the issue of Shares.

None of the Company, the Investment Manager, the Distributor, the Administrator or the Custodian or any of their respective directors, officers, employees or agents will be responsible or liable for the authenticity of instructions from Shareholders reasonably believed to be genuine and shall not be liable for any losses, costs or expenses arising out of or in conjunction with any unauthorised or fraudulent instructions. The Distributor and the Administrator shall, however, employ reasonable procedures to confirm that instructions are genuine.

### **Abusive Trading Practices/Market Timing**

The Directors generally encourage investors to invest in the Funds as part of a long-term investment strategy and discourages excessive or short term or abusive trading practices. Such activities, sometimes referred to as "market timing", may have a detrimental effect on the Funds and Shareholders. For example, depending upon various factors such as the size of the Fund and the amount of its assets maintained in cash, short-term or excessive trading by Shareholders may interfere

with the efficient management of the Fund's portfolio, increased transaction costs and taxes and may harm the performance of the Fund.

The Directors seek to deter and prevent abusive trading practices and to reduce these risks, through several methods, including the following:

- (i) to the extent that there is a delay between a change in the value of a Fund's portfolio holdings and the time when that change is reflected in the Net Asset Value per Share, a Fund is exposed to the risk that investors may seek to exploit this delay by purchasing or redeeming Shares at a Net Asset Value which does not reflect appropriate fair value prices. The Directors seek to deter and prevent this activity, sometimes referred to as "stale price arbitrage", by the appropriate use of its power to adjust the value of any investment having regard to relevant considerations in order to reflect the fair value of such investment.
- (ii) the Directors may monitor Shareholder account activities in order to detect and prevent excessive and disruptive trading practices and reserves the right to exercise its discretion to reject any subscription or conversion transaction without assigning any reason therefore and without payment of compensation if, in its judgement, the transaction may adversely affect the interest of a Fund or its Shareholders. The Directors may also monitor Shareholder account activities for any patterns of frequent purchases and sales that appear to be made in response to short-term fluctuations in the Net Asset Value per Share and may take such action as it deems appropriate to restrict such activities including, if it so determines, levying a redemption fee of up to 0.50 per cent of the Net Asset Value of Shares being redeemed.

There can be no assurances that abusive trading practices can be mitigated or eliminated. For example nominee accounts in which purchases and sales of Shares by multiple investors may be aggregated for dealing with the Fund on a net basis, conceal the identity of underlying investors in a Fund which makes it more difficult for the Directors and their delegates to identify abusive trading practices.

### **Initial Offer of Share Classes**

Class A Income Shares, Class A Accumulating Shares, Class B Income Shares, Class B Accumulating Shares, Class C Income Shares, Class C Accumulating Shares, Class E Income Shares and Class E Accumulating Shares of each of BMO LGM Asian Smaller Companies Fund and BMO LGM Global Emerging Markets Smaller Companies Fund and Class F Income Shares and Class F Accumulating Shares of BMO LGM Global Emerging Markets Growth and Income Fund will be offered from 9 am (Irish time) on 22 September 2014 to 5 pm (Irish time) on 20 March 2015 or on such other date or dates as the Directors may determine, having notified the Central Bank where required (the "initial offer period") at the Initial Price, subject to acceptance of application for such Shares by the Company, and will be issued for the first time on the first Dealing Day for subscriptions after expiry of the initial offer period.

All other Shares of the Fund are already on offer. A sales charge as detailed above under the "Fees and Expenses" section under the heading "Distributor's Fees" may be added to the Initial Price. A subscriber for Shares may also be required to pay an additional amount as an Equalisation Credit and investor's attention is drawn to the "Fees and Expenses" section under the heading "Adjustment and Equalisation Credit Due to Deficit and Premium Subscriptions". The initial offer period may be shortened or extended by the Directors. After closing of the initial offer period, Shares in the Fund will be issued at the Net Asset Value per Share plus any initial charge that may be payable.

Class E Income Shares and Class E Accumulating Shares of a Fund are available only to investors who have entered into an investment agreement with the Investment Manager in relation to the purchase of Class E Income Shares and Class E Accumulating Shares of the relevant Fund (an "Investment Agreement").

Where a Class of Shares in any Fund has not previously been issued or is being re-offered, then initial subscriptions for such Shares will be accepted on such date(s) to be determined by the Directors and notified in advance to the Central Bank at the Initial Price for the relevant Class of Shares as specified below.

In respect of each Fund (other than BMO LGM Global Emerging Markets Growth and Income Fund), Initial Price means U.S.D.10 for each Class of Shares of such Fund.

In respect of BMO LGM Global Emerging Markets Growth and Income Fund, Initial Price means U.S.D.10 for each Class of Shares (other than Class D Income Shares, Class D Accumulating Shares, Class F Income Shares and Class F Accumulating Shares). In respect of Class D Income Shares and Class D Accumulating Shares of BMO LGM Global Emerging Markets Growth and Income Fund, Initial Price means £10. In respect of Class F Income Shares and Class F Accumulating Shares of BMO LGM Global Emerging Markets Growth and Income Fund, Initial Price means €10.

### **Application for Shares**

Applications for Shares may be made through the Administrator on behalf of the Company. Applications accepted received by the Administrator on behalf of the Company prior to the Dealing Deadline for any Dealing Day will be processed on that Dealing Day. Any applications received after the Dealing Deadline for a particular Dealing Day will be processed on the following Dealing Day unless the Directors in their absolute discretion otherwise determine to accept one or more applications received after the Dealing Deadline for processing on that Dealing Day provided that such application(s) have been received prior to the Valuation Point for the particular Dealing Day.

Initial applications should be made using an Application Form obtained from the Administrator. Initial applications may be made by fax subject to prompt transmission to the Administrator of the original signed application form and such other papers (such as documentation relating to money laundering prevention checks) as may be required by the Directors or their delegate. No redemptions will be processed until the original Application Form and such other papers as may be required by the Directors have been received and all anti-money laundering procedures have been completed. Subsequent applications to purchase Shares following the initial subscription may be made to the Administrator by facsimile, written communication, electronically or by telephone, if it has been previously agreed with the Investment Manager and the Administrator, without a requirement to submit original documentation. Such applications should contain such information as may be specified from time to time by the Directors or their delegate. Amendments to a Shareholder's registration details and payment instructions will only be made following receipt of original written instructions from the relevant Shareholder.

In addition to the foregoing, applications for Class E Income Shares or Class E Accumulating Shares of a Fund may be processed only if an investor also enters into an Investment Agreement. Investor may obtain further details regarding the Investment Agreement by contacting the Investment Manager.

The Directors may on any Dealing Day allot Shares in the Fund or Class on terms that settlement shall be made by the vesting in the Company of assets of the type in which the subscription monies for the relevant Shares may be invested in accordance with the investment objective policy and restrictions of the Fund and otherwise upon such terms as the Directors may think fit provided that:

- (i) no Shares shall be issued until the investments have been vested or arrangements are made to vest the investments with the Custodian or its sub-custodian to the Custodian's satisfaction;
- (ii) any such exchange shall be effected on terms that the number of Shares to be issued shall be the number (including, at the Director's discretion, fractions of Shares) which would have been issued at the subscription price for a cash amount equal to the value of the investments

as calculated in accordance with the Memorandum and Articles of Association including such sum as the Directors may consider represents an appropriate provision for duties and charges arising in connection with the vesting of the investments;

- (iii) the investments to be transferred to the Company shall be valued by applying the rules relating to valuation of investments contained in the Memorandum and Articles of Association;
- (iv) there may be paid to the incoming Shareholder out of the investments of the Fund a sum in cash equal to the value at the current price of any fraction of a Share excluded from the calculation aforesaid; and
- (v) the Custodian shall be satisfied that the terms of such exchange shall not be such as are likely to result in any material prejudice to the existing Shareholders.

#### *Fractions*

Subscription monies representing less than the subscription price for a Share will not be returned to the investor. Fractions of Shares will be issued where any part of the subscription monies for Shares represents less than the subscription price for one Share, provided however, that fractions shall not be less than .0001 of a Share.

Subscription monies, representing less than .0001 of a Share will not be returned to the investor but will be retained by the Company in order to defray administration costs.

#### *Method of Payment*

Subscription payments net of all bank charges should be paid by CHAPS, SWIFT or telegraphic or electronic transfer to the bank account specified in the Application Form. Other methods of payment are subject to the prior approval of the Directors. No interest will be paid in respect of payments received in circumstances where the application is held over until a subsequent Dealing Day.

#### *Currency of Payment*

Other than Class D Income Shares, Class D Accumulating Shares, Class F Income Shares and Class F Accumulating Shares of BMO LGM Global Emerging Markets Growth and Income Fund, subscription monies are payable in the Base Currency of the relevant Class. For Class D Income Shares and Class D Accumulating Shares of BMO LGM Global Emerging Markets Growth and Income Fund, subscription monies are payable in Sterling. For Class F Income Shares and Class F Accumulating Shares of BMO LGM Global Emerging Markets Growth and Income Fund, subscription monies are payable in Euro. Investors should note that any costs or expenses associated with the conversion between the Base Currency and Sterling/Euro as applicable will be borne by the investor.

#### *Timing of Payment*

Payment in respect of subscriptions of Class D Income and Class D Accumulating Shares of BMO LGM Global Emerging Markets Growth and Income Fund must be received in cleared funds no later than the four Business Days after the Dealing Day. Payment in respect of subscriptions of all other Classes must be received in cleared funds no later than the two Business Days after the Dealing Day provided that the Directors are not bound to await the arrival of cleared funds before proceeding to issue the Share, however, the Company reserves the right to defer the issue of Shares until receipt of cleared subscription monies by the Fund. If payment in cleared funds in respect of a subscription has not been received by the relevant time, the Company or its delegate may (and in the event of non-clearance of funds, shall) cancel the allotment and/or charge the investor interest at a rate not to

exceed the 7 day London Interbank Offer Rate as fixed by the British Banking Association (LIBOR) + 1% which will be paid into the Fund. The Company may waive either of such charges in whole or in part. In addition, the Company or its delegate has the right to sell all or part of the investor's holding of Shares in the Fund or any other Fund of the Company in order to meet such charges.

Any of the Company, the Administrator and the Investment Manager on behalf of the Company may reject any application in whole or in part without giving any reason for such rejection in which event the subscription monies or any balance thereof will be returned without interest, expenses or compensation to the applicant by transfer to the applicant's designated account or by post at the applicant's risk.

#### *Anti-Money Laundering Measures*

Measures aimed at the prevention of money laundering and terrorist financing require a detailed verification of the investor's identity and where applicable the beneficial owner on a risk sensitive basis. Politically exposed persons ("PEPs"), an individual who is or has, at any time in the preceding year, been entrusted with a prominent public function, and immediate family member, or persons known to close associates of such persons, must also be identified. By way of example, an individual may be required to produce a copy of a passport or identification card together with evidence of his/her address such as a copy of a utility bill or bank statement and proof of tax residence. In the case of corporate investors, such measures may require production of a certified copy of the certificate of incorporation (and any change of name), memorandum and articles of association (or equivalent), the names, occupations, dates of birth and resident and business address of all directors. Depending on the circumstances of each application, a detailed verification might not be required where for example, the application is made through a relevant third party as such term is defined in the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010. This exception will only apply if the relevant third party referred to above is located within a country recognised in Ireland as having equivalent anti-money laundering and counter terrorist financing regulations and satisfies other applicable conditions such as providing a letter of undertaking confirming that it has carried out the appropriate verification checks on the investor and will retain such information in accordance with the required timeframe and will provide such information on request to the Administrator, the Investment Manager or the Company.

The details above are given by way of example only and in that regard the Administrator, the Investment Manager and the Company each reserves the right to request any such information as is necessary at the time of any application for Shares in a Fund to verify the identity of an investor and, where applicable, the beneficial owner of an investor. In particular, the Administrator, the Investment Manager and the Company each reserves the right to carry out additional procedures in relation to an investor who is classed as a PEP. Verification of the investor's identity is required to take place before the establishment of the business relationship. In any event, evidence of identity is required for all investors as soon as is reasonably practicable after the initial contact. In the event of delay or failure by an investor or applicant to produce any information required for verification purposes, the Administrator, the Investment Manager or the Company may refuse to accept the application and subscription monies and return all subscription monies or compulsorily repurchase such Shareholder's Shares and/or payment of repurchase proceeds may be delayed (no repurchase proceeds will be paid if the Shareholder fails to produce such information). None of the Company, the Directors, the Investment Manager or the Administrator shall be liable to the subscriber or Shareholder where an application for Shares is not processed or Shares are compulsorily repurchased or payment of repurchase proceeds is delayed in such circumstances. If an application is rejected, the Administrator will return application monies or the balance thereof in accordance with any applicable laws to the account from which it was paid at the cost and risk of the applicant. The Administrator may also refuse to pay or delay payment of redemption proceeds where the requisite information for verification purposes has not been produced by a Shareholder.

The Administrator, the Investment Manager and the Company each reserves the right to obtain, at any time, any additional information from investors so that it can monitor the ongoing business relationship with such investors. The Administrator, the Investment Manager and the Company cannot rely on third parties to meet this obligation, which remains their ultimate responsibility.

#### *Data Protection Information*

Prospective investors should note that by completing the Application Form they are providing personal information to the Company, which may constitute personal data within the meaning of data protection legislation in Ireland. This data will be used for the purposes of client identification, administration, statistical analysis, market research, to comply with any applicable legal or regulatory requirements and, if an applicant's consent is given, for direct marketing purposes. Data may be disclosed to third parties including regulatory bodies, tax authorities in accordance with the European Savings Directive, delegates, advisers and service providers of the Company and their or the Company's duly authorised agents and any of their respective related, associated or affiliated companies wherever located (including outside the EEA) for the purposes specified. By signing the application form, investors consent to the obtaining, holding, use, disclosure and processing of data for any one or more of the purposes set out in the application form. Investors have a right to obtain a copy of their personal data kept by the Company on payment of a fee and the right to rectify any inaccuracies in personal data held by the Company.

#### **Confirmation of Ownership**

Confirmation of each purchase of Shares will be sent to Shareholders within 48 hours of the Net Asset Value being released. Title to Shares will be evidenced by the entering of the investor's name on the Company's register of Shareholders and no certificates will be issued.

#### **Minimum Subscription, Minimum Holding and Minimum Transaction Size**

The minimum subscription each investor must make is set out below:

##### BMO LGM Asian Growth and Income Fund

<b>Class of Shares</b>	<b>Minimum Subscription</b>
Class A Income Shares	U.S.D.50,000
Class A Accumulating Shares	U.S.D.50,000
Class B Income Shares	U.S.D.1 million
Class B Accumulating Shares	U.S.D.1 million
Class C Income Shares	U.S.D.20 million
Class C Accumulating Shares	U.S.D.20 million
Class E Income Shares	U.S.D.10 million
Class E Accumulating Shares	U.S.D.10 million

##### BMO LGM Asian Smaller Companies Fund

<b>Class of Shares</b>	<b>Minimum Subscription</b>
Class A Income Shares	U.S.D.50,000
Class A Accumulating Shares	U.S.D.50,000
Class B Income Shares	U.S.D.1 million
Class B Accumulating Shares	U.S.D.1 million
Class C Income Shares	U.S.D.20 million
Class C Accumulating Shares	U.S.D.20 million
Class E Income Shares	U.S.D.10 million



Class E Accumulating Shares	U.S.D.10 million
-----------------------------	------------------

BMO LGM Frontier Markets Fund

<b>Class of Shares</b>	<b>Minimum Subscription</b>
Class A Income Shares	U.S.D.50,000
Class A Accumulating Shares	U.S.D.50,000
Class B Income Shares	U.S.D.1 million
Class B Accumulating Shares	U.S.D.1 million
Class E Income Shares	U.S.D.10 million
Class E Accumulating Shares	U.S.D.10 million

BMO LGM Global Emerging Markets Growth and Income Fund

<b>Class of Shares</b>	<b>Minimum Subscription</b>
Class A Income Shares	U.S.D.50,000
Class A Accumulating Shares	U.S.D.50,000
Class B Income Shares	U.S.D.1 million
Class B Accumulating Shares	U.S.D.1 million
Class C Income Shares	U.S.D.20 million
Class C Accumulating Shares	U.S.D.20 million
Class D Income Shares	£1 million
Class D Accumulating Shares	£1 million
Class E Income Shares	U.S.D.10 million
Class E Accumulating Shares	U.S.D.10 million
Class F Income Shares	€1 million
Class F Accumulating Shares	€1 million

BMO LGM Global Emerging Markets Smaller Companies Fund

<b>Class of Shares</b>	<b>Minimum Subscription</b>
Class A Income Shares	U.S.D.50,000
Class A Accumulating Shares	U.S.D.50,000
Class B Income Shares	U.S.D.1 million
Class B Accumulating Shares	U.S.D.1 million
Class C Income Shares	U.S.D.20 million
Class C Accumulating Shares	U.S.D.20 million
Class E Income Shares	U.S.D.10 million
Class E Accumulating Shares	U.S.D.10 million

BMO LGM Greater China Fund

<b>Class of Shares</b>	<b>Minimum Subscription</b>
Class A Income Shares	U.S.D.50,000
Class A Accumulating Shares	U.S.D.50,000
Class B Income Shares	U.S.D.1 million
Class B Accumulating Shares	U.S.D.1 million
Class C Income Shares	U.S.D.20 million
Class C Accumulating Shares	U.S.D.20 million
Class E Income Shares	U.S.D.10 million
Class E Accumulating Shares	U.S.D.10 million

## BMO LGM Greater India Fund

<b>Class of Shares</b>	<b>Minimum Subscription</b>
Class A Income Shares	U.S.D.50,000
Class A Accumulating Shares	U.S.D.50,000
Class B Income Shares	U.S.D.1 million
Class B Accumulating Shares	U.S.D.1 million
Class C Income Shares	U.S.D.20 million
Class C Accumulating Shares	U.S.D.20 million
Class E Income Shares	U.S.D.10 million
Class E Accumulating Shares	U.S.D.10 million

The Directors reserve the right to differentiate between Shareholders as to the Minimum Subscription by certain investors and the Directors may waive or reduce such Minimum Subscription by certain investors. Currently, there is no Minimum Holding or minimum transaction size.

### **Redemption of Shares**

Requests for the redemption of Shares should be made to the Administrator whose details are set out in the Application Form on behalf of the Company by facsimile, written communication, electronically or by telephone, if it has been previously agreed with the Investment Manager and the Administrator. Such requests should contain such information as may be specified from time to time by the Directors or their delegate. Redemption orders should be processed upon receipt of faxed instructions only where payment is made to the account of record. Requests for redemption received prior to the Dealing Deadline for any Dealing Day will be processed on that Dealing Day (save during any period when the calculation of the Net asset Value is suspended). Any requests for redemption received after the Dealing Deadline for a Dealing Day will be processed on the next Dealing Day unless the Company in its absolute discretion determines otherwise. Redemption requests will only be accepted for processing where cleared funds and completed documents including documentation relating to money laundering prevention checks are in place from original subscriptions. No redemption payment will be made from an investor holding until the original subscription application form and all documentation required by or on behalf of the Company (including any documents in connection with anti-money laundering procedures) has been received from the investor and the anti-money laundering procedures have been completed.

The redemption price per Share shall be the Net Asset Value per Share. A redemption fee of up to 3 per cent of the Net Asset Value per Share being redeemed may be charged in respect of Class E Income Shares and Class E Accumulating Shares of BMO LGM Frontier Markets Fund. Other than as set forth below, it is not the intention to charge a redemption fee in respect of any other Class of any Fund.

The Directors are empowered to charge a redemption fee of up to 3 per cent of the Net Asset Value per Share of any Class of any Fund and may exercise their discretion to charge the redemption fee if they have reason to believe that any Shareholder requesting redemption is attempting any form of arbitrage on the yield of Shares in the Fund. In addition, in respect of BMO LGM Frontier Markets Fund only, if a Shareholder requests redemption within six (6) months of the initial investment, then the Directors may exercise their discretion to charge a redemption fee. The Directors will give not less than one month's notice to Shareholders of their intention to introduce a redemption fee generally. In the event of a redemption fee being charged, Shareholders should view their investment as medium to long term. A redeeming Shareholder of Shares may also receive additional redemption proceeds if any Equalisation Credit paid at the time of subscription has not been fully applied.

If the redemption of only part of a Shareholder's shareholding would leave the Shareholder holding less than the Minimum Holding for the relevant Fund, the Company or its delegate may, if it thinks fit, redeem the whole of that Shareholder's holding.

If the number of Shares to be redeemed on any Dealing Day equals ten per cent or more of Net Asset Value of the Company or a Fund in issue on that day the Directors or their delegate may at their discretion refuse to redeem any Shares in excess of ten per cent of the Net Asset Value of the Company or a Fund as aforesaid and, if they so refuse, the requests for redemption on such Dealing Day shall be reduced pro rata and Shares which are not redeemed by reason of such refusal shall be treated as if a request for redemption had been made in respect of each subsequent Dealing Day until all Shares to which the original request related have been redeemed. Redemption requests which have been carried forward from an earlier Dealing Day shall (subject always to the foregoing limits) be complied with in priority to later requests.

The Company may, with the consent of the individual Shareholders, satisfy any request for redemption of Shares by the transfer in specie to those Shareholders of assets of the relevant Fund having a value equal to the redemption price for the Shares redeemed as if the redemption proceeds were paid in cash less any redemption fee and other expenses of the transfer. The nature and type of assets to be transferred in specie to each Shareholder shall be determined by the Directors (subject to the approval of the Custodian as to the allocation of assets) on such basis as the Directors in their discretion shall deem equitable and not prejudicial to the interests of the remaining Shareholders in the relevant Fund or Class.

A determination to provide redemption in specie may be solely at the discretion of the Directors where the redeeming Shareholder requests redemption of a number of Shares that represent 5 per cent or more of the Net Asset Value of the Company. In this event the Directors will, if requested, sell the assets on behalf of the Shareholder. The cost of such sale shall be borne by the relevant Shareholder.

#### *Method of Payment*

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

#### *Currency of Payment*

Other than Shareholders of Class D Income Shares, Class D Accumulating Shares, Class F Income Shares and Class F Accumulating Shares of BMO LGM Global Emerging Markets Growth and Income Fund, Shareholders of Shares of any Class of a Fund will be paid redemption monies in U.S.D. Shareholders of Class D Income Shares and Class D Accumulating Shares of BMO LGM Global Emerging Markets Growth and Income Fund will be paid redemption monies in Sterling. Shareholders of Class F Income Shares and Class F Accumulating Shares of BMO LGM Global Emerging Markets Growth and Income Fund will be paid redemption monies in Euro. Investors should note that any costs or expenses associated with the conversion between the Base Currency and Sterling/Euro as applicable will be borne by the investor.

#### *Timing of Payment*

Provided that all of the required documentation has been provided to and received by the Administrator, redemption proceeds will be paid as set forth below.

BMO LGM Asian Growth and Income Fund, BMO LGM Greater China Fund, BMO LGM Greater India Fund and BMO LGM Global Emerging Markets Growth and Income Fund

In respect of each Class of Shares of each of BMO LGM Asian Growth and Income Fund, BMO LGM Greater China Fund, BMO LGM Greater India Fund and BMO LGM Global Emerging Markets Growth and Income Fund, redemption proceeds will be paid within five (5) Business Days of the Dealing Deadline for the relevant Dealing Day for redemptions.

BMO LGM Asian Smaller Companies Fund and BMO LGM Global Emerging Markets Smaller Companies Fund

In respect of each Class of Shares (other than Class A Income Shares and Class A Accumulating Shares) of BMO LGM Asian Smaller Companies Fund and BMO LGM Global Emerging Markets Smaller Companies Fund, redemption proceeds will be paid within ten (10) Business Days of the Dealing Deadline for the relevant Dealing Day for redemptions.

In respect of Class A Income Shares and Class A Accumulating Shares of BMO LGM Asian Smaller Companies Fund and BMO LGM Global Emerging Markets Smaller Companies Fund, redemption proceeds will be paid within five (5) Business Days of the Dealing Deadline for the relevant Dealing Day for redemptions.

BMO LGM Frontier Markets Fund

In respect of each Class of Shares (other than Class A Income Shares and Class A Accumulating Shares) of BMO LGM Frontier Markets Fund, redemption proceeds will be paid within ten (10) Business Days of the Dealing Deadline for the relevant Dealing Day for redemptions.

In respect of Class A Income Shares and Class A Accumulating Shares of BMO LGM Frontier Markets Fund, redemption proceeds will be paid within four (4) Business Days of the Dealing Deadline for the relevant Dealing Day for redemptions.

*Withdrawal of Redemption Requests*

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

*Compulsory Redemption of Shares/Deduction of Tax*

Shareholders are required to notify the Administrator through whom Shares have been purchased immediately if they become U.S. Persons or persons who are otherwise subject to restrictions on ownership as set out herein and such Shareholders may be required to redeem or transfer their Shares. The Company may redeem any Shares which are or become owned, directly or indirectly, by or for the benefit of any person in breach of any restrictions on ownership from time to time as set out herein or if the holding of Shares by any person is unlawful or is likely to result or results in any tax, fiscal, legal, regulatory, pecuniary liability disadvantage to the Company, the Shareholders as a whole or any Fund. The Company may also redeem any Shares held by any person who holds less than the Minimum Holding or does not, within seven days of a request by or on behalf of the Company, supply any information or declaration required under the terms hereof to be furnished. Any such redemption will be effected on a Dealing Day at the Net Asset Value per Share calculated on or with respect to the relevant Dealing Day on which the Shares are to be redeemed. The Company may apply the proceeds of such compulsory redemption in the discharge of any taxation or withholding tax arising as a result of the holding or beneficial ownership of Shares by a Shareholder including any interest or penalties payable thereon. The attention of investors in relation to the section of the prospectus entitled "Taxation" which details circumstances in which the Company shall be entitled to deduct from payments to Shareholders who are resident or ordinarily resident in Ireland amounts in respect of liability to Irish taxation including any penalties and interest thereon and/or compulsorily redeem Shares to discharge such liability. In addition, if a Shareholder causes the Company to suffer a withholding for or on account of FATCA (as defined below) or other financial penalty, cost, expense

or liability, the Company may compulsorily redeem any Shares of such Shareholder and/or take any action required to ensure that such FATCA deduction or other financial penalty, cost, expense or liability is economically borne by such Shareholder. Relevant Shareholders will indemnify and keep the Company indemnified against loss arising to the Company by reason of the Company becoming liable to account for tax on the happening of an event giving rise to a charge to taxation.

#### *Total Redemption of Shares*

All of the Shares of any Class or any Fund may be redeemed:

- (a) on giving not less than twenty one days written notice to the Shareholders of the relevant Fund or Class as appropriate; or
- (b) if the holders of 75 per cent in value of the relevant Class or Fund resolve at a meeting of the Shareholders duly convened and held that such Shares should be redeemed.

#### **Conversion of Shares**

Subject to the Minimum Subscription, Minimum Holding and Minimum Transaction Size requirements of the relevant Fund or Classes, Shareholders may request conversion of some or all of their Shares in one Fund or Class (“the Original Fund”) to Shares in another Fund or Class or another Class in the same Fund (“the New Fund”) in accordance with the formula and procedures specified below. Requests for conversion of Shares should be made to the Administrator by facsimile or written communication or electronically and should include such information as may be specified from time to time by the Directors or their delegate. Requests for conversion should be received prior to the earlier of the Dealing Deadline for redemptions in the Original Fund and the Dealing Deadline for subscriptions in the New Fund. Any applications received after such time will be dealt with on the next Dealing Day which is a dealing day for the relevant Funds, unless the Directors in their absolute discretion otherwise determines. Conversion requests will only be accepted where cleared funds and completed documents are in place from original subscriptions.

Where a conversion request would result in a Shareholder holding a number of Shares of either the Original Fund or the New Fund which would be less than the Minimum Holding for the relevant Fund, the Company or its delegate may, if it thinks fit, convert the whole of the holding in the Original Fund to Shares in the New Fund or refuse to effect any conversion from the Original Fund.

Fractions of Shares which shall not be less than 0.0001 of a Share may be issued by the Company on conversion where the value of Shares converted from the Original Fund are not sufficient to purchase an integral number of Shares in the New Fund and any balance representing less than 0.0001 of a Share will be retained by the Company in order to defray administration costs.

The number of Shares of the New Fund to be issued will be calculated in accordance with the following formula:

$$S = \frac{(R \times NAV \times ER) - F}{SP}$$

where

S is the number of Shares of the New Fund to be allotted.

R is the number of Shares in the Original Fund to be redeemed.

NAV is the Net Asset Value per Share of the Original Fund at the Valuation Point for the relevant Dealing Day.

ER is the currency conversion factor (if any) as determined by the Administrator.

F is the conversion charge (if any) of up to 5 per cent of the Net Asset Value of the Shares to be issued in the New Fund. It is currently not intended to charge a conversion fee.

SP is the Net Asset Value per Share of the New Fund at the Valuation Point for the relevant Dealing Day.

#### *Withdrawal of Conversion Requests*

Conversion requests may not be withdrawn save with the written consent of the Company or its authorised agent or in the event of a suspension of calculation of the Net Asset Value of the Funds in respect of which the conversion request was made.

#### **Net Asset Value and Valuation of Assets**

The Net Asset Value of each Fund or, if there are different Classes within a Fund, each Class will be calculated by the Administrator as at the Valuation Point on or with respect to each Dealing Day in accordance with the Articles of Association. The Net Asset Value of a Fund shall be determined as at the Valuation Point for the relevant Dealing Day by valuing the assets of the relevant Fund (including income accrued but not collected) and deducting the liabilities of the relevant Fund (including a provision for duties and charges, accrued expenses and fees and other liabilities). The Net Asset Value attributable to a Class shall be determined as at the Valuation Point for the relevant Dealing Day by calculating that portion of the Net Asset Value of the relevant Fund attributable to the relevant Class as at the Valuation Point subject to adjustment to take account of assets and/or liabilities attributable to the Class. The Net Asset Value of a Fund will be expressed in the Base Currency of the Fund, or in such other currency as the Directors may determine either generally or in relation to a particular Class or in a specific case.

For Class D Income Shares and Class D Accumulating Shares of BMO LGM Global Emerging Markets Growth and Income Fund, the Net Asset Value per Share will be published in Sterling. For Class F Income Shares and Class F Accumulating Shares of BMO LGM Global Emerging Markets Growth and Income Fund, the Net Asset Value per Share will be published in Euro. For all other Classes, the Net Asset Value per Share will be published in the Base Currency.

The Net Asset Value per Share shall be calculated as at the Valuation Point on or with respect to each Dealing Day by dividing the Net Asset Value of the relevant Fund or attributable to a Class by the total number of Shares in issue in the Fund or Class at the relevant Valuation Point and rounding the resulting total to 4 decimal places.

In determining the Net Asset Value of the Company and each Fund:

- (a) Securities which are quoted, listed or traded on a Recognised Exchange save as hereinafter provided at (d), (e), (f) and (g) will be valued at last traded price. Where a security is listed or dealt in on more than one Recognised Exchange the relevant exchange or market shall be the principal stock exchange or market on which the security is listed or dealt on or the exchange or market which the Directors determine provides the fairest criteria in determining a value for the relevant investment. Investments listed or traded on a Recognised Exchange, but acquired or traded at a premium or at a discount outside or off the relevant exchange or market may be valued taking into account the level of premium or discount at the Valuation Point provided that the Custodian shall be satisfied that the adoption of such a procedure is justifiable in the context of establishing the probable realisation value of the security.
- (b) The value of any security which is not quoted, listed or dealt in on a Recognised Exchange or which is so quoted, listed or dealt but for which no such quotation or value is available or the

available quotation or value is not representative of the fair market value shall be the probable realisation value as estimated with care and good faith by (i) the Directors or (ii) a competent person, firm or corporation (including the Investment Manager) appointed by the Directors and approved for the purpose by the Custodian or (iii) any other means provided that the value is approved by the Custodian. Where reliable market quotations are not available for fixed income securities the value of such securities may be determined using matrix methodology compiled by the Directors whereby such securities are valued by reference to the valuation of other securities which are comparable in rating, yield, due date and other characteristics.

- (c) Cash in hand or on deposit will be valued at its nominal value plus accrued interest, where applicable, to the end of the relevant day on which the Valuation Point occurs.
- (d) Derivative contracts traded on a regulated market shall be valued at the settlement price as determined by the market. If the settlement price is not available, the value shall be the probable realisation value estimated with care and in good faith by (i) the Directors or (ii) a competent person firm or corporation (including the Investment Manager) appointed by the Directors and approved for the purpose by the Custodian or (iii) any other means provided that the value is approved by the Custodian. Over-the-counter derivative instruments may be valued either using the counterparty valuation or an alternative valuation such as a valuation calculated by the Company or its delegate or by an independent pricing vendor. The Company will value an OTC derivative on a daily basis as at each Valuation Point. Where the Company values an OTC derivative using an alternative valuation, the Company will follow international best practice and adhere to the principles on valuation of OTC instruments established by bodies such as IOSCO and AIMA, the alternative valuation methodology is that provided by a competent person appointed by the Company and approved for that purpose by the Custodian or a valuation by any other means provided is approved by the Custodian. The alternative valuation must be fully reconciled to the counterparty valuation on a monthly basis. Where significant differences arise, these must be promptly investigated and explained. Where the Company values an OTC derivative using the counterparty valuation, the valuation must be approved or verified by a party who is approved for the purpose by the Custodian and who is independent of the counterparty and the independent verification must be carried out at least weekly. The reference to an independent party may include the Investment Manager. It can also include a party related to the counterparty provided the related party constitutes an independent unit within the counterparty's group which does not rely on the same pricing models employed by the counterparty and the relationship between the parties and attendant risks are disclosed in the Prospectus. Where the independent party is related to the OTC counterparty and the risk exposure to the counterparty may be reduced through the provision of collateral, the position must also be subject to verification by an unrelated party to the counterparty on a six month basis.
- (e) Forward foreign exchange contracts and interest rate swaps shall be valued in the same manner as derivatives contracts which are not traded in a regulated market above or by reference to freely available market quotations.
- (f) Notwithstanding paragraph (a) above, units in collective investment schemes shall be valued at the latest available net asset value per unit or bid price as published by the relevant collective investment scheme or, if listed or traded on a Recognised Exchange, in accordance with (a) above.
- (g) For non-money market funds, the Directors may value high rated securities having a residual maturity not exceeding three months using the amortised cost method of valuation in accordance with the requirements of the Central Bank.

- (h) The Directors may, with the approval of the Custodian, adjust the value of any investment if having regard to its currency, marketability, applicable interest rates, anticipated rates of dividend, maturity, liquidity or any other relevant considerations, they consider that such adjustment is required to reflect the fair value thereof.
- (i) Any value expressed otherwise than in the Base Currency of the relevant Fund shall be converted into the Base Currency of the relevant Fund at the exchange rate (whether official or otherwise) which the Directors shall determine to be appropriate.
- (j) Where the value of any investment is not ascertainable as described above, the value shall be the probable realisation value estimated by the Directors with care and in good faith or by a competent person approved for the purpose by the Custodian.
- (k) If the Directors deem it necessary a specific Investment may be valued under an alternative method of valuation approved by the Custodian.

In calculating the value of assets of the Company and each Fund the following principles will apply:

- (a) Every Share agreed to be issued by the Directors with respect to each Dealing Day shall not be deemed to be in issue at the Valuation Point for the relevant Dealing Day and the assets of the relevant Fund shall be deemed to include only cash and property in the hands of the Custodian;
- (b) where investments have been agreed to be purchased or sold but such purchase or sale has not been completed, such investments shall be included or excluded and the gross purchase or net sale consideration excluded or included as the case may require as if such purchase or sale had been duly completed unless the Directors have reason to believe such purchase or sale will not be completed;
- (c) there shall be added to the assets of the relevant Fund any actual or estimated amount of any taxation of a capital nature which may be recoverable by the Company which is attributable to that Fund;
- (d) there shall be added to the assets of each relevant Fund a sum representing any interest, dividends or other income accrued but not received and a sum representing unamortised expenses unless the Directors are of the opinion that such interest, dividends or other income are unlikely to be paid or received in full in which case the value thereof shall be arrived at after making such discount as the Directors or their delegate (with the approval of the Custodian) may consider appropriate in such case to reflect the true value thereof;
- (e) there shall be added to the assets of each relevant Fund the total amount (whether actual or estimated by the Directors or their delegate) of any claims for repayment of any taxation levied on income or capital gains including claims in respect of double taxation relief; and
- (f) where notice of the redemption of Shares has been received by the Company with respect to a Dealing Day and the cancellation of such Shares has not been completed, the Shares to be redeemed shall be deemed still to be in issue at the Valuation Point and the value of the assets of the relevant Fund shall not be deemed to be reduced by the amount payable upon such redemption;
- (g) there shall be deducted from the assets of the relevant Fund:
  - (i) the total amount of any actual or estimated liabilities properly payable out of the assets of the relevant Fund including any and all outstanding borrowings of the Company in respect of the relevant Fund, interest, fees and expenses payable on such



borrowings and any estimated liability for tax and such amount in respect of contingent or projected expenses as the Directors consider fair and reasonable as of the relevant Valuation Point;

- (ii) such sum in respect of tax (if any) on income or capital gains realised on the investments of the relevant Fund as in the estimate of the Directors will become payable;
- (iii) the amount (if any) of any distribution declared but not distributed in respect thereof;
- (iv) the remuneration of the Administrator, the Custodian, the Investment Manager, any Distributor and any other providers of services to the Company accrued but remaining unpaid together with a sum equal to the value added tax chargeable thereon (if any);
- (v) the total amount (whether actual or estimated by the Directors) of any other liabilities properly payable out of the assets of the relevant Fund (including all establishment, operational and ongoing administrative fees, costs and expenses) as of the relevant Valuation Point;
- (vi) an amount as of the relevant Valuation Point representing the projected liability of the relevant Fund in respect of costs and expenses to be incurred by the relevant Fund in the event of a subsequent liquidation;
- (vii) an amount as of the relevant Valuation Point representing the projected liability of the relevant calls on Shares in respect of any warrants issued and/or options written by the relevant Fund or Class of Shares; and
- (viii) any other liability which may properly be deducted.

In the absence of negligence, fraud or wilful default, every decision taken by the Directors or any committee of the Directors or any duly authorised person on behalf of the Company in determining the value of any investment or calculating the Net Asset Value of a Fund or Class or the Net Asset Value per Share shall be final and binding on the Company and on present, past or future Shareholders.

#### *BMO LGM Frontier Markets Fund Indicative Net Asset Value*

In addition to the Net Asset Value calculated on each Dealing Day, an indicative net asset value for the BMO LGM Frontier Markets Fund and each Class of Shares within the BMO LGM Frontier Markets Fund will be calculated on or with respect to each Business Day which is not a Dealing Day in accordance with the valuation procedures set out above. The indicative net asset value is provided for information purposes only and is not an invitation to subscribe for, redeem or convert shares at that indicative net asset value.

#### **Publication of Net Asset Value per Share**

The Net Asset Value per Share shall be made available on the internet at [www.lgminvestments.com](http://www.lgminvestments.com) and updated following each calculation of Net Asset Value. In addition, the Net Asset Value per Share may be obtained from the Administrator during normal business hours. When calculated, the indicative net asset value for the BMO LGM Frontier Markets Fund and for each Class of Shares within the BMO LGM Frontier Markets Fund may be obtained from the Investment Manager during normal business hours.

#### **Suspension of Valuation of Assets**

The Directors may at any time and from time to time temporarily suspend the determination of the Net Asset Value of any Fund or attributable to a Class and the issue, conversion and redemption of Shares in any Fund or Class:

- (a) during the whole or part of any period (other than for ordinary holidays or customary weekends) when any of the Recognised Exchanges on which the relevant Fund's investments are quoted, listed, traded or dealt are closed or during which dealings therein are restricted or suspended or trading is suspended or restricted; or
- (b) during the whole or part of any period when circumstances outside the control of the Directors exist as a result of which any disposal or valuation of investments of the Fund is not reasonably practicable or would be detrimental to the interests of Shareholders or it is not possible to transfer monies involved in the acquisition or disposition of investments to or from the relevant account of the Company; or
- (c) during the whole or any part of any period when any breakdown occurs in the means of communication normally employed in determining the value of any of the relevant Fund's investments; or
- (d) during the whole or any part of any period when for any reason the value of any of the Fund's investments cannot be reasonably, promptly or accurately ascertained; or
- (e) during the whole or any part of any period when subscription proceeds cannot be transmitted to or from the account of any Fund or the Company is unable to repatriate funds required for making redemption payments or when such payments cannot, in the opinion of the Directors, be carried out at normal rates of exchange; or
- (f) upon mutual agreement between the Company and the Custodian for the purpose of winding up the Company or terminating any Fund; or
- (g) if any other reason makes it impossible or impracticable to determine the value of a substantial portion of the Investments or the Company or any Fund;
- (h) any period when the Company is considering a merger in relation to the Company, a Fund or Class; or
- (i) any other period where in the opinion of the Directors circumstances require such a suspension and it is justified having regard to the interests of the Shareholders as a whole;
- (j) and shall temporarily suspend the determination of the Net Asset Value of a Fund or Class and the issue, redemption and conversion of Shares in any Fund or Class if directed to do so by the Central Bank.

Any suspension of valuation shall be notified to the Central Bank and the Custodian without delay and, in any event, within the same Dealing Day. Where possible, all reasonable steps will be taken to bring any period of suspension to an end as soon as possible.

The Central Bank may also require that the Company temporarily suspends the determination of the Net Asset Value and the issue and redemption of Shares in a Fund if it decides that it is in the best interests of the general public and the Shareholders to do so.

### **Suspension of Dealing**

Shares may not be issued, redeemed or converted during any period when the calculation of the Net Asset Value of the relevant Fund is suspended. Applicants for Shares and Shareholders requesting

redemption and/or conversion of Shares will be notified of such suspension and, unless withdrawn, applications for Shares will be considered and requests for redemption and/or conversion will be processed as at the next Dealing Day following the ending of such suspension.

### **Dividends and Distributions**

The Directors are empowered to declare and pay dividends on Shares issued in any Class or Fund in the Company.

*Income Share Classes:* Dividends will be declared and paid on these Shares. Dividends will normally be declared in respect of the financial year end (i.e. 31 December in each year) and paid to Shareholders as of 31 December within 4 months of the financial year end and will usually be paid to the Shareholder's bank account as detailed on the Application Form. Dividends which are not claimed or collected within six years of payment shall revert to and form part of the assets of the relevant class. The Directors will declare dividends in respect of any Shares in the Company out of the net income (i.e. income less expenses) of the Company (whether in the form of dividends, interest or otherwise), subject to certain adjustments.

*Accumulating Share Classes:* Dividends will be declared on these Shares but automatically reinvested and will be reflected in the Net Asset Value of the Share class. Dividends will normally be declared in respect of the financial year end (i.e. 31 December in each year). The Directors will declare dividends in respect of any Shares in the Company out of the net income (i.e. income less expenses) of the Company (whether in the form of dividends, interest or otherwise), subject to certain adjustments.

With effect from 1 October 2013 all Classes of Shares will be permitted to operate equalisation. Where the Classes of Shares operate equalisation, distributions made by such Classes of Shares will include an amount of income equalisation. This amount corresponds to the equalisation income included in the Net Asset Value per Share of such Classes.

All investors including UK investors should seek their own tax advice in relation to the implications (if any) of these distribution policies.

Any change to the dividend policy will be provided in an updated Prospectus and all Shareholders will be notified in advance.

### *Reporting to investors*

It is the intention of each Fund to continue to meet its annual obligations to be a "reporting fund", as defined in the Offshore Funds (Tax) Regulations 2009 (SI 2009 No. 3001). The Fund will report income to investors via the Company's website at [www.lgminvestments.com](http://www.lgminvestments.com). For the reporting period 1 October 2013 to 30 September 2014 and the reporting period 1 October 2014 to 31 December 2014 the Fund expects that both reports will be made available to investors by 30 June 2015. For all subsequent reporting periods it is expected that this report will be made available to investors by 30 June in each year.

### **Taxation on the occurrence of certain events**

The attention of investors is drawn to the section of the Prospectus headed "Taxation" and in particular the taxation liability arising on the occurrence of certain events such as the encashment, redemption or transfer of Shares by or payment of dividends to Shareholders who are resident or ordinarily resident in Ireland. If the Company becomes liable to account for tax in any jurisdiction including any interest or penalties thereon if an event giving rise to a tax liability occurs, the Company shall be entitled to deduct such amount from the payment arising on such event or to compulsorily redeem or cancel such number of Shares held by the Shareholder or the beneficial owner of the Shares as have a value sufficient after the deduction of any redemption fees to discharge any

such liability. The relevant Shareholder shall indemnify and keep the Company indemnified against any loss arising to the Company by reason of the Company becoming liable to account for tax and any interest or penalties thereon on the happening of an event giving rise to a tax liability including if no such deduction, appropriation or cancellation has been made.

## TAXATION

The following is a general summary of the main Irish tax considerations applicable to the Company and certain investors in the Company who are the beneficial owners of Shares in the Company. It does not purport to deal with all of the tax consequences applicable to the Company or to all categories of investors, some of whom may be subject to special rules. For instance, it does not address the tax position of Shareholders whose acquisition of Shares in the Company would be regarded as a shareholding in a Personal Portfolio Investment Undertaking (PPIU). Accordingly, its applicability will depend on the particular circumstances of each Shareholder. It does not constitute tax advice and Shareholders and potential investors are advised to consult their professional advisors concerning possible taxation or other consequences of purchasing, holding, selling, converting or otherwise disposing of the Shares under the laws of their country of incorporation, establishment, citizenship, residence or domicile, and in the light of their particular circumstances.

The following statements on taxation are based on advice received by the Directors regarding the law and practice in force in Ireland at the date of this document. Legislative, administrative or judicial changes may modify the tax consequences described below and as is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made will endure indefinitely.

### Taxation of the Company

The Directors have been advised that, under current Irish law and practice, the Company qualifies as an investment undertaking for the purposes of Section 739B of the Taxes Consolidation Act, 1997, as amended (“TCA”) so long as the Company is resident in Ireland. Accordingly, it is generally not chargeable to Irish tax on its income and gains.

#### *Chargeable Event*

However, Irish tax can arise on the happening of a “**chargeable event**” in the Company. A chargeable event includes any payments of distributions to Shareholders, any encashment, repurchase, redemption, cancellation or transfer of Shares and any deemed disposal of Shares as described below for Irish tax purposes arising as a result of holding Shares in the Company for a period of eight years or more. Where a chargeable event occurs, the Company is required to account for the Irish tax thereon.

No Irish tax will arise in respect of a chargeable event where:

- (a) the Shareholder is neither resident nor ordinarily resident in Ireland (“**Non-Irish Resident**”) and it (or an intermediary acting on its behalf) has made the necessary declaration to that effect and the Company is not in possession of any information which would reasonably suggest that the information contained in the declaration is not, or is no longer, materially correct; or
- (b) the Shareholder is Non-Irish Resident and has confirmed that to the Company and the Company is in possession of written notice of approval from the Revenue Commissioners to the effect that the requirement to provide the necessary declaration of non-residence has been complied with in respect of the Shareholder and the approval has not been withdrawn; or
- (c) the Shareholder is an Exempt Irish Resident as defined below.

A reference to “**intermediary**” means an intermediary within the meaning of Section 739B(1) of the TCA, being a person who (a) carries on a business which consists of, or includes, the receipt of

payments from an investment undertaking on behalf of other persons; or (b) holds units in an investment undertaking on behalf of other persons.

In the absence of a signed and completed declaration or written notice of approval from the Revenue Commissioners, as applicable, being in the possession of the Company at the relevant time there is a presumption that the Shareholder is resident or ordinarily resident in Ireland (“**Irish Resident**”) or is not an Exempt Irish Resident and a charge to tax arises.

A chargeable event does not include:

- any transactions (which might otherwise be a chargeable event) in relation to Shares held in a recognised clearing system as designated by order of the Revenue Commissioners of Ireland; or
- a transfer of Shares between spouses/civil partners and any transfer of Shares between spouses/civil partners or former spouses/civil partners on the occasion of judicial separation, decree of dissolution and/or divorce, as appropriate; or
- an exchange by a Shareholder, effected by way of arm’s length bargain where no payment is made to the Shareholder, of Shares in the Company for other Shares in the Company; or
- an exchange of Shares arising on a qualifying amalgamation or reconstruction (within the meaning of Section 739H of the TCA) of the Company with another investment undertaking.

If the Company becomes liable to account for tax on a chargeable event, the Company shall be entitled to deduct from the payment arising on that chargeable event an amount equal to the appropriate tax and/or, where applicable, to repurchase and cancel such number of Shares held by the Shareholder as is required to meet the amount of tax. The relevant Shareholder shall indemnify and keep the Company indemnified against loss arising to the Company by reason of the Company becoming liable to account for tax on the happening of a chargeable event.

#### *Deemed Disposals*

The Company may elect not to account for Irish tax in respect of deemed disposals in certain circumstances. Where the total value of Shares in a Fund held by Shareholders who are Irish Resident and, who are not Exempt Irish Residents as defined below, is 10 per cent or more of the Net Asset Value of the Fund, the Company will be liable to account for the tax arising on a deemed disposal in respect of Shares in that Fund as set out below. However, where the total value of Shares in the Fund held by such Shareholders is less than 10 per cent of the Net Asset Value of the Fund, the Company may, and it is expected that the Company will, elect not to account for tax on the deemed disposal. In this instance, the Company will notify relevant Shareholders that it has made such an election and those Shareholders will be obliged to account for the tax arising under the self-assessment system themselves. Further details of this are set out below under the heading “Taxation of Irish Resident Shareholders”.

#### *Irish Courts Service*

Where Shares are held by the Irish Courts Service the Company is not required to account for Irish tax on a chargeable event in respect of those Shares. Rather, where money under the control or subject to the order of any Court is applied to acquire Shares in the Company, the Courts Service assumes, in respect of the Shares acquired, the responsibilities of the Company to, *inter alia*, account for tax in respect of chargeable events and file returns.

## Exempt Irish Resident Shareholders

The Company will not be required to deduct tax in respect of the following categories of Irish Resident Shareholders, provided the Company has in its possession the necessary declarations from those persons (or an intermediary acting on their behalf) and the Company is not in possession of any information which would reasonably suggest that the information contained in the declarations is not, or is no longer, materially correct. A Shareholder who comes within any of the categories listed below and who (directly or through an intermediary) has provided the necessary declaration to the Company is referred to herein as an “**Exempt Irish Resident**”:

- (a) a pension scheme which is an exempt approved scheme within the meaning of Section 774 of the TCA, or a retirement annuity contract or a trust scheme to which Section 784 or Section 785 of the TCA, applies;
- (b) a company carrying on life business within the meaning of Section 706 of the TCA;
- (c) an investment undertaking within the meaning of Section 739B(1) of the TCA, or an investment limited partnership within the meaning of Section 739J of the TCA;
- (d) a special investment scheme within the meaning of Section 737 of the TCA;
- (e) a charity being a person referred to in Section 739D(6)(f)(i) of the TCA;
- (f) a qualifying management company within the meaning of Section 739B(1) of the TCA;
- (g) a unit trust to which Section 731(5)(a) of the TCA applies;
- (h) a person who is entitled to exemption from income tax and capital gains tax under Section 784A(2) of the TCA where the Shares held are assets of an approved retirement fund or an approved minimum retirement fund;
- (i) a person who is entitled to exemption from income tax and capital gains tax by virtue of Section 787I of the TCA, and the Shares are assets of a PRSA;
- (j) a credit union within the meaning of Section 2 of the Credit Union Act, 1997;
- (k) the National Pensions Reserve Fund Commission;
- (l) the National Asset Management Agency;
- (m) a company within the charge to corporation tax in accordance with Section 110(2) of the TCA (securitisation companies);
- (n) in certain circumstances, a company within the charge to corporation tax in respect of payments made to it by the Company; or
- (o) any other person who is resident or ordinarily resident in Ireland who may be permitted to own Shares under taxation legislation or by written practice or concession of the Revenue Commissioners without giving rise to a charge to tax in the Company or jeopardising the tax exemptions associated with the Company.

There is no provision for any refund of tax to Shareholders who are Exempt Irish Residents where tax has been deducted in the absence of the necessary declaration. A refund of tax may only be made to corporate Shareholders who are within the charge to Irish corporation tax.

## **Taxation of Non-Irish Resident Shareholders**

Non-Irish Resident Shareholders who (directly or through an intermediary) have made the necessary declaration of non-residence in Ireland, where required, are not liable to Irish tax on the income or gains arising to them from their investment in the Company and no tax will be deducted on distributions from the Company or payments by the Company in respect of an encashment, repurchase, redemption, cancellation or other disposal of their investment. Such Shareholders are generally not liable to Irish tax in respect of income or gains made from holding or disposing of Shares except where the Shares are attributable to an Irish branch or agency of such Shareholder.

Unless the Company is in possession of written notice of approval from the Revenue Commissioners to the effect that the requirement to provide the necessary declaration of non-residence has been complied with in respect of the Shareholder and the approval has not been withdrawn, in the event that a non-resident Shareholder (or an intermediary acting on its behalf) fails to make the necessary declaration of non-residence, tax will be deducted as described above on the happening of a chargeable event and notwithstanding that the Shareholder is not resident or ordinarily resident in Ireland any such tax deducted will generally not be refundable.

Where a Non-Irish Resident company holds Shares in the Company which are attributable to an Irish branch or agency, it will be liable to Irish corporation tax in respect of income and capital distributions it receives from the Company under the self-assessment system.

## **Taxation of Irish Resident Shareholders**

### *Deduction of Tax*

Tax will be deducted and remitted to the Revenue Commissioners by the Company from any distributions made by the Company (other than on a disposal) to an Irish Resident Shareholder who is not an Exempt Irish Resident, where payments are made annually or at more frequent intervals on or before December 2013 at the rate of 33 per cent, and, where payments are made less frequently on or before 31 December 2013, at the rate of 36 per cent. Tax will be deducted from any such distributions made by the Company on or after 1 January 2014 at the rate of 41 per cent irrespective of the frequency with which they are made.

Tax will also be deducted by the Company and remitted to the Revenue Commissioners from any gain arising on an encashment, repurchase, redemption, cancellation or other disposal of Shares by such a Shareholder on or before 31 December 2013 at the rate of 36 per cent, and on or after 1 January 2014 at the rate of 41 per cent. Any gain will be computed as the difference between the value of the Shareholder's investment in the Company at the date of the chargeable event and the original cost of the investment as calculated under special rules.

Where the Shareholder is an Irish resident company and the Company is in possession of a relevant declaration from the Shareholder that it is a company and which includes the company's tax reference number, tax will be deducted by the Company from any distributions made by the Company to the Shareholder and from any gains arising on an encashment, repurchase, redemption, cancellation or other disposal of shares by the Shareholder at the rate of 25 per cent.

### *Deemed Disposals*

Tax will also be deducted by the Company and remitted to the Revenue Commissioners in respect of any deemed disposal where the total value of Shares in a Fund held by Irish Resident Shareholders who are not Exempt Irish Residents is 10 per cent or more of the Net Asset Value of the Fund. A deemed disposal will occur on each and every eighth anniversary of the acquisition of Shares in the Fund by such Shareholders. The deemed gain will be calculated as the difference between the value of the Shares held by the Shareholder on the relevant eighth year anniversary or, as described below



where the Company so elects, the value of the Shares on the later of the 30 June or 31 December prior to the date of the deemed disposal and the relevant cost of those Shares. The excess arising will be taxable at the rate of 36 per cent in respect of deemed disposals on or before 31 December 2013, and at the rate of 41 per cent in respect of deemed disposals on or after 1 January 2014 (or in the case of Irish resident corporate Shareholders where a relevant declaration has been made, at the rate of 25 per cent). Tax paid on a deemed disposal should be creditable against the tax liability on an actual disposal of those Shares.

Where the Company is obliged to account for tax on deemed disposals it is expected that the Company will elect to calculate any gain arising for Irish Resident Shareholders who are not Exempt Irish Residents by reference to the Net Asset Value of the relevant Fund on the later of the 30 June or 31 December prior to the date of the deemed disposal, in lieu of the value of the Shares on the relevant eight year anniversary.

The Company may elect not to account for tax arising on a deemed disposal where the total value of Shares in the relevant Fund held by Irish Resident Shareholders who are not Exempt Irish Residents is less than 10 per cent of the Net Asset Value of the Fund. In this case, such Shareholders will be obliged to account for the tax arising on the deemed disposal under the self assessment system themselves. The deemed gain will be calculated as the difference between the value of the Shares held by the Shareholder on the relevant eighth year anniversary and the relevant cost of those Shares. The excess arising will be regarded as an amount taxable under Case IV of Schedule D and will be subject to tax where the Shareholder is a company, at the rate of 25 per cent, and where the Shareholder is not a company, at the rate of 36 per cent in respect of deemed disposals arising on or before 31 December 2013 and at the rate of 41 per cent in respect of deemed disposals arising on or after 1 January 2014. Tax paid on a deemed disposal should be creditable against the tax payable on an actual disposal of those Shares.

#### *Residual Irish Tax Liability*

Corporate Shareholders resident in Ireland which receive payments from which tax has been deducted will be treated as having received an annual payment chargeable to tax under Case IV of Schedule D from which tax at the rate of 25 per cent (or 33 per cent, 36 per cent or 41 per cent (as applicable) if no declaration has been made) has been deducted. Subject to the comments below concerning tax on a currency gain, in general, such Shareholders will not be subject to further Irish tax on payments received in respect of their holding from which tax has been deducted. A corporate Shareholder resident in Ireland which holds the Shares in connection with a trade will be taxable on any income or gains received from the Company as part of that trade with a set-off against corporation tax payable for any tax deducted from those payments by the Company. In practice, where tax at a rate higher than 25 per cent has been deducted from payments to a corporate Shareholder resident in Ireland, a credit of the excess tax deducted over the higher corporation tax rate of 25 per cent should be available.

Subject to the comments below concerning tax on a currency gain, in general, non-corporate Irish Resident Shareholders will not be subject to further Irish tax on income arising on the Shares or gains made on disposal of the Shares, where the appropriate tax has been deducted by the Company from distributions paid to them.

Where a currency gain is made by a Shareholder on the disposal of Shares, the Shareholder will be liable to capital gains tax in respect of that gain in the year/s of assessment in which the Shares are disposed of.

Any Irish Resident Shareholder who is not an Exempt Irish Resident and who receives a distribution from which tax has not been deducted (for example, because the Shares are held in a recognised clearing system) will be liable to account for income tax or corporation tax as the case may be on that payment. Where such Shareholder receives a gain on an encashment, repurchase, redemption,

cancellation or other disposal from which tax has not been deducted, (for example, because the Shares are held in a recognised clearing system) the Shareholder will also be liable to account for income tax or corporation tax on the amount of the gain under the self-assessment system and in particular, Part 41A of the TCA. Shareholders who are individuals should also note that failure to comply with these provisions may result in them being subject to tax at their marginal rate (currently up to 41 per cent) on the income and gains together with a surcharge, penalties and interest.

### **Overseas Dividends**

Dividends (if any) and interest which the Company receives with respect to investments (other than securities of Irish issuers) may be subject to taxes, including withholding taxes, in the countries in which the issuers of the investments are located. It is not known whether the Company will be able to benefit from reduced rates of withholding tax under the provisions of the double tax treaties which Ireland has entered into with various countries.

However, in the event that the Company receives any repayment of withholding tax suffered, the Net Asset Value of the relevant Fund will not be restated and the benefit of any repayment will be allocated to the then existing Shareholders rateably at the time of such repayment.

### **Stamp Duty**

On the basis that the Company qualifies as an investment undertaking within the meaning of Section 739B of the TCA, generally, no stamp duty will be payable in Ireland on the issue, transfer, repurchase or redemption of Shares in the Company. However, where any subscription for or redemption of Shares is satisfied by an in-kind or in specie transfer of Irish securities or other Irish property, Irish stamp duty might arise on the transfer of such securities or properties.

No Irish stamp duty will be payable by the Company on the conveyance or transfer of stock or marketable securities of a company not registered in Ireland, provided that the conveyance or transfer does not relate to any immovable property situated in Ireland or any right over or interest in such property, or to any stocks or marketable securities of a company (other than a company which is an investment undertaking within the meaning of Section 739B of the TCA or a qualifying company within the meaning of Section 110 of the TCA) which is registered in Ireland.

### **Residence**

In general, investors in the Company will be either individuals, corporate entities or trusts. Under Irish rules, both individuals and trusts may be resident or ordinarily resident. The concept of ordinary residence does not apply to corporate entities.

#### ***Individual Investors***

##### *Test of Residence*

An individual will be regarded as resident in Ireland for a particular tax year if the individual is present in Ireland: (1) for a period of at least 183 days in any one tax year; or (2) for a period of at least 280 days in any two consecutive tax years, provided that the individual is resident in Ireland for at least 31 days in each tax year. In determining days present in Ireland, an individual is deemed to be present if he / she is present in the country at any time during the day.

If an individual is not resident in Ireland in a particular tax year the individual may, in certain circumstances, elect to be treated as resident.

### *Test of Ordinary Residence*

If an individual has been resident for the three previous tax years then the individual will be deemed “ordinarily resident” from the start of the fourth year. An individual will remain ordinarily resident in Ireland until the individual has been non-resident for three consecutive tax years.

### ***Trust Investors***

A trust will generally be regarded as resident in Ireland where all of the trustees are resident in Ireland. Trustees are advised to seek specific tax advice if they are in doubt as to whether the trust is resident in Ireland.

### ***Corporate Investors***

A company will be resident in Ireland if its central management and control is in Ireland or (in certain circumstances) if it is incorporated in Ireland. For Ireland to be treated as the location of a company’s central management and control this typically means Ireland is the location where all fundamental policy decisions of the company are made.

All companies incorporated in Ireland are resident in Ireland for tax purposes except where:

- (i) the company or a related company carries on a trade in Ireland, and either (a) the company is ultimately controlled by persons resident in a “relevant territory”, being an EU member state (other than Ireland) or a country with which Ireland has a double taxation agreement in force by virtue of Section 826(1) of the TCA or that is signed and which will come into force once all the ratification procedures set out in Section 826(1) of the TCA have been completed, or (b) the principal class of the shares in the company or a related company is substantially and regularly traded on a recognised stock exchange in a relevant territory; or
- (ii) the company is regarded as resident in a country other than Ireland and not resident in Ireland under a double taxation agreement between Ireland and that other country.

A company coming within either (i) or (ii) above will not be regarded as resident in Ireland unless its central management and control is in Ireland, PROVIDED however, a company coming within (i) above which has its central management and control outside of Ireland will still be regarded as resident in Ireland if (a) it would by virtue of the law of a relevant territory be tax resident in that relevant territory if it were incorporated in that relevant territory but would not otherwise be tax resident in that relevant territory, (b) is managed and controlled in that relevant territory, and (c) would not otherwise by virtue of the law of any territory be regarded as resident in that territory for tax purposes.

### **Disposal of Shares and Irish Capital Acquisitions Tax**

#### **(a) Persons Domiciled or Ordinarily Resident in Ireland**

The disposal of Shares by means of a gift or inheritance made by a disponent domiciled or ordinarily resident in Ireland or received by a beneficiary domiciled or ordinarily resident in Ireland may give rise to a charge to Irish Capital Acquisitions Tax for the beneficiary of such a gift or inheritance with respect to those Shares.

#### **(b) Persons Not Domiciled or Ordinarily Resident in Ireland**

On the basis that the Company qualifies as an investment undertaking within the meaning of Section 739B of the TCA, the disposal of Shares will not be within the charge to Irish Capital Acquisitions Tax provided that;

- the Shares are comprised in the gift or inheritance at the date of the gift or inheritance and at the valuation date;
- the donor is not domiciled or ordinarily resident in Ireland at the date of the disposition; and
- the beneficiary is not domiciled or ordinarily resident in Ireland at the date of the gift or inheritance.

### **European Union Taxation of Savings Income Directive**

The EU has adopted EC Directive 2003/48/EC regarding the taxation of savings income. The Directive requires Member States and certain other relevant territories to provide to the tax authorities of other Member States details of payments of interest (which may include distributions or redemption payments by collective investment funds) or other similar income paid by a paying agent to an individual or to certain other persons in another Member State, except Austria, Belgium, Luxembourg, and certain non-EU territories may instead impose a withholding system for a transitional period unless during such period they elect otherwise.

For the purposes of the Directive, interest payments include income distributions made by certain collective investment funds (in the case of EU domiciled funds, the Directive currently only applies to UCITS), to the extent that the fund has invested more than 15 per cent of its assets directly or indirectly in interest bearing securities and income realised upon the sale, repurchase or redemption of fund units to the extent that the fund has invested 40 per cent of its assets directly or indirectly in interest bearing securities.

### **Foreign Account Tax Compliance Act**

Under the U.S. Foreign Account Tax Compliance Act (“FATCA”), a 30 per cent withholding tax applies to certain “withholdable payments” and “pass-through payments” paid to foreign financial institutions (“FFIs”) unless the FFI enters into an agreement with the U.S. Internal Revenue Service (“IRS”) or alternatively the FFI is located in a country that has entered into an intergovernmental agreement with the United States concerning FATCA. “Withholdable payments” generally include U.S.-source interest, original issue discount, dividends, fixed or determinable annual or periodical income, and U.S.-source gross proceeds from sales of property that produce interest and dividend income. “Pass-through payments” are expected to include payments made by FATCA-compliant FFIs to the extent that such payments are ultimately attributable to withholdable payments. The FATCA withholding tax on interest, dividends, and fixed or determinable annual or periodical income began on 1 July 2014, and the withholding tax on gross proceeds and pass-through payments is scheduled to begin on 1 January 2017.

The governments of the United States and Ireland entered into an Agreement to Improve International Tax Compliance and to Implement FATCA on 21 December 2012 (the “Intergovernmental Agreement”). The Company and the Funds, being tax residents of Ireland, are subject to the Intergovernmental Agreement. Provided that the government of Ireland complies with its obligations under the Intergovernmental Agreement and provided that the Funds comply with certain due diligence, identification, registration, and reporting requirements set forth in the Intergovernmental Agreement, the Funds will be treated as complying with the FATCA provisions, will not be required to enter into an agreement with the IRS, and will not be subject to withholding under FATCA on withholdable payments received by a Fund. Furthermore, the Funds will not be required to withhold on pass-through payments made to non-compliant FFIs and accountholders who fail to provide required information, provided that the Fund properly reports such non-compliant accountholders as set forth in the Intergovernmental Agreement. The Funds anticipate that they will comply with the provisions of the Intergovernmental Agreement so that they will not be subject to withholding under FATCA.

To comply with the Intergovernmental Agreement, the Funds may be required to request certain information from Shareholders. Accordingly, Shareholders will be required to provide any documentation, certifications and waivers reasonably requested by the Funds in order to satisfy the Funds' obligations under FATCA and the Intergovernmental Agreement. Under the Intergovernmental Agreement, the Funds will report information regarding certain U.S. investors to the Revenue Commissioners, who in turn will provide such information to the IRS.

If a Shareholder causes the Company or a Fund to suffer a withholding for or on account of FATCA ("FATCA Deduction") or other financial penalty, cost, expense or liability, the Company or Fund may compulsorily redeem any Shares of such Shareholder and take any action required to ensure that such FATCA Deduction or other financial penalty, cost, expense or liability is economically borne by such Shareholder. Each prospective investor is urged to consult its tax adviser regarding the applicability of FATCA and any other reporting requirements with respect to the prospective investor's own situation. If applicable, investors should contact their intermediary regarding the application of this regime to their investments in a Fund.

## **GENERAL INFORMATION**

### **1. Incorporation, Registered Office and Share Capital**

- (a) The Company was incorporated in Ireland on 14 May 2008 as an investment company with variable capital with limited liability under registration number 457359. The Company has no subsidiaries.
- (b) The registered office of the Company is as stated in the Directory at the front of the Prospectus.
- (c) Clause 3 of the Memorandum of Association of the Company provides that the Company's sole object is the collective investment in either of both transferable securities and other liquid financial assets referred to in Regulation 68 of the UCITS Regulations of capital raised from the public and the Company operates on the principle of risk spreading.
- (d) The authorised share capital of the Company is 500,000,000,000 Shares of no par value and 300,000 redeemable non-participating shares of no par value. Non-participating Shares do not entitle the holders thereof to any dividend and on a winding up entitle the holders thereof to receive the amount paid up thereon but do not otherwise entitle them to participate in the assets of the Company. The Directors have the power to allot shares in the capital of the Company on such terms and in such manner as they may think fit. There are non-participating shares currently in issue which are held by the Investment Manager or nominees of the Investment Manager.

### **2. Variation of Share Rights and Pre-Emption Rights**

- (a) The rights attaching to the Shares issued in any Class or Fund may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the Shareholders of three-quarters of the issued Shares of that Class or Fund, or with the sanction of an ordinary resolution passed at a general meeting of the Shareholders of that Class or Fund.
- (b) A resolution in writing signed by all the Shareholders and holders of non-participating shares for the time being entitled to attend and vote on such resolution at a general meeting of the Company shall be as valid and effective for all purposes as if the resolution had been passed at a general meeting of the Company duly convened and held and if described as a special resolution shall be deemed to be a special resolution.
- (c) The rights attaching to the Shares shall not be deemed to be varied by the creation, allotment or issue of any further Shares ranking pari passu with Shares already in issue.
- (d) There are no rights of pre-emption upon the issue of Shares in the Company.

### **3. Voting Rights**

The following rules relating to voting rights apply:

- (a) Fractions of Shares do not carry voting rights.
- (b) Every Shareholder or holder of non-participating shares present in person or by proxy who votes on a show of hands shall be entitled to one vote.
- (c) The chairman of a general meeting of a Fund or Class or any Shareholder of a Fund or Class present in person or by proxy at a meeting of a Fund or Class may demand a poll. The

chairman of a general meeting of the Company or at least two members present in person or by proxy or any Shareholder or Shareholders present in person or by proxy representing at least one tenth of the Shares in issue having the right to vote at such meeting may demand a poll.

- (d) On a poll every Shareholder present in person or by proxy shall be entitled to one vote in respect of each Share held by him and every holder of non-participating shares shall be entitled to one vote in respect of all non-participating shares held by him. A Shareholder entitled to more than one vote need not cast all his votes or cast all the votes he uses in the same way.
- (e) In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.
- (f) Any person (whether a Shareholder or not) may be appointed to act as a proxy; a Shareholder may appoint more than one proxy to attend on the same occasion.
- (g) Any instrument appointing a proxy must be deposited at the registered office, not less than 48 hours before the meeting or at such other place or by such other means and by such time as is specified in the notice convening the meeting. The Directors may at the expense of the Company send by post or otherwise to the Shareholders instruments of proxy (with or without prepaid postage for their return) and may either leave blank the appointment of the proxy or nominate one or more of the Directors or any other person to act as proxy.
- (h) To be passed, ordinary resolutions of the Company or of the Shareholders of a particular Fund or Class will require a simple majority of the votes cast by the Shareholders voting in person or by proxy at the meeting at which the resolution is proposed. Special resolutions of the Company or of the Shareholders of a particular Fund or Class will require a majority of not less than 75 per cent of the Shareholders present in person or by proxy and voting in general meeting in order to pass a special resolution including a resolution to amend the Articles of Association.

#### **4. Meetings**

- (a) The Directors may convene extraordinary general meetings of the Company at any time. The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year.
- (b) Not less than twenty one days' notice of every annual general meeting and any meeting convened for the passing of a special resolution must be given to Shareholders and fourteen days' notice must be given in the case of any other general meeting.
- (c) Two members present either in person or by proxy shall be a quorum for a general meeting provided that (i) the quorum for a general meeting convened to consider any alteration to the Class rights of Shares shall be two Shareholders holding or representing by proxy at least one third of the issued Shares of the relevant Fund or Class; and (ii) in the event that there is only one Shareholder in a Fund or Class, the quorum shall be the one Shareholder present in person or by proxy at the meeting. If within half an hour after the time appointed for a meeting a quorum is not present the meeting, if convened on the requisition of or by Shareholders, shall be dissolved. In any other case it shall stand adjourned to the same time, day and place in the next week or to such other day and at such other time and place as the Directors may determine and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present shall be a quorum and in the case of a meeting of a Fund or Class convened to consider the variation of rights of

Shareholders in such Fund or Class the quorum shall be one Shareholder holding Shares of the Fund or Class in question or his proxy. All general meetings will be held in Ireland.

- (d) The foregoing provisions with respect to the convening and conduct of meetings shall save as otherwise specified with respect to meetings of Funds or Classes and, subject to the Act, have effect with respect to separate meetings of each Fund or Class at which a resolution varying the rights of Shareholders in such Fund or Class is tabled.

## **5. Reports and Accounts**

The Company will prepare an annual report and audited accounts as of 31 December in each year and a half-yearly report and unaudited accounts as of 30 June in each year. The audited annual report and accounts will be published within four months of the Company's financial year end and its semi-annual report will be published within two months of the end of the half year period and in each case will be offered to subscribers before conclusion of a contract and supplied to Shareholders free of charge on request and will be available to the public at the offices of the Administrator.

## **6. Communications and Notices to Shareholders**

Communications and notices to Shareholders or the first named of joint Shareholders shall be deemed to have been duly given as follows:

MEANS OF DISPATCH	DEEMED RECEIVED
Delivery by Hand:	The day of delivery or next following working day if delivered outside usual business hours.
Post:	48 hours after posting.
Fax:	The day on which a positive transmission receipt is received.
Electronically:	12 hours after dispatch.
Publication of Notice or Advertisement of Notice:	The day of publication in a daily newspaper circulating in the country or countries where shares are marketed.

## **7. Transfer of Shares**

- (a) Transfers of Shares may be effected in writing in any usual or common form, signed by or on behalf of the transferor and every transfer shall state the full name and address of the transferor and transferee.
- (b) The Directors may from time to time specify a fee for the registration of instruments of transfer provided that the maximum fee may not exceed 5 per cent of the Net Asset Value of the Shares the subject matter of the transfer on the Dealing Day immediately preceding the date of the transfer.
- (c) The Directors may decline to register any transfer of Shares if:
- (i) in consequence of such transfer the transferor or the transferee would hold a number of Shares less than the Minimum Holding or Minimum Subscription (if any);
  - (ii) all applicable taxes and/or stamp duties have not been paid in respect of the instrument of transfer;



- (ii) the instrument of transfer is not deposited at the registered office of the Company or such other place as the Directors may reasonably require, accompanied by the certificate for the Shares to which it relates, such evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, such relevant information and declarations as the Directors may reasonably require from the transferee including, without limitation, information and declarations of the type which may be requested from an applicant for Shares in the Company and such fee as may from time to time be specified by the Directors for the registration of any instrument of transfer; or
  - (iv) they are aware or reasonably believe the transfer would result in the beneficial ownership of such Shares by a person in contravention of any restrictions on ownership as set out herein or might result in legal, regulatory, pecuniary, taxation or disadvantage to the Company or the relevant Fund or Class or Shareholders as a whole.
- (d) The registration of transfers may be suspended for such periods as the Directors may determine provided always that each registration may not be suspended for more than 30 days.

## **8. Directors**

The following is a summary of the principal provisions in the Articles of Association relating to the Directors:

- (a) Unless otherwise determined by an ordinary resolution of the Company in general meeting, the number of Directors shall not be less than two nor more than nine.
- (b) A Director need not be a Shareholder.
- (c) The Articles of Association contain no provisions requiring Directors to retire on attaining a particular age or to retire on rotation.
- (d) A Director may vote and be counted in the quorum at a meeting to consider the appointment or the fixing or variation of the terms of appointment of any Director to any office or employment with the Company or any company in which the Company is interested, but a Director may not vote or be counted in the quorum on a resolution concerning his own appointment.
- (e) The Directors of the Company for the time being are entitled to such remuneration as may be determined by the Directors and disclosed in the Prospectus and may be reimbursed all reasonable travel, hotel and other expenses incurred in connection with the business of the Company or the discharge of their duties and may be entitled to additional remuneration if called upon to perform any special or extra services to or at the request of the Company.
- (f) A Director may hold any other office or place of profit under the Company, other than the office of Auditor, in conjunction with his office of Director on such terms as to tenure of office or otherwise as the Directors may determine.
- (g) No Director shall be disqualified by his office from contracting with the Company as vendor, purchaser or otherwise, nor shall any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested be liable to be avoided, nor shall any Director who is so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established, but the nature of his interest must be declared by

him at the meeting of the Directors at which the proposal to enter into the contract or agreement is first considered or, if the Director in question was not at the date of that meeting interested in the proposed contract or arrangement, at the next Directors' meeting held after he becomes so interested. A general notice in writing given to the Directors by any Director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract or arrangement which may thereafter be made with that company or firm is deemed to be a sufficient declaration of interest in relation to any contract or arrangement so made.

- (h) A Director may not vote in respect of any resolution or any contract or arrangement or any proposal whatsoever in which he has any material interest or a duty which conflicts with the interests of the Company and shall not be counted in the quorum at a meeting in relation to any resolution upon which he is debarred from voting unless the Directors resolve otherwise. However, a Director may vote and be counted in quorum in respect of any proposal concerning any other company in which he is interested directly or indirectly, whether as an officer or shareholder or otherwise, provided that he is not the holder of 5 per cent or more of the issued shares of any class of such company or of the voting rights available to members of such company. A Director may also vote and be counted in the quorum in respect of any proposal concerning an offer of Shares in which he is interested as a participant in an underwriting or sub-underwriting arrangement and may also vote in respect of the giving of any security, guarantee or indemnity in respect of money lent by the Director to the Company or in respect of the giving of any security, guarantee or indemnity to a third party in respect of a debt obligation of the Company for which the Director has assumed responsibility in whole or in respect of the purchase of directors' and officers' liability insurance.
- (i) The office of a Director shall be vacated in any of the following events namely:
  - (i) if he resigns his office by notice in writing signed by him and left at the registered office of the Company;
  - (ii) if he becomes bankrupt or makes any arrangement or composition with his creditors generally;
  - (iii) if he becomes of unsound mind;
  - (iv) if he is absent from meetings of the Directors for six successive months without leave expressed by a resolution of the Directors and the Directors resolve that his office be vacated;
  - (v) if he ceases to be a Director by virtue of, or becomes prohibited or restricted from being a Director by reason of, an order made under the provisions of any law or enactment;
  - (vi) if he is requested by a majority of the other Directors (not being less than two in number) to vacate office; or
  - (vii) if he is removed from office by ordinary resolution of the Company.

## **9. Directors' Interests**

- (a) None of the Directors has or has had any direct interest in the promotion of the Company or in any transaction effected by the Company which is unusual in its nature or conditions or is significant to the business of the Company up to the date of this Prospectus or in any contracts or arrangements of the Company subsisting at the date hereof other than:

- (i) Tony Cousins, Barry McInerney, Drew Newman and Diane Seymour-Williams are all directors of the Investment Manager, LGM Investments Limited and shall be deemed to be interested in any contract entered into by the Company with LGM Investments Limited;
  - (ii) as at the date of this document, Diane Seymour-Williams and her family hold 34,233.88 Class B Accumulating Shares in the BMO LGM Frontier Markets Fund.
- (b) No present Director or any connected person has any interests beneficial or non-beneficial in the share capital of the Company.
  - (c) None of the Directors has a service contract with the Company nor are any such service contracts proposed.

## **10. Winding Up**

- (a) The Company may be wound up if:
  - (i) At any time after the first anniversary of the incorporation of the Company, the Net Asset Value of the Company falls below U.S.D.5 million (or its foreign currency equivalent) on each Dealing Day for a period of six consecutive weeks and the Shareholders resolve by ordinary resolution to wind up the Company;
  - (ii) Within a period of three months from the date on which (a) the Custodian notifies the Company of its desire to retire in accordance with the terms of the Custodian Agreement and has not withdrawn notice of its intention to so retire, (b) the appointment of the Custodian is terminated by the Company in accordance with the terms of the Custodian Agreement, or (c) the Custodian ceases to be approved by the Central Bank to act as a custodian; no new Custodian has been appointed, the Directors shall instruct the Company Secretary to forthwith convene an extraordinary general meeting of the Company at which there shall be proposed an Ordinary Resolution to wind up the Company. Notwithstanding anything set out above, the Custodian's appointment shall only terminate on revocation of the Company's authorisation by the Central Bank or on the appointment of a successor custodian;
  - (iii) The Shareholders resolve by ordinary resolution that the Company by reason of its liabilities cannot continue its business and that it be wound up;
  - (iv) The Shareholders resolve by special resolution to wind up the Company.
- (b) In the event of a winding up, the Company/liquidator shall apply the assets of each Fund in such manner and order as he thinks fit in satisfaction of creditors' claims.
- (c) The Company/liquidator shall apply the assets of each Fund in satisfaction of liabilities incurred on behalf of or attributable to such Fund and shall not apply the assets of any Fund in satisfaction of any liability incurred on behalf of or attributable to any other Fund.
- (d) The assets available for distribution among the Shareholders shall be applied in the following priority:
  - (i) firstly, in the payment to the Shareholders of each Class or Fund of a sum in the Base Currency (or in any other currency selected and at such rate of exchange as determined by the Company/liquidator) as nearly as possible equal to the Net Asset Value of the Shares of the relevant Class or Fund held by such Shareholders respectively as at the date of commencement of winding up;

- (ii) secondly, in the payment to the holders of non-participating shares preceded capital shares of One Euro each per share out of the assets of the Company not comprised within any Fund provided that if there are insufficient assets to enable such payment in full to be made, no recourse shall be had to the assets comprised within any of the Funds;
  - (iii) thirdly, in the payment to the Shareholders of each Class or Fund of any balance then remaining in the relevant Fund, in proportion to the number of Shares held in the relevant Class or Fund; and
  - (iv) fourthly, any balance then remaining and not attributable to any Fund or Class shall be apportioned between the Funds and Classes pro-rata to the Net Asset Value of each Fund or attributable to each Class immediately prior to any distribution to Shareholders and the amounts so apportioned shall be paid to Shareholders pro-rata to the number of Shares in that Fund or Class held by them.
- (e) The Company/liquidator may divide among the Shareholders (pro rata to the value of their respective shareholdings in the Company) in specie the whole or any part of the assets of the Company and whether or not the assets shall consist of property of a single kind provided that the Company shall, if any Shareholder so requests, sell any asset or assets proposed to be so distributed and distribute to such Shareholder the cash proceeds of such sale less the costs of any such sale shall be borne by the relevant Shareholder. The Company/liquidator may, with like authority, vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the Company/liquidator shall think fit and the liquidation of the Company may be closed and the Company dissolved, provided that no Shareholder shall be compelled to accept any asset in respect of which there is any liability. Further the Company/liquidator may with like authority transfer the whole or part of the assets of the Company to a company or collective investment scheme (the “Transferee Company”) on terms that Shareholders in the Company shall receive from the Transferee Company shares or units in the Transferee Company of equivalent value to their shareholdings in the Company.
- (f) Notwithstanding any other provision contained in the Memorandum and Articles of Association of the Company, should the Directors at any time and in their absolute discretion resolve that it would be in the best interests of the Shareholders to wind up the Company, the Company Secretary shall forthwith at the Directors’ request convene an extraordinary general meeting of the Company at which there shall be presented a proposal to appoint a liquidator to wind up the Company and if so appointed, the liquidator shall distribute the assets of the Company in accordance with the Memorandum and Articles of Association of the Company.

## **11. Indemnities and Insurance**

The Directors (including alternates), Company Secretary and other officers of the Company and its former directors and officers shall be indemnified by the Company against losses and expenses to which any such person may become liable by reason of any contract entered into or any act or thing done by him as such officer in the discharge of his duties (other than in the case of fraud, negligence or wilful default). The Company acting through the Directors is empowered under the Articles of Association to purchase and maintain for the benefit of persons who are or were at any time Directors or officers of the Company insurance against any liability incurred by such persons in respect of any act or omission in the execution of their duties or exercise of their powers.

## **12. General**

- (a) The Company does not have, nor has it had since incorporation, any employees.

- (b) The Company does not intend to purchase or acquire nor agree to purchase or acquire any property.
- (c) The rights conferred on Shareholders by virtue of their shareholdings are governed by the Articles of Association, the general law of Ireland and the Act.
- (d) The Company is not engaged in any litigation or arbitration and no litigation or claim is known by the Directors to be pending or threatened against the Company.
- (e) The Company has no subsidiaries.
- (f) Dividends which remain unclaimed for six years from the date on which they become payable will be forfeited. On forfeiture such dividends will become part of the assets of the Fund to which they relate. No dividend or other amount payable to any Shareholder shall bear interest against the Company.
- (g) No person has any preferential right to subscribe for any authorised but unissued capital of the Company.

### **13. Complaints Handling**

Shareholders may file any complaints about the Company or a Fund free of charge at the registered office of the Company. Information regarding the Company's complaints procedures is described in the Company's business plan which is available to Shareholders free of charge upon request.

### **14. Material Contracts**

The following contracts which are or may be material have been entered into otherwise than in the ordinary course of business:

- (a) *Investment Management and Distribution Agreement* between the Company and the Investment Manager dated 30 May 2008 under which the Investment Manager was appointed as distributor and investment manager of the Company's assets. The Investment Management and Distribution Agreement may be terminated by either party on 90 days written notice (or shorter notice as may be agreed by the parties) or forthwith by notice in writing in certain circumstances such as the insolvency of either party or unremedied breach after notice. The Investment Manager has the power to delegate its duties in accordance with the Central Bank's requirements. The Agreement provides that the Company shall indemnify the Investment Manager and its delegates, agents and employees against and hold it harmless from any actions, proceedings, damages, claims, costs, demands and expenses including legal and professional expenses brought against or suffered or incurred by the Investment Manager in the performance of its duties other than due to the negligence, fraud, bad faith or wilful default of the Investment Manager in the performance of its obligations.
- (b) *Administration Agreement* between the Company and the Administrator dated 30 May 2008 under which the latter was appointed as Administrator to manage and administer the affairs of the Company subject to the terms and conditions of the Administration Agreement. The Administration Agreement shall continue in force for an initial period of 6 months and thereafter may be terminated by either party on 90 days written notice or forthwith by notice in writing in certain circumstances such as the insolvency of either party or unremedied breach after notice. The Administrator has the power to delegate its duties with the prior approval of the Central Bank and the Company provided that the minimum activities required by the Central Bank to be carried out in Ireland are performed in Ireland. The Agreement provides that the Company shall out of the Company's assets indemnify the Administrator and its delegates, servants and agents against and hold it harmless from any actions,

proceedings, claims, costs, demands and expenses including reasonable legal and professional expenses brought against or suffered or incurred by the Administrator in the performance of its duties other than due to the negligence, fraud, bad faith, recklessness or wilful default of the Administrator in the performance or non-performance of its obligations.

- (c) *Custodian Agreement* between the Company and the Custodian dated 30 May 2008 under which the Custodian was appointed as custodian of the Company's assets subject to the overall supervision of the Directors. The Custodian Agreement shall continue for an initial period of six months and thereafter may be terminated by either party on 90 days written notice or forthwith by notice in writing in certain circumstances such as the insolvency of either party or unremedied breach after notice or certain representations, covenants and warranties cease to be true or accurate provided that the Custodian shall continue to act as custodian until a successor custodian approved by the Central Bank is appointed by the Company or the Company's authorisation by the Central Bank is revoked. The Custodian has the power to delegate its duties but its liability will not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping. The Agreement provides that the Company shall indemnify the Custodian and its delegates, agents and employees against and hold them harmless from any actions, proceedings, claims, costs, demands and expenses including reasonable legal and professional expenses brought against or suffered or incurred by the Custodian in the performance of its duties other than due to the unjustifiable failure of the Custodian to perform its obligations or its improper performance of them.

#### **15. Documents Available for Inspection**

The following documents are available for inspection free of charge during normal business hours on any Business Day at the registered office of the Company:

- (a) The Articles of Association of the Company;
- (b) The Act and the UCITS Regulations;
- (c) The material contracts detailed above;
- (d) The Company's certificate of incorporation;
- (e) The Central Bank's UCITS Notice; and
- (f) A list of the past and current directorships and partnerships held by each Director of the Company over the past five years with an indication as to whether they are still directors or partners.

Copies of the Articles of Association of the Company and the latest financial reports of the Company, as appropriate, may be obtained, free of charge, upon request at the registered office of the Company.

## Appendix I

### Investment Restrictions

<b>1.0</b>	<b>Permitted Investments</b>
1.1	Investments of a UCITS are confined to: Transferable securities and money market instruments, as prescribed in the UCITS Notices, which are either admitted to official listing on a stock exchange in a Member State or non-Member State or which are dealt on a market which is regulated, operates regularly, is recognised and open to the public in a Member State or non-Member State.
1.2	Recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described above) within a year.
1.3	Money market instruments, as defined in the UCITS Notices, other than those dealt on a regulated market.
1.4	Units of UCITS.
1.5	Units of non-UCITS as set out in the Central Bank's Guidance Note 2/03.
1.6	Deposits with credit institutions as prescribed in the UCITS Notices.
1.7	Financial derivative instruments as prescribed in the UCITS Notices.
<b>2.0</b>	<b>Investment Restrictions</b>
2.1	A UCITS may invest no more than 10 per cent of net assets in transferable securities and money market instruments other than those referred to in paragraph 1.
2.2	A UCITS may invest no more than 10 per cent of net assets in recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described in paragraph 1.1) within a year. This restriction will not apply in relation to investment by the UCITS in certain U.S. securities known as Rule 144A securities provided that: - the securities are issued with an undertaking to register with the U.S. Securities and Exchanges Commission within one year of issue; and - the securities are not illiquid securities i.e. they may be realised by the UCITS within seven days at the price, or approximately at the price, at which they are valued by the UCITS.
2.3	A UCITS may invest no more than 10 per cent of net assets in transferable securities or money market instruments issued by the same body provided that the total value of transferable securities and money market instruments held in the issuing bodies in each of which it invests more than 5 per cent is less than 40 per cent.
2.4	Subject to the prior approval of the Central Bank, the limit of 10 per cent (in 2.3) is raised to 25 per cent in the case of bonds that are issued by a credit institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bond-holders. If a UCITS invests more than 5 per cent of its net assets in these bonds issued by one issuer, the total value of these investments may not exceed 80 per cent of the net asset value of the UCITS.

2.5	The limit of 10 per cent (in 2.3) is raised to 35 per cent if the transferable securities or money market instruments are issued or guaranteed by a Member State or its local authorities or by a non-Member State or public international body of which one or more Member States are members.
2.6	The transferable securities and money market instruments referred to in 2.4. and 2.5 shall not be taken into account for the purpose of applying the limit of 40 per cent referred to in 2.3.
2.7	<p>A UCITS may not invest more than 20 per cent of net assets in deposits made with the same credit institution.</p> <p>Deposits with any one credit institution, other than</p> <ul style="list-style-type: none"> <li>• a credit institution authorised in the EEA;</li> <li>• a credit institution authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, United States); or</li> <li>• a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand</li> </ul> <p>held as ancillary liquidity, must not exceed 10 per cent of net assets.</p> <p>This limit may be raised to 20 per cent in the case of deposits made with the trustee/custodian.</p>
2.8	<p>The risk exposure of a UCITS to a counterparty to an OTC derivative may not exceed 5 per cent of net assets.</p> <p>This limit is raised to 10 per cent in the case of a credit institution authorised in the EEA; a credit institution authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988; or a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand.</p>
2.9	<p>Notwithstanding paragraphs 2.3, 2.7 and 2.8 above, a combination of two or more of the following issued by, or made or undertaken with, the same body may not exceed 20 per cent of net assets:</p> <ul style="list-style-type: none"> <li>- investments in transferable securities or money market instruments;</li> <li>- deposits, and/or</li> <li>- risk exposures arising from OTC derivatives transactions.</li> </ul>
2.10	The limits referred to in 2.3, 2.4, 2.5, 2.7, 2.8 and 2.9 above may not be combined, so that exposure to a single body shall not exceed 35 per cent of net assets.
2.11	Group companies are regarded as a single issuer for the purposes of 2.3, 2.4, 2.5, 2.7, 2.8 and 2.9. However, a limit of 20 per cent of net assets may be applied to investment in transferable securities and money market instruments within the same group.



2.12	<p>A UCITS may invest up to 100 per cent of net assets in different transferable securities and money market instruments issued or guaranteed by the European Union or by any Member State or issued or guaranteed by the government or local authorities of any such Member State, non-Member State or public international body of which one or more Member States are members, or issued or guaranteed by the government of the U.S. (including its agencies and instrumentalities), Switzerland, Norway, Canada, Japan, Australia and New Zealand,</p> <p><b>The individual issuers must be listed in the prospectus and may be drawn from the following list:</b></p> <p>OECD Governments (provided the relevant issues are investment grade), European Investment Bank, European Bank for Reconstruction and Development, International Finance Corporation, International Monetary Fund, Euratom, The Asian Development Bank, European Central Bank, Council of Europe, Eurofima, African Development Bank, International Bank for Reconstruction and Development (The World Bank), The Inter American Development Bank, European Union, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Government National Mortgage Association (Ginnie Mae), Student Loan Marketing Association (Sallie Mae), Federal Home Loan Bank, Federal Farm Credit Bank, Tennessee Valley Authority, Straight-A Funding LLC, Government of Brazil (provided the issues are of investment grade), Government of India (provided the issues are of investment grade), Government of Singapore, Government of the People’s Republic of China, Issues backed by the full faith and credit of the U.S. government.</p> <p>The UCITS must hold securities from at least 6 different issues, with securities from any one issue not exceeding 30 per cent of net assets.</p>
<b>3.0</b>	<b>Investment in Collective Investment Schemes (“CIS”)</b>
3.1	A UCITS may not invest more than 10 per cent of net assets in any one CIS.
3.2	Investment in non-UCITS may not, in aggregate, exceed 30 per cent of net assets.
3.3	The CIS are prohibited from investing more than 10 per cent of net assets in other open-ended CIS.
3.4	When a UCITS invests in the shares of other CIS that are managed, directly or by delegation, by the UCITS management company or by any other company with which the UCITS management company is linked by common management or control, or by a substantial direct or indirect holding, that management company or other company may not charge subscription, conversion or redemption fees on account of the UCITS investment in the shares of such other CIS.
3.5	Where a commission (including a rebated commission) is received by the UCITS manager/investment manager/investment adviser by virtue of an investment in the units of another CIS, this commission must be paid into the property of the UCITS.

3.6	<p>Investment by a Fund in another Fund of the Company is subject to the following additional provisions:</p> <ul style="list-style-type: none"> <li>- investment must not be made in a Fund which itself holds shares in other Funds within the Company; and</li> <li>- the investing Fund may not charge an annual management fee in respect of that portion of its assets invested in other Funds within the Company. This provision is also applicable to the annual fee charged by the investment manager where such fee is paid directly out of the assets of the Fund.</li> </ul>
<b>4.0</b>	<b>Index Tracking UCITS</b>
4.1	<p>A UCITS may invest up to 20 per cent of net assets in shares and/or debt securities issued by the same body where the investment policy of the UCITS is to replicate an index which satisfies the criteria set out in the UCITS Notices and is recognised by the Central Bank</p>
4.2	<p>The limit in 4.1 may be raised to 35 per cent, and applied to a single issuer, where this is justified by exceptional market conditions.</p>
<b>5.0</b>	<b>General Provisions</b>
5.1	<p>An investment company, or management company acting in connection with all of the CIS it manages, may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.</p>
5.2	<p>A UCITS may acquire no more than:</p> <ul style="list-style-type: none"> <li>(i) 10 per cent of the non-voting shares of any single issuing body;</li> <li>(ii) 10 per cent of the debt securities of any single issuing body;</li> <li>(iii) 25 per cent of the units of any single CIS;</li> <li>(iv) 10 per cent of the money market instruments of any single issuing body.</li> </ul> <p>NOTE: The limits laid down in (ii), (iii) and (iv) above may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the money market instruments, or the net amount of the securities in issue cannot be calculated.</p>

5.3	<p>5.1 and 5.2 shall not be applicable to:</p> <ul style="list-style-type: none"> <li>(i) transferable securities and money market instruments issued or guaranteed by a Member State or its local authorities;</li> <li>(ii) transferable securities and money market instruments issued or guaranteed by a non-Member State;</li> <li>(iii) transferable securities and money market instruments issued by public international bodies of which one or more Member States are members;</li> <li>(iv) shares held by a UCITS in the capital of a company incorporated in a non-member State which invests its assets mainly in the securities of issuing bodies having their registered offices in that State, where under the legislation of that State such a holding represents the only way in which the UCITS can invest in the securities of issuing bodies of that State. This waiver is applicable only if in its investment policies the company from the non-Member State complies with the limits laid down in 2.3 to 2.11, 3.1, 3.2, 5.1, 5.2, 5.4, 5.5 and 5.6, and provided that where these limits are exceeded, paragraphs 5.5 and 5.6 below are observed.</li> <li>(v) Shares held by an investment company or investment companies in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the repurchase of units at unit-holders' request exclusively on their behalf.</li> </ul>
5.4	<p>UCITS need not comply with the investment restrictions herein when exercising subscription rights attaching to transferable securities or money market instruments which form part of their assets.</p>
5.5	<p>The Central Bank may allow recently authorised UCITS to derogate from the provisions of 2.3 to 2.12, 3.1, 3.2, 4.1 and 4.2 for six months following the date of their authorisation, provided they observe the principle of risk spreading.</p>
5.6	<p>If the limits laid down herein are exceeded for reasons beyond the control of a UCITS, or as a result of the exercise of subscription rights, the UCITS must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its unitholders.</p>
5.7	<p>Neither an investment company, nor a management company or a trustee acting on behalf of a unit trust or a management company of a common contractual fund, may carry out uncovered sales of:</p> <ul style="list-style-type: none"> <li>- transferable securities;</li> <li>- money market instruments;</li> <li>- units of CIS; or</li> <li>- financial derivative instruments.</li> </ul>
5.8	<p>A UCITS may hold ancillary liquid assets.</p>
<b>6.0</b>	<b>Financial Derivative Instruments (“FDIs”)</b>
6.1	<p>The UCITS global exposure (as prescribed in the UCITS Notices) relating to FDI must not exceed its total net asset value.</p>

6.2	Position exposure to the underlying assets of FDI, including embedded FDI in transferable securities or money market instruments, when combined where relevant with positions resulting from direct investments, may not exceed the investment limits set out in the UCITS Notices. (This provision does not apply in the case of index based FDI provided the underlying index is one which meets with the criteria set out in the UCITS Notices.)
6.3	UCITS may invest in FDIs dealt in over-the-counter (OTC) provided that The counterparties to over-the-counter transactions (OTCs) are institutions subject to prudential supervision and belonging to categories approved by the Central Bank.
6.4	Investment in FDIs are subject to the conditions and limits laid down by the Central Bank
<b>7.0</b>	<b>Restrictions on Borrowing and Lending</b>
7.1	A Fund may borrow up to 10 per cent of its Net Asset Value provided such borrowing is on a temporary basis. A Fund may charge its assets as security for such borrowings.
7.2	A Fund may acquire foreign currency by means of a “back to back” loan agreement. Foreign currency obtained in this manner is not classified as borrowing for the purposes of the borrowing restrictions set out at (a) above provided that the offsetting deposit: <ul style="list-style-type: none"> <li>(i) is denominated in the base currency of the Fund; and</li> <li>(ii) equals or exceeds the value of the foreign currency loan outstanding.</li> </ul>

The Company will, with respect to each Fund, adhere to any criteria necessary to obtain and/or maintain any credit rating in respect of any Shares or Class in the Company, subject to the UCITS Regulations.

It is intended that the Company shall have the power (subject to the prior approval of the Central Bank) to avail itself of any change in the investment and borrowing restrictions laid down in the UCITS Regulations which would permit investment by the Company in securities, derivative instruments or in any other forms of investment in which investment is at the date of this Prospectus restricted or prohibited under the UCITS Regulations. In such circumstances the Prospectus will be updated and Shareholders notified.

## Appendix II

### Recognised Exchanges

The following is a list of regulated stock exchanges and markets on which a Fund's investments in securities and financial derivative instruments, other than permitted investment in unlisted securities, will be listed or traded and is set out in accordance with the Central Bank's requirements. With the exception of permitted investments in unlisted securities, investments in securities and financial derivative instruments will be restricted to the stock exchanges and markets listed below. The Central Bank does not issue a list of approved stock exchanges or markets.

- (i) any stock exchange which is:
- located in any Member State of the European Union; or
  - located in any Member State of the European Economic Area (European Union, Norway, Iceland and Liechtenstein); or
  - located in any of the following countries:
    - Australia
    - Canada
    - Japan
    - Hong Kong
    - New Zealand
    - Switzerland
    - United States of America
- (ii) any of the following stock exchanges or markets (as may be renamed from time to time):
- |                                  |   |                                   |
|----------------------------------|---|-----------------------------------|
| Argentina                        | - | Bolsa de Comercio de Buenos Aires |
| Argentina                        | - | Bolsa de Comercio de Cordoba      |
| Argentina                        | - | Bolsas y Mercados Argentinos      |
| Bahrain                          | - | Bahrain Stock Exchange            |
| Bangladesh                       | - | Dhaka Stock Exchange              |
| Bangladesh                       | - | Chittagong Stock Exchange         |
| Bermuda                          | - | Bermuda Stock Exchange            |
| Bolivia                          | - | Bolsa Boliviana de Valores        |
| Bosnia                           | - | Sarajevo Stock Exchange           |
| Bosnia                           | - | Banja Luka Stock Exchange         |
| Botswana                         | - | Botswana Stock Exchange           |
| Brazil                           | - | BM&F Bovespa S.A.                 |
| Chile                            | - | Bolsa de Comercio de Santiago     |
| Chile                            | - | Bolsa Electronica de Chile        |
| China                            |   |                                   |
| (Peoples' Rep. of –<br>Shanghai) | - | Shanghai Stock Exchange           |
| China                            |   |                                   |
| (Peoples' Rep. of –<br>Shenzhen) | - | Shenzhen Stock Exchange           |
| Colombia                         | - | Bolsa de Valores of Colombia      |
| Costa Rica                       | - | Bolsa Nacional de Valores         |
| Croatia                          | - | Zagreb Stock Exchange             |
| Ecuador                          | - | Guayaquil Stock Exchange          |
| Ecuador                          | - | Quito Stock Exchange              |

Egypt	-	The Egyptian Exchange
Georgia	-	Georgian Stock Exchange
Ghana	-	Ghana Stock Exchange
India	-	Bangalore Stock Exchange
India	-	Delhi Stock Exchange
India	-	BSE
India	-	National Stock Exchange of India
Indonesia	-	Indonesia Stock Exchange
Israel	-	Tel-Aviv Stock Exchange
Ivory Coast	-	Bourse Régionale des Valeurs Mobilières
Jamaica	-	Jamaican Stock Exchange
Jordan	-	Amman Financial Market
Kazakhstan (Rep. Of)	-	Kazakhstan Stock Exchange
Kenya	-	Nairobi Stock Exchange
Kuwait	-	Kuwait Stock Exchange
Latvia	-	NASDAQ OMX Riga
Lebanon	-	Beirut Stock Exchange
Malaysia	-	Bursa Malaysia
Mauritius	-	Stock Exchange of Mauritius
Mexico	-	Bolsa Mexicana de Valores
Mongolia	-	Mongolian Stock Exchange
Morocco	-	Casablanca Stock Exchange
Namibia	-	Namibian Stock Exchange
New Zealand	-	New Zealand Stock Exchange
Nigeria	-	Nigerian Stock Exchange
Oman	-	Muscat Stock Exchange (Muscat Securities Markets)
Panama	-	Bolsa de Valores de Panama
Pakistan	-	Islamabad Stock Exchange
Pakistan	-	Karachi Stock Exchange
Pakistan	-	Lahore Stock Exchange
Peru	-	Bolsa de Valores de Lima
Philippines	-	Philippine Stock Exchange
Qatar	-	The Qatar Exchange
Rwanda	-	Rwanda Stock Exchange
Senegal	-	Bourse Régionale des Valeurs Mobilières (BRVM)
Serbia	-	Belgrade Stock Exchange
Singapore	-	Singapore Exchange
Slovakia	-	Bratislava Stock Exchange
South Africa	-	Johannesburg Stock Exchange
South Korea	-	Korea Exchange
	-	KOSDAQ Market
Sri Lanka	-	Colombo Stock Exchange
Taiwan	-	GreTai Securities Market
Taiwan	-	
(Republic of China)	-	Taiwan Stock Exchange Corporation
Tanzania	-	Dar es Salaam Stock Exchange
Thailand	-	Stock Exchange of Thailand
Trinidad and Tobago	-	Trinidad and Tobago Stock Exchange
Tunisia	-	Bourse des Valeurs Mobilières de Tunis
Turkey	-	Borsa Istanbul
Ukraine	-	Ukrainian Exchange
United Arab Emirates	-	Abu Dhabi Stock Exchange (Abu Dhabi Securities Exchange)
United Arab Emirates	-	Dubai Financial Market
United Arab Emirates	-	NASDAQ Dubai

Uruguay	-	Bolsa de Valores de Montevideo
Venezuela	-	Caracas Stock Exchange
Vietnam	-	Hanoi Stock Exchange
Vietnam	-	Ho Chi Minh Stock Exchange
Zimbabwe	-	Zimbabwe Stock Exchange
Zambia	-	Lusaka Stock Exchange

(iii) any of the following markets:

Moscow Exchange

- the market organised by the International Capital Market Association;
- the market comprising “listed money market institutions”, as described in the FCA’s Interim Prudential Sourcebook for Investment Businesses as amended from time to time;
- AIM - the Alternative Investment Market in the UK, regulated and operated by the London Stock Exchange;
- The over-the-counter market in Japan regulated by the Securities Dealers Association of Japan;
- NASDAQ in the United States;
- The market in U.S. government securities conducted by primary dealers regulated by the Federal Reserve Bank of New York;
- The over-the-counter market in the United States regulated by the National Association of Securities Dealers Inc. (also described as the over-the-counter market in the United States conducted by primary and secondary dealers regulated by the Securities and Exchanges Commission and by the National Association of Securities Dealers (and by banking institutions regulated by the U.S. Comptroller of the Currency, the Federal Reserve System or Federal Deposit Insurance Corporation);
- The French market for Titres de Créances Négotiables (over-the-counter market in negotiable debt instruments);
- NASDAQ in Europe;
- the over-the-counter market in Canadian Government Bonds, regulated by Investment Industry Regulatory Organization of Canada (IIROC); and
- SESDAQ (the second tier of the Singapore Stock Exchange.).

(iv) All derivatives exchanges on which permitted financial derivative instruments may be listed or traded:

- in a Member State
- in Australia on the Australian Securities Exchange
- in a Member State in the European Economic Area (European Union Norway, Iceland and Liechtenstein);

in Canada on the

- Montreal Exchange;
- Toronto Stock Exchange;

in the United States of America, on the

- Chicago Board of Trade;
- Chicago Board Options Exchange;
- Chicago Mercantile Exchange;
- Eurex U.S.;
- New York Futures Exchange;
- ICE Futures U.S.; and
- New York Mercantile Exchange;

in China, on the Shanghai Futures Exchange;

in India, on the

- BSE; and
- National Stock Exchange of India;

in Hong Kong, on the Hong Kong Futures Exchange;

in Japan, on the

- Osaka Securities Exchange;
- Tokyo Financial Exchange (TFX); and
- Tokyo Stock Exchange;

in Singapore, on the Singapore Exchange;

in Switzerland on the SIX Swiss Exchange.

For the purposes only of determining the value of the assets of a Fund, the term “Recognised Exchange” shall be deemed to include, in relation to any derivatives contract utilised by a Fund, any organised exchange or market on which such contract is regularly traded.



## Appendix III

### Financial Derivative Instruments

#### 1. Investment in Financial Derivative Instruments

A Fund may use derivative instruments traded on a Recognised Exchange and/or on over-the-counter markets to attempt to hedge or reduce the overall risk of its investments, enhance performance and/or to manage interest rate and exchange rate risk. A Fund's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations and these strategies may be used only in accordance with the investment objectives of the relevant Fund.

The financial derivative instruments which the Investment Manager may use on behalf of each Fund, and the expected effect of investment in such financial derivative instruments on the risk profile of a Fund are disclosed in the Prospectus. In addition the attention of investors is drawn to the section of the Prospectus headed "Efficient Portfolio Management" and the risks described under the headings "Derivatives and Techniques and Instruments Risk" and "Currency Risk" in the Risk Factors Section of the Prospectus.

#### 2. Efficient Portfolio Management

The following techniques and instruments may be used in relation to each Fund for the purposes of reduction of risk or cost or the generation of additional capital or income for a Fund. A Fund's ability to use these techniques and instruments may be limited by market conditions, regulatory limits and tax considerations and these techniques and instruments may be used only in accordance with the investment objectives of the relevant Fund. The attention of investors is drawn to the section of the Prospectus headed "Efficient Portfolio Management" and the risks described under the headings "Currency Risk" and "Derivatives and Techniques and Instruments Risks" in the Risk Factors Section of the Prospectus.

#### Derivative Instruments

##### *General/Interest Rate Risks*

A Fund may use derivative instruments traded on organised exchanges and over-the-counter markets to attempt to hedge or reduce the overall risk of its investment and to manage interest rate risk.

##### *Exchange Rate Risks*

A Fund may employ techniques and instruments intended to provide protection against exchange rate risks, in the context of the management of its assets and liabilities. In this regard, a Fund may:

- (i) utilise OTC contracts;
- (ii) utilise currency options;
- (iii) hedge exposure to one currency by entering into forward currency transactions in a related currency because of the institutional and expected future correlation between the two currencies.

#### 3. Investment in Financial Derivative Instruments

A Fund may invest in and / or use derivative instruments traded on a Recognised Exchange and/or on over-the-counter markets for investment purposes and to attempt to hedge or reduce the overall risk of its investments, to enhance performance and/or to manage interest rate and exchange rate risk. A

Fund's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations and these strategies may be used only in accordance with the investment objectives of the relevant Fund.

In general, financial derivative instruments in which a Fund may invest or use for investment purposes include but are not limited to swaps (including total return swaps, credit default swaps and interest rate swaps), options, forwards, futures, futures contracts on financial instruments and options on such contracts and warrants on any type of financial instrument (including investment certificates), security, basket of securities, currency, interest rate or index. Long and short positions may be employed in the underlying of such instruments which may involve netting of long and short positions on individual transactions. Without prejudice to the generality of the foregoing, a Fund may purchase and write call and put options on securities and baskets of securities (including straddles), securities indexes and currencies and enter into interest rate, currency, equity and bond index futures contracts and use options on such futures contracts (including straddles). A Fund may also enter into swap agreements including, but not limited to, swap agreements on interest rates, currency exchange rates, securities, baskets of securities and securities indices. A Fund may also enter into options on swap agreements with respect to currencies, interest rates, securities, baskets of securities and indices.

Total return swaps are agreements whereby the Fund agrees to pay a stream of payments based on an agreed interest rate in exchange for payments representing the total economic performance, over the life of the swap, of the asset or assets underlying the swap. Through the swap the Fund may take a long or short position in the underlying asset(s), which may constitute a single security or a basket of securities. Exposure through the swap closely replicates the economics of physical shorting (in the case of short positions) or physical ownership (in the case of long positions), but in the latter case without the voting or beneficial ownership rights of direct physical ownership. If a Fund invests in total return swaps or other financial derivative instruments with the same characteristics, the underlying asset or index may be comprised of equity or debt securities, money market instruments or other eligible investments which are consistent with the investment objective and policies of the Fund. The counterparties to such transactions are typically banks, investment firms, broker-dealers, collective investment schemes or other financial institutions or intermediaries. The risk of the counterparty defaulting on its obligations under the total return swap and its effect on investor returns are described under the heading "Derivatives and Techniques and Instruments Risk" in the Risk Factors Section of the Prospectus. It is not intended that the counterparties to total return swaps entered into by a Fund assume any discretion over the composition or management of the Fund's investment portfolio or over the underlying of the financial derivative instruments, or that the approval of the counterparty is required in relation to any portfolio transactions by the Fund.

Futures would be used to gain exposure to positions in a more efficient manner. For example a single stock future could be used to provide a Fund with exposure to a single security. Index futures could also be used to manage risk, for example an index future to hedge the risk of a security or group of securities held within the underlying index or with a high correlation with the underlying index.

Options would be held as long positions (buying calls and puts). Calls would be held to give exposure to underlying securities or indices. Puts would be held to hedge position exposure, for example index puts to hedge market risk in a single security or group of securities. Options on currencies may also be used in order to protect the Company from foreign exchange risks.

Warrants would be held to gain exposure to underlying securities for the purpose of efficient portfolio management.

Forward currency contracts would be used to hedge against currency risk that has resulted from positions held in a Fund that are not in the base currency of the Fund. The Fund, may, for example, use forward currency contracts by selling forward a foreign currency against base currency of the Fund to protect the Fund from foreign exchange risk that has risen from holding assets in that currency.

Certain Funds may enter into one or more swap agreements. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a day to many years. In a standard swap transaction, two parties agree to exchange the returns earned on specific assets, such as the return on, or increase in value of, a particular dollar amount invested at a particular interest rate, in a particular foreign currency, or in a “basket” of securities representing a particular index

Total return swaps would be used to enable a Fund to gain exposure to securities or indices. A total return swap would be used if it provided exposure to a security or index position in a more cost efficient manner.

Exchange rate swaps may be used in order to protect a Fund against foreign exchange risks. Exchange rate swaps could be used by the Fund to protect assets held in foreign currencies from foreign exchange risk

Interest rate swaps may be used to obtain or preserve a desired return or spread at a lower cost than through a direct investment in an instrument that yields the desired return or spread. Swaps also may protect against changes in the price of securities that an investor anticipates buying or selling at a later date. In a standard interest rate swap transaction, two parties agree to exchange their respective commitments to pay fixed or floating rates on a predetermined notional amount. The swap agreement notional amount is the predetermined basis for calculating the obligations that the swap counterparties have agreed to exchange. Under most interest rate swap agreements, the obligations of the parties are exchanged on a net basis. The two payment streams are netted out, with each party receiving or paying, as the case may be, only the net amount of the two payments.

Interest rate swap agreements are usually entered into at a zero net market value of the swap agreement commitments. The market values of the underlying commitments will change over time resulting in one of the commitments being worth more than the other and the net market value creating a risk exposure for one counterparty to the other.

Interest rate swap agreements may include embedded interest rate caps, floor and collars. In interest rate cap transactions, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or cap. Interest rate floor transactions require one party, in exchange for a premium to agree to make payments to the other to the extent that interest rates fall below a specified level, or floor. In interest rate collar transactions, one party sells a cap and purchases a floor, or vice versa, in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels or collar amounts.

Certain Funds will enter into interest rate swap agreements only if the claims-paying ability of the other party or its guarantor is considered to be investment grade by the Investment Manager. Generally, the unsecured senior debt or the claims-paying ability of the other party or its guarantor must be rated in one of the three highest rating categories of at least one of Moody's, Standard & Poors or Fitch rating agencies at the time of entering into the transaction. If there is a default by the other party to such a transaction, the Company will have to rely on its contractual remedies (which may be limited by bankruptcy, insolvency or similar laws) pursuant to the agreements related to the transaction. In certain circumstances, the Company may seek to minimise counterparty risk by requiring the counterparty to post collateral.

Because a Fund will have varying interest rate risk depending on its portfolio composition at any given time, a Fund may seek to hedge its interest rate risk to a target interest rate risk profile at a given time using interest rate swaps, government securities and bond futures and Eurodollar futures. Interest rate swaps and other hedging instruments may be used to obtain different interest rate profiles and duration targets at any given time.

In the event that a Fund wishes to invest in a derivative that is not mentioned above, the risk management process shall be updated to include references to such derivative and shall be pre-cleared by the Central Bank.

### **When Issued/Delayed Delivery Securities**

A Fund may purchase or sell securities on a when-issued or delayed-delivery basis for the purposes of efficient portfolio management or investment purposes. In this instance payment for and delivery of securities takes place in the future at a stated price in order to secure what is considered to be an advantageous price and yield to the Fund at the time of entering into the transaction. Securities are considered “delayed delivery” securities when traded in the secondary market, or “when-issued” securities if they are an initial issuance of securities. Delayed delivery securities (which will not be subject to accrue interest until the settlement date) and when-issued securities will be recorded as assets of the Fund and will be subject to risks of market value fluctuations. The purchase price of delayed delivery and when-issued securities will be recorded as a liability of the Fund until settlement date and when issued or delivered as the case may be such securities will be taken into account when calculating the limits set out in Appendix I under the heading Investment Restrictions.

### **Repurchase/Reverse Repurchase and Securities Lending Agreements**

Subject to the conditions and limits set out in the UCITS Notices, a Fund may use repurchase agreements, reverse repurchase agreements and/or securities lending agreements to generate additional income and capital for the relevant Fund. Repurchase agreements are transactions in which one party sells a security to the other party with a simultaneous agreement to repurchase the security at a fixed future date at a stipulated price reflecting a market rate of interest unrelated to the coupon rate of the securities. A reverse repurchase agreement is a transaction whereby a Fund purchases securities from a counterparty and simultaneously commits to resell the securities to the counterparty at an agreed upon date and price. A securities lending agreement is an agreement under which title to the “loaned” securities is transferred by a “lender” to a “borrower” with the borrower contracting to deliver “equivalent securities” to the lender at a later date.

## **Investment Techniques and Instruments**

### **Permitted Financial Derivative Instruments (“FDI”)**

1. A Fund may invest in FDI provided that:
  - 1.1 the relevant reference items or indices consist of one or more of the following: instruments referred to in paragraph 1(i) to (vi) of UCITS Notice 9 including financial instruments having one or several characteristics of those assets, financial indices interest rates’ foreign exchange rates or currencies; and
  - 1.2 the FDI do not expose the Fund to risks which it could not otherwise assume (e.g. gain exposure to an instrument/issuer/currency to which the Fund cannot have a direct exposure);
  - 1.3 the FDI do not cause the Fund to diverge from its investment objectives;
  - 1.4 the reference in 1.1 above to financial indices shall be understood as a reference to indices which fulfil the following criteria and the provisions of both UCITS Notice 21 and Guidance Note 2/07:
    - (a) they are sufficiently diversified, in that the following criteria are fulfilled:

- (i) the index is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
  - (ii) where the index is composed of assets referred to in Regulation 68(1) of the UCITS Regulations its composition is at least diversified in accordance with Regulation 71 of the UCITS Regulations;
  - (iii) where the index is composed of assets other than those referred to in Regulation 68, it is diversified in a way which is equivalent to that provided for in Regulation 71(1);
- (b) they represent an adequate benchmark for the market to which they refer, in that the following criteria are fulfilled;
- (i) the index measures the performance of a representative group of underlyings in a relevant and appropriate way;
  - (ii) the index is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers following criteria which are publicly available;
  - (iii) the underlyings are sufficiently liquid, which allows users to replicate the index, if necessary;
- (c) they are published in an appropriate manner, in that the following criteria are fulfilled;
- (i) their publication process relies on sound procedures to collect prices and to calculate and to subsequently publish the index value, including pricing procedures for components where a market price is not available;
  - (ii) material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

Where the composition of assets which are used as underlyings by FDI does not fulfil the criteria set out in (a), (b) or (c) above, those FDI shall, where they comply with the criteria set out in Regulation 68(1)(g) of the UCITS Regulations, be regarded as FDI on a combination of the assets referred to in Regulation 68(1)(g)(i) of the UCITS Regulations, excluding financial indices; and

- 1.5 where a Fund enters into a total return swap or invests in other financial derivative instruments with similar characteristics, the assets held by the Fund must comply with Regulations 70, 71, 72, 73 and 74 of the UCITS Regulations.

## 2. Credit Derivatives

Credit Derivatives are permitted where:

- (i) they allow the transfer of the credit risk of an asset as referred to in paragraph 1(i) above, independently from the other risks associated with that asset;

- (ii) they do not result in the delivery or in the transfer, including in the form of cash, of assets other than those referred to in Regulations 68(1) and (2) of the UCITS Regulations;
  - (iii) they comply with the criteria for OTC derivatives set out in paragraph 4 below; and
  - (iv) their risks are adequately captured by the risk management process of the Fund, and by its internal control mechanisms in the case of risks of asymmetry of information between the Fund and the counterparty to the credit derivative resulting from potential access of the counterparty to non-public information on firms the assets of which are used as underlyings by credit derivatives. The Fund must undertake the risk assessment with the highest care when the counterparty to the FDI is a related party of the Fund or the credit risk issuer.
3. FDI must be dealt in on a market which is regulated, operates regularly, is recognised and is open to the public in a Member State or a non-Member State. Restrictions in respect of individual stock exchanges and markets may be imposed by the Central Bank on a case by case basis.
4. Notwithstanding paragraph 3, a Fund may invest in FDI dealt in over-the-counter (“OTC derivatives”) provided that:
- 4.1 the counterparty is a credit institution listed in sub-paragraphs 1.4(i), (ii) or (iii) of UCITS Notice 9 or an investment firm, authorised in accordance with the Markets in Financial Instruments Directive in an EEA member state, or is an entity subject to regulation as a Consolidated Supervised Entity (“CSE”) by the U.S. Securities and Exchange Commission;
  - 4.2 in the case of a counterparty which is not a credit institution, the counterparty has a minimum credit rating of A-2 or equivalent, or is deemed by the Fund to have an implied rating of A-2 or equivalent. Alternatively, an unrated counterparty will be acceptable where the Fund is indemnified or guaranteed against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A-2 or equivalent;
  - 4.3 risk exposure to the counterparty does not exceed the limits set out in Regulation 70(1)(c) of the UCITS Regulations. In this regard, the Fund shall calculate the counterparty exposure using the positive mark-to-market value of the OTC derivative contract with that counterparty. The Fund may net FDI positions with the same counterparty, provided that the Fund is able to legally enforce netting arrangements with the counterparty. Netting is only permissible with respect to OTC derivative instruments with the same counterparty and not in relation to any other exposures the Fund may have with the same counterparty;
  - 4.4 the Fund is satisfied that: (a) the counterparty will value the OTC derivative with reasonable accuracy and on a reliable basis; and (b) the OTC derivative can be sold, liquidated or closed out by an offsetting transaction at fair value at any time at the Fund’s initiative;
  - 4.5 the UCITS must subject its OTC derivatives to reliable and verifiable valuation on a daily basis and ensure that it has appropriate systems, controls and processes in place to achieve this. The valuation arrangements and procedures must be adequate and proportionate to the nature and complexity of the OTC derivative concerned and shall be adequately documented.

- 4.6 Reliable and verifiable valuation shall be understood as a reference to a valuation, by the Fund, corresponding to fair value which does not rely on market quotations by the counterparty and which fulfils the following criteria:
- (a) the basis for the valuation is either a reliable up-to-date market value of the instrument, or, if such a value is not available, a pricing model using an adequate recognised methodology;
  - (b) verification of the valuation is carried out by one of the following:
    - (i) an appropriate third party which is independent from the counterparty of the OTC-derivative, at an adequate frequency and in such a way that the Fund is able to check it;
    - (ii) a unit within the Fund which is independent from the department in charge of managing the assets and which is adequately equipped for such purpose.
5. Risk exposure to an OTC derivative counterparty may be reduced where the counterparty will provide the Fund with collateral. The Fund may disregard the counterparty risk on the condition that the value of the collateral, valued at market price and taking into account appropriate discounts, exceeds the value of the amount exposed to risk at any given time.
6. Collateral received must at all times meet with the requirements set out in paragraphs 6 to 13 of UCITS Notice 12 (which are set out in paragraphs 26 to 33 below).
7. Collateral passed to an OTC derivative counterparty by or on behalf of a Fund must be taken into account in calculating exposure of the Fund to counterparty risk as referred to in Regulation 70(1)(c) of the UCITS Regulations. Collateral passed may be taken into account on a net basis only if the Fund is able to legally enforce netting arrangements with this counterparty.
8. A Fund using the commitment approach must ensure that its global exposure does not exceed its total Net Asset Value. The Fund may not therefore be leveraged in excess of 100 per cent of its Net Asset Value. A Fund using the VaR approach must employ back testing and stress testing and comply with other regulatory requirements regarding the use of VaR.
- Each Fund must calculate issuer concentration limits as referred to in Regulation 70 of the UCITS Regulations on the basis of the underlying exposure created through the use of FDI pursuant to the commitment approach.
9. The risk exposures to a counterparty arising from OTC FDI transactions and efficient portfolio management techniques must be combined when calculating the OTC counterparty limit as referred to in Regulation 70(1)(c).
10. A Fund must calculate exposure arising from initial margin posted to, and variation margin receivable from, a broker relating to exchange-traded or OTC derivative, which is not protected by client money rules or other similar arrangements to protect the Fund against the insolvency of the broker, within the OTC derivative counterparty limit referred to in Regulation 70(1)(c) of the UCITS Regulations.
11. The calculation of issuer concentration limits as referred to in Regulation 70 of the UCITS Regulations must take account of any net exposure to a counterparty generated through a securities lending or repurchase agreement. Net exposure refers to the amount receivable by a

UCITS less any collateral provided by the UCITS. Exposures created through the reinvestment of collateral must also be taken into account in the issuer concentration calculations.

12. When calculating exposures for the purposes of Regulation 70 of the UCITS Regulations, a Fund must establish whether its exposure is to an OTC counterparty, a broker or a clearing house.
13. Position exposure to the underlying assets of FDI, including embedded FDI in transferable securities or money market instruments or collective investment schemes, when combined, where relevant, with positions resulting from direct investments, may not exceed the investment limits set out in Regulations 70 and 73 of the UCITS Regulations. When calculating issuer-concentration risk, the FDI (including embedded FDI) must be looked through in determining the resultant position exposure. This position exposure must be taken into account in the issuer concentration calculations. Issuer concentration must be calculated using the commitment approach when appropriate or the maximum potential loss as a result of default by the issuer if more conservative. It must also be calculated by all Funds, regardless of whether they use VaR for global exposure purposes. This provision does not apply in the case of index based FDI provided the underlying index is one which meets with the criteria set out in Regulation 71(1) of the UCITS Regulations.
14. A transferable security or money market instrument embedding a FDI shall be understood as a reference to financial instruments which fulfil the criteria for transferable securities or money market instruments set out in UCITS Notice 9 and which contain a component which fulfils the following criteria:
  - (a) by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or money market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, and therefore vary in a way similar to a stand-alone derivative;
  - (b) its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract;
  - (c) it has a significant impact on the risk profile and pricing of the transferable security or money market instrument.
15. A transferable security or a money market instrument shall not be regarded as embedding a FDI where it contains a component which is contractually transferable independently of the transferable security or the money market instrument. Such a component shall be deemed to be a separate financial instrument.

#### **Cover requirements**

16. A Fund must, at any given time, be capable of meeting all its payment and delivery obligations incurred by transactions involving FDI.
17. Monitoring of FDI transactions to ensure they are adequately covered must form part of the risk management process of the Fund.
18. A transaction in FDI which gives rise, or may give rise, to a future commitment on behalf of a Fund must be covered as follows:



- (a) in the case of FDI which automatically, or at the discretion of the Fund, are cash settled, a Fund must hold, at all times, liquid assets which are sufficient to cover the exposure; and
- (b) in the case of FDI which require physical delivery of the underlying asset, the asset must be held at all times by a Fund. Alternatively a Fund may cover the exposure with sufficient liquid assets where:
  - (i) the underlying assets consist of highly liquid fixed income securities; and/or
  - (ii) the Fund considers that the exposure can be adequately covered without the need to hold the underlying assets, the specific FDI are addressed in the risk management process, which is described below, and details are provided in the Prospectus.

### **Risk management process and reporting**

19. A Fund must provide the Central Bank with details of its proposed risk management process vis a vis its FDI activity. The initial filing is required to include information in relation to:
- permitted types of FDI, including embedded derivatives in transferable securities and money market instruments;
  - details of the underlying risks;
  - relevant quantitative limits and how these will be monitored and enforced; and
  - methods for estimating risks.

Material amendments to the initial filing must be notified to the Central Bank in advance. The Central Bank may object to the amendments notified to it and amendments and/or associated activities objected to by the Central Bank may not be made.

20. The Company must submit a report to the Central Bank on its FDI positions on an annual basis. The report, which must include information which reflects a true and fair view of the types of FDI used by the Funds, the underlying risks, the quantitative units and the methods used to estimate those risks, must be submitted with the annual report of the Company. The Company must, at the request of the Central Bank, provide this report at any time.

### **Techniques and Instruments, including Repurchase/Reverse Repurchase Agreements and Securities Lending, for the purposes of efficient portfolio management**

21. A Fund may employ techniques and instruments relating to transferable securities and money market instruments subject to the UCITS Regulations and to conditions imposed by the Central Bank. The use of these techniques and instruments should be in line with the best interests of the Fund.
22. Techniques and instruments which relate to transferable securities or money market instruments and which are used for the purpose of efficient portfolio management shall be understood as a reference to techniques and instruments which fulfil the following criteria:
- (a) they are economically appropriate in that they are realised in a cost-effective way;
  - (b) they are entered into for one or more of the following specific aims:
    - (i) reduction of risk;
    - (ii) reduction of cost;
    - (iii) generation of additional capital or income for the Fund with a level of risk which is consistent with the risk profile of the Fund and the risk diversification rules set out in UCITS Notice 9;

- (c) their risks are adequately captured by the risk management process of the Fund, and
  - (d) they cannot result in a change to the Fund's declared investment objective or add substantial supplementary risks in comparison to the general risk policy as described in its sales documents.
23. Financial derivative instruments used for efficient portfolio management, in accordance with paragraph 21, must also comply with the provisions of UCITS Notice 10 and Guidance Note 3/03.

### **Repurchase/Reverse Repurchase Agreements and Securities Lending**

24. Repurchase/reverse repurchase agreements and securities lending ("efficient portfolio management techniques") may only be effected in accordance with normal market practice.
25. All assets received by a Fund in the context of efficient portfolio management techniques should be considered as collateral and should comply with the criteria set down in paragraph 26 below.
26. Collateral must, at all times, meet with the following criteria:
- (a) **Liquidity:** Collateral received other than cash should be highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. Collateral received should also comply with the provisions of Regulation 74.
  - (b) **Valuation:** Collateral received should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place.
  - (c) **Issuer credit quality:** Collateral received should be of high quality.
  - (d) **Correlation:** Collateral received should be issued by an entity that is independent from the counterparty and is not expected to display a high correlation with the performance of the counterparty.
  - (e) **Diversification (asset concentration):** Collateral should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure to a given issuer of 20 per cent of the Fund's Net Asset Value. When Funds are exposed to different counterparties, the different baskets of collateral should be aggregated to calculate the 20 per cent limit of exposure to a single issuer. By way of derogation, the Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a Member State, one or more of its local authorities, a third country, or a public international body to which one or more Member States belong, in which case the Fund should receive securities from at least six different issues, but securities from any single issue should not account for more than 30 per cent of the Fund's Net Asset Value.
  - (f) **Immediately available:** Collateral received should be capable of being fully enforced by the Fund at any time without reference to or approval from the counterparty.

27. Risks linked to the management of collateral, such as operational and legal risks, should be identified, managed and mitigated by the risk management process.
28. Collateral received on a title transfer basis should be held by the trustee. For other types of collateral arrangement, the collateral can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.
29. Non-cash collateral cannot be sold, pledged or re-invested.
30. Cash collateral may not be invested other than in the following:
  - (a) deposits with relevant institutions;
  - (b) high-quality government bonds;
  - (c) reverse repurchase agreements provided the transactions are with credit institutions subject to prudential supervision and the Fund is able to recall at any time the full amount of cash on an accrued basis;
  - (d) short-term money market funds as defined in the ESMA Guidelines on a Common Definition of European Money Market Funds (ref CESR/10-049).
31. In accordance with paragraph 2(iv) of UCITS Notice 12, invested cash collateral should be diversified in accordance with the diversification requirement applicable to non-cash collateral. Invested cash collateral may not be placed on deposit with the counterparty or a related entity.
32. A Fund receiving collateral for at least 30 per cent of its assets should have an appropriate stress testing policy in place to ensure regular stress tests are carried out under normal and exceptional liquidity conditions to enable the Fund to assess the liquidity risk attached to the collateral. The liquidity stress testing policy should at least prescribe the following:
  - (a) design of stress test scenario analysis including calibration, certification and sensitivity analysis;
  - (b) empirical approach to impact assessment, including back-testing of liquidity risk estimates;
  - (c) reporting frequency and limit/loss tolerance threshold/s; and
  - (d) mitigation actions to reduce loss including haircut policy and gap risk protection.
33. A Fund should have in place a clear haircut policy adapted for each class of assets received as collateral. When devising the haircut policy, a Fund should take into account the characteristics of the assets such as the credit standing or the price volatility, as well as the outcome of the stress tests performed in accordance with paragraph 32. This policy should be documented and should justify each decision to apply a specific haircut, or to refrain from applying any haircut, to a certain class of assets.
34. The counterparty to a repurchase/reverse repurchase agreement or securities lending agreement must have a minimum credit rating of A-2 or equivalent, or must be deemed by the Fund to have an implied rating of A-2 or equivalent. Alternatively, an unrated counterparty will be acceptable where the Fund is indemnified or guaranteed against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A-2 or equivalent.
35. A Fund should ensure that it is able at any time to recall any security that has been lent out or terminate any securities lending agreement into which it has entered.

36. A Fund that enters into a reverse repurchase agreement should ensure that it is able at any time to recall the full amount of cash or to terminate the reverse repurchase agreement on either an accrued basis or a mark-to-market basis. When the cash is recallable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement should be used for the calculation of the net asset value of the Fund.
37. A Fund that enters into a repurchase agreement should ensure that it is able at any time to recall any securities subject to the repurchase agreement or to terminate the repurchase agreement into which it has entered.
38. Repurchase/reverse repurchase agreements or securities lending do not constitute borrowing or lending for the purposes of Regulation 103 and Regulation 111 respectively.
39. A Fund should disclose in the prospectus the policy regarding direct and indirect operational costs/fees arising from efficient portfolio management techniques that may be deducted from the revenue delivered to the Fund. These costs and fees should not include hidden revenue. The Fund should disclose the identity of the entity(ies) to which the direct and indirect costs and fees are paid and indicate if these are related parties to the management company or the trustee.
40. All the revenues arising from efficient portfolio management techniques, net of direct and indirect operational costs, should be returned to the Fund.