



# PowerShares Global Funds Ireland Public Limited Company

*(An umbrella investment company with variable capital having segregated liability between its Funds incorporated with limited liability in Ireland under registration number 352941)*

## Prospectus

### **Manager**

**Invesco Global Asset Management Limited**

### **Investment Manager**

**Invesco PowerShares Capital Management LLC**

This Prospectus replaces the Prospectus dated 17 February 2014.

The date of this Prospectus is 6 October 2014.

This document contains important information and should be read carefully before investing. If you are in any doubt about the action to be taken or the contents of this document please consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser.

The Directors of the Company, whose names appear in section 6.1 are the persons responsible for the information contained in this Prospectus and accept responsibility accordingly. 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 document is in accordance with the facts and does not omit anything likely to affect the import of the information.

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# 1. Important Information

This Prospectus comprises information relating to PowerShares Global Funds Ireland public limited company (the “Company”), an open-ended investment company with variable capital and is structured as an umbrella fund with segregated liability between its Funds. It qualifies and is authorised in Ireland by the Central Bank of Ireland (the “Central Bank”) as a UCITS for the purposes of the Regulations and therefore is subject to investment supervision. The share capital of the Company may be divided into different classes of shares (“Shares”) with one or more classes representing a separate fund (“Fund”) of the Company. The creation of any Fund will require the prior approval of the Central Bank and the creation of any class of Shares must be effected in accordance with the requirements of the Central Bank.

Applications for Shares will only be considered on the basis of this Prospectus (and any relevant Supplement), the Key Investor Information Document (“KIID”) of the relevant Fund and the latest published audited Annual Report and if published after such report, a copy of the latest unaudited Semi-Annual Report. These Reports are available to the public at the registered office of the Company and on the Website.

**The Company is both authorised and supervised by the Central Bank. 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. The authorisation of the Company by the Central Bank does not constitute a warranty by the Central Bank as to the performance of the Company and the Central Bank shall not be liable for the performance or default of the Company.**

A separate Supplement relating to Shares comprising any Fund of the Company (or any new class thereof) will be issued at the time of the establishment of that Fund or class and may be updated from time to time. Each Supplement shall form part of and should be read in the context of and together with this Prospectus.

Each class of Shares will be listed on one or more stock exchanges.

No person has been authorised to give any information or to make any representation in connection with the offering or placing of Shares other than those contained in this Prospectus, the KIID of the relevant Fund the Supplements and the Reports such information or representation must not be relied upon as having been authorised by the Company. The delivery of this Prospectus (whether or not accompanied by the KIID of the relevant Fund, the Supplements and the Reports) or any issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date of this Prospectus or the relevant Supplement.

Capitalised terms used in this Prospectus are defined under section 2. “Definitions”.

The distribution of this Prospectus and the offering and placing of Shares in certain jurisdictions may be restricted. No persons receiving a copy of this Prospectus in any such jurisdiction may treat this Prospectus as constituting an invitation to them to purchase or subscribe for Shares, unless in the relevant jurisdiction such an invitation could lawfully be made to them and an application form could lawfully be used. 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 to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this Prospectus

and any persons wishing to apply for Shares pursuant to this Prospectus to inform themselves 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 applying and subscribing, holding or disposing of such Shares and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence, incorporation or domicile, including any requisite government or other consents and the observing of any other formalities.

This Prospectus and any Supplements may also be translated into other languages. Any such translation shall only contain the same information and have the same meaning as the English language Prospectus/Supplement. To the extent that there is any inconsistency between the English language Prospectus/Supplement and the Prospectus/Supplement in another language, the English language Prospectus/Supplement will prevail, except to the extent (but only to the extent) that it is required by 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/Supplement on which such action is based shall prevail.

**The maximum redemption fee for cash redemptions is 3% of the redemption monies. Investors should be aware that the price of Shares may fall as well as rise. In the event that an investor subscribes or redeems Shares for cash rather than purchasing or selling Shares on the secondary market, the difference at any time between the subscription and the redemption price of Shares subscribed or redeemed for cash means that such an investment in the Company should be viewed as medium to long term.**

Statements made in this Prospectus are, except where otherwise stated, based on the law and practice currently in force in Ireland and are subject to changes therein. Figures contained in this Prospectus are accurate as at the date of this Prospectus only.

**Investors should read this Prospectus and the KIID of the relevant Fund in its entirety and should consider the risks described under section 5. “Risk Factors” before making an application.**

## United States

The Shares have not been, and will not be, registered under the 1933 Act, the 1940 Act or the securities laws of any of the states of the United States and the Shares may not be offered or sold directly or indirectly in the United States or to or for the account or benefit of any U.S. Person, except pursuant to an exemption from, or in a transaction not subject to the regulatory requirements of the 1933 Act, of the 1940 Act and any applicable state securities laws. Any re-offer or resale of any of the Shares in the United States or to U.S. Persons may constitute a violation of U.S. law. Shares may not be acquired or owned by, or acquired with the assets of, an ERISA Plan.

In order to ensure compliance with the restrictions referred to above, the Company is, accordingly, not open for investment by any U.S. Persons, or ERISA Plans except with the prior consent of the Directors and except pursuant to applicable exemptions. A prospective investor may be required at the time of acquiring Shares to represent that such investor is a Qualified Holder, a Qualified Purchaser or that he is not a U.S. Person or acquiring Shares for or on behalf of a U.S. Person or with the assets of an ERISA Plan. The granting of prior consent by the Directors to an investment does not confer on the investor a right to acquire Shares in respect of any future or subsequent application.

## 2. Definitions

### **"Acts"**

the Companies Acts 1963 to 2012 (of Ireland), as may be amended from time to time.

### **"Administrator"**

BNY Mellon Fund Services (Ireland) Limited, and/or such other person as may be appointed, with the prior approval of the Central Bank, to provide administration services to the Funds, or any of them and to provide registrar and transfer agency services in respect of the Shares subscribed for in the Company, other than through Euroclear.

### **"Administration Agreement"**

the Agreement made between the Manager and the Administrator as the same may be amended from time to time.

### **"Annual Report"**

means the latest available annual report of the Company including its audited financial statements.

### **"Auditors"**

PricewaterhouseCoopers, Chartered Accountants, Dublin.

### **"Authorised Participant"**

an entity or person which is authorised by the Company for the purposes of subscribing for and redeeming Creation Units with the Company on an in-kind basis.

### **"Articles"**

the Articles of Association of the Company, as may be adopted or amended from time to time.

### **"Base Currency"**

the base currency of a Fund, being the currency in which the Net Asset Value is calculated.

### **"Business Day"**

in relation to a Fund, as specified for each Fund in the relevant Supplement and such day or days as the Directors may from time to time determine.

### **"Cash Component"**

the amount of cash required to equalise any differences between the value of the securities set out in the Portfolio Composition File and the Net Asset Value for each Creation Unit (being the Net Asset Value per Share multiplied by the number of Shares in a Creation Unit). Ordinarily the Cash Component will be the same for subscriptions and redemptions; however it may be different in cases in which the Portfolio Composition File is different for subscriptions and redemptions on a given day for one or more Funds.

### **"Cash Transaction Fee"**

the fee payable to the Administrator as agent for the Company where Shares are subscribed or redeemed for cash as set out in the relevant Fund Supplement.

### **"CEA"**

the Commodity Exchange Act (of the United States), as amended.

### **"Central Bank"**

the Central Bank of Ireland or any successor thereof.

### **"Clearing and Settlement System"**

any clearing system for the settlement of transactions in relation to securities which may or may not be a Recognised Clearing and Settlement System.

### **"Company"**

PowerShares Global Funds Ireland public limited company.

### **"Computershare Transfer Agency Agreement"**

the Agreement made between the Manager and the Computershare Transfer Agent as the same may be amended from time to time.

### **"Computershare Transfer Agent"**

Computershare Investor Services (Ireland) Limited and/or such other person as may be appointed, with the prior approval of the Central Bank, to provide registrar and transfer agency services solely in respect of the Shares which are subscribed for via Euroclear.

### **"Country Supplement"**

document as may be distributed in certain jurisdictions, that contains important information about the offer of the Funds in such jurisdictions as required by local laws.

### **"Creation Unit"**

in respect of a Fund, the predetermined number of Shares which an Authorised Participant must subscribe for or redeem when subscribing or redeeming in-kind.

### **"Custodian"**

BNY Mellon Trust Company (Ireland) Limited or such other person as may be appointed, with the prior approval of the Central Bank to act as custodian to the Company.

### **"Custodian Agreement"**

the Agreement made between the Company and the Custodian as the same may be amended from time to time.

### **"Dealing Day"**

such Business Day as the Directors may from time to time determine (and notify in advance to Shareholders) for dealings in a Fund as specified for each Fund in the relevant Supplement provided always that there shall be at least two Dealing Days in each calendar month.

### **"Dealing Deadline"**

the time or times on each Dealing Day by which applications for subscriptions and redemptions in-kind and subscriptions and redemptions for cash must be received by the Administrator to be processed on that Dealing Day, as specified for each Fund in the relevant Supplement.

### **"Dematerialised Form"**

Shares, title to which is recorded as being in uncertificated form and which may be transferred by means of a computer based settlement system in accordance with the Companies Act, 1990 (Uncertificated Securities) Regulations, 1996 (of Ireland).

### **"Directive"**

Directive 2009/65/EC of the European Parliament and of the European Council of 13 July 2009 on the co-ordination of laws, regulations and administrative provisions relating to UCITS, as the same may be amended or replaced.

### **"Directors"**

the directors of the Company or any duly authorised committee thereof and "Board of Directors" means the board of Directors constituted pursuant to the Articles.

## 2. Definitions

### Continued

#### **"Euroclear"**

Euroclear Bank S.A., as operator of the Euroclear clearing system, a Recognised Clearing and Settlement System, which provides securities services to the Company.

#### **"ERISA Plans"**

(i) any retirement plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"); (ii) any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue code of 1986, as amended; or (iii) an entity whose assets are treated as "plan assets" as defined in ERISA Section 3 (42), by reason of a plan's investment in the entity (generally because 25% or more of a class of equity interests in the entity is owned by "benefit plan investors" as defined in ERISA Section 3 (42)).

#### **"Euro" and "€"**

the single European currency unit referred to in Council Regulation (EC) No. 974/98 on 3 May 1998 on the introduction of the Euro.

#### **"FDI"**

financial derivative instrument(s).

#### **"Fund"**

a fund of assets established (with the prior approval of the Central Bank) which may comprise one or more classes of Shares which is invested in accordance with the investment objectives applicable to such fund.

#### **"Global Supplement"**

means the list of existing Funds of the Company as may be amended from time to time.

#### **"Index"**

the index of securities which a Fund will aim to track or replicate, pursuant to its investment objective and in accordance with its investment policies as set out in the relevant Supplement.

#### **"Index Provider"**

the entity or person who by itself or through a designated agent compiles, calculates and publishes information on the relevant Index and who has licensed the Index to the Company.

#### **"Index Securities"**

those securities selected by the Index Provider as constituting the Index.

#### **"Initial Offer Period"**

the period set out by Directors in relation to any Fund or class of Shares as the period during which Shares are initially on offer.

#### **"Initial Offer Price"**

the subscription price per Share during any Initial Offer Period.

#### **"In Kind Transaction Fee"**

the fee amount payable by an Authorised Participant in the currency specified for each Fund in the relevant Supplement in addition to the value of the Creation Units subscribed for, or deducted from the value of the Creation Units redeemed. This fee reflects the transfer fees, custodian or sub-custodian charges, governmental charges, registration fees and all other costs and expenses of the relevant Fund incurred either in receiving the requisite securities and cash on a subscription for Creation

Units, or in delivering the requisite securities and cash on a redemption of Creation Units, and will not exceed the amount specified on the Website.

#### **"Investment"**

any investment authorised by the Memorandum of Association of the Company which is permitted by the Regulations and the Articles.

#### **"Investment Manager"**

Invesco PowerShares Capital Management LLC and/or such other person as may be appointed, in accordance with the requirements of the Central Bank, to provide investment management services to the Funds, or any of them.

#### **"Investment Management Agreement"**

the Agreement made between the Manager and the Investment Manager as the same may be amended from time to time.

#### **"Irish Resident"**

any Irish Resident or Irish Ordinary Resident person (for further details see section 10 "Taxation - Irish Taxation" below).

#### **"KIID (s)"**

the Key Investor Information Document issued in respect of each relevant Fund pursuant to the Directive or the Regulations, as may be amended from time to time and as published on the Website.

#### **"Manager"**

Invesco Global Asset Management Limited, a limited liability company incorporated in Ireland or such other entity as may be appointed by the Company as manager of the Company with the prior approval of the Central Bank.

#### **"Management Agreement"**

the management agreement made between the Company and the Manager as the same may be amended from time to time.

#### **"Market Makers"**

means financial institutions that are members of the Relevant Stock Exchanges and have signed a market making contract with the Company.

#### **"Member State"**

a member state of the European Union.

#### **"Memorandum"**

the Memorandum of Association of the Company, as may be amended from time to time.

#### **"Net Asset Value"**

the net asset value of a Fund determined in accordance with the Articles and as published on the Website.

#### **"Net Asset Value per Share"**

the Net Asset Value divided by the number of Shares of the relevant Fund subject to such adjustment, if any, as may be required where there is more than one class of Shares in the Fund.

#### **"Notices"**

the notices issued by the Central Bank in exercise of its powers under the Regulations.

## 2. Definitions

### Continued

#### **"OTC Swap"**

over-the-counter derivative contracts, entered into by a Fund and a counterparty for the purpose of gaining exposure to an Index, as set out in the relevant Fund Supplement in order to attain the relevant Fund's investment objective.

#### **"Portfolio Composition File"**

The statement prepared by the Administrator for each Fund as set out in the relevant Supplement and published on each Dealing Day on the Website at the Publication Time and which identifies each of the securities and the quantities thereof which the Company will expect to be delivered to it when one Creation Unit is subscribed for, or delivered by it when one Creation Unit is redeemed. Such statement will also be available at the office of the Administrator. Ordinarily, the Portfolio Composition File will be the same for subscriptions and redemptions however, in certain circumstances, it may be different for subscriptions and redemptions on a given day for one or more Funds. The Portfolio Composition File will comprise Investments in which the relevant Fund may invest in accordance with its investment policy.

#### **"Portfolio Deposit"**

the portfolio of Investments, plus or minus (as the case may be) the Cash Component, to be delivered to the Company in subscribing for one Creation Unit or to be delivered by the Company in redeeming one Creation Unit.

#### **"Promoter"**

Invesco PowerShares Capital Management LLC.

#### **"Prospectus"**

this document as may be amended from time to time in accordance with the Notices together with, where the context requires or implies, any Supplement, Global Supplement or addendum and as published on the Website.

#### **"Publication Time"**

the time on each Dealing Day by which the Portfolio Composition File(s) applicable for subscriptions and redemptions in-kind during that Dealing Day is or are first published on the Website, as specified for each Fund in the relevant Supplement.

#### **"Qualified Holder"**

any person, corporation or entity other than (i) a U.S. Person (including those deemed to be U.S. Persons under the 1933 Act, the 1940 Act and the CEA); (ii) an ERISA Plan; (iii) any other person, corporation or entity which cannot acquire or hold Shares without violating laws or regulations whether applicable to it or the Company or otherwise or whose holding might result (either individually or in conjunction with other Shareholders in the same circumstances) in the Company incurring any liability to taxation or suffering pecuniary disadvantages which the Company might not otherwise incur or suffer or the Company being required to register or register any class of its securities under the laws of any jurisdiction (including, without limitation, the 1933 Act, the 1940 Act or the CEA); or (iv) a custodian, nominee, or trustee for any person, corporation or entity described in (i) to (iv) above.

#### **"Qualified Purchaser"**

means under Section 2(a)(51)(A) from the 1940 Act (i) any natural person (including any person who holds a joint, community property, or other similar shared ownership interest in an issuer that is excepted under section 3(c)(7) with that person's qualified purchaser

spouse) who owns not less than \$5,000,000 in investments, as defined by the Commission; (ii) any company that owns not less than \$5,000,000 in investments and that is owned directly or indirectly by or for 2 or more natural persons who are related as siblings or spouse (including former spouses), or direct lineal descendants by birth or adoption, spouses of such persons, the estates of such persons, or foundations, charitable organisations, or trusts established by or for the benefit of such persons; (iii) any trust that is not covered by clause (ii) and that was not formed for the specific purpose of acquiring the securities offered, as to which the trustee or other person authorised to make decisions with respect to the trust, and each settlor or other person who has contributed assets to the trust, is a person described in clause (i), (ii), or (iv); or (iv) any person, acting for its own account or the accounts of other qualified purchasers, who in the aggregate owns and invests on a discretionary basis, not less than \$25,000,000 in investments.

#### **"Recognised Clearing and Settlement System"**

any clearing system for the settlement of transactions in relation to securities designated by the Revenue Commissioners of Ireland as a recognised clearing system for the purposes of Chapter 1A of Part 27 of the Taxes Consolidation Act, 1997 (as amended).

#### **"Redemption Dividend"**

a dividend which may be paid in respect of Shares the subject of a valid request for redemption.

#### **"Regulated Market (s)"**

means a regulated market, which operates regularly, is recognised, and open to the public.

#### **"Regulations"**

the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (SI No. 352 of 2011) as may be amended or replaced.

#### **"Relevant Stock Exchanges"**

markets on which the Shares of the Funds are/will be listed such as the Irish Stock Exchange (ISE), London Stock Exchange (LSE), Deutsche Börse or other stock exchanges.

#### **"Reports"**

means the Annual Report and Semi-Annual Report.

#### **"Secondary Market"**

a market on which Shares of the Funds are traded between Shareholders rather than with the Company itself, which may either take place on a recognised stock exchange or over-the-counter.

#### **"Semi-Annual Report"**

means the last available semi-annual report of the Company including the unaudited financial statements.

#### **"Share"**

a share of no par value in the Company.

#### **"Shareholder"**

the registered holder of a Share.

#### **"Structured Notes"**

equity-linked notes or index-linked notes which are issued by an investment bank, insurance company or broker/dealer with typically a 3-6 month maturity where the value of the notes is linked to the value of an equity security, a combination of equity securities or an index.

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## 2. Definitions

### Continued

**"Subscriber Shares"**

shares of €1 each in the capital of the Company designated as "Subscriber Shares" in the Articles and subscribed by or on behalf of the Manager for the purposes of incorporating the Company.

**"Supplement"**

any document issued by the Company expressed to be a Supplement to this Prospectus and as published on the Website.

**"Sterling" or "Stg£"**

the lawful currency of the United Kingdom.

**"Taxes Act"**

the Taxes Consolidation Act, 1997 (of Ireland), as amended.

**"Transfer Taxes"**

in relation to a Fund, all stamp, transfer and other duties and taxes, governmental charges, brokerage, bank charges, interest, custodian or sub-custodian charges (relating to sales and purchases), transfer fees, registration fees and other duties, costs and charges for which the Company may be liable in relation to a Fund for receiving the requisite securities on a subscription for Creation Units or delivering the requisite securities on redemption of one or more Creation Units or the creation, issue, sale, switch or redemption of Shares or the sale or purchase of Investments which, for the avoidance of doubt, may include, when calculating subscription and redemption prices, any provision for spreads (to take into account the difference between the price at which assets were valued for the purpose of calculating the Net Asset Value and the estimated price at which such assets shall or would be bought as a result of a subscription and shall or would be sold as a result of a redemption), but shall not include any commission payable to agents on sales and purchases of Shares or any commission, taxes, charges or costs which may have been taken into account in ascertaining the Net Asset Value per Share of the relevant Fund.

**"UCITS"**

an Undertaking for Collective Investment in Transferable Securities established pursuant to the Directive.

**"United Kingdom" and "UK"**

the United Kingdom of Great Britain and Northern Ireland.

**"United States" and "U.S."**

the United States of America, its territories, possessions, any State of the United States and the District of Columbia.

**"US Dollars" or "US\$" or "USD"**

United States Dollars, the lawful currency of the United States of America.

**"U.S. Person"**

any person or entity under Rule 902(k)(1) of Regulation S, promulgated under the Securities Act of 1933 Act or other person or entity as the Directors may determine. The Directors may amend the definition of "U.S. Person" without notice to Shareholders as necessary in order best to reflect then-current applicable U.S. law and regulation. Contact your sales representative for a list of persons or entities that are deemed to be "U.S. Persons".

**"Valuation Date"**

each Business Day, or as otherwise specified for a Fund in the relevant Supplement, or such other day corresponding to a Dealing Day as the Directors may from time to time determine;

**"Valuation Point"**

such time and day as the Directors may from time to time determine (with the consent of the Administrator) in relation to the valuation of the assets and liabilities of a Fund as set out in the relevant Fund Supplement.

**"Website"**

[www.invescopowershares.net](http://www.invescopowershares.net) and its local country sections.

**"1933 Act"**

the Securities Act of 1933 (of the United States), as amended and any rules enacted under that Act.

**"1940 Act"**

the Investment Company Act of 1940 (of the United States), as amended, and any rules enacted under that Act.



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## 3. Directory

### Directors

The Directors of the Company, whose business address is at the registered office of the Company are as follows:

Brian Collins  
Karen Dunn Kelley  
Douglas J. Sharp  
Cormac O' Sullivan  
John Rowland  
Leslie Schmidt (Chairman)  
Adrian Waters

### Investment Manager

Invesco PowerShares Capital Management LLC  
3500 Lacey Road  
Suite 700 Downers Grove Illinois 60515  
United States

### Custodian

BNY Mellon Trust Company (Ireland) Limited  
Guild House  
Guild Street  
International Financial Services Centre  
Dublin 1  
Ireland

### Administrator, Registrar and Transfer Agent

BNY Mellon Fund Services (Ireland) Limited  
Guild House  
Guild Street  
International Financial Services Centre  
Dublin 1  
Ireland

### Registered Office

George's Quay House  
43 Townsend Street  
Dublin 2  
Ireland

### Manager

Invesco Global Asset Management Limited  
George's Quay House  
43 Townsend Street  
Dublin 2  
Ireland

### Computershare Transfer Agent

Computershare Investor Services (Ireland) Limited  
Heron House  
Corrig Road  
Sandyford Industrial Estate  
Dublin 18  
Ireland

### Secretary

Invesco Asset Management Limited  
Perpetual Park  
Perpetual Park Drive  
Henley-on-Thames  
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## 4. PowerShares Global Funds Ireland Public Limited Company

### 4.1. Introduction

PowerShares Global Funds Ireland public limited company is an open-ended investment company with variable capital and is structured as an umbrella fund with segregated liability between its Funds. The Company is authorised by the Central Bank as a UCITS within the meaning of the Regulations. The Investment Manager is also the Promoter of the Company.

The Company is structured as an umbrella fund in that different Funds thereof may be established with the prior approval of the Central Bank. In addition, each Fund may have more than one Share class allocated to it. The Shares of each class allocated to a Fund will rank *pari passu* with each other in all respects except as to all or any of the following or as the Directors may otherwise determine:

- currency of denomination of the class;
- dividend policy;
- the level of fees and expenses to be charged; and
- the minimum subscription, minimum redemption and minimum holding applicable.

The assets of each Fund will be separate from one another and will be invested in accordance with the investment objectives and policies applicable to each such Fund.

The share capital of each Fund shall at all times equal its Net Asset Value. The Base Currency of each Fund will be determined by the Directors and will be set out in the Supplement of the relevant Fund.

A list of existing Funds of the Company are set out in the Global Supplement.

On the establishment of any new Fund or the creation of a new class of Shares in an existing Fund, a Supplement will be issued in respect thereof. Each Supplement should be read in the context and together with this Prospectus. In addition, a list of all Funds and classes thereof will be set out in the Annual Report and Semi-Annual Report.

The Shares of any class of a Fund may normally only be subscribed for or redeemed in large multiples, as set out in the relevant Supplement.

No Fund will trade unless its Shares are listed on such exchange as the Directors may have determined. Once listed, the Shares of each class will be freely transferable in any amount in accordance with the criteria and procedures set out in section 7.12 "Transfer of Shares".

The business objective of each Fund is limited to the investment and administration of that Fund's assets for the joint account of the investors, whereby an active entrepreneurial management of the assets is ruled out.

### 4.2. Investment Objectives and Policies

#### 4.2.1. General

The specific investment objectives and policies for each Fund will be formulated by the Directors at the time of the creation of that Fund and set out in the relevant Supplement.

Each Fund's investments will be limited to investments permitted by the Regulations which are described in more detail in Schedule III to this Prospectus. The Regulated Markets in which a Fund may invest are listed in Schedule I. The Central Bank does not issue a list of approved markets or stock exchanges.

Any alteration to the investment objectives or a material alteration to the investment policies of any Fund at any time will be subject to prior approval of the Shareholders of such Fund. Shareholders will be given prior notice of the implementation of any alteration in the investment objectives or policies of a Fund to enable them to redeem their Shares prior to the implementation of such alteration.

#### 4.2.2. Common Investment Pools

While each Fund will have separate investment objectives and policies, the investment policies of certain Funds may result in each Fund having a substantial holding in cash assets. Where this is the case, the Investment Manager may, in its discretion, pool all or a specified portion of the cash assets of such Funds for the purpose of achieving common investment policies on the management of that cash (each such pool shall be called a "Common Investment Pool"). A Common Investment Pool is not a separate legal entity from the Company or any of the Funds. Rather it is a virtual pool designed to facilitate in an efficient manner the achievement of certain specified investment policies common to two or more Funds. The Custodian shall at all times ensure that it is in a position to identify each participating Fund's share of the assets even though the Custodian's records may identify the assets as being held in a Common Investment Pool. For this purpose, the Investment Manager may allow for the participation of Funds in Common Investment Pools to which all or part of the assets of any Fund may be allocated.

The purpose of a Common Investment Pool is to achieve economies of scale in the management and administration of the assets being pooled. The use of Common Investment Pools enables the Investment Manager to aggregate assets, increase scalability and reduce tracking error. The relevant Common Investment Pool will hold Investments in accordance with the investment policies common to the Funds participating in it. Each Fund (on a separate and divided basis) will be entitled to the underlying assets and liabilities, which may be allocated to it arising out of Investments made through the conduit of a Common Investment Pool.

A Common Investment Pool will initially consist of cash from each Fund participating in the Common Investment Pool. Thereafter, further transfers of cash may be made to a Common Investment Pool. The share of a Fund in a Common Investment Pool shall be measured by reference to notional units of equal value in the Common Investment Pool. On formation of a Common Investment Pool, the Directors shall, in their discretion, determine the initial value of notional units (which shall be expressed in such currency as the Directors consider appropriate) and shall allocate to each Fund units having an aggregate value equal to the amount of cash contributed. Thereafter, the value of the notional unit shall be determined by dividing the net asset value of the Common Investment Pool by the number of notional units subsisting.

When additional cash is contributed to or withdrawn from a Common Investment Pool, the allocation of units of the Fund concerned will be increased or reduced, as the case may be, by a number of units determined by dividing the amount of cash or the value of assets in the Common Investment Pool by the current number of units. The net asset value of the Common Investment Pool will be calculated in accordance with the valuation provisions of the relevant Fund.

Dividends, interest and other distributions of an income nature received in respect of the assets in an asset pool will be credited to the Common Investment Pool. Upon the dissolution of a Fund, the assets in a Common Investment Pool will be allocated to such Fund in proportion to its participation in a Common Investment Pool.

## 4. Powershares Global Funds Ireland Public Limited Company

### Continued

The Administrator is responsible for administering the participation of a Fund in a Common Investment Pool in such a way so as to ensure that the relevant portion of the Common Investment Pool remains segregated and allocated to such Fund. The Custodian shall at all times ensure it is in a position to identify each participating Fund's share of the assets held in a Common Investment Pool.

#### 4.2.3. Financial Derivative Instruments

The Company may, on behalf of each Fund and subject to the conditions and within the limits laid down by the Central Bank, employ techniques and instruments relating to transferable securities for direct investment purposes and/or for efficient portfolio management purposes. Transactions for the purposes of efficient portfolio management may be undertaken with a view to achieving a reduction in risk, a reduction in costs or an increase in capital or income returns to a Fund and may not be speculative in nature. The instruments may include investments in financial derivative instruments such as futures (which may be used to manage interest rate risk), options (which may be used to achieve cost efficiencies, for example where the acquisition of the option is more cost effective than purchasing of the underlying asset), swaps and forward currency exchange contracts (both of which may be used to manage currency risk against the Base Currency and/or any functional currency of a Fund). Such techniques and instruments will be utilised in accordance with the requirements of the Central Bank and are set out in Schedule II. New techniques and instruments may be developed which may be suitable for use by the Company and the Company (subject as aforesaid) may employ such techniques and instruments. A Fund may use techniques such as entering into stock lending, repurchase and/or reverse repurchase agreements for the purposes of efficient portfolio management in accordance with the provisions of the Notices.

All revenues arising from efficient portfolio management techniques, net of direct and indirect operational costs, will be returned to the Company.

#### 4.2.4. Currency Hedging Policy

The Company may enter into transactions for the purposes of hedging the currency exposure of the underlying Funds. The currency exposure of Investments will not be allocated to separate share classes.

Each Fund may employ strategies aimed at hedging against currency risk at Share class level where disclosed in a Fund Supplement.

A Fund may employ certain currency-related transactions in order to hedge against certain currency risks, for example, where the currency of denomination of a Share class differs from the Base Currency of the Fund. However, there can be no assurance that such hedging transactions will be effective. All costs and losses arising in relation to such currency hedging transactions will be borne by the hedged Share class of the relevant Fund and all gains arising in connection with such hedging transactions will be attributable to the relevant Share class. Although any Fund may utilise currency hedging transactions in respect of Share classes, it shall not be obliged to do so and to the extent that it does employ strategies aimed at hedging certain Share classes, there can be no assurance that such strategies will be effective. The costs and related liabilities/benefits arising from instruments entered into for the purposes of hedging the currency exposure for the benefit of any particular Share class of a Fund (where the currency of a particular class is different to the Base Currency of the Fund) shall be attributable exclusively to the Share class.

Hedged currency positions will not exceed 105% of the Net Asset Value of the relevant Share class. All transactions will be clearly attributable to the relevant Share class and currency exposures of different Share classes will not be combined or

offset. The Company does not intend to have under-hedged or over-hedged positions, however, due to market movements and factors outside the control of the Company, under-hedged and over-hedged positions may arise from time to time. The Company will have procedures in place to monitor hedged positions and to ensure that over-hedged positions do not exceed 105% of the Net Asset Value of the relevant Share class. As part of this procedure, the Manager will review hedged positions in excess of 100% of the Net Asset Value of the Share class on a monthly basis to ensure that they are not carried forward from month to month. In the event that the hedging in respect of a Share class exceeds 105% due to market movements or redemptions, the Investment Manager shall reduce such hedging appropriately as soon as possible thereafter.

#### 4.3. Investment and Borrowing Restrictions

Investment of the assets of each Fund must comply with the Regulations. A detailed statement of the general investment and borrowing restrictions applicable to all Funds is set out in Schedule III to the Prospectus. The Directors may impose further restrictions in respect of any new Fund, details of which will be set out in the relevant Supplement.

The Directors may also from time to time impose such further investment restrictions as may be compatible with or be in the interests of the Shareholders in order to comply with the laws and regulations of the countries where Shareholders of the Company are located or the Shares are marketed.

#### 4.4. Indices

The performance of a Fund will normally be measured against a specific Index.

Changes to the composition and/or weighting of the securities constituting the Index which is tracked by a Fund will ordinarily require that Fund to make corresponding adjustments or rebalancings to its holdings in order to seek to track the Index. The Investment Manager will in a timely manner and as efficiently as possible, but subject to its overall discretion in accordance with the investment policies of the relevant Fund seek to rebalance the composition and/or weighting of the investments held by a Fund from time to time and to the extent practicable and possible to conform its exposure to the changes in the composition and/or weighting of Index Securities constituting the Index corresponding to the Fund. Other rebalancing measures may be taken from time to time to seek to maintain the correspondence between the performance of a Fund and the performance of the Index.

The Investment Manager will rely solely on each Index Provider for information as to the composition and/or weighting of the Index Securities within each Index. If the Investment Manager is unable to obtain or process such information in relation to any Index on any Business Day, then the most recently published composition and/or weighting of that Index will be used for the purpose of all adjustments.

Shareholders should note that it may not be possible or practicable for a Fund to purchase all of the Index Securities of its respective Index in their proportionate weightings or to purchase them at all due to various factors, including the costs and expenses involved and the concentration limits described in Schedule III to the Prospectus. In these circumstances, the Investment Manager of a Fund may decide to hold a representative sample of the Index Securities selected by it. This may involve the use of sampling techniques by the Investment Manager in relation to a Fund. Sampling techniques involve the use of quantitative analysis to select securities from an Index in order to obtain a representative sample of Index

## 4. Powershares Global Funds Ireland Public Limited Company

### Continued

components. The level of sampling used in any Fund will be determined by the nature of the Index components.

There may also be instances where the Fund holds securities which are not component securities in the Index, if the Investment Manager believes this to be appropriate. For efficient portfolio management purposes, the Fund may also invest in Structured Notes which are listed or traded on a Regulated Market. Investing in Structured Notes would enable the Fund to gain an economic exposure to an equity security, a combination of equity securities or an index, whilst the Fund's primary credit risk would be to the issuer of the note. A Fund may also invest in financial derivative instruments, other collective investment undertakings (including undertakings linked by common management or control to each other or to the Company) and hold ancillary liquid assets, in each case subject to the restrictions set out in Schedule III to the Prospectus.

The Directors reserve the right, if they consider it in the interests of the Company or any Fund to do so and with the consent of the Custodian, to substitute another index for the Index if:

- (a) the weightings of constituent securities of the Index would cause the Fund (if it were to follow the Index closely) to be in breach of the Regulations;
- (b) the particular Index or index series ceases to exist;
- (c) a new index becomes available which supersedes the existing Index;
- (d) a new index becomes available which is regarded as the market standard for investors in the particular market and/or would be regarded as of greater benefit to the Shareholders than the existing Index;
- (e) it becomes difficult to invest in stocks comprised within the particular Index;
- (f) the Index provider increases its charges to a level which the Directors consider too high;
- (g) the quality (including accuracy and availability of data) of a particular Index has, in the opinion of the Directors, deteriorated; or
- (h) a liquid futures market in which a particular Fund is investing ceases to be available.

The Directors may change the name of a Fund, particularly if its Index is changed. Any change to the name of a Fund will be approved in advance by the Central Bank and the relevant documentation pertaining to the relevant Fund will be updated to reflect the new name. Where the change in a Fund's Index would result in a material difference between the constituents of the Index and the proposed Index, advance Shareholder approval will be sought. In circumstances where immediate action is required and it is not possible to obtain Shareholder approval in advance of a change in a Fund's Index, Shareholder approval will be sought for either the change in the Index or the winding up of the Fund as soon as reasonably practicable.

Any change in an Index will be notified in advance to the Central Bank and will be noted in the Annual Report and Semi-Annual Report of the relevant Fund issued after any such change takes place. Any new Index will be in compliance with the requirements of the Central Bank. Additional jurisdictional requirements imposed by the regulator in any jurisdiction in which a Fund is registered, will be set out in the relevant Supplement.

#### 4.5. Dividend Policy

The Company may declare and pay dividends on any class of Shares in the Company. The Company ordinarily intends to declare and pay dividends on the Shares of each Fund in respect of each financial year in which the total income of that Fund, net of fees and expenses, exceeds a de minimis amount to be determined by the Directors from time to time. Dividends shall be paid by way of bank transfer to an account notified to the Administrator by the Shareholder. In the event Directors resolve to change the dividend policy of a Share class full details of the change in dividend policy will be reflected in a revised Fund Supplement and all Shareholders will be notified in advance.

The Share classes for which an application for UK Reporting Status has been made will be listed within the Supplements of each individual Fund and the Annual Report. The Directors may decide to seek approval for other Share classes on an ad hoc basis. The Directors reserve the right, without prior notice, to change the range of Share classes for which UK Reporting Status will be sought (for further information please refer to the UK Country Supplement).

The dividend policy in respect of each Share class shall be set out in the relevant Supplement.

If the Directors so resolve, any dividend which has remained unclaimed for six years from the date of its declaration shall be forfeited and cease to remain owing by the Company and become the property of the relevant Fund.

## 5. Risk Factors

### General

Potential investors should consider the following risk factors before investing in the Company. Additional risk factors for any Fund may be set out in the relevant Supplement.

### Market Risk

A prospective investor should be aware that Investments are subject to normal market fluctuations and other risks inherent in investing in securities and other instruments. The prices of and the income generated by securities held by a Fund may decline in response to certain events, including those directly involving the companies and governments whose securities are owned by the Fund; general economic and market conditions; regional or global economic instability; and currency and interest rate fluctuations. There is no assurance that any appreciation in the value of Investments will occur or that the investment objectives of any Fund will actually be achieved. The value of Investments and the income derived therefrom may fall as well as rise and investors may not recoup the original amount invested in a Fund.

### Segregated Liability

The Company is structured as an umbrella fund with segregated liability between its Funds. As a matter of Irish law, the assets of one Fund will not be available to meet the liabilities of another. Any total return swaps which Funds may enter into from time to time will also contain express provisions entrenching such Irish law segregated liability principle. However, the Company is a single legal entity that may operate or have assets held on its behalf or be subject to claims in other jurisdictions that may not necessarily recognise such segregation.

### Listing of Shares

Even though the Shares are to be listed on one or more stock exchanges, there can be no certainty that there will be liquidity in the Shares on any stock exchange or that the market price at which the Shares may be traded on a stock exchange will be the same as or approximately equal to the Net Asset Value per Share. There can be no guarantee that once the Shares are listed on a stock exchange they will remain listed or that the conditions of listing will not change.

### Market Suspension Risk

Trading in Shares on a stock exchange may be halted or suspended due to market conditions or for the reason that, in the stock exchange's view, trading in the Shares is inadvisable, or otherwise pursuant to the stock exchange's rules. If trading on a stock exchange is halted, investors in Shares may not be able to sell their Shares until trading resumes.

### Currency Exchange risk

The Net Asset Value per Share will fluctuate according to changes in the market value of the securities held by a Fund, and changes in the exchange rate between the currency in which the securities held by a Fund are denominated and the Base Currency of the Fund. Investors are reminded that, even though the Net Asset Value per Share may be converted and reported in a currency denomination other than the Base Currency, there is no assurance that such converted amount can actually be achieved. Depending on an investor's currency of reference, currency fluctuations may adversely affect the value of an investment in a Fund.

### Valuation Risk

During periods of reduced market liquidity or in the absence of readily available market quotations for securities in a Fund's portfolio, the ability of a Fund to value its securities becomes more difficult and the judgment of the Investment Manager or its delegate may play a greater role in the valuation of the Fund's Investments due to reduced availability of reliable

objective pricing data. Consequently, while such determinations may be made in good faith, it may nevertheless be more difficult for a Fund to accurately assign a daily value to such Investments.

### Secondary Market

The following factors may result in a fluctuation of the secondary market price of Shares: (a) changes in the Net Asset Value per Share, (b) changes in the exchange rate between the currency(ies) in which the securities held by the relevant Fund are denominated and the currency in which the Shares are traded and (c) supply and demand factors on the stock exchange on which the Shares are traded. The Company cannot predict whether the Shares will trade below, at, or above their Net Asset Value per Share (when converted to the currency in which the Shares are traded). Price differences may be due, in large part, to the fact that supply and demand forces in the secondary market for a Fund's Shares will be closely related, but not identical, to the same forces influencing the prices of the Index Securities of that Fund's Index trading individually or in the aggregate at any point in time.

The Net Asset Value per Share and the secondary market price of Shares are expected to track each other through arbitrage. An Authorised Participant or other professional investor in calculating the price at which it would be willing to sell the Shares of a Fund on the secondary market (the offer price), or to buy such Shares (the bid price), will take account of the notional price at which it could purchase (when selling Shares), or sell (when buying Shares), the requisite amounts of Index Securities of the Index in respect of one or more Creation Unit(s) including Transfer Taxes (if applicable). Where the notional price of purchasing the Index Securities corresponding to a subscription for a Creation Unit is less, or the notional price of selling Index Securities corresponding to a redemption of a Creation Unit is more, than the secondary market price of Shares in a Creation Unit, as the case may be, then an Authorised Participant may choose to arbitrage the Fund by subscribing for or redeeming Creation Units. The Directors believe such arbitrage will help to ensure that the deviation of the trading bid and offer price per Share from the Net Asset Value per Share (after currency conversion) is generally minimised.

### Fund suspension risk

The Company may suspend calculation of the Net Asset Value and the subscription and redemption of Shares of one or more Funds under certain circumstances (see in section 7.13 "Temporary Suspensions"). During such suspension it may be difficult for an investor to buy or sell Shares, and the market price may not reflect the Net Asset Value per Share. In the event that the Company has to suspend the subscription and/or redemption of Shares of a Fund, or if a stock exchange on which a Fund's underlying investments are traded is closed, it is expected that larger discounts or premiums could arise.

### Counterparty risk

The Funds may enter into derivatives transactions or place cash in bank deposit accounts, which would expose the Funds to the credit of its counterparties and their ability to satisfy the terms of such contracts. In the event of a bankruptcy or insolvency of a counterparty, the Funds could experience delays in liquidating positions and significant losses, including declines in the value of investments during the period in which a Fund seeks to enforce its rights, inability to realise any gains on its investments during such period and fees and expenses incurred in enforcing its rights.

## 5. Risk Factors

### Continued

#### OTC Transaction Risk

A total return swap is an over the counter derivative in which one counterpart typically makes payments on a set rate, either a fixed or floating rate, against the return of an underlying asset. The underlying asset in this case can be a stock, bond, reference index or another type of financial instrument.

The fund may be exposed to a loss due to market risk depending on the underlying asset referenced within the swap.

Total return swaps are traded over-the-counter and therefore involve counterparty credit risk. There is no guarantee that a Fund will be able to enter into an offsetting closing transaction for a particular transaction.

#### Investing in unlisted securities

Although a Fund will generally invest in listed securities, pursuant to the Regulations a Fund has the right to invest up to 10% of its Net Asset Value in securities which are not traded on a Regulated Market. In such situations, a Fund may therefore be unable to readily sell such securities.

#### Issuer country risk

Listed companies and other issuers are generally subject to different accounting, auditing, and financial reporting standards in different countries throughout the world. The volume of trading, the volatility of prices, and the liquidity of securities may vary in the markets of different countries. In addition, the level of government supervision and regulation of securities exchanges, securities dealers and listed and unlisted companies is different throughout the world. The laws of some countries may limit the ability of the Investment Manager to invest in securities of certain issuers located in those countries.

#### Settlement risk

Different markets also have different clearing and settlement procedures. Delays in settlement could result in temporary periods during which a portion of the assets of a Fund is uninvested and a limited return or no return is earned thereon. The inability of the Investment Manager to acquire a security due to settlement problems could cause a Fund to miss investment opportunities. The inability to deliver portfolio securities due to settlement problems could result either in losses to a Fund due to subsequent market fluctuations of the portfolio security or, if a Fund has entered into a contract to sell the security, in possible liability of the Company to the purchaser.

#### Index Tracking

Unless otherwise stated, a Fund is not expected to track or replicate the performance of its respective Index at all times with perfect accuracy. Each Fund is, however, expected to provide investment results that, before expenses, generally correspond to the price and yield performance of its respective Index. The performance of a Fund may be negatively affected by a general decline of the securities or the market segment relating to the Index. Each Fund invests in the securities included in, or representative of, the Index regardless of their investment merit.

The following factors may adversely affect the tracking by a Fund of its respective Index:

- (a) a Fund must pay various expenses, while the Index does not reflect any expenses;
- (b) a Fund must comply with regulatory constraints, such as the Investment and Borrowing Restrictions (as set out in Schedule III), that do not affect the calculation of its respective Index;

- (c) the existence of uninvested assets in the Fund (including cash and deferred expenses);
- (d) the timing difference between when the Index reflects the event of dividends and when a Fund reflects the event of dividends;
- (e) the temporary unavailability of certain Index Securities; and
- (f) to the extent that a Fund is not invested identically in respect of the composition and/or weighting of the Index Securities of its respective Index, and securities in which it is underweighted or overweighted in relation to its respective Index perform differently from its respective Index as a whole.

Although the Investment Manager will regularly monitor the level of correspondence of the performance of a Fund with the performance of the relevant Index (i.e. the “tracking accuracy”), there can be no assurance that any Fund will achieve any particular level of tracking accuracy. The Annual Report and Semi-Annual Report of the Company will disclose the level of tracking accuracy for each Fund over the relevant periods.

Whilst certain Funds will seek to track or replicate the performance of an Index, there can be no guarantee of this.

In seeking to track an Index, the Investment Manager will not normally reduce or increase a Fund’s holdings in or exposure to any Index Security when to do so would reduce the tracking accuracy. Therefore, if an Index Security is decreasing in value, the Fund will generally continue to hold such security (or any other securities which give exposure or equivalent price performance to such an Index Security’s price performance) until the weight of the Index Security is reduced in the Index, or the Index Security is removed from the Index, by the Index Provider. The Investment Manager will not adjust the composition of the portfolio except to closely correspond to the performance of the Index. A Fund does not try to “beat” the market it tracks and does not seek temporary defensive position when the market declines or when the market is judged to be overvalued. Accordingly, a fall in the Index will result in a corresponding fall in the Net Asset Value of the Fund.

The composition of the Index may change as the Index Provider may exclude securities from the list of the Index Securities and may include new Index Securities in accordance with the Index eligibility criteria or securities may be delisted. When this happens the weightings or composition of the securities would be changed as considered appropriate by the Investment Manager in order to achieve the investment objective. Thus, an investment in the Shares will generally reflect the relevant Index as the Index Securities change and not necessarily the way it is comprised at the time of an investment in the Shares.

There can be no assurance that an Index will continue to be calculated and published on the basis described in this Prospectus or that it will not be amended significantly. The past performance of an Index is not necessarily a guide to its future performance.

No Index Provider has any obligation to take the needs of the Company or the Shareholders into consideration in determining, composing or calculating any Index and the Index Securities which comprise the Index are determined and composed by the Index Provider without regard to the performance of the Fund. The Funds are not sponsored, endorsed, sold or promoted by the Index Provider. The Index Provider makes no representation or warranty, express or

## 5. Risk Factors

### Continued

implied, to investors in the Funds or other persons regarding the advisability of investing in securities generally or in any particular Fund. The Index Provider has no obligation to take the needs of the Manager, the Investment Manager or investors in the Funds into consideration in determining, composing or calculating the Index and consequently there can be no guarantee that its actions will not prejudice the interests of the Funds, the Manager, the Investment Manager or investors. In addition, the accuracy and completeness of the calculation of the Index may be affected by, without limitation, the availability and accuracy of prices for the Index Securities, market factors and errors in its compilation. Please refer to the section of the Prospectus entitled "Index Disclaimers" for further details.

The Investment Manager has been granted a licence by the Index Provider to use the Index in order to create a Fund based on the relevant Index and to use certain trademarks and any copyright in an Index. A Fund may not be able to fulfil its objective and may be terminated if the licence agreement between the Investment Manager and the Index Provider is terminated. For further information, please refer to the section 4.4 "Indices".

The performance of each Fund may be negatively affected by a general decline of the securities or the market segment relating to the Index. Each Fund invests in the securities included in, or representative of, the Index regardless of their investment merit.

Consistent with its investment policies, a Fund will purchase and sell securities without regard to the effect on portfolio turnover. Higher portfolio turnover will cause a Fund to incur additional transaction costs.

A Fund whose respective Index is oriented to a specific economic sector, country or region will (subject to the diversification requirements set out in the Investment and Borrowing Restrictions at Schedule III) concentrate in the securities of issuers relating to that economic sector, country or region, and will be particularly subject to the risks of adverse political, industrial, social, regulatory, technological and economic events affecting such sector, country or region.

#### **Credit risk**

A Fund will be exposed to a credit risk on parties with whom it trades and may also bear the risk of settlement default. Credit risk is the risk of loss on an investment due to the deterioration of an issuer's financial standing. Such a deterioration may result in a reduction of the credit rating of the issuer's securities and may lead to the issuer's inability to honour its contractual obligations, including making timely payment of interest and principal. Credit ratings are a measure of credit quality. Although a downgrade or upgrade of an Investment's credit ratings may or may not affect its price, a decline in credit quality may make the Investment less attractive, thereby driving its yield up and its price down. Declines in credit quality can result in bankruptcy for the issuer and permanent loss of investment. In the event of a bankruptcy or other default, the relevant Fund could experience both delays in liquidating the underlying securities and losses including a possible decline in value of the underlying securities during the period when the relevant Fund seeks to enforce its rights thereto. This will have the effect of reducing levels of capital and income in the Fund and lack of access to income during this period together with the expense of enforcing the Fund's rights.

#### **Investing in high yield securities**

Securities that are below investment grade (generally defined as below BBB- by leading rating agencies) are regarded as having predominately speculative characteristics with respect to the capacity to pay interest and repay principal.

Investment in such securities brings an increased risk of default on repayment and therefore increases the risk that the income and capital of the Fund will be affected.

As a general rule, fixed interest securities with an above average yield tend to be less liquid than securities issued by issuers with a higher investment grade. Furthermore, the solvency of issuers of such fixed interest securities may not be guaranteed in respect of either the principal claim or regarding the interest payments and it may not be excluded that such issuers may become insolvent.

#### **Trading price**

The market price of the Shares of a Fund will fluctuate in accordance with changes in its Net Asset Value and supply and demand on the Relevant Stock Exchange. The Directors expect that the Shares will be actively traded and that a liquid market will develop. However, there is no guarantee that this will occur in practice or that the Shares of a Fund will trade at their Net Asset Value. As the Shares of any class of a Fund may be dealt in by means of subscription and redemption (albeit normally in large multiples only other than in the case of cash redemptions as described in section 7.7 "Cash Redemptions"), the Directors believe that large discounts or premiums to the Net Asset Value of a Fund should not be sustainable. While the creation/redemption feature is designed to make it likely that Shares will trade closely to their Net Asset Value, disruptions to creations and redemptions may result in trading prices that differ significantly from the Net Asset Value.

#### **Investing in Financial Derivative Instruments**

There are certain investment risks that apply in relation to the use of financial derivative instruments. Derivatives may be used to provide protection for an investment or as a cheaper and more liquid alternative for an investment. However should the Investment Manager's expectations in employing such techniques and instruments be incorrect or ineffective, a Fund may suffer a substantial loss, having an adverse effect on the Net Asset Value of the Shares.

A Fund may use financial derivative instruments for efficient portfolio management or to attempt to hedge or reduce the overall risk of its investments or, if disclosed in relation to any Fund in a Supplement, financial derivative instruments may be used as part of the principal investment policies and strategies. Such strategies might be unsuccessful and incur losses for the Fund, due to market conditions. A Fund's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations. Investments in financial derivative instruments are subject to normal market fluctuations and other risks inherent in investment in securities. In addition, the use of financial derivative instruments involves special risks, including:

- dependence on the Investment Manager's ability to accurately predict movements in the price of the underlying security;
- imperfect correlation between the movements in securities or currency on which a financial derivative instruments contract is based and movements in the securities or currencies in the relevant Fund;
- the absence of a liquid market for any particular instrument at any particular time which may inhibit the ability of a Fund to liquidate a financial derivative instrument at an advantageous price;
- a leverage risk which exists when a Fund purchase or sells an instrument or enters into a transaction without investing cash in an amount equal to the full economic exposure of the instrument or transaction

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## 5. Risk Factors

### Continued

and a Fund could lose more than it invested. Leveraged transactions multiply the risk of potential losses when position results are contract to expected market directions, compared to direct holdings, and may add significant risks because of added payment obligations.

#### **Stock lending**

Where a Fund engages in stocklending transactions, under such arrangements it will receive collateral from a borrower in respect of each transaction. Despite holding collateral, the Fund could still be exposed to a risk of loss should a borrower default on its obligation to return the borrowed securities. The risk of loss associated with the borrower's failure to return the securities in a timely manner or not at all is mitigated by contractual indemnification provided by the stocklending agent.

The acceptable form of collateral is to be limited to cash and high quality government securities only and the amount of collateral obtained under a stocklending arrangement must be of at least 100% of the daily marked to market value of the stocks on loan and if the Fund is not able to recover the securities loaned, the collateral will be sold and cash proceeds will be used to replace securities in the marketplace. A deficiency in the cash proceeds available to replace the loaned security is at the credit risk of the stocklending agent under their contractual indemnification. As a result of a daily mark-to-market practice, collateral levels are restored daily in line with market movement of the value of the underlying securities loaned. Stocklending activities entail a risk of loss to the Fund if and to the extent that the market value of the loaned securities increases intra-day and the collateral received has not increased accordingly.



## 6. Management and Administration

The Directors control the affairs of the Company and are responsible for the overall investment policy, which will be determined by them and given to the Manager. The Manager has delegated certain of its duties to the Investment Manager and Administrator.

### 6.1. The Directors

The Company shall be managed and its affairs supervised by the Directors whose details and country of residence are set out below. The Directors are all non-executive directors of the Company.

**Brian Collins** (Irish) held various positions in Bank of Ireland Corporate Banking, mainly dealing with large international and Irish corporations for 14 years to 1986. In 1986 he set up the Bank of Ireland operation in Hong Kong where he resided for 6 years. In 1992 he was appointed Managing Director of Bank of Ireland International Finance. In 1996 he was appointed Managing Director of Bank of Ireland Securities Services, the custody and fund administration arm of Bank of Ireland. There he had responsibility for client assets in excess of €120 billion. Mr. Collins is a former chairman of the Dublin Funds Industry Association and chairman of An Taoiseach's Fund Industry Committee. Mr. Collins is a fellow of the Institute of Bankers in Ireland and holds a Business Study degree from Trinity College, Dublin. Mr. Collins holds other non-executive directorships, mostly in the fund management industry.

**Karen Dunn Kelley** (American) is a senior managing director and is the chief executive officer (CEO) of Invesco Fixed Income responsible for Invesco's fixed income business, equity trading, and investments administration. She is also co-chair of the Investors' Forum, a member of Invesco's Worldwide Institutional Strategy Committee, president and principal executive officer of Short-Term Investments Trust and AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), and serves on the boards for the Short-Term Investments Company (Global Series) plc, Invesco Global Management Company Limited and Invesco Mortgage Capital Inc.

Ms. Dunn Kelley joined Invesco in 1989 as a money market portfolio manager. In 1992, she was named chief money market and government officer. In 1994, Ms. Dunn Kelley was responsible for creating the Short-Term Investments Co. (Global Series) plc portfolios. In April 2007, she was named chief executive officer of Invesco's newly combined fixed income and cash management teams.

Ms. Dunn Kelley has been in the investment business since 1982 and began her career at Drexel Burnham Lambert on the Fixed Income High Grade Retail Desk. In 1985, she was promoted to vice president and assistant manager. In 1986, Ms. Dunn Kelley joined Federated Investors (Pittsburgh) and became involved in the asset management business aspect of the fixed income division.

Ms. Dunn Kelley graduated magna cum laude with a B.S. from the Villanova University College of Commerce and Finance.

**Douglas J. Sharp** (Canadian) is the Head of Cross-Border Retail and EMEA Strategy at Invesco since March 2013. In this role, he is responsible for the strategy and management of the cross border retail business, including sales, marketing and product development activities, across Continental Europe and the Middle East. Mr. Sharp is also responsible for the Exchange Traded Fund business in EMEA, including distribution, product and capital markets activities. Mr. Sharp is a member of the EMEA Executive Committee and chairs the Cross-Border Distribution Management group at Invesco. Mr. Sharp also works with the senior team in EMEA to lead business strategy

and planning efforts, as well as key strategic initiatives at Invesco.

Prior to his role, he served as the Head of Strategy and Business Planning for Invesco from January 2010 until August 2012. In this role he was responsible for the global strategic planning process, including the identification, prioritisation and, in some cases, execution of strategic initiatives for Invesco. He was also involved in various acquisition related activities during his ten years in the role.

Mr. Sharp served as the Chief Administrative Officer of Invesco Institutional from January 2008 until January 2010, working closely with senior leadership to improve the effectiveness of both investment and sales capabilities targeted to institutional clients, both in the United States and globally.

Mr. Sharp joined Invesco from the strategy consulting McKinsey & Co. where he served clients in the financial services, energy and logistics sectors from August of 2005 until January of 2008.

Mr. Sharp earned an MBA from the Tuck School of Business at Dartmouth College, a master's degree in accounting from Georgia State University, and a BA in economics from McGill University. He is a licensed Certificate Public Accountant (CPA) in the State of Georgia.

**Cormac O'Sullivan** (Irish) is Head of the Program Management Office (Europe), part of a global group, which provides project management consultancy and support across the Invesco organisation. Mr. O'Sullivan joined Invesco in 2000 and has served in various management roles and capacities. In 2010 he was appointed Head of the Dublin Office with responsibility for the effective oversight and coordination of risk, controls and communications of that office. He chairs several EMEA management committees and is a member of the EMEA Operations Management Group.

Mr. O'Sullivan is a Director of Invesco Global Asset Management Company Limited, an Irish management company and Invesco Management S.A, a Luxembourg management company. He is also a Director of a number of Invesco promoted funds. Prior to joining Invesco in 2000, Mr. O'Sullivan worked with the Bank of Ireland in a number of progressive roles within their information technology division. Mr. O'Sullivan is a member of the Institute of Bankers in Ireland.

**John Rowland** (British) is Managing Director responsible for Invesco's worldwide Investment Operations teams. Previous positions within Invesco include European Chief Operating Officer and Global Head of Information Technology. He joined Invesco in April 2002. His experience in the funds management industry spans 20 years and was gained in various firms and locations. Before joining Invesco, he was Global Head of IT for AXA Investment Managers based first in Paris and then in London. Before that, he headed the technology function in National Mutual Funds Management of Melbourne, Australia.

**Leslie Schmidt** (American), Certificate Public Accountant (CPA), serves as President and CEO of Invesco National Trust Company. She is also Senior Vice President of Invesco Advisers, Inc., a U.S. registered investment adviser subsidiary of Invesco Ltd. Since 1992 Ms. Schmidt has served in various roles and capacities with Invesco Ltd. and its various investment advisory and distributor subsidiaries in various locations. She is also a director of a number of Invesco related funds/companies, including Invesco Management S.A, Invesco Funds SICAV, Short-Term Investment Company (Global Series) plc, Invesco Global Asset Management Limited, Invesco India (Mauritius) Ltd and Invesco National Trust Company. Prior to

## 6. Management and Administration

### Continued

joining Invesco, Ms. Schmidt spent seven years with KPMG Peat Marwick in a number of progressive auditing roles primarily in the investment services area. Ms. Schmidt is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants. Ms. Schmidt is chairman of PowerShares Global Funds Ireland plc and has had no changes to any other significant commitments during the year ending 30 September 2013.

**Adrian Waters** (Irish) is a Fellow of The Institute of Chartered Accountants in Ireland. He has been awarded Chartered Director status by the UK Institute of Directors. He is the Principal of Fund Governance Solutions, an independent funds consultancy. He has over 20 years' experience in the investment funds industry. From 1993 to 2001, he held various executive positions within The BISYS Group, Inc. (now part of the Citi Group), including Chief Executive Officer of BISYS Fund Services (Ireland) Limited and finally as Senior Vice President - Europe for BISYS Investment Services out of London. From 1989 to 1993, he was employed by the Investment Services Group of PricewaterhouseCoopers in New York and prior to that by Oliver Freaney and Company, Chartered Accountants, in Dublin. Mr Waters holds a Bachelor of Commerce degree and a Post Graduate Diploma in Corporate Governance both received from University College Dublin in 1985 and 2005, respectively. He is an independent director of several other investment funds.

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#### 6.2. The Manager

The Company has appointed Invesco Global Asset Management Limited as its manager pursuant to the Management Agreement. Under the terms of the Management Agreement, the Manager has responsibility for the management and administration of the Company's affairs together with the marketing and distribution of the Shares, subject to the overall supervision and control of the Directors.

The Manager has delegated:

- (a) the investment management functions in respect of each Fund to the Investment Manager; and
- (b) the administrative functions to the Administrator.

The Manager may from time to time appoint other entities in relation to the distribution of Shares, which entities shall be paid out of the fee payable to the Manager and/or out of the subscription proceeds for such Shares.

The Manager is an indirect wholly-owned subsidiary of Invesco Ltd, a company incorporated in Bermuda. The Manager was incorporated in Ireland on 23 January 1992 as a company limited by shares under company registration number 183551. The issued share capital of the Manager is USD9.25 million and the authorised share capital is USD10 million and the secretary of the Manager is Invesco Asset Management Limited. The Manager's main business is the provision of fund management and administration services to collective investment schemes such as the Company. The directors of the Manager are Ms Marie-Hélène Boulanger, Mr Brian Collins, Mr Oliver Carroll, Mr Douglas J. Sharp, Mr Carsten Majer, Mr Cormac O'Sullivan, and Ms Leslie Schmidt.

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#### 6.3. The Investment Manager

The Manager has delegated responsibility for the investment and re-investment of the Company's assets to Invesco PowerShares Capital Management LLC pursuant to the Investment Management Agreement. The Investment Manager will be responsible to the Manager in regard to the management of the investment of the assets of the Company,

subject always to the supervision and direction of the Directors and the Manager. The Investment Manager and is incorporated under the laws of Delaware, United States and a wholly owned subsidiary of Invesco Limited. The Investment Manager is a leading fund management company with assets in excess of US\$ 81.5 billion under management as at 30 September 2013. The Investment Manager is registered as an investment adviser with the Securities Exchange Commission.

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#### 6.4. The Custodian

The Company has appointed BNY Mellon Trust Company (Ireland) Limited to act as the Custodian to the Company. The Custodian is a private limited liability company incorporated in Ireland on 13 October 1994. The principal activity of the Custodian is to act as the custodian and trustee of the assets of collective investment schemes. The Custodian is authorised by the Central Bank under the Investment Intermediaries Act, 1995 as amended.

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#### 6.5. The Administrator

The Company has appointed BNY Mellon Fund Services (Ireland) Limited to act as administrator, registrar and transfer agent of the Company with responsibility for performing the day to day administration of the Company, including the calculation of the Net Asset Value and the Net Asset Value per Share of each Fund. The Administrator is a private limited company incorporated in Ireland on 31 May 1994 and is engaged in the provision of fund administration, accounting, registration, transfer agency and related shareholders services to collective investment schemes and investment funds. The Administrator is authorised by the Central Bank under the Investment Intermediaries Act, 1995 as amended.

Both the Administrator and the Custodian are wholly-owned indirect subsidiaries of The Bank of New York Mellon Corporation. The Bank of New York Mellon Corporation is a global financial services company focused on helping clients manage and service their financial assets, operating in 34 countries and serving more than 100 markets. The company provides financial services for institutions, corporations and high-net-worth individuals, providing asset management and wealth management, asset servicing, issuer services, clearing services and treasury services through a worldwide team. As at 30 June, 2013 it had more than US\$26.2 trillion in assets under custody and administration, US\$1.4 trillion in assets under management.

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#### 6.6. Computershare Transfer Agent

The Manager has appointed Computershare Investor Services (Ireland) Limited to act as registrar and transfer agent solely in respect of the shares which are subscribed in the Company through Euroclear pursuant to the Computershare Transfer Agency Agreement.

The Computershare Transfer Agent is a limited liability company incorporated in Ireland on 10 October, 1995 and is, ultimately, a wholly owned subsidiary of Computershare Limited, an Australian company. Computershare is a leading financial services and technology provider to the global securities industry, providing services and solutions to listed companies, investors, employees, exchanges and other financial institutions.

## 6. Management and Administration

### Continued

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#### 6.7. Index Providers

The Company may enter into a licensing agreement with an Index Provider in relation to any Fund, as disclosed in the relevant Supplement.

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#### 6.8. Conflicts of Interest

Subject to the investment policies established by the Board of Directors, the Investment Manager is primarily responsible for the selection and execution of each Fund's investments (including, if applicable, foreign exchange transactions) and the allocation of brokerage commissions. The Company has no obligation to deal with any specific broker or group of brokers in executing transactions for a Fund and will select brokers who will provide the best overall service to the Company. Such transactions may be conducted through affiliates of the Manager or the Investment Manager, provided always that any such affiliate will transact such transactions in accordance with paragraph (iii) below.

Due to the widespread operations which are or may be undertaken by the Directors, the Manager, the Investment Manager, the Administrator and the Custodian and (where applicable) their respective holding companies, subsidiaries and affiliates (each an "Interested Party"), conflicts of interest may arise. Subject to the provisions below, the Interested Parties may effect transactions where those conflicts arise and shall not (subject as below) be liable to account for any profit, commission or other remuneration arising.

In the event that a conflict of interest does arise, the Directors will endeavour, so far as they are reasonably able, to ensure that it is resolved fairly and that investment opportunities are allocated on a fair and equitable basis.

In addition, the following conflicts of interest may arise.

- (i) an Interested Party may acquire or dispose of any Investment notwithstanding that the same or similar investments may be owned by or for the account of or otherwise connected with the Company;
- (ii) an Interested Party may acquire, hold or dispose of Investments notwithstanding that such Investments had been acquired or disposed of by or on behalf of the Company by virtue of a transaction effected by the Company in which the Interested Party was concerned provided that the acquisition by an Interested Party of such Investments is effected on normal commercial terms negotiated on an arm's length basis and such Investments held by the Company are acquired on the best terms reasonably obtainable having regard to the best interests of Shareholders;
- (iii) an Interested Party may deal with the Company as principal or as agent, provided that any such dealings are in the best interests of Shareholders and are carried out as if effected on normal commercial terms and negotiated on an arm's length basis i.e. if:
  - A. a certified valuation of the transaction is obtained from a person approved by the Custodian (or the Directors in the case of a transaction with the Custodian) as independent and competent; or
  - B. the transaction is executed on best terms reasonably obtainable on an organised investment exchange in accordance with the rules of such exchange; or

- C. where A and B are not practical, execution is on terms with which the Custodian (or the Directors in the case of a transaction with the Custodian) is satisfied and conforms with the principle that the transaction is in the best interest of the Shareholders and is carried out as if effected on normal commercial terms negotiated at arm's length;

- (iv) certain of the Directors of the Company are or may in the future be connected with the Investment Manager and its affiliates. However, in their capacity as Directors of the Company they will function as persons with independent fiduciary duties and will not be subject to the control of the Investment Manager. For the avoidance of doubt, the Directors shall not be liable to account to the Company in respect of such conflict for example as a result of receiving remuneration as directors or employees of the Manager or Investment Manager;
- (v) where the Company makes an investment in any other collective investment scheme managed by a member of Invesco Limited (a "linked scheme") neither an initial, redemption nor switching fee will be charged to the Company. The annual management fee to which the Manager and/or the Investment Manager is entitled in respect of investment by the Company in the linked scheme will (a) be waived provided if the management fee paid by the Company to the Manager and/or the Investment Manager is lower than the management fee of the linked scheme or (b) to the extent that the management fee paid by the Company to the Manager and/or the Investment Manager is higher, the Company and the Manager and/or the Investment Manager will charge only the amount by which such management fee is higher.
- (vi) the Company may purchase or hold an investment the issuer of which is an Interested Party or where an Interested Party is its adviser or banker.

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#### 6.9. Meetings

Shareholders in the Company will be entitled to attend and vote at general meetings of the Company. The annual general meeting of the Company will be held in Ireland normally within six months of the end of each financial year of the Company. Notices convening each annual general meeting will be sent to Shareholders together with the Annual Report not less than twenty-one days before the date fixed for the meeting.

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#### 6.10. Accounts and Information

The Company's accounting period ends on 30 September of each year.

The Company will prepare an Annual Report, a copy of which will be available to Shareholders four months after the end of the financial period to which it relates. Copies of the Semi-Annual Report (made up to 31 March of each year), will also be available to Shareholders two months of the end after the half year period to which it relates. Both of these Reports will be sent to the Central Bank and the Companies Announcement Office of the Irish Stock Exchange within the same time periods. Shareholders will be sent a copy of both of these Reports. In addition copies of the Annual Report and Semi-Annual Report will be made available to Shareholders on the Website.

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## **6. Management and Administration**

### **Continued**

Copies of this Prospectus, the Supplements, the KIIDs and the Reports of the Company may be obtained from the Administrator at the address given in section 3 “Directory” and on the Website.

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#### **6.11. Communications with Shareholders**

Communications with Shareholders may be effected by electronic mail or by any other means of communication, provided that the Shareholder has consented to such method of communication. Copies of any documents sent to Shareholders will be available for inspection at the office of the Administrator. Communications with Shareholders will also be published on the Website. Shareholders should regularly visit the Website, or request that their stockbrokers or other financial agents do so on their behalf, to ensure that they obtain such information on a timely basis.

## 7. Valuation, Subscriptions and Redemptions

### 7.1. Calculation of Net Asset Value

The Net Asset Value of each Fund is expressed in its Base Currency. The calculation of the Net Asset Value of each Fund and of each class of Shares within a Fund will be carried out by the Administrator in accordance with the requirements of the Articles, and details are set out in section 11 “Statutory and General Information”. Except when the determination of the Net Asset Value of any Fund has been suspended or postponed in the circumstances set out in section 7.13 “Temporary Suspensions”, the calculation of the Net Asset Value of each Fund, the Net Asset Value of each class and the Net Asset Value per Share will be prepared as at each Valuation Point and will be available to Shareholders on request. The Net Asset Value per Share of each class shall also be made public at the offices of the Administrator during normal business hours on each Business Day and will be published on electronic media such as the Website. The Net Asset Value of any class of Shares within a Fund will be determined by deducting the share of liabilities attributable to that class from the share of the assets attributable to the class. The Net Asset Value attributable to each Share of each class will be determined by dividing the Net Asset Value of the class by the number of Shares of that class.

### 7.2. Subscriptions

#### 7.2.1. General

The Directors have resolved that Shares in the Company will be issued in dematerialised (or uncertificated) form. Shares will be in registered form and no temporary documents of title will be issued. Shares in a Fund will be issued in Dematerialised Form in one or more Clearing and Settlement Systems subject to the issue of a global certificate where required by a clearing system in which Shares are held. No individual certificates for Shares will be issued by the Company.

All Shares will be evidenced by entry on the Company’s register of Shareholders. Shares may only be issued fully paid up.

The Company has absolute discretion to accept or reject in whole or in part any application for Shares without assigning any reason therefor. The Company may impose such restrictions as it believes necessary to ensure that no Shares are acquired by persons who are not Qualified Holders, Qualified Purchaser or expose the Company to adverse tax or regulatory consequences.

During an Initial Offer Period, Shares will be issued on terms as set out in the Supplement for the relevant Fund and thereafter at the next calculated Net Asset Value per Share of the relevant Fund. The Company will not issue fractions of Shares.

No Shares of any Fund will be issued or allotted during a period when the determination of the Net Asset Value of that Fund is suspended.

Subscriptions for each class shall be for such minimum number of Shares as the Manager may determine and as set out in the relevant Supplement. Such number may be reduced in any case at the discretion of the Manager.

Existing Shareholders may subscribe for further Shares by making an application in writing using a subscription form or by fax provided that all ongoing anti-money laundering and client identification checks are complete.

#### 7.2.2. Calculation of the Subscription Price

Any applications for subscriptions will be dealt with by reference to the Net Asset Value per Share next calculated after the Dealing Deadline, as specified the Supplement for the

relevant Fund, for those applications on the relevant Dealing Day.

#### 7.2.3. Settlement

Applicants who subscribe for Shares in-kind will for settlement purposes have access to an account in one or more Clearing and Settlement Systems. Investors who purchase Shares and who are not participants in Clearing and Settlement Systems will have indirect access to such settlement systems through professional financial intermediaries, such as banks, custodians, brokers, dealers, and trust companies which clear through or maintain a custodial relationship with participants in such settlement systems.

Distributions of dividends and other payments with respect to Shares in the Company held through Clearing and Settlement Systems will be credited to the cash accounts of such Clearing and Settlement Systems’ participants in accordance with the relevant system’s rules and procedures. Any information or Company communications to Shareholders holding Shares in a settlement system, including voting or proxy materials, Annual Reports etc., will be transmitted to those settlement systems capable of receiving and processing such information for transmission to Shareholders.

Secondary Market sales of Shares or purchases of Shares will be conducted in accordance with the normal rules and operating procedures of the Relevant Stock Exchange(s) and settlement systems and will be settled using the normal procedures applicable to trading securities.

#### 7.2.4. Re-positioning

Shareholders of a Fund may, upon the completion of the relevant section of the application form, determine to reposition their holdings of Shares in a Fund from their account at one Clearing and Settlement System to an account in the name of such Shareholder held at another Clearing and Settlement System. Requests to re-position holdings should be made to the Administrator on the relevant Dealing Day.

#### 7.2.5. Anti Money Laundering and Counter Terrorist Financing

The Manager and the Administrator are subject to anti-money laundering and counter-terrorist financing obligations under the Criminal Justice (Money Laundering & Terrorist Financing) Acts, 2010 and 2013 as amended from time to time and regulations issued thereunder. To meet these obligations, the Manager and the Administrator are required to apply due diligence measures to investors, including but not limited to establishing and verifying the identities of applicants, Shareholders and beneficial owners, as well as conducting ongoing due diligence and scrutinising Shareholders’ transactions during the course of the business relationship. The Administrator will notify applicants of the verification of identity required and the forms of verification that are acceptable. The extent and form of the documentation and information required will depend on the nature of the applicant and will be at the discretion of the Administrator.

Existing Shareholders may be requested to provide additional or updated verification documents from time to time pursuant to the Manager’s and Administrator’s ongoing client due diligence requirements under the Criminal Justice (Money Laundering & Terrorist Financing) Acts, 2010 and 2013 as amended from time to time.

## 7. Valuation, Subscriptions and Redemptions

### Continued

#### 7.3. In-Kind Subscriptions

##### 7.3.1. General

Shareholders in a Fund, where the relevant Fund permits in-kind subscriptions, may subscribe for Shares in-kind, only in Creation Units, on each Dealing Day (except during any period in which the calculation of the Net Asset Value is suspended) provided that the Directors and the Custodian are satisfied the terms of such subscription In-kind will not result in any material prejudice to the existing Shareholders. "In-kind" means that, rather than receiving cash in respect of a subscription, the Company will receive Investments (or predominantly Investments).

Investments delivered in connection with in-kind subscription requests will be valued in accordance with the provisions of this Prospectus. The value attributed to Investments delivered in connection with in-kind subscription requests will be equivalent to that for cash subscriptions, and no Shares shall be issued until all Investments and cash payable to the Custodian (or a permitted collateral amount) are in the possession of, or properly credited to the account of, the Custodian.

##### 7.3.2. Subscription Price

The Initial Offer Price per Share and per Creation Unit for each Fund is set out in the relevant Fund Supplement. Thereafter, the subscription price for each Creation Unit will be the aggregate of the daily Net Asset Values per Share on the relevant Dealing Day of the Shares comprising the Creation Unit plus, in respect of each Creation Unit, the relevant In-Kind Transaction Fee (as set out in each Fund Supplement) and, if applicable, any Transfer Taxes and any additional payments in the event of failure to deliver the Portfolio Deposit as described below. The subscription price per Creation Unit will be payable by transferring the securities portion of the Portfolio Deposit, plus or minus (as the case may be) the Cash Component of the Portfolio Deposit, plus a cash amount equal to the relevant In-Kind Transaction Fee and any applicable Transfer Taxes.

##### 7.3.3. Creation Units

The minimum number of Shares for in-kind creations is one Creation Unit (corresponding in each case to the number of Shares indicated in a Supplement for a Fund). Applications for subscription of Shares in-kind in that Fund must be in integer multiples of that Fund's Creation Unit.

##### 7.3.4. Procedure for Subscribing for Creation Units

###### *Publication of Portfolio Composition File*

By the Publication Time on each Dealing Day, the Administrator will publish the Portfolio Composition File via one or more market data suppliers and this is published by the Investment Manager on the Website.

###### *Applications for Subscription*

Applications for Creation Units must be made in-kind upon application to the Administrator before the Dealing Deadline in accordance with the specific procedures made available by the Administrator. Any applications received after that time will normally be held over until the next Dealing Day but may be accepted for dealing on the relevant Dealing Day (at the discretion of the Directors) provided that such applications are received prior to the Valuation Point for such Dealing Day. Except when the calculation of the Net Asset Value per Share is suspended, or as otherwise determined by the Company, all applications for Creation Units will be binding and irrevocable.

###### *Notification of Cash Component, In-Kind Transaction Fee and Transfer Taxes*

On the Valuation Date corresponding to the Dealing Day on which receipt of an application for Creation Units is accepted, the Administrator will report to the applicant the amount of the Cash Component, In-Kind Transaction Fee and Transfer Taxes, if any, to be delivered by the applicant to the Custodian with the Portfolio Deposit. In limited circumstances, the securities portion of the Portfolio Deposit may differ from the Portfolio Composition File as a result of corporate actions or events affecting the securities detailed therein. The Company reserves the right to permit delivery of a previously agreed basket of Investment by way of a Portfolio Deposit which is different from the Portfolio Composition File. Delivery of securities in the Portfolio Deposit will be on a free delivery settlement basis.

###### *Settlement Period*

The standard settlement period for Creation Units subscriptions is three Business Days following the Business Day on which the application for subscription is accepted. This may vary depending upon the standard settlement periods of the different stock exchanges on which the Shares are traded and the nature of the securities comprised in the Portfolio Deposit but shall not in any event exceed ten Business Days from the relevant Dealing Day. No Shares of a Creation Unit will be issued to the applicant until all the securities in the Portfolio Deposit have been received by the Custodian and the requisite Cash Component, In-Kind Transaction Fee and, if applicable, Transfer Taxes have been received by the Custodian.

###### *Failure to Deliver Securities*

In the event that an applicant fails to deliver to the Custodian one or more of the securities set out in the Portfolio Composition File by the designated time, the Company may reject the application for subscription, or may require the applicant to pay to it a collateral sum at least equal to 115% of the closing value of such undelivered securities on the Valuation Date for the relevant Dealing Day, marked to market until the date of delivery of such undelivered securities or the date on which the Company acquires such securities in the open market, plus any Transfer Taxes associated with the purchase by the Company of those securities or may require a letter of credit acceptable to it for such purpose. On the payment of such amounts, the relevant Creation Unit will be issued. In the event that the actual cost to the Company of acquiring the securities (including any Transfer Taxes) exceeds the aggregate of the value of such securities on the Valuation Date for the relevant Dealing Day, the In-Kind Transaction Fee and, if applicable, the Transfer Taxes paid by the applicant, the applicant will be required to promptly reimburse the Company the difference on demand. The Company will have the right to sell or redeem all or part of the applicant's holding of Creation Units in the Fund (or any other Fund) in order to meet some or all of these charges.

#### 7.4. Cash Subscriptions

##### 7.4.1. General

Applications for Shares must be received by the Administrator by the Dealing Deadline. Any applications received after that time will normally be held over until the next Dealing Day but may be accepted for dealing on the relevant Dealing Day (at the discretion of the Directors) provided that such applications are received prior to the Valuation Point for such Dealing Day.

The Directors may at any time require a prospective investor to furnish it with such information as it may consider necessary for the purpose of determining whether or not the beneficial owner of such Shares is or will be a Qualified Holder or Qualified Purchaser.

## 7. Valuation, Subscriptions and Redemptions

### Continued

A Shareholder may subscribe for Shares for cash on each Dealing Day (except during any period in which the calculation of the Net Asset Value is suspended as described in section 7.13 "Temporary Suspensions").

#### 7.4.2. Cash Transaction Fee

All subscriptions and redemptions for cash will be subject to a Cash Transaction Fee, as specified in the relevant Supplement. The Cash Transaction Fee is payable to the Administrator as agent for the Company to offset the costs and expenses incurred by the Administrator in dealing in cash for that subscription. It will be added to the requisite subscription amount.

The Manager may reduce the amount of the Cash Transaction Fee at its discretion, or if this is a requirement of the local law or practice of any country in which the Shares are offered.

#### 7.4.3. Procedure

Applications for cash subscriptions received by the Administrator on any Business Day before the relevant Dealing Deadline will be processed by the Administrator on that Business Day at the next calculated Net Asset Value per Share plus, if applicable, any Transfer Taxes. Any applications received after that time will normally be held over until the next Dealing Day but may be accepted for dealing on the relevant Dealing Day (at the discretion of the Directors) provided that such applications are received prior to the Valuation Point for such Dealing Day.

### 7.5. Redemptions

#### 7.5.1. General

Shares will be redeemed on every Dealing Day (save during any period when the calculation of the Net Asset Value is suspended) at the Net Asset Value per Share less any Redemption Dividend which has been paid on the Shares to be redeemed (see section 7.5.2 "Redemption Dividend"). Except as provided below, the Company will only redeem Shares of any Fund by way of transferring Investments, where the relevant Fund permits in-kind redemptions, and cash set out in the Portfolio Composition File.

No redemption will be made until the Shareholder has completed and delivered to the Administrator a redemption request and satisfied all the requirements of the Directors and the Manager as to such Shareholder's redemption request. If the redemption request is received after the time specified for redemption on a particular Dealing Day, it shall (unless otherwise determined by the Manager), be treated as a request for redemption on the next Dealing Day provided that they are received prior to the Valuation Point for that Dealing Day. Shares will be redeemed at the redemption price calculated at the Valuation Point on the relevant Valuation Date.

Subject to the above requirements, Shareholders may request redemption by facsimile or written application to the Administrator, under such conditions as the Manager will from time to time prescribe. Redemption requests in respect of the relevant Fund must be received within such period as the Directors may determine as set out in the relevant Supplement. Except as determined by the Manager, all redemption requests in whatever form shall be irrevocable. The Administrator will not make redemption payments to third parties and will not pay redemption proceeds until an original subscription form has been received from the redeeming Shareholder and all anti-money laundering procedures have been completed. Should the Shareholder wish for redemption payments to be made into an account other than that specified in the original subscription form, then the Shareholder must submit an original request in writing to the Administrator prior to, or at the time of, the redemption request.

The Company shall be entitled to net applications for subscription and redemption requests received from any Shareholder on any Dealing Day. Transfer Taxes will however be applied in relation to all subscription and redemption requests processed.

Redemptions for each class shall be for such minimum number of Shares as the Manager may determine in respect of a Shareholder in any one redemption and as set out in the relevant Supplement. Such number may be reduced in any case at the discretion of the Manager.

#### 7.5.2. Redemption Dividend

The Company may pay a dividend on any Shares which are the subject of a valid redemption request (a "Redemption Dividend"). Such a dividend, which will reflect accrued income in the Net Asset Value of the Shares concerned, will become due immediately prior to the redemption of the Shares and paid to the Shareholder on the same day as the redemption proceeds.

#### 7.5.3. Calculation of the Redemption Price

Any applications for redemptions will be dealt with by reference to the Net Asset Value per Share next calculated after the Dealing Deadline, less any associated Transfer Taxes and any Redemption Dividend which is payable on the Shares redeemed as specified in a Supplement.

### 7.6. In-Kind Redemptions

#### 7.6.1. Redemption Price

The redemption price for each Creation Unit will equal the aggregate of the daily Net Asset Value per Share on the relevant Dealing Day of the Shares comprising the Creation Unit less, in respect of each Creation Unit, the relevant In-Kind Transaction Fee and, if applicable, any Transfer Taxes. The redemption price per Creation Unit will be payable by transferring the Investment portion of the Portfolio Deposit, plus or minus (as the case may be) a cash amount ordinarily equal to the Cash Component of the Portfolio Deposit, less a cash amount equal to the relevant In-Kind Transaction Fee and any applicable Transfer Taxes. Part of the redemption price may be paid out as a Redemption Dividend (for an explanation of the Redemption Dividend please refer to section 4.5 "Dividend Policy").

#### 7.6.2. Creation Units

The minimum number of Shares for in-kind redemptions is one Creation Unit (corresponding in each case to the number of Shares indicated in a Supplement for the relevant Fund). Applications for the redemption of Shares in-kind in that Fund must be in integer multiples of that Fund's Creation Unit.

#### 7.6.3. Procedures for Redeeming Creation Units

##### *Publication of Portfolio Composition File*

By the Publication Time on each Dealing Day, the Administrator will publish the Portfolio Composition File via one or more market data suppliers and this is published by the Investment Manager on the Website.

##### *Applications for Redemption*

Applications for redemptions of Creation Units must be made to the Administrator before the Dealing Deadline in accordance with the specific procedures made available by the Administrator. Any applications received after that time will normally be held over until the next Dealing Day but may be accepted for dealing on the relevant Dealing Day (at the discretion of the Directors) provided that such applications are received prior to the Valuation Point for such Dealing Day. Except when the calculation of the Net Asset Value per Share is suspended, or as otherwise determined by the Company, all applications for redemptions of Creation Units in-kind will be binding and irrevocable.

## 7. Valuation, Subscriptions and Redemptions

### Continued

No delivery instructions will be issued by the Administrator to the Custodian in relation to the securities or cash in the Portfolio Deposit until the Administrator has accepted the application for redemption in relation to all Shares of the Creation Units being redeemed (the "Cancellation Day"). Delivery of securities will be on a free delivery settlement basis. Redemption proceeds may be paid in either the Base Currency of the Fund or, at the request and cost of a Shareholder, in another local currency. The redeeming Shareholder will bear the cost of any transfer of proceeds by telegraphic transfer.

#### *Notification of Cash Component, In-Kind Transaction Fee and any Transfer Taxes*

On the Valuation Date corresponding to the Dealing Day on which receipt is accepted, the Administrator will report to the applicant the amount of the Cash Component to be delivered by the Custodian to the applicant with the Portfolio Deposit and the amounts of the In-Kind Transaction Fee and Transfer Taxes, if any, to be deducted by the Custodian from the redemption proceeds. The Administrator will also identify the portion of such proceeds represented by any Redemption Dividend that is being paid to the redeeming Shareholder. In limited circumstances, the securities portion of the Portfolio Deposit may differ from the Portfolio Composition File as a result of corporate actions or events affecting the securities detailed therein. The Company reserves the right to have the Custodian deliver to a redeeming Shareholder a previously agreed basket of securities by way of a Portfolio Deposit which is different from the Portfolio Composition File.

#### *Settlement Period*

The standard settlement period for in-kind redemptions is three Business Days following the Business Day on which the application for redemption is accepted but may vary depending upon the standard settlement periods of the different stock exchanges on which the Shares are traded and the securities in the Portfolio Deposit. Any cash to be paid in respect of an in-kind redemption will be for value on the same day as settlement of the securities.

#### *Partial Cash Settlement*

The Company may, in its absolute discretion, satisfy part of the application for in-kind redemption in cash, for example in cases in which it believes that a security held by a Fund is unavailable for delivery or where it believes that an insufficient amount of that security is held for delivery to the applicant for redemption in-kind.

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### 7.7. Cash Redemptions

Shareholders may redeem Shares for cash (a "Cash Redemption") in the manner set out in the relevant Supplement. Shareholders wishing to redeem for cash should notify the Administrator in writing and make arrangements for their Shares to be cancelled. The date on which these Shares are cancelled will become the effective date for the redemption.

The Company may pay a Redemption Dividend on a Cash Redemption.

A Shareholder may redeem Shares for cash on each Dealing Day (except during any period in which the calculation of the Net Asset Value is suspended) as described below.

#### 7.7.1. Cash Redemption Price

Provided that a redemption request is received prior to the relevant Dealing Deadline, the redemption amount for a Cash Redemption shall be the Net Asset Value per Share calculated at the Valuation Point on the Business Day at the next calculated Net Asset Value per Share together with a

Redemption Dividend (if applicable) and less, if applicable, any Transfer Taxes.

#### 7.7.2. Cash Transaction Fee

All Cash Redemptions will be subject to a Cash Transaction Fee, as specified in the Supplement. The Cash Transaction Fee is payable to the Administrator as agent for the Company to offset the costs and expenses incurred by the Administrator in dealing in cash for that redemption. It will be deducted from the redemption proceeds.

The Manager may reduce the amount of the Cash Transaction Fee at its discretion, or if this is a requirement of the local law or practice of any country in which the Shares are offered.

The Company may charge a redemption fee of up to 3% of the Net Asset Value per Share (which may be waived in whole or in part at Manager's discretion).

#### 7.7.3. Procedures for Cash Redemptions

Applications for Cash Redemptions received by the Administrator on any Business Day before the relevant Dealing Deadline will be processed by the Administrator on that Business Day at the next calculated Net Asset Value per Share. Any applications received after that time will normally be held over until the next Dealing Day but may be accepted for dealing on the relevant Dealing Day (at the discretion of the Directors) provided that such applications are received prior to the Valuation Point for such Dealing Day.

Shareholders wishing to redeem Shares for cash may do so by notifying the Administrator of (i) the Shareholder's wish to redeem in cash; and (ii) details of the Shareholder's bank account in which the redemption proceeds, denominated either in the Base Currency of the Fund or the local currency, are to be credited. Delivery instructions are available from the Administrator upon written request. On a redemption, the Custodian will release cash at the instruction of the Administrator.

#### 7.7.4. Payment Procedure

Payment for Cash Redemptions will be effected no later than three Business Days after the relevant Valuation Day and will be paid by telegraphic transfer to the appropriate bank account as notified to the Administrator in writing by the redeeming Shareholder, but may be longer (but in no event later than ten Business Days) depending on differing jurisdictional considerations arising in respect of the registration of a Fund in other jurisdictions. Such information will be set out in the relevant Fund Supplement. Redemption proceeds may be paid in either the Base Currency of the Fund or, at the request and cost of the redeeming Shareholder, in another local currency. The redeeming Shareholder will bear the cost of any transfer of proceeds by telegraphic transfer.

#### 7.7.5. Redemption Proceeds

Redemption proceeds will be paid net of the Cash Transaction Fee, Transfer Taxes and any telegraphic transfer costs, and the Administrator will identify the portion of such proceeds represented by any Redemption Dividend that is being paid to the redeeming Shareholder. Shareholders are reminded that, because of market fluctuations, transaction fees and other factors, the redemption proceeds can be higher or lower than the initial subscription amount.

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### 7.8. Compulsory Redemption

If the Company, either alone or in conjunction with any other person becomes aware that any Shares are or might be held by a person who is not a Qualified Holder, the Company may redeem such Shares on notice in writing to the Shareholder concerned. The Investments which would otherwise have been



## 7. Valuation, Subscriptions and Redemptions

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transferred to the Shareholder will be liquidated by the Manager and the Shareholder will receive the proceeds less any costs incurred. In addition, the Company may impose a penalty of up to Stg£5,000 on any such person who is not a Qualified Holder and such penalty shall be deducted from the redemption proceeds.

#### 7.9. Total Redemption

If at any time the aggregate Net Asset Value of the Company is less than U.S.\$750 million (or equivalent), the Company may, by notice to all holders of Shares given within 4 weeks of such time, redeem, on the Dealing Day next following the expiry of the notice, all (but not some) of the Shares not redeemed. Additionally the Directors may, at any time after the first anniversary of the first issue of Shares of the Company, require redemption of all the Shares of a particular Fund, if the Net Asset Value of such Fund is lower than U.S.\$350 million for a period of thirty consecutive days. The Articles also permit the Directors to close a Fund (i) where they deem it appropriate because of changes in the economic or political situation affecting the Fund; (ii) where the Shares of the Fund are delisted from a stock exchange and as a result are not listed or re-listed within three months on another recognised stock exchange in Europe; (iii) where the Manager resigns or is removed or the Management Agreement is terminated and no replacement manager is appointed within three months from the date of such resignation, removal or termination; (iv) where the licence agreement relating to the Fund is terminated; (v) where the Index Provider ceases publishing a Fund Index; (vi) where a service provider resigns or is removed, and no suitable successor is appointed; (vii) where Shareholders, by way of an ordinary resolution resolve to close a Fund or a class of Shares in a Fund; (viii) where all the Shares of a Fund are redeemed.

Any such compulsory termination of the Company or a Fund will require at least 90 days prior notice to holders of Shares of the relevant Company or the Fund. As an alternative, but subject to prior approval of the Central Bank and of the Shareholders of the Fund affected, the Directors may arrange for a Fund to be merged with another Fund of the Company or with another UCITS.

The Company or a Fund may be closed in circumstances other than those mentioned above with the consent of a simple majority of the Shareholders present or represented at a meeting of Shareholders of the Company or that Fund. Any closure determined by the above provisions will be binding on all the holders of the Shares of the Company or the relevant Fund. Where the Company or a Fund is terminated the redemption price payable on termination will be calculated on a basis reflecting the realisation and liquidation costs on closing the Company or the Fund.

The Directors have the power to suspend dealings in the Shares of any Fund where it is to be terminated in accordance with the above provisions. Such suspension may take effect at any time after the notice has been given by the Directors as mentioned above or, where the termination requires the approval of a meeting of Shareholders, after the passing of the relevant resolution. Where Shares of such Fund are not suspended, the prices of Shares may be adjusted to reflect the anticipated realisation and liquidation costs mentioned above.

#### 7.10. Restriction of Redemption

If total requests for redemption or switching on any Dealing Day for any Fund exceed 10% of the total number of Shares outstanding in that Fund, each redemption or switching request in respect of Shares in such Fund may, at the discretion of the Directors, be scaled down pro rata to the number of Shares requested to be repurchased or switched so that the total

number of Shares of each Fund for redemption or switching on that Dealing Day shall not exceed 10% of the total number of Shares outstanding in that Fund. Any redemption or switching request so reduced shall be carried forward to the next Dealing Day and effected in priority to subsequent redemption or switching requests on the following (and, if necessary, subsequent) Dealing Day(s). If redemption or switching requests are so carried forward, the Manager shall procure that the Shareholders whose dealings are affected thereby are promptly informed.

In the event of any suspension as set out above, the Company will publish such fact in the publication(s) in which Share prices are being published and will immediately (and in any event during the Business Day on which the suspension occurred) notify the Central Bank and any other competent authority in a Member State or other country in which Shares are marketed.

#### 7.11. Switching

Shareholders of a Fund may switch to such other Fund or Funds, and on such terms (including switching charges) as the Directors may permit. The minimum number of Shares of a class of a Fund which may be switched for Shares of a class of another Fund shall be such number as the Manager may determine and/or as may be set out in a Supplement from time to time. Such number may be reduced in any case at the discretion of the Manager. Shareholders of the class of Shares of each of the Funds in existence at the date of this Prospectus may switch to the existing class of Shares of the other Funds of the Company. On the establishment of any new Fund, the Manager shall specify the switching rights relating to such Fund. The Company may impose a fee on the switching of any Shares between Funds of a maximum of 3% of the Net Asset Value of each Share to be switched. A Redemption Dividend may be payable immediately prior to a switch in respect of the accrued income reflected in the Net Asset Value of the Shares which are to be switched.

#### 7.12. Transfer of Shares

Shares are (save as hereinafter specified) freely transferable subject to and in accordance with the rules of the relevant Clearing and Settlement System. The Company may decline to register any transfer of a Share to a person who is not a Qualified Holder, Qualified Purchaser or where such transfer might expose the Company to regulatory, pecuniary, legal, taxation or material administrative disadvantage for the Company or its Shareholders as a whole.

The Articles permit the holding and transfer of Shares in Dematerialised Form and the Company will apply for the Shares of each class to be admitted as participating securities to relevant computer based settlement systems. This will enable Shareholders to hold Shares in, and to settle transactions in Shares through such settlement systems. Applicants dealing in settlement systems may be required to provide a representation that they are Qualified Holders or Qualified Purchasers.

#### 7.13. Temporary Suspensions

Pursuant to the Articles, the Company may temporarily suspend the calculation of the Net Asset Value of a Fund and the subscription and redemption of Shares of that Fund:

- (a) during any period in which any of the principal stock exchange(s) or other markets on which a substantial portion of the investments of the Fund from time to time is quoted or dealt in, or when the foreign exchange markets corresponding to the Base Currency of the Fund or the currency in which a considerable portion of the Fund's

## 7. Valuation, Subscriptions and Redemptions

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assets are denominated, are closed otherwise than for ordinary holidays, or during which dealings thereon are restricted or suspended; or

- (b) during the existence of any state of affairs which constitutes an emergency as a result of which disposals or valuation of the assets of the Fund would be impracticable or such disposal or valuation would be detrimental to the interests of Shareholders in the Fund; or
- (c) during any breakdown in the means of communication normally employed in determining the price or value of any of the investments of the Fund or the current price or values on any stock exchange in respect of the assets of the Fund; or
- (d) when, for any other reason beyond the control of the Board of Directors, the prices of a substantial portion of the Fund's investments cannot promptly or accurately be ascertained; or
- (e) during any period when the Company is unable to repatriate funds for the purpose of making payments on cash redemption of the Shares of the Fund or during which any transfer of funds involved in the realisation or acquisition of investments or payments due on cash redemption of Shares of the Fund cannot in the opinion of the Board be effected at normal rates of exchange; or
- (f) upon the publication of a notice convening a general meeting of Shareholders for the purpose of resolving to wind-up the Company or terminate any Fund; or
- (g) at any other time during which the Directors determine a temporary suspension at the determination of the Net Asset Value of the Shares of the Fund and the sale, switch and/or repurchase of such Shares is in the best interests of the Shareholders.

Notice of the beginning and end of any period of suspension will be communicated immediately to the Central Bank, and the stock exchange(s) on which the Funds are listed, published on the Website and, if required, in any newspaper(s) selected by the Board of Directors and (to the extent required by the law or practices of the country concerned) any other competent authority in a Member State or other country in which Shares are registered for marketing.

The Company, where possible, will take all necessary steps to bring any period of suspension to an end as soon as possible.

#### 7.14. Dealing in the Secondary Market

It is the intention of the Company that each of its Funds, through the listing of its Shares on one or more stock exchange(s), will be an exchange-traded fund. Upon such listings there is an expectation that two or more members of the Relevant Stock Exchange(s) will act as Market Makers and provide offer and bid prices at which the Shares can be purchased or sold, respectively, by investors. The bid/offer spread is typically monitored by the Relevant Stock Exchange(s). Certain Authorised Participants who subscribe for Creation Units may act as Market Makers; other Authorised Participants are expected to subscribe for Creation Units in order to be able to offer to buy Shares from or sell Shares to retail customers as part of their broker/dealer business. Through such Authorised Participants being able to subscribe for or redeem Creation Units, it is expected that a liquid and efficient Secondary Market will develop over time on one or more stock exchange(s) and/or other stock exchanges as they meet retail demand for such Shares. Through the operation of such a Secondary Market, persons who are not Authorised Participants or not able or willing to subscribe for and redeem Creation Units will be able to buy Shares from or sell Shares to other retail investors or Market Makers, broker/dealers, or

other Authorised Participants at prices which should approximate, after currency conversion, the Net Asset Value of the Shares. Shareholders should be aware that brokerage or other fees may be charged by broker/dealers or other Authorised Participants in respect of trading of Shares on the Secondary Market. In addition, Shareholders may pay some or all of the spread between the bid and offered price when trading the Shares on the Secondary Market on each purchase and sale transaction. Shareholders should consult broker/dealers or other Authorised Participants to ascertain fee levels in respect of trading Shares on the Secondary Market.

Transfers of Shares on the Secondary Market are not reflected in the Company's primary share register by the Administrator. Shareholders should be aware that on days other than Business Days or Dealing Days of a Fund when one or more Regulated Markets are trading Shares but the underlying Regulated Market(s) on which the Index Securities are traded are closed, the spread between the quoted bid and offer prices in the Shares may widen and the difference between the market price of a Share and the last calculated Net Asset Value per Share may, after currency conversion, increase. The settlement of trades in Shares on (a) stock exchange(s) will be through the facilities of one or more Clearing and Settlement Systems following applicable procedures which are available from the stock exchange(s). Shareholders should also be aware that on such days the underlying Index value would not necessarily be calculated and available for shareholders in making their investment decisions because prices of Index Securities in the underlying Regulated Market(s) would not be available on such days. Nonetheless, one or more stock exchange(s) may provide a calculation of such Index based upon trading, if any, of such Index Securities on marketplaces other than the underlying Regulated Market(s). Further details of the stock exchange(s) for each Fund are set out in Schedule I.

#### Secondary Market Redemption

A Funds Shares purchased on the secondary market cannot usually be sold directly back to the Fund. Investors must buy and sell Shares on a secondary market with the assistance of an intermediary (e.g. stockbroker) and may incur fees for doing so. In addition, investors may pay more than the current Net Asset Value when buying Shares and may receive less than the current Net Asset Value when selling them.

A Shareholder shall have the right, subject to compliance with relevant laws and regulations, to request that the Manager buys back its Shares in respect of a Fund in circumstances where the Manager has determined, in its sole discretion, that the Net Asset Value per Share of the Fund differs significantly to the value of a Share of the Fund traded on the secondary market.

If such event occurs, the Manager will issue a buy-back notice (the "Buy-Back Notice") and make a stock exchange announcement containing the terms of the Share buy-back, minimum redemption amount and contact details for the Share buy-back. The Share buy-back may be subject to the Cash Transaction Fee, at the discretion of the Manager (see section 7.7.2).

In case of such event, all investors requesting a buy back of their Shares should contact the Administrator through their broker, who may hold the relevant Shares in a nominee's name. Investors who hold Shares in a nominee account of a broker, will not be on the share register. These Investors will, however, have rights as a beneficial holder of the relevant Shares.

The decision that the relevant Fund be open for direct redemptions is a subjective one and decisions will always be made in the best interests of both the remaining and redeeming relevant Fund Shareholders.

## 7. Valuation, Subscriptions and Redemptions

### Continued

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#### 7.15. Intra-Day Portfolio Value

The Manager may at its discretion make available, or may designate other persons to make available on its behalf, on each Business Day, an intra-day portfolio value for one or more Funds. The intra-day portfolio value is calculated in respect of each Fund on a per Share basis in real time during the relevant trading hours of the respective Funds. The intra-day portfolio value is intended to provide investors and market participants with a continuous indication of the value of the Fund. The intra-day portfolio value is usually calculated based on a valuation of the actual Fund portfolio using real-time prices from all Relevant Stock Exchanges. The portfolio composition is updated daily. However, in some cases the valuation of the portfolio based on the individual components is not possible. In such cases a valuation will be calculated using the values of the respective Index or futures contracts that best approximate the performance of the Fund portfolio. The intra-day portfolio value will be calculated every 15 seconds and made available to other providers of financial data (e.g. Bloomberg, Reuters, Telekurs) during the exchange trading hours.

**Any intra-day portfolio value is not, and should not be taken to be or relied on as being, the value of a Share or the price at which Shares may be subscribed for or redeemed in Creation Units or purchased or sold on any stock exchange. In particular, any intra-day portfolio value provided for any Fund whose respective Index Securities are not actively traded during the time of publication of such intra-day portfolio value may not reflect the true value of a Share, may be misleading and should not be relied on. The inability of the Manager or its designee to provide an intra-day portfolio value, on a real-time basis, or for any period of time, will not in itself result in a halt in the trading of the Shares on a stock exchange, which will be determined by the rules of the Relevant Stock Exchange in the circumstances. Investors should be aware that the calculation and reporting of any intra-day portfolio value may reflect time delays in the receipt of the relevant Index Securities prices in comparison to other calculated values based upon the same Index Securities including, for example, the Index itself or the intra-day portfolio value of other exchange traded funds based on the same Index. Investors interested in subscribing for or redeeming Creation Units or purchasing or selling Shares on a stock exchange should not rely solely on any intra-day portfolio value which is made available in making investment decisions, but should also consider other market information and relevant economic and other factors (including, where relevant, information regarding the Index, the Index Securities and financial instruments based on the Index corresponding to the relevant Fund). None of the Company, the Directors, the Manager or other service providers to the Company shall be liable to any person who relies on the intra-day portfolio value.**

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#### 7.16. Publication of the Price of Shares

The Net Asset Value per Share shall be made available at the registered office of the Administrator on or before the close of business on each Dealing Day, with respect to the Net Asset Value as of the preceding Dealing Day. The latest available Net Asset Value per Share is also available on the Website and in such other media as may be required by virtue of registration of Funds in other jurisdictions from time to time. Publication of the Net Asset Value per Share is for information only. It is not an invitation to subscribe for, repurchase or convert Shares at that Net Asset Value.

## 8. Fees and Expenses

### 8.1. General

There are no outstanding fees and expenses relating to the establishment of the Company.

Unless otherwise disclosed in the relevant Supplement, all fees (save for those of the Manager as set out below and transactional expenses set out below) will be capped at such level as may be set out in the Fund Supplement from time to time. The Manager shall discharge or procure the discharge of any excess.

Value added tax (if any) on fees payable by the Company will be borne by the Company.

### 8.2. Service Providers' Fees

The Manager is entitled to charge a fee calculated as a percentage per annum of the Net Asset Value of each Fund. The maximum fee to which the Manager will be entitled will be 1% per annum of the Net Asset Value of each Fund or such lower maximum fee rate as may be stipulated in each Supplement. Details in relation to each Fund will be set out in the Supplement. The maximum management fee may only be increased with the prior approval of the Shareholders of the relevant Fund.

The Manager will be responsible for discharging, from its fee, all fees of the Investment Manager, the Administrator and the Custodian together with all reasonable out of pocket expenses of such service providers (excluding sub-custodial fees and expenses (which will be at normal commercial rates) and transaction related charges of the Administrator and the Custodian) and different percentages of the above fees may be charged to different Share classes of the same Fund.

These fees will be accrued daily based on the daily Net Asset Value of the relevant class and will be paid monthly in arrears.

The Manager's fee shall be exclusive of any fee to which it may be entitled in relation to stocklending arrangements with the Company.

### 8.3. Subscription and Redemption Fees

The subscription fees (if any) in relation to any class will be set out in the relevant Supplement.

Investors may apply for Shares through financial intermediaries who may impose transaction or administrative charges or other direct fees, which charges or fees would not be imposed if Shares were purchased directly from the Company. Such investors should contact their financial intermediaries for more information.

Under normal circumstances, no redemption fee will be charged except as provided for under the section 7.7 "Cash Redemptions" above.

### 8.4. Operational Expenses

Unless otherwise provided for in the relevant Supplement, the Manager will pay, out of the fee received by it, the following Operational Expenses:

- (a) the fees of the Manager and its expenses which are not discharged out of the Manager's fee, (as described above).
- (b) any fees in respect of circulating details of the Net Asset Value (including publishing prices) and Net Asset Value per Share;

- (c) rating fees (if any);
- (d) licensing fees (such as those for use of a Benchmark Index);
- (e) fees and expenses of the auditors, tax, legal and other professional advisers of the Company;
- (f) the Central Bank's industry funding levy;
- (g) fees connected with listing of Shares on any stock exchange;
- (h) costs of publication of the intra-day portfolio value (if any);
- (i) stamp, transfer or similar duties;
- (j) fees and expenses in connection with the transfer of Shares in the Company to, from or within Euroclear or any other system for the registration and transfer of dematerialised securities.
- (k) fees and expenses in connection with the distribution of Shares and/or costs of registration of the Company in jurisdictions outside Ireland;
- (l) costs of preparing, printing and distributing the Prospectus and Supplements, Reports, accounts and any explanatory memoranda;
- (m) any necessary translation fees;
- (n) any costs incurred as a result of periodic updates of the Prospectus of the Company, any Supplements and/or KIID of the relevant Fund, or of a change in law or the introduction of any new law (including any costs incurred as a result of compliance with any applicable code, whether or not having the force of law);
- (o) any other fees and expenses relating to the management and administration of the Company or attributable to Investments;
- (p) in respect of each financial year of the Company in which expenses are being determined, such proportion (if any) of the establishment and reconstruction expenses as are being amortised in that year.
- (q) taxes and contingent liabilities as determined from time to time by the Directors;
- (r) brokerage or other expenses of acquiring and disposing of Investments;
- (s) Directors fees (which shall, together with remuneration for their services be an amount determined from time to time by the Directors and which shall not, in respect of any accounting period, exceed €25,000 without the approval of the Board) and expenses (including travel, hotel and other expenses properly incurred by them in attending meetings of the Directors or in connection with the business of the Company). Cormac O'Sullivan, John Rowland, Leslie Schmidt, Douglas Sharp, Karen Dunn Kelley, as executives within the Invesco group, will not be paid a fee.

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## 8. Fees and Expenses

### Continued

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#### 8.5. Soft Commissions

In relation to soft commissions, any broker or counterparty to any arrangement will have agreed to provide best execution to the Company and benefits under the arrangement will assist in the provision of investment services to the Company. Details of any such arrangements will be set out in the next Annual Report and Semi-Annual Report.

The Investment Manager has agreed that it will not be entitled to receive any cash rebates on transactions entered into for the account of the Company and that such rebates will be paid to the Company.

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## 9. Allocation of Assets and Liabilities

The Articles contain the following provisions regarding the operation of the Company:

All consideration received by the Company for the allotment or issue of Shares of each class, together with all Investments in which such consideration is invested or reinvested, all income, earnings, profits and proceeds thereof shall be segregated and kept separate in the Fund to which such class it relates from all other monies of the Company and to which the following provisions shall apply:-

- (a) the records and accounts of each Fund shall be maintained separately in the Base Currency of the relevant Fund;
- (b) the liabilities of each Fund shall be attributable exclusively to that Fund;
- (c) the assets of each Fund shall belong exclusively to that Fund, shall be segregated, in the records of the Custodian, from the assets of other Funds, shall not be used to discharge directly or indirectly the liabilities of or claims against any other Fund;
- (d) the proceeds from the issue of each class of Shares shall be applied to the relevant Fund established for that class of Shares, and the assets and liabilities and income and expenditure attributable thereto shall be applied to such Fund subject to the provisions of these Articles;
- (e) where any asset is derived from another asset, the derived asset shall be applied to the same Fund as the assets from which it was derived and on each revaluation of an asset the increase or diminution in value shall be applied to the relevant Fund;
- (f) in the case where an asset or a liability of the Company cannot be considered as being attributable to a particular Fund, the Directors shall have the discretion, subject to the Acts and the approval of the Auditors, to determine the basis upon which such asset or liability shall be allocated between the Funds and the Directors shall have power at any time and from time to time subject as aforesaid to vary such basis, provided that the approval of the Auditors shall not be required in any case where the asset or liability is allocated between all Funds pro rata to their Net Asset Values.

Where the assets of the Company (if any) attributable to the Subscriber Shares give rise to any net profit, the Directors may allocate assets representing such net profits to such Fund or Funds as they may deem appropriate.

## 10. Taxation

### General

***The information given is not exhaustive and does not constitute legal or tax advice. Prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, switching or disposing of Shares under the laws of the jurisdictions in which they may be subject to tax.***

The following is a brief summary of certain aspects of taxation law and practice relevant to the transactions contemplated in this Prospectus. As is the case with any investment, there can be no guarantee that the tax position prevailing at the time an investment in the Company is made will endure indefinitely as the basis for, and rates of, taxation are subject to change. Prospective Shareholders should familiarise themselves with and, where appropriate, take advice on the laws and regulations (such as those relating to taxation and exchange controls) applicable to the subscription for, and the holding, disposal and repurchase of, Shares in the places of their citizenship, residence and domicile.

Dividends, interest and capital gains (if any) which the Company may receive with respect to its investments (other than securities of Irish issuers) may be subject to taxes, including withholding taxes, in the countries in which the issuers of investments are located. The Company may not be able to benefit from reduced rates of withholding tax in double taxation agreements between Ireland and such countries. If this position changes in the future and the application of a lower rate results in a repayment to the Company, the Net Asset Value of the Company will not be restated and the benefit will be allocated to the existing Shareholders rateably at the time of the repayment.

### 10.1. Irish Taxation

The taxation of income and capital gains of the Company and of Shareholders is subject to the fiscal laws and practices of Ireland and other countries in which Shareholders are resident or otherwise subject to tax.

Potential investors and Shareholders should note that the statements on taxation which are set out below are based on advice which has been received by the Directors regarding the law and practice in force in the relevant jurisdiction as at the date of this Prospectus. 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 in the Company will endure indefinitely.

The Directors have been advised that on the basis that the Company is resident in Ireland for taxation purposes the taxation position of the Company and the Shareholders is as set out below.

### Definitions

For the purposes of this section, the following definitions shall apply.

#### **"Exempted Irish Investor"**

means:

- an Intermediary;
- a pension scheme which is an exempt approved scheme within the meaning of Section 774 of the Taxes Act or a retirement annuity contract or a trust scheme to which Section 784 or 785 of the Taxes Act applies;
- a company carrying on life business within the meaning of Section 706 of the Taxes Act;
- an investment undertaking within the meaning of Section 739B(1) of the Taxes Act;

- a special investment scheme within the meaning of Section 737 of the Taxes Act;
- a unit trust to which Section 731(5)(a) of the Taxes Act applies;
- a charity being a person referred to in Section 739D(6)(f)(i) of the Taxes Act;
- a qualifying management company within the meaning of Section 734(1) of the Taxes Act;
- a specified company within the meaning of Section 734(1) of the Taxes Act;
- a person who is entitled to exemption from income tax and capital gains tax under Section 784A(2) of the Taxes Act where the Shares held are assets of an approved retirement fund or an approved minimum retirement fund;
- a person who is entitled to exemption from income tax and capital gains tax by virtue of Section 787I of the Taxes Act and the Shares are assets of a PRSA;
- an Irish Resident company investing in a money market fund being a person referred to in Section 739D(6)(k)(l) of the Taxes Act;
- a credit union within the meaning of Section 2 of the Credit Union Act, 1997;
- the National Pensions Reserve Fund Commission;
- the National Asset Management Agency ("NAMA");
- an Irish Resident company being a person referred to in section 739D(6)(m) of the Taxes Act; or
- any other Irish Resident or Irish Ordinary Resident 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 tax exemptions associated with the Company,

provided that they have completed the Relevant Declaration.

#### **"Foreign Person"**

means a person who is neither an Irish Resident nor an Irish Ordinary Resident for tax purposes who has provided the Company with the Relevant Declaration under Schedule 2B of the Taxes Act and in respect of whom the Company is not in possession of any information that would reasonably suggest that the Relevant Declaration is incorrect or has at any time been incorrect.

#### **"Intermediary"**

means a person who:-

- carries on a business which consists of, or includes, the receipt of payments from an investment undertaking on behalf of other persons; or
- holds shares in an investment undertaking on behalf of other persons.

#### **"Ireland"**

means the "Republic of Ireland"/the State.

#### **"Irish Resident"**

- in the case of an individual, means an individual who is resident in Ireland for tax purposes.
- in the case of a trust, means a trust that is resident in Ireland for tax purposes.
- in the case of a company, means a company that is resident in Ireland for tax purposes.

## 10. Taxation

### Continued

#### Residence - Individual

An individual will be regarded as being resident in Ireland for a twelve month tax year if s/he:

- spends 183 days or more in Ireland in that twelve month tax year; or
- has a combined presence of 280 days in Ireland, taking into account the number of days spent in Ireland in that twelve month tax year together with the number of days spent in Ireland in the preceding twelve month year.

Presence in a twelve month tax year by an individual of not more than 30 days in Ireland will not be reckoned for the purpose of applying the two year test. Presence in Ireland for a day means the personal presence of an individual at any time during that day

#### Residence - Company

Irish tax legislation provides that a company incorporated in Ireland will be regarded for all tax purposes as being resident in Ireland. Irrespective of where a company is incorporated a company which has its central management and control in Ireland is resident in Ireland. A company which does not have its central management and control in Ireland but which is incorporated in Ireland is resident in Ireland except where:

- the company or a related company carries on a trade in Ireland, and either the company is ultimately controlled by persons resident in EU Member States or in countries with which Ireland has a double taxation treaty, or the company or a related company are quoted companies on a recognised Stock Exchange in the EU or in a taxation treaty country;
- or
- the company is regarded as not resident in Ireland under a double taxation treaty between Ireland and another country.

It should be noted that the determination of a company's residence for tax purposes can be complex in certain cases and declarants are referred to the specific legislative provisions that are contained in Section 23A of the Taxes Act.

#### Residence - Trust

A trust will generally be regarded as resident in Ireland for tax purposes if a majority of its trustees are resident for tax purposes in Ireland.

#### **"Irish Ordinary Resident"**

- in the case of an individual, means an individual who is ordinarily resident in Ireland for tax purposes.
- in the case of a trust, means a trust that is ordinarily resident in Ireland for tax purposes.

An individual who has been resident in Ireland for three consecutive tax years becomes ordinarily resident with effect from the commencement of the fourth tax year. An individual who has been ordinarily resident in Ireland ceases to be ordinarily resident at the end of the third consecutive tax year in which s/he is not resident.

#### **"Personal portfolio Investment Undertaking"**

means an investment undertaking, under the terms of which some or all of the property of the undertaking, may be or was, selected by, or the selection of some or all of the property may be, or was, influenced by - the investor, a person acting on behalf of the investor, a person connected with the investor, a person connected with a person acting on behalf of the

investor, the investor and a person connected with the investor, or a person acting on behalf of both the investor and a person connected with the investor.

An investment undertaking is not a Personal Portfolio Investment Undertaking if the only property which may or has been selected was available to the public at the time that the property is available for selection by an investor and is clearly identified in the investment undertaking's marketing or other promotional material. The investment undertaking must also deal with all investors on a non-discriminatory basis. In the case of investments deriving 50% or more of their value from land, any investment made by an individual is limited to 1% of the total capital required.

#### **"Relevant Declaration"**

means the declaration relevant to the Shareholder as set out in Schedule 2B of the Taxes Act. The Relevant Declaration for investors who are neither Irish Resident nor Irish Ordinary Resident (or Intermediaries acting for such investors) is set out in the application form accompanying the relevant Supplement.

#### **"Taxable Irish Person"**

means any person, other than

- a Foreign Person; or
- an Exempted Irish Investor.

#### **The Company**

The Company will be regarded as resident in Ireland for tax purposes if the central management and control of its business is exercised in Ireland and the Company is not regarded as resident elsewhere. It is the intention of the Directors that the business of the Company will be conducted in such a manner as to ensure that it is Irish Resident for tax purposes.

The Directors have been advised that the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Act. Under current Irish law and practice, on that basis, it is not chargeable to Irish tax on its income and gains.

However, tax can arise on the happening of a "chargeable event" in the Company. A chargeable event includes any distribution payments to Shareholders or any encashment, redemption, cancellation or transfer of Shares or appropriation or cancellation of Shares of a Shareholder by the Company for the purposes of meeting the amount of the tax payable on a gain arising on a transfer of an entitlement to a Share. A chargeable event also includes the end of an eight year period following the acquisition of Shares by the Shareholder and each subsequent eight year period.

No tax will arise on the Company in respect of chargeable events in respect of a Shareholder who is neither Irish Resident nor Irish Ordinary Resident at the time of the chargeable event provided that a Relevant Declaration is in place and the Company is not in possession of any information which would reasonably suggest that the information contained therein is not or, is no longer materially correct. In the absence of a Relevant Declaration there is a presumption that the investor is Irish Resident or Irish Ordinary Resident. Alternatively, no tax is required to be deducted in respect of chargeable events if the Company has put in place appropriate equivalent measures to ensure that the Shareholders in the Company are neither Irish Resident nor Irish Ordinary Resident and has obtained the required approval from the Irish Revenue Commissioners and this approval has not been withdrawn. The Company will also be exempt from making tax deductions in respect of distributions and gains on redemptions, cancellations, transfers or encashments of Shares where the relevant Shares are held in a Recognised Clearing and Settlement System.



## 10. Taxation Continued

A chargeable event does not include:

- an exchange by a Shareholder, effected by way of any arm's length bargain of Shares in the Company for other Shares in the Company;
- any transactions (which might otherwise be a chargeable event) in relation to Shares held in a Recognised Clearing and Settlement System;
- a transfer by a Shareholder of the entitlement to a Share where the transfer is between spouses, former spouses, civil partners or former civil partners, subject to certain conditions;
- an exchange of Shares arising on a qualifying amalgamation or reconstruction of the Company with another investment undertaking (within the meaning of Section 739H of the Taxes Act);
- any transaction in relation to, or in respect of, relevant Shares in an investment undertaking which transaction only arises by virtue of a change of court funds manager for that undertaking.

If the Company becomes liable to account for tax if a chargeable event occurs, the Company shall be entitled to deduct from the payment arising on a chargeable event an amount equal to the appropriate tax and/or where applicable, to appropriate or cancel such number of Shares held by the Shareholder or such beneficial owner as are 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 if no such deduction, appropriation or cancellation has been made.

With effect from 20 February 2007 an anti-avoidance measure applies in the case of certain investments by individual Shareholders in investment undertakings (such as the Company). A Personal Portfolio Investment Undertaking ("PPIU") is defined as an investment undertaking where a shareholder or certain persons connected with him have the right of selection of certain categories of property (principally land) in which the investment undertaking invests. If the investment undertaking is regarded as a PPIU for a particular shareholder then any payment to such a shareholder will be taxed at a rate of 60%. It is a matter of fact whether or not the shareholder or a connected person has a right of selection as envisaged in the anti-avoidance measures. Further penalties of tax can apply where tax returns in relation to distributions from a PPIU are incorrectly made by a shareholder.

Please see the "Shareholders" section below dealing with the tax consequences for the Company and the Shareholders of chargeable events in respect of: -

Shareholders who are neither Irish Resident nor Irish Ordinary Resident; and

Shareholders who are either Irish Resident or Irish Ordinary Resident.

The Finance Act 2008 introduced an amendment to the eight year deemed disposal rule for Taxable Irish Persons. This allows the Company the option of electing to value the Shares at bi-annual dates (meaning 30 June or 31 December) to calculate the gain on a deemed disposal for Taxable Irish Persons rather than valuing them at the date of the deemed eight year disposal itself.

Where less than 10% of the net asset value of Shares in the Company is held by Taxable Irish Persons, the Company will elect not to apply a withholding tax to a deemed disposal of

Shares in the Company and will advise the Irish Revenue Commissioners of this election. Shareholders who are Taxable Irish Persons will therefore be required to return any gain and account for appropriate tax on the deemed disposal directly to the Irish Revenue Commissioners. Shareholders should contact the Administrator to ascertain whether the Company has made such an election in order to establish their responsibility to account to the Irish Revenue Commissioners for any relevant tax.

Where tax arises under the eight year deemed disposal rule, such tax will be allowed as a credit against tax payable on the subsequent encashment, redemption, cancellation or transfer of the relevant Shares. However, where less than 15% of the net asset value of Shares in the Company is held by Taxable Irish Persons, the Company will elect not to repay Shareholders any overpaid tax and as such Shareholders must seek repayment of any overpaid tax directly from the Irish Revenue Commissioners. Shareholders should contact the Administrator to ascertain whether the Company has made such an election in order to establish whether they must seek repayment of any overpaid tax directly from the Irish Revenue Commissioners.

Dividends received by the Company from investment in Irish equities may be subject to Irish dividend withholding tax at the standard rate of income tax (currently 20%). However, the Company can make a declaration to the payer that it is an investment undertaking within the meaning of Section 739B of the Taxes Act beneficially entitled to the dividends which will entitle the Company to receive such dividends without deduction of Irish dividend withholding tax.

### Shareholders

#### (i) Where Shares are held in a Recognised Clearing and Settlement System

Where Shares are held in a Recognised Clearing and Settlement System, a chargeable event does not arise for the Company and no tax is required to be deducted by the Company. The obligation falls on the Shareholder (rather than the Company) to self-account for any tax arising on a chargeable event if the Shareholder is Irish Resident or Ordinary Resident. Tax at the rate of 41% should be accounted for by a Shareholder (other than a Shareholder which is a company) in respect of a distribution where payments are made annually or at more frequent intervals. Similarly, tax at the rate of 41% should be accounted for on any other distribution or gain arising to the Shareholder (other than a Shareholder which is a company) on an encashment, redemption or transfer of shares by a Shareholder. The rate of tax for all distributions or gains arising to a Shareholder which is a company is 25%.

A Relevant Declaration is not required to be made where the Shares are held in a Recognised Clearing and Settlement System. The Taxes Act includes a list of clearing systems which are Recognised Clearing and Settlement Systems and the Irish Revenue Commissioners have power to designate further clearing systems as Recognised Clearing and Settlement Systems. The list of Recognised Clearing and Settlement Systems does not include all international clearing systems. If the Directors permit Shares to be held outside a Recognised Clearing and Settlement System, prospective investors for Shares on subscription and proposed transferees of Shares will be required to complete a Relevant Declaration as a prerequisite to being issued Shares in the Company or being registered as a transferee of the Shares (as the case may be).

## 10. Taxation

### Continued

#### **(ii) Where Shares are not held in a Recognised Clearing and Settlement System and Shareholders are neither Irish Resident nor Irish Ordinary Resident**

The Company will not have to deduct tax on the occasion of a chargeable event in respect of a Shareholder if (a) the Shareholder is neither Irish Resident nor Irish Ordinary Resident, (b) the Shareholder has made a Relevant Declaration and (c) the Company is not in possession of any information which would reasonably suggest that the information contained therein is not, or is no longer materially correct. Alternatively, no tax is required to be deducted if the Company has received approval from the Irish Revenue Commissioners. Such approval may be obtained where the Company has put in place appropriate equivalent measures to ensure that Shareholders in the Company are neither Irish Resident nor Irish Ordinary Resident and certain other requirements are satisfied. In the absence of a Relevant Declaration (or the Irish Revenue Commissioners approval), tax will arise on the happening of a chargeable event in the Company regardless of the fact that a Shareholder is neither Irish Resident nor Irish Ordinary Resident. The appropriate tax that will be deducted is as described in paragraph (iii) below.

To the extent that a Shareholder is acting as an Intermediary on behalf of persons who are neither Irish Residents nor Irish Ordinary Residents, no tax will have to be deducted by the Company on the occasion of a chargeable event provided that the Intermediary has made a Relevant Declaration that they are acting on behalf of such persons and the Company is not in possession of any information which would reasonably suggest that the information contained therein is not, or is no longer materially correct.

Shareholders who are neither Irish Residents nor Irish Ordinary Residents and who have made Relevant Declarations in respect of which the Company is not in possession of any information which would reasonably suggest that the information contained therein is not, or is no longer materially correct will not be liable to Irish tax in respect of income from their Shares and gains made on the disposal of their Shares. However, any corporate Shareholder which is not Irish Resident and which holds Shares directly or indirectly by or for a trading branch or agency in Ireland will be liable to Irish tax on income from the Shares or gains made on disposal of its Shares.

Where tax is withheld by the Company on the basis that no Relevant Declaration has been filed with the Company by the Shareholder, Irish legislation does not provide for a refund of tax. Refunds of tax will only be permitted in the following circumstances:

- i. the appropriate tax has been correctly returned by the Company and within one year of making of the return the Company can prove to the satisfaction of the Revenue Commissioners that it is just and reasonable for such tax which has been paid to be repaid to the Company;
- ii. where a claim is made for a refund of Irish tax under Section 189, 189A and 192 of the Taxes Act (relieving provisions relating to incapacitated persons, trusts in relation thereto and persons incapacitated as a result of drugs containing thalidomide) the income received will be treated as net income chargeable to tax under Case III of Schedule D from which tax has been deducted;

#### **(iii) Where Shares are not held in a Recognised Clearing and Settlement System and Shareholders are Irish Resident or Irish Ordinary Resident**

Unless a Shareholder is an Exempted Irish Investor (as defined above), makes a Relevant Declaration to that effect and the Company is not in possession of any information which would reasonably suggest that the information contained therein is not, or is no longer materially correct, tax at the rate of 41% will be required to be deducted by the Company from a distribution made annually or at more frequent intervals to a Shareholder who is Irish Resident or Irish Ordinary Resident (other than a Shareholder which is a company). Similarly, tax at the rate of 41% will have to be deducted by the Company on any other distribution or gain arising to the Shareholder (other than an Exempted Irish Investor who has made a Relevant Declaration) on an encashment, redemption, cancellation, or transfer of Shares by a Shareholder who is Irish Resident or Irish Ordinary Resident (other than a Shareholder which is a company). Following Finance Act 2012, the rate of tax to be deducted by the Company in respect of a Shareholder which is a company is 25% provided the necessary declarations are made. There are a number of Irish Residents and Irish Ordinary Residents who are exempted from the provisions of the above regime once Relevant Declarations are in place. These are Exempted Irish Investors. Additionally, where Shares are held by the Courts Service no tax is deducted by the Company on payments made to the Courts Service. The Courts Service will be required to operate tax on payments to it by the Company when they allocate those payments to the beneficial owners.

Irish Resident corporate Shareholders who receive distributions (where payments are made annually or at more frequent intervals) from which tax has been deducted will be treated as having received an annual payment chargeable to tax under Case IV of Schedule D of the Taxes Act from which tax at the 25% rate has been deducted. In general, such Shareholders will not be subject to further Irish tax on any other payments received in respect of their shareholding from which tax has been deducted. An Irish Resident corporate Shareholder whose Shares are held in connection with a trade will be taxable on any income or gains as part of that trade with a set-off against corporation tax payable for any tax deducted by the Company. In general, non-corporate Shareholders who are Irish Resident or Irish Ordinary Resident will not be subject to further Irish tax on income from their Shares or gains made on disposal of the Shares where tax has been deducted by the Company on payments received. Where a currency gain is made by the Shareholder on the disposal of his/her Shares, such Shareholder may be liable to capital gains tax in the year of assessment in which the Shares are disposed of.

Any Shareholder who is Irish Resident or Irish Ordinary Resident and receives a distribution (where payments are made annually or at more frequent intervals) or receives a gain on an encashment, redemption, cancellation or transfer of Shares from which tax has not been deducted by the Company, may be liable to income tax or corporation tax on the amount of such distribution or gain. Any other Shareholder who is Irish Resident or Irish Ordinary Resident and receives any other distribution or a gain on an encashment, redemption, cancellation or transfer for which tax has not been deducted by the Company may be liable for income tax or corporation tax on the amount of the gain. Whether any further tax is payable by such Shareholders will depend on whether their tax returns are correctly filed before the specified return date.

There is an obligation on the Company to provide an annual report to the Irish Revenue Commissioners in relation to certain Shareholders and the value of their investments in the

## 10. Taxation Continued

Company. The obligation arises only in relation to Shareholders who are either Irish Resident or Irish Ordinary Resident.

### Stamp Duty

Generally, no stamp duty is payable in Ireland on the issue, transfer, repurchase or redemption of Shares in the Company. Where any subscription for or redemption of Shares is satisfied by the in specie transfer of Irish securities or other Irish property, Irish stamp duty may arise on the transfer of such securities or property.

No Irish stamp duty will be payable by the Company on the conveyance or transfer of stock or marketable securities provided that the stock or marketable securities in question have not been issued by a company registered in Ireland and 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 Taxes Act) which is registered in Ireland.

No Stamp Duty will arise on reconstructions or amalgamations of Investment Undertakings under Section 739H TCA, provided the reconstructions or amalgamations are undertaken for bona fide commercial purposes and not for the avoidance of tax.

### Capital Acquisitions Tax

The disposal of Shares will not be subject to Irish gift or inheritance tax (Capital Acquisitions Tax), provided that the Company falls within the definition of investment undertaking (within the meaning of Section 739B of the Taxes Act), and that: (a) at the date of the gift or inheritance, the donee or successor is neither domiciled nor ordinarily resident in Ireland; (b) at the date of the disposition the Shareholder disposing of the Shares is neither domiciled nor ordinarily resident in Ireland; and (c) the Shares are comprised in the gift or inheritance at the date of such gift or inheritance and at the valuation date.

## 10.2. Exchange of Information

EC Directive 2003/48/EC regarding the taxation of savings income (the "Savings Directive") (which has been transposed into Irish law) provides, subject to a number of conditions, that Member States will be required to provide to the tax authorities of another Member State details of payments. As a result, Member States are required to provide to the tax authorities of another Member State details of payments of interest (which may include distributions by collective investment funds) or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State. Certain Member States have opted instead for a withholding system in relation to such payments. Ireland has opted for exchange of information rather than a withholding tax system.

Accordingly, the Custodian, Administrator or such other entity considered a "paying agent" for the purposes of the Savings Directive may be required to disclose details of payments of interest or other similar income to investors in the Company to the Irish Revenue Commissioners. In that regard, the Custodian, Administrator or such other entity considered a "paying agent" will require proof of identity, residence and relevant tax documentation from individual investors. Failure to provide the above information may result in the refusal of an application for a subscription or a request for a redemption.

## 10.3. Foreign Account Tax Compliance Act (FATCA)

Under the provisions of the US Hiring Incentives to Restore Employment Act known as the Foreign Account Tax Compliance Act ("FATCA"), a 30% withholding tax ("FATCA Withholding") may be imposed on each of the Funds on certain US source income with effect from July 1<sup>st</sup> 2014 and on gross proceeds from the sale, maturity or other disposition of assets that produce US source interests and dividends with effect from January 1<sup>st</sup> 2017, unless they comply with FATCA.

Ireland and the United States have entered into a Model 1 intergovernmental agreement (IGA). Under the terms of the IGA, the Manager and the Funds (considered as Irish-resident financial institutions) are obliged to comply with the provisions of FATCA as enacted by the Irish legislation implementing the Model 1 IGA (the "Irish IGA Legislation"), rather than directly complying with the US Treasury Regulations implementing FATCA. As a result, they may not be subject to FATCA Withholding provided they comply with the requirements of the Irish IGA Legislation. Hence, unless exempted under Irish IGA Legislation, they would be required to report U.S.-owned account information directly to their local tax authority. The local tax authority would then automatically share that information with the Internal Revenue Service (IRS).

Investors are urged to consult their tax advisors regarding the application of the FATCA requirements to their own situation. In cases where an investor invests in the Fund through an Authorised Participant (Account Holders), such investors are reminded to check whether such Authorised Participant is FATCA compliant.

## 10.4. Financial Transaction Tax

The French and Italian Parliaments have passed legislation introducing a Financial Transaction Tax ("FTT"). The FTT is applicable to the acquisition of equity securities, issued by French and Italian companies whose market capitalization exceeds a certain threshold.

The EU Commission has also adopted a proposal for a Directive implementing enhanced cooperation in the area of the FTT (the "European FTT"). According to the proposal, the European FTT shall be implemented and enter into effect in eleven EU Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia; the "Participating Member States").

The proposed European FTT has very broad scope and could apply to transactions in shares of UCITS funds (such as the Company) as well as to the underlying securities and derivatives which a UCITS may hold. However, the extent to which the European FTT will apply to any issue, switch, transfer or redemption of the Shares is not yet certain.

The European FTT proposal remains subject to negotiation between the Participating Member States and is the subject of legal challenge. Under current proposals, this Directive shall apply to all financial transactions, provided that at least one party to the transaction is "established" in the territory of a Participating Member State.

Any FTT (including country specific FTT and/or the European FTT) may impact the performance of each Fund depending on where the underlying securities of the Fund are traded. It may also impact Shareholders upon an issue, switch, transfer or redemption of Shares. Investors should seek their own professional tax advice in this regard.

## 11. Statutory and General Information

### 11.1. Incorporation, Registered Office and Share Capital

- (a) The Company was incorporated in Ireland on 5 February 2002 as an investment company with variable capital and limited liability under registration number 352941. The Company has segregated liability between its Funds.
- (b) The registered office of the Company is presently at George's Quay House, 43 Townsend Street, Dublin 2.
- (c) On incorporation the authorised share capital of the Company was 39,000 subscriber Shares or no par value issued at a price of Euro 1 each and 500,000,000,000 Shares of no par value. There are seven Subscriber Shares currently in issue which are held by the Manager and nominees of the Manager. All Subscriber Shares were issued for cash at par. The Subscriber Shares do not form part of the share capital representing any Fund of the Company. At the date of this document no Shares are in issue, and the Directors are not aware of any person, other than as set out in this paragraph, who has an interest in the share capital of the Company.
- (d) As of the date of this Prospectus, no capital of the Company is under option or is agreed, conditionally or unconditionally, to be put under option.
- (e) Neither the Subscriber Shares nor the Shares carry pre-emption rights, i.e. the right to be offered new Shares in priority to non-existing Shareholders.

### 11.2. Share Rights

The holders of the Shares shall:

- (a) on a vote taken on a show of hands, be entitled to one vote per holder and, on a poll, be entitled to one vote per Subscriber Share;
- (b) not be entitled to any dividends whatsoever in respect of their holding of Subscriber Shares; and
- (c) in the event of a winding up or dissolution of the Company, have the entitlements referred to under "Distribution of Assets on a Liquidation" below.

### 11.3. Voting Rights

- (a) The voting rights attached to Shares are set out under paragraph 2(a) above. Shareholders who are individuals may attend and vote at general meetings in person or by proxy. Shareholders who are corporations may attend and vote at general meetings by appointing a representative or by proxy.
- (b) Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held, at any general meeting on a

show of hands every holder of shares who (being an individual) is present in person or by proxy or (being a corporation) is present by duly authorised representative shall have one vote. On a poll every such holder present as aforesaid or by proxy shall have one vote for every share held.

- (c) To be passed, ordinary resolutions of the Company in general meeting 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. A quorum at a meeting at which ordinary resolutions only are proposed is two Shareholders.
- (d) A majority of not less than 75% of the Shareholders present in person or by proxy and (being entitled to vote) voting in general meetings is required in order to pass a Special Resolution including a resolution to rescind, alter, or amend an Article or make a new Article. A quorum at a meeting at which special resolutions are proposed is two Shareholders.

### 11.4. Memorandum of Association

The Memorandum provides that the Company's sole object is the collective investment in either or both transferable securities and other liquid financial assets referred to in Regulation 68 of capital raised from the public operating on the principle of spreading investment risk in accordance with the Regulations. The object of the Company is set out in full in Clause 2 of the Memorandum which is available for inspection at the registered office of the Company.

### 11.5. Articles of Association

The following Section is a summary of the principal provisions of Irish company law or the Articles not previously summarised in this Prospectus.

#### *Alteration of share capital*

The Company may from time to time by ordinary resolution increase its capital, consolidate and divide its Shares or any of them into Shares of a larger amount, sub-divide its Shares or any of them into Shares of a smaller amount, or cancel any Shares not taken or agreed to be taken by any person. The Company may also by special resolution from time to time reduce its share capital in any way permitted by law.

#### *Issues of shares*

The Shares shall be at the disposal of the Directors and they may (subject to the provisions of the Acts) allot, offer or otherwise deal with or dispose of them to such persons, at such time on such terms as they may consider in the best interests of the Company. Existing Shareholders have no rights of pre-emption in respect of the issue of further Shares.

#### *Variation of rights*

Whenever the share capital is divided into different classes of Shares, the rights of any class may be varied or abrogated with the consent in writing of the holders of three quarters of the issued and outstanding Shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of

## 11. Statutory and General Information

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that class of Shares, the quorum for such separate general meeting shall be two members of that class present in person or by proxy holding at least one third of the Shares of the relevant class.

The class rights attaching to any Shares of any class shall not (unless the conditions of issue of such class of Shares expressly provide otherwise) be deemed to be varied by the creation or issue of other shares ranking *pari passu* therewith.

#### *Directors*

- (a) Each Director shall retire from office on the date which is three years from the date of the Director's appointment or last re-appointment unless he has been re-appointed on or before that date. A retiring Director is eligible for re-appointment.
- (b) 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, and may act in a professional capacity to the Company on such terms as the Directors may determine.
- (c) Subject to the provisions of the Acts, and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a Director notwithstanding his office:
  - (i) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or any subsidiary or associated company thereof;
  - (ii) may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company in or in which the Company thereof is interested; and
  - (iii) shall not be accountable, by reason of his office, to the Company for any benefit which he derives from any such employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.
- (d) A Director shall not generally be permitted to vote at a meeting of the Directors or a committee of Directors on any resolution concerning a matter in which he has, directly or indirectly, an interest which is material or a duty which conflicts or may conflict with the interests of the Company. A Director shall not be counted in the quorum present at a meeting in relation to any such resolution on which he is not entitled to vote. Notwithstanding the foregoing, a Director shall be entitled to vote (and be counted in the quorum) in respect of resolutions concerning
  - certain matters in which he has an interest including (inter alia) any proposal concerning any other company in which he is interested, directly or indirectly provided, that he is not the holder of or beneficially interested in 1% or more of the issued shares of any class of such company or of the voting rights available to members of such company (or a third company through which his interest is derived). Any such holding will be treated as a material interest for all purposes. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employment with the Company or any company in which it is interested, such proposals may be considered separately in relation to each of the Directors concerned, who may, if not debarred from voting by reason of a holding or interest as previously mentioned, vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
  - (e) There is no share qualification for Directors.
  - (f) The number of Directors shall not be less than two (2).
  - (g) The quorum for meetings of Directors may be fixed by the Directors and unless so fixed shall be two (2).
  - (h) The office of a Director shall be vacated in any of the following circumstances:
    - (i) upon his reaching the age of 65;
    - (ii) if he ceases to be a Director by virtue of any provisions of the Acts or becomes prohibited by law from being a Director;
    - (iii) if he becomes bankrupt or makes arrangement or composition with his creditors generally;
    - (iv) if in the opinion of a majority of his co-Directors he becomes incapable by reason of mental disorder of discharging his duties as a Director;
    - (v) if he resigns from his office by notice to the Company;
    - (vi) if the Company by ordinary resolution so determines;
    - (vii) if he ceases to be a Director by virtue of, or becomes prohibited from being a Director by reason of an order made under, the provisions of any law or enactment;
    - (viii) if he is requested by a majority of the other Directors (not being less than two in number) to vacate office;

## 11. Statutory and General Information

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- (ix) if he is absent from three successive meetings without leave expressed by a resolution of the Directors; and
- (x) if, subsequent to his appointment, he becomes resident in the U.K. and as a result thereof a majority of the Directors are resident in the U.K.

The Company may also, as a separate power, in accordance with and subject to the provisions of the Acts, by ordinary resolution of the Shareholders, remove any Director (including any managing director or other executive director) before the expiry of his period of office notwithstanding anything to the contrary contained in the Articles or in any agreement between the Company and any such Director.

#### *Borrowing powers*

The Company may not borrow money, grant loans or act as guarantor on behalf of third parties, except as follows:-

- (i) foreign currency may be acquired by means of a back-to-back loan. Foreign currency obtained in this matter is not classed as borrowings for the purposes of paragraph (b) below provided that the offsetting deposit (a) is denominated in the Base Currency of the relevant Fund and (b) equals or exceeds the value of the foreign currency loan outstanding provided further that foreign currency borrowings do not exceed the value of the back-to-back deposit; and
- (b) borrowings not exceeding 10% of the Net Asset Value of the relevant Fund may be made on a temporary basis. The Company and the Custodian may give a charge over the assets of the Company in order to secure such borrowings.

The Company may not engage in short selling.

#### *Dividends*

Subject to the provisions of the Acts, the Company may by ordinary resolution declare dividends on a class or classes of Shares, but no dividends shall exceed the amount recommended by the Directors. If the Directors so resolve and in any event on the winding-up of the Company or on the total redemption of Shares, any dividend which has remained unclaimed for six years shall be forfeited and become the property of the relevant Fund. Dividends may be paid out of the aggregate of the Fund's net realised and unrealised capital gains and the income received and shall not be paid out of surpluses arising on the realisation of equity investments.

#### *Distribution of Assets on a Liquidation*

- (a) If the Company shall be wound up, the liquidator shall, subject to the provisions of the Acts, apply the assets of the Company in such manner and as he thinks fit in satisfaction of creditors' claims. The liquidator, in relation to the assets available for distribution among the Shareholders, may make in the books of the Company such transfers thereof to and from Funds as may be necessary that the effective burden of such

creditors' claim may be shared between the holders of Shares of different classes in such proportions as the liquidator in his absolute discretion may think equitable.

- (b) The assets available for distribution among the Shareholders shall then be applied in the following priority:

- (i) firstly, in the payment to the holders of the Shares of each class of each Fund of a sum in the Base Currency in which that class is designated or in any other currency selected by the liquidator as nearly as possible equal (at a rate of exchange reasonably determined by the liquidator) to the Net Asset Value of the Shares of such class held by such holders respectively as at the date of commencement to wind up provided that there are sufficient assets available in the relevant Fund to enable such payment to be made. In the event that, as regards any class of Shares, there are insufficient assets available in the relevant Fund to enable such payment to be made, recourse shall be had:

- A. first, to the assets of the Company not comprised within any of the Funds; and
- B. second, to the assets remaining in the Funds for the other classes of Shares (after payment to the holders of the Shares of the classes to which they relate of the amounts which they are respectively entitled under this paragraph (i)) pro rata to the total value of such assets remaining within each such Fund;

- (ii) secondly, in the payment to the holders of the Subscriber Shares of sums up to the nominal amount paid thereon out of the assets of the Company not comprised within any Funds remaining after any recourse thereto under paragraph (a) above. In the event that there are insufficient assets as aforesaid 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 holders of the Shares of any balance then remaining in the relevant Fund, such payment being made in proportion to the number of Shares held; and

- (iv) fourthly, in the payment to the holders of the Shares of any balance then remaining and not comprised within any of the Funds, such payment being made in proportion to the value of each Fund and

## 11. Statutory and General Information

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within each Fund to the value of each class and in proportion to the Net Asset Value per Share.

- (c) If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Acts, divide among the members in-kind 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, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator, with the like authority, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no Shareholders shall be compelled to accept any assets in respect of which there is liability and any Shareholder may instruct the liquidator to sell any assets, to which he is entitled, on his behalf. The price obtained by the Company may be different from the price at which the assets were valued when determining the Net Asset Value and the Company shall not be liable for any loss arising. The transaction cost incurred in such a sale of assets shall be borne by the Shareholder.

#### *Indemnities*

The Directors (including alternates), 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 or otherwise (other than in the case of such person's fraud, negligence, or wilful default).

#### *The assets of the Company and the calculation of the Net Asset Value*

- (a) The Net Asset Value of each Fund shall be the value of all the assets comprised in the Fund less all the liabilities attributable to the Fund, including accrued expenses and dividends payable, subject to the Regulations.
- (b) The assets of the Company shall be deemed to include (i) all cash in hand, on deposit, or on call including any interest thereon and all accounts receivable, (ii) all bills, demand notes, certificates of deposit, and promissory notes, (iii) all bonds, forward currency transactions, time notes, shares, stocks, units of or participation in collective investment schemes/mutual funds, debenture stock, subscription rights, warrants, future contracts, options contracts, swap contracts, fixed rate securities, floating rate securities, securities in respect of which the return and/or repurchase amount is calculated

by reference to any index, price, or rate, financial instruments and other investments and securities owned or contracted for in respect of the Company, other than rights and securities issued by it; (iv) all stock and cash dividends and cash distributions to be received in respect of the Fund and not yet received by the Company but declared to stockholders on record on a date on or before the day as of which the Net Asset Value is being determined, (v) all interest accrued on any interest-bearing securities owned by the Company except to the extent that the same is included or reflected in, the principal value of such security, (vi) all other assets of the Company, (vii) the establishment costs attributable to the Company and the cost of issuing and distributing Shares of the Company in so far as the same have not been written off, and (viii) all other assets of the Company of every kind and nature including prepaid expenses as valued and defined from time to time by the Directors.

- (c) The valuation principles to be used in valuing the Company's assets are as follows:

(i) the value of an Investment which is quoted, listed or normally dealt in on a Regulated Market shall (save in the specific cases set out in paragraphs (iii), (vii) and (viii) below) be the closing sale price on such Regulated Market as at the Valuation Point or the last traded price when no closing sale price is available, provided that:

- A. if an investment is quoted, listed or normally dealt in on more than one Regulated Market, the Directors may, in their absolute discretion, select any one of such markets for the foregoing purposes (provided that the Directors have determined that such market constitutes the main market for such investment or provides the fairest criteria for valuing such securities) and, once selected, a market shall be used for future calculations of the Net Asset Value with respect to that Investment unless the Directors otherwise determine; and
- B. in the case of any investment which is quoted, listed or normally dealt in on one Regulated Market but in respect of which, for any reason, prices on that market may not be available at any relevant time or, in the opinion of the Directors, may not be representative, the value therefor shall be the probable realisation value thereof estimated with care and in good faith by a competent

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- person, firm or association making a market in such Investment (approved for the purpose by the Custodian) and/or any other competent person, appointed by the Directors (and approved for the purpose by the Custodian);
- (ii) the value of any investment which is not quoted, listed, or normally dealt in on a Regulated Market shall be the probable realisable value estimated with care and in good faith by a competent person, firm, or association making a market in such investment (approved for the purpose by the Custodian) and/or any other competent person, in the opinion of the Directors (and approved for the purpose by the Custodian);
  - (iii) the value of any investment which is a unit of or participation in an open-ended collective scheme/mutual fund shall be the latest available net asset value of such unit/participation;
  - (iv) the value of any cash in hand, prepaid expenses, cash dividends and interest declared or accrued and not yet received shall be deemed to be the full amount thereof unless in any case the Directors are of the opinion that the same is 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 (with the approval of the Custodian) may consider appropriate in such case to reflect the true value thereof;
  - (v) deposits shall be valued at their principal amount plus accrued interest from the date on which the same were acquired or made;
  - (vi) bonds, notes, debenture stock, certificates of deposit, bankers acceptances, trade bills, and similar assets shall be valued at the closing sale price, or the closing bid price where no closing sale price is available, on the market on which these assets are traded or admitted for trading (being the market which is the sole market or in the opinion of the Directors the principal market on which the assets in question are quoted or dealt in) plus any interest accrued thereon from the date on which same were acquired;
  - (vii) forward foreign exchange contracts shall be valued by reference to the price at the Valuation Point at which a new forward contract of the same size and maturity could be undertaken;
  - (viii) the value of futures contracts and options which are dealt in on a Regulated Market shall be the settlement price as determined by the market in question, provided that if such settlement price is not available for any reason or is unrepresentative, same shall be valued at the probable realisation value estimated with care and in good faith by a competent person (approved for the purpose by the Custodian);
  - (ix) the value of any over the counter ("OTC") derivatives contracts shall be:
    - A. the quotation from the counterparty provided that such quotation is provided on at least a daily basis and verified at least weekly by a person independent of the counterparty and who is approved for the purpose by the Custodian; or
    - B. the value of any OTC shall be a quotation from the counterparty or an alternative valuation calculated by the Company or an independent pricing vendor (which may be a party related to but independent of the counterparty which does not rely on the same pricing models employed by the counterparty) provided that:
      - a. where a counterparty valuation is used, it must be provided on at least a daily basis and approved or verified at least weekly by a party independent of the counterparty, which may be the Investment Manager (approved for the purpose by the Custodian);
      - b. where an alternative valuation is used (i.e. a valuation is that provided by a competent person appointed by the Manager or Directors and approved for that purpose by the Custodian (or a valuation by any other means provided that the value is approved by the Custodian)), the valuation principles employed must follow best international practice established by bodies such as IOSCO (International Organisation of Securities Commission) and AIMA (the Alternative Investment Management Association) and any such



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valuation shall be reconciled to that of the counterparty on a monthly basis.

- (x) notwithstanding any of the foregoing sub-paragraphs the Directors, with the approval of the Custodian, may adjust the value of any Investment if, after accounting for currency, applicable rate of interest, maturity, marketability and/or such other considerations as they may deem relevant, they consider that such adjustment is required to reflect the fair value thereof;
- (xi) if in any case a particular value is not ascertainable as above provided or if the Directors shall consider that some other method of valuation better reflects the fair value of the relevant investment, then in such case the method of valuation of the relevant investment shall be such as the Directors shall decide with the approval of the Custodian;
- (xii) notwithstanding the foregoing where, at any time of any valuation any asset of the Company has been realised or contracted to be realised, there shall be included in the assets of the Company in place of such asset the net amount receivable by the Company in respect thereof provided that, if such amount is not then known exactly, then its value shall be the net amount estimated by the Directors as receivable by the Company and provided that the method of valuation is approved by the Custodian.
- (d) Any assets held in a particular Fund that are not denominated in the Base Currency will be converted into the Base Currency at the rate of exchange prevailing in a Regulated Market on the Valuation Date.
- (e) Any certificate as to Net Asset Value of Shares given in good faith (and in the absence of negligence or manifest error) by or on behalf of the Directors shall be binding on all parties.

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#### 11.6. Circumstances of a Winding Up

The Company shall be wound up in the following circumstances:

- (a) by the passing of a special resolution for a winding-up;
- (b) where the Company does not commence business within a year of being incorporated or where it suspends its business for a year;
- (c) where the number of members falls below the statutory minimum of 2;

- (d) where the Company is unable to pay its debts and a liquidator has been appointed;
- (e) where the appropriate court in Ireland is of the opinion that the Company's affairs and the powers of the Directors have been exercised in a manner oppressive to members;
- (f) where the appropriate court in Ireland is of the opinion that it is just and equitable that the Company should be wound up.

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#### 11.7. Director's Interests

Brian Collins, Cormac O'Sullivan, Leslie Schmidt and Douglas Sharp are also directors of the Manager.

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#### 11.8. Litigation

The Company is not and has not been engaged in any litigation or arbitration proceedings and the Directors are not aware of any litigation or claim pending or threatened by or against the Company since its incorporation.

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#### 11.9. Material Contracts

- (f) The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and are, or may be, material. Save as set out below the Company had not entered into any other contract (not being a contract entered into in the ordinary course of business) which contains any provision under which the Company has any obligations or entitlements which is material to the Company as at the date of this Prospectus:
  - (i) the Management Agreement dated 1 January 2012 between the Company and the Manager. The appointment of the Manager will continue in force unless and until terminated by either party giving to the other not less than six months' written notice although in certain circumstances, such as the insolvency of either party or an unremedied breach after notice, the Management Agreement may be terminated forthwith by notice in writing by either party to the other. The Management Agreement contains indemnities in favour of the Manager in the performance of the Manager of its duties under the Management Agreement otherwise than due to its fraud, bad faith, wilful default, recklessness or negligence in the performance of its obligations and functions under the Management Agreement, and provisions regarding the Manager's legal responsibilities. The Manager is entitled to the residual amount of its fee after paying the fees of the other Service Providers. In no event shall the fee payable to the Manager exceed such level as set out in a Fund Supplement from time to time.

## 11. Statutory and General Information

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- (ii) the Custodian Agreement dated 3 September 2002 between the Company and the Custodian, as amended. The Custodian Agreement provides that the appointment of the Custodian will continue in force unless and until termination by either party giving to the other not less than 90 days' written notice, although termination may be immediate in certain circumstances, such as the insolvency of the Custodian or if the Custodian is no longer permitted to act by resolution of the Directors of the Company. The Custodian Agreement contains indemnities in favour of the Custodian excluding matters arising by reason of its unjustifiable failure to perform its obligations or the improper performance of its duties and obligations and provisions regarding the Custodian's legal responsibilities. Under the terms of the Custodian Agreement, the Custodian shall be liable to the Company and the Shareholders for any loss suffered by the Company or the Shareholders as a result of unjustifiable failure to perform its obligations or its improper performance of them. The Custodian has full power to delegate the whole or part of its custodial functions, but the liability of the Custodian will not be affected by the fact that it has entrusted to a third party some or all of the investments in its safe-keeping. In order for the Custodian to discharge its responsibility under the Regulations, the Custodian must exercise care and diligence in choosing and appointing a third party as a safe-keeping agent so as to ensure that the third party has and maintains the expertise, competence and standing appropriate to discharge the responsibilities concerned and must maintain an appropriate level of supervision over the safe-keeping agent and make appropriate enquiries from time to time to confirm that the obligations of the agent continue to be competently discharged. The Custodian's fees shall be paid by the Manager;
- (g) The following contracts, not being entered into in the ordinary course of its business, have been entered into by the Manager in relation to the Company and are, or may be, material:
  - (iii) the Investment Management Agreement dated 8 August 2007 between the Manager and Invesco PowerShares Capital Management LLC, as amended and novated, pursuant to which the Company and the Manager have appointed the Investment Manager as investment manager of PowerShares EQQQ. The Investment Management Agreement provides that the appointment of the Investment Manager will continue in force unless and until terminated by either party giving to the other not less than 90 days' written notice although in certain circumstances, such as the insolvency of either party of unremedied breach after notice, the Agreement may be terminated forthwith by notice in writing by either party to the other. The Investment Management Agreement contains indemnities in favour of the Investment Manager other than in respect of matters arising by reason of its fraud, bad faith, wilful misconduct or negligence in the carrying out of its duties and obligations or reckless disregard for its duties and obligations, in which cases the Investment Manager shall be liable to the Manager and the Company, and provisions regarding the Investment Manager's legal responsibilities;
- (iv) the Administration Agreement dated 8 August 2007 made between the Manager and the Administrator, as amended and novated, pursuant to which the Manager has delegated to the Administrator its administration, registrar, secretarial and transfer agency functions. The Administration Agreement provides that the appointment of the Administrator will continue in force unless and until terminated by any party giving to the other not less than three months' written notice although in certain circumstances, such as the insolvency of any party or unremedied breach after notice, the Agreement may be terminated forthwith by notice in writing by any party to the others. The Administration Agreement contains indemnities in favour of the Administrator other than in respect of matters arising by reason of its fraud, bad faith, wilful misconduct or negligence in the performance of its duties and obligations or the reckless disregard for its duties and obligations, in which cases the Administrator shall be liable, and provisions regarding the Administrator's legal responsibilities;
- (v) the Computershare Transfer Agency Agreement dated 8 August 2007 made between the Manager and the Computershare Transfer Agent, as amended and novated, in respect of the Shares which are subscribed for via Euroclear, as amended from time to time. This Agreement provides that the appointment of the Computershare Transfer Agent will continue in force unless and until terminated by either the Manager or the Computershare Transfer Agent giving to the other parties not less than 90 days written notice although in certain circumstances such as the

## 11. Statutory and General Information

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insolvency of any party, unremedied breach after notice, the Computershare Transfer Agency Agreement may be terminated forthwith by notice in writing by either such party to the others. The Computershare Transfer Agency Agreement contains indemnities in favour of the Computershare Transfer Agent other than matters arising by reason of its negligence, wilful default, breach of contract or fraud in the performance of its duties and obligations, and provisions regarding its responsibilities;

Copies of the Country Supplements can be obtained from the relevant local Invesco offices. They may also be obtained from the local Website, as required by local laws.

- (iv) licence agreements may be entered into from time to time which will enable the Company to use an Index as a basis for determining the composition of its Funds and to use certain trade names, trademarks, and service marks of the Index Provider in connection with such Funds.

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#### 11.10. Miscellaneous

- (a) The Company does not have, nor has it had since its incorporation, any employees.
- (b) No Director has any interest direct or indirect in the promotion of the Company or in any assets which have been acquired or disposed of by or leased to the Company or are proposed to be acquired by, disposed of or leased to the Company, nor is there any contract or arrangement subsisting at the date of this document in which a Director is materially interested and which is unusual in its nature and conditions or significant in relation to the business of the Company.
- (c) The Company has not and does not intend to purchase or acquire nor agree to purchase or acquire any real property.

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#### 11.11. Inspection of Documents

- (a) Copies of the following documents will be available for inspection at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays), free of charge, at the offices of the Administrator in Dublin and on the Website:
  - (i) the Memorandum and Articles of Association of the Company;
  - (ii) the Prospectus;
  - (iii) the Key Investor Information Documents; and
  - (iv) the latest Annual Report and Semi-Annual Report of the Company.
- (b) Any relevant Country Supplement will be provided separately or be distributed as part of the Prospectus, as required by local laws.

# Schedule I

## Stock Exchanges and Regulated Markets

With the exception of permitted investment in unlisted securities, Investments of a Fund will be restricted to those traded on stock exchanges and markets listed below in this Prospectus or any Supplement thereto or revision thereof. These stock exchanges and markets are listed in accordance with the requirements of the Central Bank, it being noted that the Central Bank does not issue a list of approved markets and exchanges.

### Stock Exchanges

- (i) Any stock exchange in any EU Member State or in any of the following member countries of the OECD:

Australia, Canada, Iceland, Japan, New Zealand, Norway, Switzerland and the United States of America.

- (ii) Any of the following stock exchanges:

Argentina	Buenos Aires Stock Exchange, Cordoba Stock Exchange, La Plata Stock Exchange, Mendoza Stock Exchange, Rosario Stock Exchange, Mercado Abierto Electronico, Bolsa de Mercadorias e Futuros
Bahrain	Bahrain Stock Exchange
Bangladesh	Dhaka Stock Exchange, Chittagong Stock Exchange
Bermuda	Bermuda Stock Exchange
Botswana	Botswana Stock Exchange
Brazil	Bahia-Sergipe-Alagoas Stock Exchange, Extremo Sul Stock Exchange, Porto Alegre Mina Esperito, Santo Brasilia Stock Exchange, Parana Stock Exchange, Curitiba Pernambuco e Paraiba Stock Exchange, Regional Stock Exchange, Fortaleza Rio de Janeiro Stock Exchange, Santos Stock Exchange, Sao Paulo Stock Exchange, Bolsa de Mercadorias e Futuros.
Chile	Santiago Stock Exchange, Valparaiso Stock Exchange.
China	Shanghai Stock Exchange, Shenzhen Stock Exchange
Colombia	Bogota Stock Exchange, Medellin Stock Exchange
Croatia	Zagreb Stock Exchange
Egypt	Cairo Stock Exchange, Alexandria Stock Exchange.
Ghana	Ghana Stock Exchange
Hong Kong	Hong Kong Stock Exchange
India	The National Stock Exchange of India Limited, Madras Stock Exchange, Delhi Stock Exchange, Ahmedabad Stock Exchange, Bangalore Stock Exchange, Cochin Stock Exchange, Gauhari Stock Exchange, Magadh Stock Exchange, The Stock Exchange Mumbai, Pune Stock Exchange, Hyderabad Stock Exchange, Uttar Pradesh Stock Exchange, Calcutta Stock Exchange, Ludhiana Stock Exchange
Indonesia	Jakarta Stock Exchange, Surabaya Stock Exchange
Israel	Tel Aviv Stock Exchange
Jordan	Amman Stock Exchange
Kazakhstan	Central Asian Stock Exchange, Kazakhstan Stock Exchange
Kenya	Nairobi Stock Exchange
Kuwait	Kuwait Stock Exchange
Lebanon	Beirut Stock Exchange
Malaysia	Kuala Lumpur Stock Exchange

Mauritius	Stock Exchange of Mauritius
Mexico	Mexico Stock Exchange
Morocco	Casablanca Stock Exchange
Namibia	Namibian Stock Exchange
Oman	Oman Stock Exchange
Pakistan	Karachi Stock Exchange (Guarantee) Ltd, Lahore Stock Exchange, Islamabad Stock Exchange
Peru	Lima Stock Exchange
Philippines	Philippines Stock Exchange
Qatar	Doha Securities Market
Russia	Moscow Exchange
Saudi Arabia	Saudi Stock Exchange
Singapore	Singapore Exchange Limited
South Africa	Johannesburg Stock Exchange
South Korea	Korea Stock Exchange
Sri Lanka	Colombo Stock Exchange
Taiwan	Taiwan Stock Exchange Corporation
Thailand	Stock Exchange of Thailand, Bangkok
Tunisia	Bourse de Valeurs Mobiliers de Tunis
Turkey	Istanbul Stock Exchange
United Arab	Emirates Abu Dhabi Exchange, Dubai International Financial Exchange, Dubai Financial Markets
Ukraine	PFTS Stock Exchange, Ukrainian Stock Exchange
Uruguay	Montevideo Stock Exchange
Uruguay	Bolsa Electronica de Valores
Venezuela	Caracas Stock Exchange, Maracaibo Stock Exchange
Vietnam	Vietnam Stock Exchange
Zambia	Lusaka Stock Exchange

1. The following regulated markets:

- the markets organised by the International Capital Market Association;
- the market conducted by listed money market institutions as described in the Bank of England publication "The Regulation of the Wholesale Cash and OTC Derivatives Markets" (in Sterling, foreign currency and bullion) as amended or revised 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 (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 Creance Negotiable (over-the-counter market in negotiable debt instruments);
- the over-the-counter market in Canadian Government Bonds, regulated by the Investment Dealers Association of Canada; and

## Schedule I

### Continued

2. The following are Regulated Markets on which FDIs may be traded:
  - (a) the markets organised by the International Capital Market Association;
  - (b) the over-the-counter market in the United States regulated by the National Association of Securities Dealers Inc. (and by banking institutions regulated by the U.S. Comptroller of the Currency, the Federal Reserve System or Federal Deposit Insurance Corporation);
  - (c) the market conducted by listed money market institutions as described in the Bank of England publication "The Regulation of the Wholesale Cash and OTC Derivatives Markets: (in Sterling, foreign currency and bullion) as amended or revised from time to time;
  - (d) the over-the-counter market in Japan regulated by the Securities Dealers Association of Japan;
  - (e) AIM – the Alternative Investment Market in the UK, regulated and operated by the London Stock Exchange;
  - (f) the French market for Titres de Creance Negotiable;
  - (g) the over-the-counter market in Canadian Government Bonds, regulated by the Investment Dealers Association of Canada;
  - (h) American Stock Exchange;
  - (i) Australian Stock Exchange;
  - (j) Bolsa Mexicana de Valores;
  - (k) Chicago Board of Trade;
  - (l) Chicago Board Options Exchange;
  - (m) Chicago Mercantile Exchange;
  - (n) Copenhagen Stock Exchange (including FUTOP);
  - (o) European Options Exchange;
  - (p) Eurex Deutschland;
  - (q) Financieel Termijnmarkt Amsterdam;
  - (r) Finnish Options Market;
  - (s) Hong Kong Futures Exchange;
  - (t) International Securities Market Association;
  - (u) Kansas City Board of Trade;
  - (v) Financial Futures and Options Exchange;
  - (w) Marche a Terme des International de France;
  - (x) Marche des options Negociables de Paris (MONEP);
  - (y) MEFF Rent Fija;
  - (z) MEFF Renta Variable;
  - (aa) Midwest Stock Exchange;
  - (bb) Montreal Stock Exchange;
  - (cc) New York Futures Exchange;
  - (dd) New York Mercantile Exchange;
  - (ee) New York Stock Exchange;
  - (ff) New Zealand Futures Exchange;
  - (gg) OMLX The London Securities and Derivatives Exchange Ltd.;
  - (hh) OM Stockholm AB;
  - (ii) Osaka Securities Exchange;
  - (jj) Pacific Stock Exchange;
  - (kk) Philadelphia Board of Trade;
  - (ll) Philadelphia Stock Exchange;
  - (mm) Singapore International Monetary Exchange;
  - (nn) South Africa Futures Exchange (SAFEX);
  - (oo) Sydney Futures Exchange;
  - (pp) NASDAQ;
  - (qq) Tokyo Stock Exchange;
  - (rr) Toronto Futures Exchange.

## Schedule II

### A. Investment in Financial Derivative Instruments ("FDI") - Efficient Portfolio Management/Direct Investment

The following provisions apply whenever a Fund proposes to engage in transactions in FDIs where the transactions are for the purposes of efficient portfolio management and, where the intention is disclosed in the Fund's investment policy, for investment purposes of the Fund. Where the Company engages in transactions in relation to FDI, the Company shall employ a risk management process to enable it to monitor, manage and measure, on a continuous basis, the risk of all open derivative positions and their contribution to the overall risk profile of a Fund's portfolio. The Company will submit its risk management process to the Central Bank in accordance with Guidance Note 3/03 prior to engaging in FDI transactions. The Company will, on request, provide supplemental information to Shareholders relating to the risk management methods employed, including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investment.

The conditions and limits for the use of such techniques and instruments in relation to each Fund are as follows:

- A Fund's global exposure (as prescribed in the Notices) relating to FDI must not exceed its total Net Asset Value and therefore leverage will be limited to 100% of the Net Asset Value of a Fund. A Fund's global exposure will be calculated using the commitment approach.
- 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 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 Notices).
- A Fund 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.
- Investment in FDIs are subject to the conditions and limits laid down by the Central Bank.

#### Eligible Counterparties to OTC Derivative Transactions

The counterparty to an OTC derivative transaction must be one of the following:

- (a) a credit institution authorised in the European Economic Area (EEA), (European Union Member States, Norway, Iceland, Liechtenstein);
- (b) a credit institution authorised within a signatory state, other than a Member State of the EEA, to the Basel Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, United States);

- (c) a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand;
- (d) 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 US Securities and Exchange Commission;
- (e) in the case of a counterparty which is not a credit institution, must be an entity having a minimum credit rating of A2 or equivalent or must be deemed by the Manager to have an implied rating of A2 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 A2 or equivalent; or
- (f) in the case of subsequent novation of OTC derivative contracts, the counterparty must be one of the following:
  - a. the entities as set out in paragraphs (a) to (d) above; or
  - b. a central counterparty (CCP) authorised, or recognised by ESMA under Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR) or, pending recognition by ESMA under Article 25 of EMIR, an entity classified as a derivatives clearing organisation by the Commodity Futures Trading Commission or a clearing agency by the SEC (both CCP).

### B. Efficient Portfolio Management - Other Techniques

While the use of Portfolio Investment Techniques will be in line with the best interest of the Portfolio, individual techniques may result in increased counterparty risk and potential conflicts of interest. Details of the proposed Portfolio Investment Techniques and policies adopted by the Manager in relation to their use by the Portfolio are set out below. Details of the relevant risks are set out in section 5 "Risk factors".

The Manager may employ other techniques relating to transferable securities which it reasonably believes to be economically appropriate to the efficient portfolio management of each Fund in accordance with the investment objectives of each Fund.

For the purpose of this section, "relevant institutions" refers to those institutions which are credit institutions authorised in the EEA or credit institutions 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.

Repurchase/reverse agreements ("repo contracts") and stocklending agreements may only be effected in accordance with normal market practice.

## Schedule II

### Continued

#### Management of Collateral

All assets received by a Fund in the context of efficient portfolio management techniques shall be considered as collateral. All collateral received by the Fund either in connection with its use of OTC derivatives transactions or in connection with its use of efficient portfolio management techniques must comply with the criteria set out below:

- (i) 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 Article 56 of the Directive.
- (ii) 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.
- (iii) Issuer credit quality: collateral received should be of high quality.
- (iv) 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.
- (v) 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% of a Fund's Net Asset Value. When a Fund is exposed to different counterparties, the different baskets of collateral should be aggregated to calculate the 20% limit of exposure to a single issuer. A 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. Such a Fund should receive securities from at least six different issues, but securities from any single issue should not account for more than 30% of the Fund's Net Asset Value.
- (vi) Immediately available: collateral received should be capable of being fully enforced by the Manager, on behalf of the relevant Fund(s), at any time without reference to or approval from the counterparty.

Collateral received on a title transfer basis should be held by the Custodian. For other types collateral arrangement, the collateral can be held by a third party trustee which is subject to prudential supervision, and which is unrelated to the provider of the collateral.

#### Permitted types of collateral

In compliance with the requirements of the Notices, the Fund will receive collateral for repo contracts and stocklending activities in the form of cash and/or high quality government securities. The amount of collateral obtained under a stocklending arrangement must be of at least 100% of the daily marked to market value of the stocks on loan. No haircut policy is currently required to be applied as all the non-cash collateral received has a credit rating of A-1 or higher. Should the Fund accept non-cash collateral with credit rating below that in the future, conservative haircuts would be applied accordingly.

Collateral in the form of U.S. government securities are held in book entry at the Federal Reserve Bank of New York. Cash and all eligible forms of non-cash collateral received in

consideration of a stocklending transaction will be held by The Bank of New York Mellon (the New York registered bank) who is a sub-custodian of the Custodian to the Fund, in a separately managed account in the name of the Fund.

#### Reinvestment of Collateral

Cash received as collateral may not be invested other than in the following:

- (i) deposit within relevant institutions;
- (ii) high quality government bonds;
- (iii) reverse purchase 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;
- (iv) short-term money market funds as defined in the ESMA Guidelines on a Common Definition of European Money Market Funds (ref CESR/10-049).

Re-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 related entity.

Invested cash collateral may not be placed on deposit with, or invested in securities issued by a counterparty or a related entity.

The Fund may invest in securities on a when issued, delayed delivery and forward commitment basis and such securities will be taken into consideration in calculating a Fund's investment restriction limits.

Non-cash collateral cannot be sold, pledged or re-invested.

#### Other provisions in relation to repo contracts and stocklending

Repurchase/Reverse Repurchase and Stocklending Arrangements are subject to the following conditions:

- (a) Without prejudice to the provisions above relating to the use of non-cash and cash collateral, a Fund may be permitted to undertake repo transactions pursuant to which additional leverage is generated through the re-investment of collateral. In this case, the repo transaction must be taken into consideration for the determination of global exposure as required by paragraph 21 of Notice 10. Any global exposure generated must be added to the global exposure created through the use of derivatives and the total of these must not be greater than 100% of the Fund's Net Asset Value. Where collateral is re-invested in financial assets that provide a return in excess of the risk-free return the Fund must include, in the calculation of global exposure:
  - (i) the amount received if cash collateral is held;
  - (ii) the market value of the instrument concerned if non-cash collateral is held.
- (b) The counterparty to a repo contract or stocklending agreement must have a minimum credit rating of A2 or equivalent, or must be deemed by the Fund to have an implied rating of A2 or equivalent. Alternatively, an unrated counterparty will be acceptable where the

## Schedule II

### Continued

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 A2 or equivalent.

- (c) Repo contracts or stocklending agreements do not constitute borrowing or lending for the purposes of the Notices.

#### **Stress testing policy**

In the event that the Manager receives collateral for at least 30% of the net assets of a Fund, it will implement a stress testing policy to ensure that regular stress tests are carried out under normal and exceptional liquidity conditions in order to allow it to assess the liquidity risk attached to collateral.

#### **Haircut policy**

The Manager has implemented a haircut policy in respect of each class of assets received as collateral in respect of the Fund. Typically, the Manager utilises cash and high quality government bonds of OECD countries as collateral with haircuts ranging between 0 and 15% depending of the maturity and quality of such collateral. Nevertheless, other permitted forms of collateral may be utilised from time to time in accordance with the collateral policy and the haircut policy which will take into account the characteristics of the relevant class of assets, including the credit rating of the issuer of the collateral, the price volatility of the collateral and the results of any stress tests which may be performed in accordance with the stress testing policy.

#### **Counterparty exposure**

The Annual Report will contain details of (i) the counterparty exposure obtained through efficient portfolio management techniques and OTC derivatives, (ii) counterparties to efficient portfolio management techniques and OTC derivatives, (iii) the type and amount of collateral received by the Funds to reduce counterparty exposure and (iv) revenues arising from efficient portfolio management techniques for the reporting period, together with direct and indirect costs and fees incurred.

#### **Provisions applicable to Stocklending**

Stocklending allows a Fund to earn additional income as the Fund will generate revenues from lending out a certain amount of the Index Securities which it holds in return for a fee. The revenue from stocklending activities will help to offset a portion of the Fund's operating costs. With market demand and under certain market conditions, it may potentially lead to a decrease in the Fund's total expense ratio which in turn will reduce the Fund's tracking error. Stocklending is subject to risks. Please refer to section 5 "Risk Factors".

The stocklending activities of a Fund may only be effected in accordance with generally accepted market practice and shall comply with the following policies:

##### *Limit on Stocklending*

No more than one-third of the Net Asset Value of a Fund may be lent at any one time pursuant to such stocklending transactions.

##### *Selection of stocklending counterparties*

Pursuant to the Notices, to be eligible as counterparty to stocklending transactions in respect of a Fund, the counterparty must comply with the requirements set out in the "Counterparty exposure" section of this Schedule II. Other selection criteria include, but not limited to, satisfactory completion of the credit review and counterparty will also need to observe certain pre-established credit limits. In addition, the

requirements stipulated in the last paragraph of section B of this Schedule II must also be complied with.

##### *Use of stocklending agents*

A Fund may engage in stocklending transactions through stocklending agents. The stocklending agents are independent of the Manager, the Investment Manager or their respective Connected Persons meaning, in relation to a company (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or (c) any member of the group of which that company forms part; or (d) any director or officer of that company or of any of its Connected Persons as defined in (a), (b) or (c). Stocklending agents may be the same entity as the sub-custodian of a Fund and may be Connected Persons of the Custodian but they have been specifically excluded from the list of approved borrowers of stocks and are therefore not eligible counterparties for stocklending transactions. Stocklending agents may, among other things, enter into and maintain securities loan agreements with borrowers, negotiate fees with borrowers, deliver securities to borrowers, facilitate the receipt of collateral from borrowers in connection with each loan to be held by the sub-custodian in accordance with the Investment Manager's instructions.

In general, the Investment Manager is the only entity that is entitled to make investment decisions for a Fund. The stocklending agent would be responsible for the administration of the stocklending transactions including demanding additional collateral from counterparties where necessary, subject to the collateral policy of a Fund as set out in this Prospectus and imposed by the Investment Manager.

The Investment Manager is responsible for the oversight of the stocklending program, including ensuring the collateral being maintained at the specified level and for monitoring the performance of the stocklending agent. All collateral levels should be reviewed to ensure sufficient levels are received and a regular review of the approved list of stocklending counterparties should also be undertaken.

##### *Fees and revenues from stocklending*

The Fund pays fees to stocklending agents for their services and retains the remaining stocklending revenues following payment to stocklending agents.

##### *General*

The Manager and the Investment Manager do not receive any compensation or benefit in connection with the Fund's stocklending program. To the extent that any stocklending arrangements are with any Connected Person of the Manager or Investment Manager, such transactions will be at arm's length and will be executed as if effected on normal commercial terms and will be disclosed in the Fund's annual report.

A Fund may enter into stocklending programmes organised by generally recognised International Central Securities Depositories Systems provided that the programme is subject to a guarantee from the system operator.

The Fund must have the right at any time to terminate any stocklending agreement in to which it has entered at any time and demand the return of any or all of the securities loaned. The agreement must provide that, once such notice is given, the borrower is obligated to redeliver the securities within 5 business days or other period as normal market practice dictates.



## Schedule III

### Investment and Borrowing Restrictions

Investment of the assets of the relevant Fund must comply with the Regulations. The Regulations provide:

<b>1</b>	<b>Permitted Investments</b>
<b>1.1</b>	Investments of each Fund are confined to: Transferable securities and money market instruments, as prescribed in the 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.
<b>1.2</b>	Recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described above) within a year.
<b>1.3</b>	Money market instruments, as defined in the Notices, other than those dealt on a regulated market.
<b>1.4</b>	Units of UCITS.
<b>1.5</b>	Units of Non-UCITS as set out in the Central Bank's Guidance Note 2/03.
<b>1.6</b>	Deposits with credit institutions as prescribed in the Notices.
<b>1.7</b>	FDIs as prescribed in the Notices.
<b>2</b>	<b>Investment Restrictions</b>
<b>2.1</b>	Each Fund may invest no more than 10% of net assets in transferable securities and money market instruments other than those referred to in paragraph 1.
<b>2.2</b>	Each Fund may invest no more than 10% 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 a Fund in certain US securities known as Rule 144A securities provided that: <ul style="list-style-type: none"> <li>- the securities are issued with an undertaking to register with the US Securities and Exchanges Commission within one year of issue; and</li> <li>- the securities are not illiquid securities i.e. they may be realised by the Fund within seven days at the price, or approximately at the price, at which they are valued by the Fund.</li> </ul>
<b>2.3</b>	Subject to paragraph 4, each Fund may invest no more than 10% 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% is less than 40%.
<b>2.4</b>	The limit of 10% (in paragraph 2.3) is raised to 25% 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 Fund invests more than 5% of its net assets in these bonds issued by one issuer, the total value of these investments may not exceed 80% of the net asset value of the Fund. <b>To avail of this provision prior approval must be obtained from the Central Bank.</b>
<b>2.5</b>	The limit of 10% (in paragraph 2.3) is raised to 35% 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.
<b>2.6</b>	The transferable securities and money market instruments referred to in paragraphs 2.4 and 2.5 shall not be taken into account for the purpose of applying the limit of 40% referred to in paragraph 2.3.
<b>2.7</b>	Each Fund may not invest more than 20% of net assets in deposits made with the same credit institution.  Deposits with any one credit institution, other than credit institutions authorised in the EEA, credit institutions authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988, or credit institutions authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand, held as ancillary liquidity, must not exceed 10% of net assets.  This limit may be raised to 20% in the case of deposits made with the trustee/custodian.
<b>2.8</b>	The risk exposure of a Fund to a counterparty to an OTC derivative may not exceed 5% of net assets. This limit is raised to 10% in the case of credit institutions authorised in the EEA, credit institutions authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988, or credit institutions authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand.
<b>2.9</b>	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% of net assets: <ul style="list-style-type: none"> <li>- investments in transferable securities or money market instruments;</li> <li>- deposits, and/or</li> <li>- counterparty risk exposures arising from OTC derivatives transactions.</li> </ul>

## Schedule III

### Continued

<b>2.10</b>	The limits referred to in paragraphs 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% of net assets.
<b>2.11</b>	Group companies are regarded as a single issuer for the purposes of paragraphs 2.3, 2.4, 2.5, 2.7, 2.8 and 2.9. However, a limit of 20% of net assets may be applied to investment in transferable securities and money market instruments within the same group.
<b>2.12</b>	<p>Each Fund may invest up to 100% of net assets in different transferable securities and money market instruments issued or guaranteed by any Member State, its local authorities, non-Member States or public international body of which one or more Member States are members.</p> <p>The individual issuers must be listed in the prospectus and may be drawn from the following list:  OECD Governments (provided the relevant issues are investment grade), Government of Brazil (provided the issues are of investment grade), Government of India (provided the issues are of investment grade), Government of Singapore, 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 and Straight - A Funding LLC.</p> <p>Each Fund must hold securities from at least 6 different issues, with securities from any one issue not exceeding 30% of net assets.</p>
<b>3</b>	<b>Investment in Collective Investment Schemes ("CIS")</b>
<b>3.1</b>	Investments made by a Fund in units of a UCITS or other open-ended CIS ("underlying scheme") may not exceed, in aggregate, 10% of the assets of the Fund.
<b>3.2</b>	<p>Notwithstanding the provisions of section 3.1, where the investment policy of a Fund states that it may invest more than 10% of its assets in other UCITS or CIS the follow up restrictions shall apply instead of the restrictions set out at Section 3.1 above:</p> <p>(a) Each Fund may not invest more than 20% of its Net Asset Value in any one CIS. In this case, the CIS may not, itself, invest more than 10% of its Net Asset Value in other CIS.</p> <p>(b) Investments in non-UCITS CIS may not, in aggregate, exceed 30% of its Net Asset Value.</p>
<b>3.3</b>	When a Fund invests in units of an underlying scheme the Manager may not levy any subscription, switching or redemption fees, nor may any management fee be charged by it in respect of underlying funds which (i) it manages itself either directly or indirectly; or (ii) are managed by a company with which the management company related by virtue of a. common management, or b. common control, or c. a direct or indirect holding of more than 10 % of the capital or the votes.
<b>3.4</b>	Where a commission (including a rebated commission) is received by the Fund's 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 Fund.
<b>4</b>	<b>Index Tracking UCITS</b>
<b>4.1</b>	A Fund may invest up to 20% of net assets in shares and/or debt securities issued by the same body where the investment policy of the Fund is to replicate an index which satisfies the criteria set out in the Notices and is recognised by the Central Bank.
<b>4.2</b>	The limit in paragraph 4.1 may be raised to 35%, and applied to a single issuer, where this is justified by exceptional market conditions.
<b>5</b>	<b>General Provisions</b>
<b>5.1</b>	An investment company, or management company acting in connection with all of the Funds 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.

## Schedule III

### Continued

<b>5.2</b>	<p>A Fund may acquire no more than:</p> <ul style="list-style-type: none"> <li>(i) 10% of the non-voting shares of any single issuing body;</li> <li>(ii) 10% of the debt securities of any single issuing body;</li> <li>(iii) 25% of the units of any single CIS;</li> <li>(iv) 10% 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>
<b>5.3</b>	<p>Paragraphs 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 Fund 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 Fund 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 paragraphs 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>
<b>5.4</b>	<p>A Fund 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>
<b>5.5</b>	<p>The Central Bank may allow recently authorised Funds to derogate from the provisions of paragraphs 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>
<b>5.6</b>	<p>If the limits laid down herein are exceeded for reasons beyond the control of a Fund, or as a result of the exercise of subscription rights, the Fund must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its shareholders.</p>
<b>5.7</b>	<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<sup>1</sup>;</li> <li>- units of CIS; or</li> <li>- FDI.</li> </ul>
<b>5.8</b>	<p>A Fund may hold ancillary liquid assets.</p>

<sup>1</sup> Any short selling of money market instruments by UCITS is prohibited.

## Schedule III

### Continued

#### Borrowing Restrictions

The Regulations provide that the Company in respect of each Fund:

- (a) may not borrow, other than borrowings which in the aggregate do not exceed 10% of the Net Asset Value of the Fund and provided that this borrowing is on a temporary basis. The Custodian may give a charge on the assets of the Fund in order to secure borrowings. Credit balances (e.g. cash) may not be offset against borrowings when determining the percentage of borrowings outstanding;
- (b) may acquire foreign currency by means of a back-to-back loan. Foreign currency obtained in this manner is not classed as borrowings for the purpose of the borrowing restriction in paragraph (a), provided that the offsetting deposit: (i) is denominated in the Base Currency of the Fund and (ii) equals or exceeds the value of the foreign currency loan outstanding. However, where foreign currency borrowings exceed the value of the back-to-back deposit, any excess is regarded as borrowing for the purposes of paragraph (a) above and in Regulation 103 (1).

#### Restrictions relating to a Fund's investments in other Funds of the Company

Where a Fund invests in other Funds of the Company the following conditions shall apply: -

- the Fund will not invest in a fund of the Company which itself holds shares in other funds within the Company;
- the Fund will not be subject to subscription, switching or redemption fees; and
- the Manager will not charge a management fee to the Fund in respect of that portion of the Fund's assets invested in another fund of the Company.

#### Risk Spreading

The assets of the Funds are invested according to the principle of risk spreading.

#### Conditions Applicable to Funds Sold in Germany

For so long as a Fund is registered for sale in Germany, unless otherwise approved or exempted by the Federal Financial Supervisory Authority (the "BaFin"), each Fund offered and sold in Germany, will be subject to the following restrictions (other relevant information under the German Investment Tax Act (as may be amended from time to time) which are not investment restrictions disclosed in Section 4 of the Prospectus):

- (a) each Fund will invest at least 90% of its Net Asset Value in qualifying assets (i.e. securities, money market instruments, derivatives, bank deposits, real property, rights equivalent to real property and comparable rights under the law in other jurisdictions, participations in real estate companies within the meaning of section 1 para.19, no.22 of the German Capital Investment Code; business fixtures and other items to manage the property within the meaning of section 231 para.3 of the German

Capital Investment Code, shares or participations in domestic and foreign investment funds, Participations in ÖPP project companies within the meaning of section 1 para. 19 no. 28 of the German Capital Investment Code, if the market value of these participations can be determined, precious metals, non-securitized loans and participations in corporations, if the market value of these participations can be determined) as defined by the relevant section of the German Investment Tax Act (as may be amended from time to time);

- (b) each Fund will not invest more than 20% of its Net Asset Value in companies whose securities are not listed or traded on a Regulated Market;
- (c) the investment of each Fund into a corporation will stay below 10% of the capital of the corporation; and
- (d) each Fund may raise credit (i.e. borrow) up to only 10% of its Net Asset Value on a short-term basis.

Any restrictions applicable to Funds registered for sale in Germany will be subject at all times to the restrictions and other requirements applicable to the Funds under the UCITS Regulations.

For the list of Funds offered and sold in Germany, please refer to the German Country Supplement available on the Website.



# **PowerShares Global Funds Ireland Public Limited Company**

## **United Kingdom Country Supplement**

**6 October 2014**

**This UK Country Supplement forms part of and should be read in conjunction with the Prospectus (and any relevant Supplement) of PowerShares Global Funds Ireland Public Limited Company dated 6 October 2014**

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## General

### Information for Investors in the United Kingdom

**This UK Country Supplement forms part of and should be read in conjunction with the Prospectus (and any relevant Supplement) for PowerShares Global Funds Ireland public limited company dated 6 October 2014 (the "Prospectus").**

The Company has the status of a recognised scheme under section 264 of the Financial Services and Markets Act 2000 ("FSMA") of the United Kingdom ("UK").

This country supplement constitutes a financial promotion in relation to the Company for the purposes of Section 21 of the FSMA, whose Shares are promoted to investors in the UK by Computershare Investor Services Plc which is regulated by the Financial Conduct Authority (FCA). It can be made freely available to residents of the United Kingdom. This country supplement refers to PowerShares Global Funds Ireland public limited company (the "Company") of which Invesco Global Asset Management Limited is Manager (the "Manager").

The Funds will not be covered by the compensation scheme available under the FSMA in the United Kingdom. UK investors are advised that no cancellation rights are available to investors in the Funds and accordingly applications for Shares will, upon the receipt and acceptance of an application form, be binding upon investors.

Pursuant to the Financial Services (Recognised Schemes' Facilities in the United Kingdom) Regulations 1988, the Manager maintains facilities in the United Kingdom at the offices of Computershare Investors Services Plc, Bridgwater Road, Bristol, BS13 8AE whereby:-

- the latest version of the Memorandum and Articles of Association, the most recent Prospectus and the most recently prepared and published Reports may be inspected free of charge and copies of them obtained;
- Shareholders in the Funds may present their redemption requests incorporating any payment instructions which would be transmitted to the office of the Global Distributor or to the registered office of the Manager for processing;
- payments in respect of redemptions may be collected after processing if so desired;
- information can be obtained orally and in writing about the most recently published net asset values of the Shares; and
- any Shareholder, who has a complaint to make about the operation of the Company, can submit his complaint in writing for transmission to the registered office of the Manager or to the office of the Global Distributor.

The following is a summary of various aspects of the UK taxation regime which may apply to persons resident (and, in the case of individuals, resident and domiciled) in the UK acquiring Shares in the Company. It is intended as a general summary only, based on current UK law and published practice of HM Revenue & Customs ("HMRC") in force and as applied as of the date of the Prospectus. Such law and practice may be subject to change (possibly with retrospective effect), and the summary below is not exhaustive. Further, it will apply only to those Shareholders holding Shares as the absolute beneficial owner thereof and as an investment, and does not apply to dealers or others acting in the course of a trade. The summary below does not apply to Shareholders which are tax exempt or subject to special taxation regimes.

This summary should not be taken to constitute legal or tax advice and any prospective Shareholder should consult their own professional advisers as to the UK tax treatment in respect of a holding of Shares in the Company.

It is the intention of the Directors to conduct the affairs of the Company so that it does not become resident in the UK for taxation purposes. Accordingly, and provided that the Company does not carry on a trade in the UK through a permanent establishment situated there, the Company will not be subject to UK corporation or income tax on its income or chargeable gains, other than on certain UK source income.



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## Offshore Fund Rules

Shareholders investing in a class of Shares will be treated as investing in an offshore fund for the purposes of the Offshore Funds (Tax) Regulations 2009 (SI 2009/3001) as amended (the “**Tax Regulations**”). Consequently, unless the relevant class of Shares is accepted by HMRC as, and remains, a “reporting fund” under the Tax Regulations, gains realised on the disposal of Shares will normally be taxed as “offshore income gains” (which are treated as income and not as a capital gain) for UK tax purposes under Part 2 of the Tax Regulations.

Under the Tax Regulations, a fund can elect to “report” its income. Where a class of Shares reports the appropriate level of income, Shareholders in that class will be taxed as though they had in fact received the “reported income”. Accordingly (subject to any available exemptions or reliefs, including in the case of an individual any available foreign tax credit or in the case of certain companies, an exemption from UK tax where certain conditions are met), such shareholders will be subject to income tax or corporation tax as applicable on:

- (i) the amount of any actual distributions received by them; plus
- (ii) any excess of the reported income of the class of Shares in respect of a reporting period over distributions made in respect of that class of Shares attributable to that investor.

Under the Tax Regulations, any such excess is treated as if it were (additional) distributions made to investors in the class of Shares in proportion to their rights. Any gains realised by a shareholder on an eventual disposal of an investment in what has been a ‘reporting fund’ for all periods of account for which they hold their interest should not be taxed as “offshore income gains” and therefore should be subject to capital gains tax or to corporation tax on chargeable gains, as applicable.

The Share classes for which an application to be treated as a “reporting fund” has been made will be listed within the Supplements of each individual Fund and the Annual Report. There is no guarantee that such application will be accepted by HMRC or that the relevant class of Shares would continue to be classified as a “reporting fund” for future periods. The Directors reserve the right, without prior notice, to change the Share classes for which applications to be treated as a “reporting fund” will be sought.

Information pertaining to reportable income will be available to view on [www.invescopowershares.co.uk](http://www.invescopowershares.co.uk).

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## Dividends and Other Income Distributions

Subject to their personal tax position and any available reliefs or exemptions, Shareholders will be subject to UK income tax or corporation tax in respect of any dividends or other income distributions of the Company (as well as in respect of any reported amount in excess of distributions paid). Corporate investors may wish to note that distributions paid to certain UK companies are exempt from UK tax, where certain conditions are met.

Dividends received in respect of Shares which are held as an investment by individuals domiciled and resident in the UK are generally taxed either at the dividend ordinary rate (currently 10 per cent.) or (if total income of the Shareholder in a tax year exceeds the higher rate threshold) the dividend upper rate (currently 32.5 per cent.). Dividend income for individuals with taxable income for a tax year in excess of £150,000 is charged at 37.5 per cent (the dividend additional rate). Individuals in receipt of dividends from non-UK resident companies may be entitled to a non-payable tax credit of one-ninth of the distribution. The amount of the tax credit will discharge an individual's dividend ordinary rate income tax liability, and will proportionally reduce a Shareholder's liability to dividend upper rate or dividend additional rate tax liability.

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## Prevention of Avoidance of Income Tax

The attention of individuals resident in the UK is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007 ("ITA"). These provisions are aimed at preventing the avoidance of income tax by individuals through transactions involving the transfer of assets or income to persons (including companies) resident or domiciled outside the UK and may render the relevant individual liable to income tax in respect of undistributed income and profits of the Company on an annual basis.

However, these provisions do not apply if such an individual can satisfy HMRC, in accordance with the relevant provisions, that:

- it would not be reasonable to draw the conclusion, from all the circumstances, that the purpose of avoiding liability to taxation was the purpose, or one of the purposes, for which the investment in the Company or other relevant transaction was effected;
- an investment in the Company or other relevant transaction was a "genuine commercial transaction" and it would not be reasonable to draw the conclusion, from all the circumstances, that such investment or other relevant transaction was more than incidentally designed for the purpose of avoiding liability to taxation; or
- it is protected by the treaty freedoms of the European Union (such that taxation under these provisions would be an unjustified and disproportionate restriction of a treaty freedom) and that the investment in the Company or other relevant transaction is a genuine transaction on arm's length terms and, in the case of transactions for the purposes of a business establishment, gives rise to income attributable to economically significant activity that takes place overseas.

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## Sections 731-751 of the Corporation Tax Act 2010 ("CTA 2010") and Sections 682-713 of ITA (Transactions in Securities)

The attention of prospective Shareholders who are corporation tax payers is drawn to the provisions of sections 731 to 751 of CTA 2010. The attention of prospective Shareholders who are income tax payers is drawn to sections 682 to 713 of ITA. These provisions could potentially apply to counteract UK tax advantages arising to a prospective Shareholder but the provisions will not apply provided the prospective Shareholder can demonstrate that:

1. in the case of a prospective Shareholder who is a corporation tax payer:
  - (i) its investment in the Company was made for bona fide commercial reasons or in the ordinary course of making or managing investments; and
  - (ii) none of the main objects of the investment in the Company was to obtain a corporation tax advantage within the meaning of section 732 of CTA 2010; or
2. in the case of a prospective Shareholder who is an income tax payer, none of the main purposes of the investment in the Company was to obtain an income tax advantage within the meaning of section 687 of ITA.

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## Controlled Foreign Companies

The UK controlled foreign companies rules, found in Part 9A of the Taxation (International and Other Provisions) Act 2010, can cause a proportion of certain categories of profits of non-UK resident companies, which are controlled by persons resident in the UK, to be imputed to and taxed upon UK companies which have a “relevant interest” in the non-UK resident company. The categories of profits which may be imputed in this way are referred to as “chargeable profits”.

A holding of Shares by a UK tax resident company would qualify as a relevant interest in the Company for these purposes. “Relevant interests” held by bare trustees or nominees will be treated as held by the person or persons for whom the bare trustee or nominee holds the interest. Each Fund in respect of which Shares are issued by the Company will be treated as a separate non-UK resident company under the rules. No imputation of profits of a Fund in respect of which Shares are issued by the Company to a UK tax resident corporate Shareholder will take place unless the Shareholder (and persons connected with that Shareholder) would have at least 25 per cent. of the relevant Fund’s chargeable profits imputed to it on a “just and reasonable basis”.

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## Interest treatment (individuals) and the Loan Relationship rules (corporates)

The attention of individual Shareholders is drawn to section 378A Income Tax (Trading and Other Income) Act 2005, which provides that where the market value of relevant underlying interest bearing securities and other qualifying investments of an offshore fund (broadly investments which yield a return directly or indirectly in the form of interest) is at any time more than 60 per cent. of the market value of the relevant assets of that offshore fund, distributions (if any) paid to individual investors (and any reported amount in excess of such distribution) may, in certain circumstances, be treated as interest for tax purposes. Individuals are generally taxed at a higher rate on interest than on dividend income. For the tax year 2013/2014, individuals domiciled and resident in the UK are generally taxed either at the basic rate (currently 20 per cent.) or (if total income in a tax year exceeds the higher rate threshold) the higher rate (currently 40 per cent.). Interest income for individuals with taxable income for a tax year in excess of £150,000 is charged at 45 per cent. for the tax year 2013/2014.

The attention of UK resident corporate Shareholders is drawn to Chapter 3 of Part 6 of the Corporation Tax Act 2009 (the “**Bond Fund Rules**”), whereby interests of UK companies in offshore funds may be deemed to constitute a loan relationship, with the consequence that all profits and losses on such relevant interests are chargeable to UK corporation tax (or relievable) in accordance with a fair value basis of accounting. These provisions apply where the market value of relevant underlying interest bearing securities and other qualifying investments of the offshore fund (broadly investments which yield a return directly or indirectly in the form of interest) are at any time more than 60% of the market value of the relevant investments of the Company.

HMRC has announced that changes to the Bond Fund Rules will be enacted in 2014 to (amongst other things) rationalise certain aspects of the Bond Fund Rules and permit corporate investors to make a claim in certain circumstances to disapply the Bond Fund Rules.

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## Attribution of gains to persons resident in the UK

The attention of UK resident investors is also drawn to the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 ("Section 13"). Under these provisions, where a chargeable gain accrues to a company that is not resident in the UK, but which would be a close company if it were resident in the UK, a person may be treated as though a proportional part of that chargeable gain, calculated by reference to their interest in the company, has accrued to them. No liability under Section 13 can be incurred by such a person, however, where such proportion does not exceed one-quarter of the gain.

Section 13 will not apply to chargeable gains accruing on the disposal of an asset by the non-UK resident company where that asset was used only for the purposes of "economically significant activities" carried on by that company wholly or mainly outside the UK or where it is shown that neither the disposal of that asset nor the acquisition or holding of that asset by that company formed part of a scheme or arrangements of which the main purpose, or one of the main purposes, was the avoidance of liability to capital gains tax or corporation tax.

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## Stamp Duty and Stamp Duty Reserve Tax

Because the Company is not incorporated in the UK, provided the register of holders of Shares is kept outside the UK, no liability to UK stamp duty reserve tax should arise by reason of the transfer, subscription for or redemption of Shares.

No UK stamp duty should be payable on the transfer, subscription for or redemption of Shares in Dematerialised Form through the electronic securities settlement systems provided that any such transfer, subscription or redemption will be effected electronically and will not be effected by any written instrument.



# PowerShares Global Funds Ireland Public Limited Company

*(An umbrella investment company with variable capital having segregated liability between its Funds)*

## Supplement relating to

### PowerShares FTSE RAFI All-World 3000 UCITS ETF

This Supplement contains information relating to PowerShares FTSE RAFI All-World 3000 UCITS ETF which is a separate Fund of PowerShares Global Funds Ireland public limited company (the "Company"). **This Supplement forms part of and should be read in the context of, and together with, the prospectus of the Company dated 6 October 2014 and any amending supplements to the prospectus (the "Prospectus").**

If you are in any doubt about the action to be taken or the contents of this Supplement please consult your stockbroker, bank manager, lawyer, accountant or other independent professional adviser.

The Shares of the RAFI All-World 3000 UCITS ETF have been admitted to the Official List of the Irish Stock Exchange and are admitted to and are traded on the London Stock Exchange. Shares may be admitted to or traded on such other exchanges (such as the Borsa Italiana, the Deutsche Börse, the NYSE Euronext Paris and the SIX Swiss Exchange) as the Directors may decide from time to time.

**Manager**  
**Invesco Global Asset Management Limited**

**Investment Manager**  
**Invesco PowerShares Capital Management LLC**

Potential investors should consider the risk factors set out in the Prospectus and in this Supplement before investing in the RAFI All-World 3000 UCITS ETF.

The Directors of the Company whose names appear under the section 6 “Management and Administration” in the Prospectus accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of the information.

The date of this Supplement No. 13 is 28 July 2015.

This Supplement No. 13 replaces the Supplement No. 13 dated 6 October 2014.

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# 1. Definitions

## **“Base Currency”**

the base currency of the RAFI All-World 3000 UCITS ETF, which is US Dollars.

## **“Business Day”**

in respect of the RAFI All-World 3000 UCITS ETF, a day on which commercial banks are generally open for business in Dublin and New York (or such other day or days as the Directors may from time to time determine and notify in advance to Shareholders).

## **“Dealing Day”**

a day on which a stock exchange on which the RAFI All-World 3000 UCITS ETF is traded or listed is open for business and a day on which any of the markets on which the RAFI All-World 3000 UCITS ETF's investments are listed or traded are open for business; unless otherwise determined by the Directors and notified in advance to Shareholders. A list of Dealing Days for the RAFI All-World 3000 UCITS ETF will be available on the Website.

## **“Dealing Deadline”**

in respect of the RAFI All-World 3000 UCITS ETF, no later than 4.00 p.m. GMT on any Dealing Day (or such earlier or later time prior to the Valuation Point as the Directors may, at their discretion, determine and notify in advance to Shareholders). The effective deadline for in-kind transactions may be earlier depending upon the Recognised Clearing and Settlement System used, and any such earlier time will be notified by the Administrator.

## **“Index”**

the FTSE RAFI® All-World 3000 Index (Net Total Return) in USD.

## **“Index Provider”**

in respect of the RAFI All-World 3000 UCITS ETF, FTSE International Limited.

## **“Portfolio Composition File”**

the file setting out the form of Investments and Cash Component which may be transferred to the RAFI All-World 3000 UCITS ETF in satisfaction of the price of Shares.

## **“Portfolio Deposit”**

the portfolio of Investments, plus or minus (as the case may be) the Cash Component, to be delivered to the RAFI All-World 3000 UCITS ETF in subscribing for one Creation Unit or to be delivered by the RAFI All-World 3000 UCITS ETF in redeeming one Creation Unit.

## **“Publication Time”**

in respect of the Portfolio Composition File, shall be 7.00 a.m. GMT on each Dealing Day.

## **“RAFI All-World 3000 UCITS ETF”**

PowerShares FTSE RAFI All-World 3000 UCITS ETF.

## **“Shares”**

Shares of the RAFI All-World 3000 UCITS ETF.

## **“Valuation Point”**

the valuation point for the RAFI All-World 3000 UCITS ETF shall be 4.00 p.m. (New York time) on each Dealing Day or such other time as the Directors may from time to time determine. For the avoidance of doubt, the Valuation Point shall be after the cut-off time for receipt of applications for

subscriptions and redemptions in the RAFI All-World 3000 UCITS ETF for the relevant Dealing Day.

Capitalised expressions used and not defined in this Supplement shall bear the meanings as set out in the Prospectus.



## 2. PowerShares FTSE RAFI All-World 3000 UCITS ETF

### 2.1 Introduction

The Company is an open-ended investment company with variable capital structured as an umbrella fund with segregated liability between its Funds. The Company is authorised by the Central Bank as an Undertaking for Collective Investment in Transferable Securities ("UCITS") for the purposes of the Regulations. The share capital of the Company may be divided into different classes of Shares with one or more classes representing a separate Fund of the Company. Each Fund may have more than one Share class.

The Articles provide that the Company may offer separate classes of Shares, each representing interests in a Fund comprising a distinct portfolio of investments. In addition, each Fund may be further divided into a number of different classes within the Fund. The Funds in existence are set out in the Global Supplement.

The Prospectus sets out information that applies to each and every Fund of the Company. This includes risk factors, the management and administration of the Funds by the Company, Fund valuations, procedures for subscriptions, redemptions and transfers of Shares in the Funds, details of fees and expenses payable by the Funds and taxation of Shares in the Funds. The Prospectus also contains a summary of the Company's Articles (see section 11 "Statutory and General Information" in the Prospectus).

This Supplement contains specific information relating to the RAFI All-World 3000 UCITS ETF.

All terms and conditions relating to the Company generally as set out in the Prospectus apply to the RAFI All-World 3000 UCITS ETF, save as set out in this Supplement.

Potential investors should also refer to the Company's most recent Annual Report and Semi-Annual Report prior to investing in the RAFI All-World 3000 UCITS ETF.

The RAFI All-World 3000 UCITS ETF is suitable for medium to long term investors seeking capital growth and income through investment in equities which may rise or fall in value and who are willing to accept a moderate level of volatility. The RAFI All-World 3000 UCITS ETF may not be suitable for investors who plan to withdraw their money within 5 years.

The base currency of the RAFI All-World 3000 UCITS ETF is US Dollars. As at the date of this Supplement, the RAFI All-World 3000 UCITS ETF currently has one Share class which is denominated in US Dollars. As at the date of this Supplement, there are no other Share classes in the RAFI All-World 3000 UCITS ETF, but additional Share classes may be added in the future in accordance with the requirements of the Central Bank.

**An investment in the RAFI All-World 3000 UCITS ETF should not constitute a substantial portion of an investment portfolio and may not be appropriate for all investors due to investment in emerging markets.**

### 2.2 Investment Objective and Policies

The investment objective of the RAFI All-World 3000 UCITS ETF is to provide investors with investment results which, before expenses, correspond to the price and yield performance of the Index in US Dollar terms.

The Investment Manager uses an optimal sampling method of

the 'index-tracking' strategy whereby the RAFI All-World 3000 UCITS ETF will so far as possible and practicable hold a sample of the components of the Index.

In tracking the Index, the Investment Manager applies sampling techniques to select securities from the Index that use factors such as market returns, sector and region exposures, bond and oil returns, market development, size, value and growth variables as well as certain statistical factors. It is generally expected that the RAFI All-World 3000 UCITS ETF will hold less than the total number of securities in the Index, however, the Investment Manager reserves the right to hold as many securities as it believes necessary to achieve the RAFI All-World 3000 UCITS ETF's investment objective.

However, there are a number of circumstances where gaining access to components of the Index may be prohibited by regulation, or may not otherwise be in the interests of Shareholders. These include, but are not limited to, the following:

- (i) the RAFI All-World 3000 UCITS ETF is subject to the Regulations which include, *inter alia*, certain restrictions on the proportion of the RAFI All-World 3000 UCITS ETF's value which may be held in individual securities. Depending on the concentration of the Index, the RAFI All-World 3000 UCITS ETF may hold financial derivative instruments ("FDIs") (as outlined below) within the limits set out in the Prospectus, provided that the return on the FDIs is correlated to, or reflective of the return on securities which form part of the Index;
- (ii) the components of the Index change from time to time. The Investment Manager may adopt a variety of strategies when trading the RAFI All-World 3000 UCITS ETF to bring it in line with the changed benchmark. For example where a security which forms part of the Index is not available or a market for such security does not exist, the RAFI All-World 3000 UCITS ETF may instead hold depository receipts relating to such securities (eg ADRs and GDRs);
- (iii) from time to time, securities in the Index may be subject to corporate actions. The Investment Manager has discretion to manage these events in the most efficient manner;
- (iv) the RAFI All-World 3000 UCITS ETF may hold ancillary liquid assets and will normally have dividends receivable. The Investment Manager may purchase FDIs for direct investment purposes, to produce a return similar to the return on the Index;
- (v) securities held by the RAFI All-World 3000 UCITS ETF and included in the Index may, from time to time, become illiquid or otherwise unobtainable at fair value. In these circumstances, the Investment Manager may use a number of techniques, including purchasing securities whose returns, individually or collectively, are seen to be well-correlated to desired constituents of the Index or purchasing a sample of stocks in the Index;
- (vi) the Investment Manager will have regard to the costs of any proposed portfolio transaction. It may not necessarily be efficient to execute transactions which bring the RAFI All-World 3000 UCITS ETF perfectly in line with the Index at all times; or

## 2. PowerShares FTSE RAFI All-World 3000 UCITS ETF

### Continued

- (vii) the RAFI All-World 3000 UCITS ETF may sell stocks that are represented in the Index in anticipation of their removal from the Index, or purchase stocks not represented in the Index in anticipation of their addition to the Index.

The Investment Manager may utilise various combinations of available investment techniques, in seeking to track the Index. These may include investments in FDIs such as swaps and swaptions (interest rate, foreign exchange, index, credit default and total return) to increase capital gains, hedge or alter exposure to a security which is not readily accessible or to gain exposure to the components of the Index or to the Index itself. Options (interest rate, bond and foreign exchange) may also be used to hedge or to achieve exposure to a particular security instead of investing directly. FDIs may be used for direct investment and/or efficient portfolio management purposes in accordance with the limitations set down in Schedule II to the Prospectus. FDIs will be used subject to the conditions of, and within the limits laid down by the Central Bank and will only be used in conjunction with a risk management process ("RMP") that has been cleared in advance by the Central Bank which enables a Fund to measure, monitor and manage the risks associated with FDIs. The RAFI All-World 3000 UCITS ETF may also utilise new techniques and instruments as developed from time to time which may be suitable for use provided that they are in accordance with the requirements of the Central Bank and used in conjunction with a RMP that has been cleared by the Central Bank. While it is not the Investment Manager's intention to leverage the RAFI All-World 3000 UCITS ETF, any leverage resulting from the use of FDIs will be done so in accordance with the Regulations and as disclosed in Schedule II to the Prospectus. The RAFI All-World 3000 UCITS ETF will not invest in fully funded FDIs, including fully funded swaps.

The RAFI All-World 3000 UCITS ETF may in order to gain exposure to the components of the Index invest in collective investment schemes. For cash management purposes, the RAFI All-World 3000 UCITS ETF may invest in collective investment schemes or hold ancillary liquid assets such as cash, commercial paper (i.e. short term paper issued by credit institutions) and money market obligations such as short and medium-term treasury bills and treasury notes (both fixed and floating rate) certificates of deposit, bankers' acceptances, and variable and floating rate instruments (being debt instruments, the interest return on which is variable) which are either of investment grade or are issued or guaranteed by a national government or its agencies.

The Index may be changed in certain circumstances (as set out in section 4.4 "Indices" in the Prospectus).

### 2.3 Investment and Borrowing Restrictions

The RAFI All-World 3000 UCITS ETF may not invest more than 10% of its Net Asset Value in units or shares of other collective investment schemes.

The Company is a UCITS and accordingly the RAFI All-World 3000 UCITS ETF is subject to the investment and borrowing restrictions set out in the Regulations and the Notices of the Central Bank. These are set out in detail in Schedule III of the Prospectus.

### 2.4 Dividend Policy

Dividends will be declared in the Base Currency.

It is intended that the Company will, in respect of the US Dollar

Share class in the RAFI All-World 3000 UCITS ETF, declare and pay dividends attributable to the US Dollar Share class in respect of each financial quarter in which the total income of the RAFI All-World 3000 UCITS ETF exceeds fees and expenses by more than a de minimis amount determined by the Directors from time to time. Dividends will ordinarily be declared in December March, June and September and paid (if payable) on the last Business Day of the following month.

The Directors may establish Share classes with different distribution policies from time to time.

The Directors intend to maintain a dividend policy which enables the US Dollar Share class of the RAFI All-World 3000 UCITS ETF to qualify as a reporting fund for UK tax purposes. Dividends will be paid into the account of the Shareholder as notified to the Administrator.

Investors are referred to section 4.5 "Dividend Policy" in the Prospectus for further details in relation to the Company's dividend policy.

### 2.5 Calculation of Net Asset Value

The Net Asset Value of the RAFI All-World 3000 UCITS ETF will be expressed in the Base Currency and will be calculated by the Administrator as at the Valuation Point in accordance with the requirements of the Articles. Full details are set out in the Prospectus in section 7.1 "Calculation of Net Asset Value" and section 11 "Statutory and General Information".

The Net Asset Value per Share of the RAFI All-World 3000 UCITS ETF shall be published daily (on the Business Day following the Valuation Point for the relevant Dealing Day) on the Website.

### 2.6 Subscriptions

Investors are referred to the procedures for subscribing for Creation Units and Shares as outlined in section 7 of the Prospectus.

#### Subscriptions

Applications for Shares in the RAFI All-World 3000 UCITS ETF may be made by Authorised Participants who meet the criteria set out in the Prospectus and this Supplement and must be received by the Administrator by the Dealing Deadline. All subscriptions will be dealt on a forward pricing basis, i.e. by reference to the subscription price for Shares calculated as at the Valuation Point for the relevant Dealing Day. Applicants should consult section 7 of the Prospectus for further details.

All initial applications for Shares in the RAFI All-World 3000 UCITS ETF must be accompanied by a completed application form which may be obtained from the Administrator. Application forms shall (save as determined by the Manager) be irrevocable and shall be sent by facsimile at the risk of the applicant with the original to follow promptly.

Failure to provide the original application form may, at the discretion of the Manager, result in compulsory redemption of the relevant Shares and applicants will be unable to receive the proceeds of their redemption of Shares on request until the original application form has been received.

Applications for subscriptions must normally be received and accepted by the Dealing Deadline. Any applications received after that time will normally be held over until the next Dealing

## 2. PowerShares FTSE RAFI All-World 3000 UCITS ETF

### Continued

Day but may be accepted for dealing on the relevant Dealing Day, at the discretion of the Directors, provided they are received prior to the Valuation Point.

#### Minimum Subscription

##### *Creation Units*

For the purposes of the RAFI All-World 3000 UCITS ETF, a Creation Unit corresponds to 100,000 Shares of the RAFI All-World 3000 UCITS ETF. The Manager may, upon prior notice to Shareholders, change the size of a Creation Unit if it determines that such a change would enhance the attractiveness of the RAFI All-World 3000 UCITS ETF to investors.

Applications for Creation Units must be in multiples of 100,000 Shares of the RAFI All-World 3000 UCITS ETF.

##### *Cash*

In case of cash subscriptions, the minimum subscription amount is one Creation Unit of the RAFI All-World 3000 UCITS ETF (or such other amount at the discretion of the Manager).

#### Subscription Price

##### *Creation Units*

In the case of subscriptions for Creation Units, the price per Creation Unit is 100,000 times the Net Asset Value per Share in the RAFI All-World 3000 UCITS ETF. On each Dealing Day on which the application for Creation Units is accepted, the Administrator will report to the applicant the amounts of the Cash component, In-Kind Transaction Fee and Transaction Taxes, if any, to be delivered by the applicant to the Custodian with the Portfolio Deposit.

##### *Cash*

In the case of cash subscriptions, Shares may be subscribed for on each Dealing Day at the Net Asset Value per Share plus, if applicable, any Transfer Taxes. Cash subscriptions are also subject to a Cash Transaction Fee of up to 3% of the Net Asset Value of Shares subscribed for. Such fee may be waived by the Manager at its discretion in any case.

#### Settlement

##### *Creation Units*

The Portfolio Deposit must be received by the Custodian three Business Days following the Business Day on which the application for subscription is accepted (or such earlier time as the Directors may determine and notify in advance to the applicant). This may vary depending upon the standard settlement periods of the different stock exchanges on which the Shares are traded and the nature of the securities comprised in the Portfolio Deposit but shall not in any event exceed ten Business Days from the relevant Dealing Day.

No Shares of a Creation Unit will be issued to the applicant until all the securities in the Portfolio Deposit have been received by the Custodian and the requisite In-Kind Transaction Fee and, if applicable, Transfer Taxes have been received by the Custodian.

##### *Cash*

An investor will not be deemed to have subscribed for Shares in the RAFI All-World 3000 UCITS ETF by way of cash subscription until such time as the cash subscription amount is received by the Custodian.

### 2.7 Redemptions

Shareholders are referred to the procedures for redeeming Creation Units and Shares as outlined in section 7.5 of the Prospectus.

All redemption applications for Shares in the RAFI All-World 3000 UCITS ETF must be accompanied by a completed redemption form which may be obtained from the Administrator. Redemption forms shall (save as determined by the Manager) be irrevocable and shall be sent by facsimile at the risk of the applicant, with the original to follow.

Redemption applications must normally be received and accepted by the Dealing Deadline. Any redemption applications received after that time will normally be held over until the next Dealing Day but may be accepted for dealing on the relevant Dealing Day, at the discretion of the Directors, provided they are received prior to the Valuation Point.

#### Minimum Redemption

##### *Creation Units*

Applications for the redemption of Creation Units must be in multiples of 100,000 Shares of the RAFI All-World 3000 UCITS ETF.

##### *Cash*

There is no minimum redemption amount for cash redemptions.

#### Redemption Price

##### *Creation Units*

The redemption price per Creation Unit will equal the aggregate of the daily Net Asset Value per Share on the relevant Dealing Day of the Shares comprising the Creation Unit less or in addition to (as the case may be) the Cash Component of the Portfolio Deposit, relevant In-Kind Transaction Fee and, to the extent that they are applicable, any Transfer Taxes and a Redemption Dividend. Any cash to be paid in respect of an in-kind redemption will be for value on the same day as settlement of the securities.

##### *Cash*

Shares will be redeemed at the Net Asset Value per Share on the Dealing Day on which the redemption application was made together with a Redemption Dividend (if applicable) and less (if applicable) any Transfer Taxes. Redemption proceeds will be paid net of a Cash Transaction Fee of up to 3% of the Net Asset Value of Shares being redeemed and any telegraphic transfer costs. Such fee may be waived by the Manager at its discretion in any case.

#### Settlement

##### *Creation Units*

The standard settlement period for in-kind redemptions is three Business Days following the Business Day on which the application for redemption is accepted but may vary depending upon the standard settlement periods of the different stock exchanges on which the Shares are traded and the securities in the Portfolio Deposit. Delivery of securities will be on a free delivery settlement basis.

##### *Cash*

Redemption proceeds for cash redemptions will be effected no later than three Business Days after the relevant Valuation Date, subject to delivery of the Shares.

## 2. PowerShares FTSE RAFI All-World 3000 UCITS ETF

### Continued

#### 2.8 Switching

Shareholders of the class of Shares of the RAFI All-World 3000 UCITS ETF on offer pursuant to this Supplement may switch to the existing class of Shares of each of the other Funds of the Company in accordance with the provisions of section 7.11 of the Prospectus.

It should be noted that the Company will normally impose a fee on the switching of any Shares between Funds of up to 3% of the Net Asset Value of each Share to be switched. Such fee may be waived by the Manager at its discretion in any case.

A Redemption Dividend may be payable immediately prior to a switch in respect of the accrued income reflected in the Net Asset Value of the Shares which are to be switched.

#### 2.9 Transfer of Shares

Shares are freely transferable in accordance with the criteria and procedures set out in section 7.12 "Transfer of Shares" in the Prospectus.

#### 2.10 Fees and Expenses

The Manager will be entitled to a maximum fee of 0.50% per annum of the Net Asset Value of the RAFI All-World 3000 UCITS ETF. The Manager will be responsible for discharging, from its fee, all fees of the Investment Manager, the Administrator and the Custodian together with all reasonable out of pocket expenses of such service providers (excluding sub-custodial fees and expenses, (which will be at normal commercial rates) and transaction related charges of the Administrator and Custodian). The Manager will also be responsible for discharging from its fee other costs attributable to the RAFI All-World 3000 UCITS ETF as detailed in section 8 "Operational Expenses" in the Prospectus.

##### Establishment Expenses

Establishment costs not exceeding US\$50,000 may be borne by the RAFI All-World 3000 UCITS ETF and will be amortised over the first five financial years of the lifetime of the RAFI All-World 3000 UCITS ETF or such other period as the Directors deem appropriate and on such terms and in such manner as the Directors deem fair and equitable. Any amendment to the amortisation period will be notified to Shareholders in the next periodic report of the Company.

##### In-Kind Transaction Fee

On any Dealing Day, an Authorised Participant requesting one or more Creation Units will be subject to an In-Kind Transaction Fee as described in the Prospectus (Section 2. Definitions) of up to 1% of the Net Asset Value of Shares being subscribed or redeemed, the actual amount of which will be published on the Website. Such fee may be waived by the Manager at its discretion in any case.

#### 2.11 Risk Factors

Investors should consider the following risk factors in addition to the risks outlined in section 5 of the Prospectus.

##### Emerging Market Securities Risk

Investments in the securities of issuers in emerging market countries involve certain risks and special considerations not typically associated with investing in the securities of issuers in

other more established economies or developed countries. Such risks may include:

- (a) the risk of nationalisation or ex-appropriation of assets or confiscatory taxation;
- (b) social, economic and political instability or uncertainty including war;
- (c) price fluctuations, less liquidity and smaller capitalisation of securities market;
- (d) currency exchange rate fluctuations;
- (e) high rates of inflation;
- (f) controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for US Dollars;
- (g) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers;
- (h) less extensive regulation of the securities markets;
- (i) longer settlement periods for securities transactions;
- (j) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and
- (k) as the RAFI All-World 3000 UCITS ETF may invest in markets where custodial and/or settlement systems are not fully developed, the assets of the RAFI All-World 3000 UCITS ETF which are traded in such markets and which have been entrusted to sub-custodians, in circumstances where the use of such sub-custodians is necessary, maybe exposed to risk in circumstances whereby the Custodian will have no liability.

##### Sampling Risk

The RAFI All-World 3000 UCITS ETF's use of a sampling approach will result in it holding a smaller number of securities than are in the Index. This may affect its ability to track the Index and may result in larger fluctuations in its value than if it held all of the securities in the Index.

#### 2.12 Anticipated Tracking Error

Tracking error is the standard deviation of the difference in returns between a fund and its benchmark index. Anticipated tracking error is based on the expected standard deviation of differences between the returns of the relevant fund and the returns of its benchmark index. For a physically replicating exchange traded fund, one of the primary drivers of tracking error is the difference between a fund's holdings and its benchmark index constituents. Cash management, trading costs from rebalancing the benchmark index and the return differential between the exchange traded fund and the benchmark index can affect or impact tracking error. The impact can be either positive or negative depending on the underlying circumstances.

ETFs are designed to track a specific market segment, investment theme or widely followed benchmark. Since they are passive in nature, tracking error for an ETF should be low

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## 2. PowerShares FTSE RAFI All-World 3000 UCITS ETF

### Continued

or nonexistent in theory. The causes of tracking error for ETFs can include, but are not limited to the following: holdings/size of the fund, regulatory issues/constraints, cash flows and fees.

The anticipated tracking error of the RAFI All-World 3000 UCITS ETF, in normal market conditions, is 0.10% - 1.00%. The anticipated tracking error of a Fund is not a guide to its future performance.

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### 3. The Index

The Directors have selected the Index as the basis for the selection of the securities to be held by the RAFI All-World 3000 UCITS ETF because, in the opinion of the Directors, the Index constitutes a broadly diversified segment of companies listed on FTSE. Additionally, the Index has achieved wide acceptance by both investors and market professionals.

The methodology used by the Index is to track the performance of the top 3000 companies listed on the FTSE Global All Cap Index. The Index selects and weights index constituents using fundamental values, based on four measures of company size ("fundamental measures"): book value (the percentage representation of each stock using book value), income (the percentage representation of each stock using cash flow averaged over the prior five years), sales (the percentage representation of each stock using only sales) and dividends (the percentage representation of each stock using dividend distributions averaged over the prior five years). Equities are then ranked in descending order of their fundamental values and the fundamental value of each company is divided by its free-float adjusted market capitalisation. The 3000 largest companies are then selected. These will be the Index constituents. Their weights in this Index will be set proportional to their fundamental values.

Stocks in the Index are free-float weighted to ensure that only the investable opportunity set are included within the Index. The Index is transparent, independently governed and provides investors with freely available index rules, overseen by an independent committee of leading market professionals. The methodology for the Index includes using the audited dollar values of cash flow, book value, total sales and gross dividend to derive each constituent index weight. Prices, which can be prone to speculation, are not a component of the weights. As the fundamental weightings are regularly reviewed at the index review each March, the constituent weights are less affected by market bubbles that can over-expose an investor to individual companies, sectors or countries. For more information go to [www.ftse.com/rafi](http://www.ftse.com/rafi). The Index rebalances annually.

The exact composition of the Index is available on the Website.

The Company has been granted a licence to use the Index as a basis for determining the composition of the RAFI All-World 3000 UCITS ETF and to use certain service marks and trademarks of the Index Provider in connection with the RAFI All-World 3000 UCITS ETF. The Index Provider is not responsible for and shall not participate in the creation or sale of shares or in the determination of the timing of, prices at, or quantities and proportions in which purchases or sales of securities based on the composition of the Index shall be made.

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## 4. Index Disclaimer

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Investors should be aware of the risks associated with data sources and quantitative processes used in our investment management process. Errors may exist in data acquired from third party vendors, the construction of model portfolios, and in coding related to the index and portfolio construction process. While Research Affiliates takes steps to identify data and process errors so as to minimize the potential impact of such errors on index and portfolio performance, we cannot guarantee that such errors will not occur.

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