

**This document is a supplement to the prospectus dated 1 December, 2022 (the “Prospectus”) issued by Algebris UCITS Funds plc (the “Company”), forms part of the Prospectus and should be read in conjunction with the Prospectus. Investors’ attention is drawn, in particular, to the risk factors contained in the section of the Prospectus entitled “Risk Factors”. Capitalised terms shall have the same meaning herein as in the Prospectus, except where the context otherwise requires.**

**The Directors of the Company whose names appear in the section of this Supplement entitled “Directory” accept responsibility for the information contained in this document. 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 such information.**

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**ALGEBRIS UCITS FUNDS PLC**

(an investment company with variable capital incorporated with limited liability in Ireland with registered number 509801 and established as an umbrella fund with segregated liability between Funds pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011, as amended)

**SUPPLEMENT**

**ALGEBRIS FINANCIAL CREDIT FUND**

**19 June 2023**

## **DIRECTORY**

### **ALGEBRIS UCITS FUNDS PLC**

#### **ALGEBRIS FINANCIAL CREDIT FUND**

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## DEFINITIONS

“Accumulating Classes”	means Class C EUR, Class I EUR, Class M EUR, Class R EUR, Class XXL EUR, Class Z EUR, Class W EUR, Class C GBP, Class I GBP, Class M GBP, Class R GBP, Class XXL GBP, Class Z GBP, Class W GBP, Class C CHF, Class I CHF, Class M CHF, Class R CHF, Class XXL CHF, Class Z CHF, Class W CHF, Class A USD, Class C USD, Class I USD, Class I2 USD, Class M USD, Class R USD, Class XXL USD, Class Z USD, Class W USD, Class C SGD, Class I SGD, Class M SGD, Class R SGD, Class XXL SGD, Class Z SGD, Class W SGD, Class I AUD, Class R AUD, Class W AUD, Class C AUD, Class Z AUD, Class C JPY, Class I JPY, Class M JPY, Class R JPY, Class Z JPY, Class W JPY, Class C HKD, Class I HKD, Class M HKD, Class R HKD, Class Z HKD, Class W HKD, Class C SEK, Class I SEK and Class R SEK Shares in the Fund.
“Adjusted NAV”	means the Net Asset Value per Share of the Class I and Class R Distributing Classes after the deduction of the Management Fee and all other payments and expenses but before the deduction of any accrued Performance Fee at the end of a Performance Period adjusted by the aggregate amount of all distributions per Share declared in respect of the relevant Distributing Class since the initial issue of Shares in that Class.
“Adjusted High Water Mark”	means the previous highest of (i) the highest Adjusted NAV of the Class I and Class R Distributing Classes (before any accrual for the Performance Fee) at the end of any previous Performance Period on which the Performance Fee was paid; and (ii) the Initial Offer Price of the relevant Distributing Class.
“Class A”	means Class A USD and Class Ad USD Shares in the Fund.
“Class C”	means Class C EUR, Class Cd EUR, Class C GBP, Class Cd GBP, Class C CHF, Class Cd CHF, Class C USD Class, Class Cd USD, Class C AUD, Class Cd AUD, Class C JPY, Class Cd JPY, Class C HKD, Class Cd HKD, Class C SGD, Class Cd SGD, Class C SEK and Class Cd SEK Shares in the Fund.
“Class I”	means Class I EUR, Class Id EUR, Class I GBP, Class Id GBP, Class I CHF, Class Id CHF, Class I USD, Class Id USD, Class I SGD, Class Id SGD, Class I AUD, Class Id AUD, Class I JPY, Class Id JPY, Class I HKD, Class Id HKD, Class I SEK and Class Id SEK Shares in the Fund.
“Class I2”	means Class I2 USD and Class I2d USD Shares in the Fund.
“Class M”	means Class M EUR, Class Md EUR, Class M GBP, Class Md GBP, Class M CHF, Class Md CHF, Class M USD, Class Md USD, Class M SGD, Class Md SGD, Class M JPY,

Class Md JPY, Class M HKD and Class Md HKD Shares in the Fund.

“Class R” means Class R EUR, Class Rd EUR, Class R GBP, Class Rd GBP, Class R CHF, Class Rd CHF, Class R USD, Class Rd USD, Class R SGD, Class Rd SGD, Class R AUD, Class Rd AUD, Class R JPY, Class Rd JPY, Class R HKD, Class Rd HKD, Class R SEK and Class Rd SEK Shares in the Fund.

“Class W” means Class W EUR, Class Wd EUR, Class W GBP, Class Wd GBP, Class W CHF, Class Wd CHF, Class W USD, Class Wd USD, Class W SGD, Class Wd SGD, Class W AUD, Class Wd AUD, Class W JPY, Class Wd JPY, Class W HKD and Class Wd HKD Shares in the Fund.

“Class Z” means Class Z EUR, Class Zd EUR, Class Z GBP, Class Zd GBP, Class Z CHF, Class Zd CHF, Class Z USD, Class Zd USD, Class Z SGD, Class Zd SGD, Class Z AUD, Class Zd AUD, Class Z JPY, Class Zd JPY, Class Z HKD and Class Zd HKD Shares in the Fund.

“Class XXL” means Class XXL EUR, Class XXLd EUR, Class XXL GBP, Class XXLd GBP, Class XXL CHF, Class XXLd CHF, Class XXL USD, Class XXLd USD, Class XXL SGD and Class XXLd SGD Shares in the Fund.

“Distributing Classes” means Class Cd EUR, Class Id EUR, Class Md EUR, Class Rd EUR, Class XXLd EUR, Class Zd EUR, Class Wd EUR, Class Cd GBP, Class Id GBP, Class Md GBP, Class Rd GBP, Class XXLd GBP, Class Zd GBP, Class Wd GBP, Class Cd CHF, Class Id CHF, Class Md CHF, Class Rd CHF, Class XXLd CHF, Class Zd CHF, Class Wd CHF, Class Ad USD, Class Cd USD, Class Id USD, Class I2d USD, Class Md USD, Class Rd USD, Class XXLd USD, Class Zd USD, Class Wd USD, Class Cd SGD, Class Id SGD, Class Md SGD, Class Rd SGD and Class XXLd SGD, Class Zd SGD, Class Wd SGD, Class Id AUD, Class Rd AUD, Class Wd AUD, Class Cd AUD, Class Zd AUD, Class Cd JPY, Class Id JPY, Class Md JPY, Class Rd JPY, Class Zd JPY, Class Wd JPY, Class Cd HKD, Class Id HKD, Class Md HKD, Class Rd HKD, Class Zd HKD, Class Wd HKD, Class Cd SEK, Class Id SEK and Class Rd SEK Shares in the Fund.

“Fund” means the Algebris Financial Credit Fund.

“High Water Mark” means the previous highest of (i) the highest Net Asset Value per Share of the Class I and Class R Accumulating Classes (before any accrual for the Performance Fee) at the end of any previous Performance Period on which the Performance Fee was paid; and (ii) the Initial Offer Price of the relevant Accumulating Class.

“Performance Period” means a calendar year ending on 31 December, 2021 for the first Performance Period and ending on 31 December in each subsequent year, save that the first Performance Period will

commence upon the initial issue of Class I Shares and Class R Shares and will end on the following year end.

Please also see “Dealings in the Fund” for further definitions.

## **MANAGEMENT AND DISTRIBUTION**

The Manager has appointed Algebris (UK) Limited to provide discretionary investment management services to the Fund pursuant to the terms of the Investment Management Agreement. Further information relating to the Investment Manager is set out in the section of the Prospectus entitled “**The Investment Manager**”.

## **INVESTMENT OBJECTIVE AND POLICY**

### **Investment Objective**

The Fund’s objective is to provide a high level of income and generate modest capital appreciation.

The Fund’s net income attributable to the Distributing Classes shall be distributed to the Shareholders in accordance with the Fund’s distribution policy set out in the “Dividends” section hereof. The Fund’s net income attributable to the Accumulating Classes shall be re-invested in the capital of the Fund.

### **Investment Policy**

To achieve the investment objective, the Fund’s assets will be invested in the financial sector globally, primarily in fixed and variable interest securities (e.g. corporate bonds, which may be investment grade or below investment grade as rated by Moody’s, Standard & Poor’s, Fitch or other rating agencies, or unrated), contingent convertible instruments (“CoCo-Bonds”), hybrid securities (a security which combines both debt and equity characteristics), Tier 1 and upper and lower Tier 2 securities (which are forms of bank capital), trust preferred securities (a type of hybrid security), preference shares, convertible securities (e.g. convertible bonds or convertible preferred stock), other subordinated debt, as further described below, as well as exchange traded notes (“ETNs”), exchange traded funds (“ETFs”), which provide exposure to the particular asset classes in which the Investment Manager wishes to invest, and deposits. **The Fund may invest substantially in deposits with credit institutions during periods of high market volatility.**

The Fund does not intend to invest directly in ordinary equity securities, however the Fund may acquire and hold ordinary equity securities in the event that such ordinary equity securities are acquired by way of conversion from another security held by the Fund (e.g. a CoCo-Bond automatically converts into equity securities of the issuer under certain circumstances, as further described below). For the avoidance of doubt, the Fund shall not be required to sell or otherwise dispose of any ordinary equity securities so acquired. This may result in ordinary equity securities being a significant portion of the Fund’s portfolio of assets.

The Investment Manager will typically seek to take positions in companies exhibiting one or more of the following characteristics: (i) change in revenue growth prospects; (ii) change in projected operating expenses; (iii) change in balance sheet quality; (iv) speculation regarding a possible sale, disposal or acquisition; (v) change in execution capability and/or strategic direction due to a change in management; (vi) change in capital discipline; (vii) change in regulation; (viii) a change in overall risk appetite; or (ix) a change in valuation methodology.

The construction as well as the positioning of the investment portfolio is determined by the Investment Manager taking into consideration the prevailing market situation as well as regulatory, industry, business and other risks. In order to determine the composition and diversification of the investment

portfolio, a bottom-up selection process will be applied. A bottom-up approach involves a fundamental analysis of individual securities, the short and long-term economic prospects of the underlying company, as well as an assessment of the underlying company's intrinsic value.

The Fund's investments will be made on a global basis in assets denominated in the Base Currency or other currencies.

The Fund may, subject to the requirements laid down by the Central Bank, enter into financial derivative instruments ("FDIs") and securities which may embed a derivative component for investment, efficient portfolio management and hedging (e.g. currency risk management) purposes. The securities in which the Fund may invest which may embed leverage and/or a derivative shall include ETNs and hybrid securities such as convertible securities and CoCo-Bonds. The Fund may invest in these securities for speculative or investment purposes. The Fund may only use the other FDIs mentioned herein for hedging and efficient portfolio management purposes and not for speculative or investment purposes. These FDI will include swaps, options, futures and forwards contracts. The Fund will take both long and short positions synthetically through the use of each of these FDIs as well as long positions through its direct investments. The Fund's total net long position is not expected to exceed 130 per cent of the Net Asset Value of the Fund (calculated in accordance with the commitment approach). The Fund may invest up to 100 per cent of its Net Asset Value in short positions, however, the Fund will not be net short (i.e. its total short exposure will not exceed its total long exposure, calculated in accordance with the commitment approach).

For example: (i) swaps on debt securities and ETFs may be utilised to hedge or protect against future declines in value of securities that the Fund owns or to protect against adverse movements in the market generally; (ii) credit default swaps may be purchased for hedging and to manage existing credit exposures; (iii) interest rate swaps, interest rate futures and options on interest rates and interest rate future may be used for hedging and to manage the Fund's interest rate exposures; (iv) put options on equity securities, debt securities, ETFs, eligible indices and futures may be purchased to provide an efficient, liquid and effective mechanism for "locking in" gains, to protect against future declines in value on the securities that the Fund owns, or to protect against adverse movements in the market generally; (v) put and call options may be sold on debt securities, ETFs, eligible indices and futures for hedging and for the reduction of risk; (vi) swaps and options on currencies may be used for hedging and to manage the Fund's currency exposures; (vii) futures and forwards contracts on debt securities may be utilised to credit exposures and interest rate risk; and (viii) forward currency exchange contracts (otherwise known as FX forward transactions) may be utilised for hedging and currency risk management.

The Investment Manager may also use FDIs where practicable to hedge all non-Base Currency exposures of the Fund arising where Shares are denominated in a currency other than the Base Currency of the Fund. In addition, as the Fund's investments will be made in assets denominated in the Base Currency or other currencies, the Investment Manager may hedge any non-Base Currency denominated holdings against the Base Currency, in order to minimise the foreign exchange ("FX") risk. The Fund may use spot and FX forward transactions for hedging and currency risk management purposes. See also the section entitled "Currency Transactions" in the Prospectus.

The use of such FDIs will result in leverage of up to 100 per cent of the Net Asset Value of the Fund under the commitment approach and be consistent with the risk profile of the Fund.

For further information on the types of FDIs that the Fund may enter into and further details as to other commercial purposes, please see the section entitled "Investment Techniques and Instruments" below.

The Fund may enter into repurchase and reverse repurchase agreements, subject to the conditions and limits laid down by the Central Bank in the Central Bank UCITS Regulations, for efficient portfolio management purposes.

The investments of the Fund described above (other than permitted unlisted investments) will be listed or traded on the markets referred to in Schedule 1 of the Prospectus.

The Fund may invest in other UCITS (other than feeder UCITS) and Eligible Non-UCITS to give the Fund exposure to the asset classes set out above. These investments, which include open-ended ETFs, may not exceed 10% of the total Net Asset Value of the Fund. The underlying collective investment schemes may be leveraged.

**No assurance can be given that the Fund's investment objective will be achieved.**

**Investors should note that an investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

**Investors should note that Shares in the Fund are not bank deposits and are not insured or guaranteed by any government or any government agency or other guarantee scheme which may protect the holders of bank deposits. The value of a holding in the Fund would be expected to fluctuate more than a bank deposit.**

### *Convertible securities*

A convertible security is a security that can be converted into a predetermined amount of shares of common stock in the issuing company at certain times during its life, usually at the discretion of the bondholder. A convertible security is a security with an embedded option to exchange the bond for equity. The Fund may use convertible securities to obtain exposure to an issuer or to acquire the equity securities of such issuer consistent with the Fund's investment policies. The credit standing of the issuer and other factors such as interest rates may also affect the investment value of a convertible security. The conversion value of a convertible security is determined by the market price of the underlying equity security and therefore is exposed broadly to the same risks as that of the underlying equity security. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument.

### *CoCo-Bonds*

CoCo-Bonds are primarily issued by financial institutions as an economically and regulatory efficient means of raising capital. They are a form of contingent hybrid securities, usually subordinated, that behave like debt securities in normal circumstances but which either convert to equity securities or have equity write down (full or partial) loss absorption mechanisms on the occurrence of a particular 'trigger' event. A write down means that some of all of the principal amount of the CoCo-Bond will be written down. The trigger events may, for example, be based on a mechanical rule (e.g. the issuer's regulatory capital ratios) or a regulatory supervisor's discretion. CoCo-Bonds are risky investments which are relatively new and complex instruments and in stressed market environment, it difficult to predict how they will perform. While CoCo-Bonds are primarily issued by financial institutions, they may be issued by different types of firms. CoCo-Bonds are a relatively new form of hybrid capital and conversion events and/or other trigger events (and other material terms) may develop over time. CoCo-Bonds invested in by the Fund may or may not embed a derivative. Please also see the sub-section in the Prospectus entitled "Contingent Convertible Instruments", in the section entitled "Risk Factors" for further information.

### *Hybrid Securities*

Hybrid securities combine generally both debt and equity characteristics. "Equity" features contain more or less (i) no maturity; (ii) no on-going payment that could lead to default; and (iii) loss absorption in the case of a bankruptcy. The opposite can be seen as the features of "debt." Hybrid securities are instruments with potential benefits for both income-oriented investors and issuers due to the fact that the specific security can be arranged to both the issuers and the investors' interests.

Securities would be treated as “hybrid” if they contain hybrid characteristics, which can be described in two ways. Firstly, securities can bear some characteristics of debt and of equity at the same time. For example, preferred stock with call options regularly has a stated maturity date (which is in contrast to the “equity”-quality) but contains features like no on-going payments and a loss absorption-tool (typical “equity”-like). Secondly, convertible securities which change from debt to equity may also bear hybrid characteristics. For example, a debt security which is convertible into an equity instrument, whether at the option of the issuer or the holder, upon occurrence of a conversion event or at a conversion date, can be said to have the characteristics of both equity and debt.

### ***Subordinated Debt***

Subordinated debt is a type of debt where express arrangements have been entered into between creditors so that such debt ranks behind other debt. Typically the Fund will hold Tier 1, Upper Tier 2 and/or Lower Tier 2 capital, which may be contractually and/or structurally subordinated to other senior debt. Subordinated debt typically has a lower credit rating, and therefore a higher yield, than senior debt.

### ***Equity Securities***

Equity securities of companies are shares. The total amount of shares represents the capital stock of the company. Based on the fact that there is a total amount of durable money invested in the business of the company, e.g. a company in the financial securities sector, a share has a certain declared face value, commonly known as the par value of a share. The par value is the minimum amount of money that a business may issue. An equity security of a company represents a fraction of ownership in the respective business of the company. Depending on the company there may be different classes of shares (e.g. ordinary shares or preference shares) each having distinctive ownership rules, privileges, or share values.

### ***ETNs***

ETNs are debt securities typically issued by banks. The Fund will typically invest in ETNs which are listed or traded on a Regulated Market. The Fund may use ETNs to obtain exposure to an eligible index, market or asset class in line with the investment policy. They are designed to track the total return of an underlying market index or other benchmark minus fees and provide investors with exposure to the total returns of various market indices, including indices linked to stocks, bonds and currencies. The value of an ETN depends on the movements of a stock index or, sometimes, an individual stock. When an investor buys an ETN, the issuer promises to pay the amount reflected in the index, minus fees upon maturity. ETNs can offer investment exposure to market sectors and assets classes that may be difficult to achieve in a cost effective way with other types of investments.

## **PROFILE OF A TYPICAL INVESTOR**

The Fund is suitable for investors seeking to achieve a high level of income and modest capital growth and who are prepared to accept a moderate level of volatility with a medium-to long-term investment horizon.

## **BASE CURRENCY**

The Base Currency of the Fund is Euro.

## **THE SUSTAINABLE FINANCE DISCLOSURE REGULATION**

The Fund promotes environmental and/or social characteristics and does not have sustainable investment as its investment objective.

The Manager, in consultation with the Investment Manager, has categorised the Fund as meeting the provisions set out in Article 8 of Regulation (EU) 2019/2088 on sustainability related disclosures in the financial services sector ("**SFDR**") for products which promote environmental and/or social characteristics and invest in companies that follow good governance practices, as further described in Schedule II hereto which forms an integral part of and should be read in conjunction with this Supplement.

### **Integration of sustainability risks into the investment decision-making process**

The Investment Manager adopts the following strategies when integrating sustainability risks into the investment decision making process:

#### Issuer Exclusion lists

The investment decisions observe a number of exclusion lists as described below. They are applied at the issuer level and prevent investing in both equity and debt issued by the issuer. They are reviewed on an annual basis and positions on newly excluded issuers are exited within 30 days. The exclusion list suit comprises:

**Coal-powered energy generation and its funding chain:** coal developers and coal-intensive companies that are deemed non-investable due to their role in coal mining or coal power generation and coal investors and financiers that fund such activities.

**Controversial weapons manufacturing:** Weapon manufacturers that produce or closely involved in the production of weapon systems, which often include weapons prohibited by international conventions and treaties. The list comprises Anti-personnel Landmines, Cluster Munitions, Chemical and Biological Weapons, Nuclear Weapons and certain Indiscriminate weapons (like Non-Detectable fragments, incendiary and blinding laser weapons) and includes Investors and Financers that fund such activities.

**Predatory Lending:** Lenders that derive any revenue from lending activities that are deemed predatory and companies that have significant ownership of such lenders. Predatory practices include payday loans, high-interest instalment loans and rent-to-own schemes.

**Tobacco Investment:** Tobacco producers and manufacturers, companies that derive a meaningful portion of their revenue from tobacco-related activities and companies that have significant ownership of either of the two forementioned categories. Tobacco related activities include both products and services.

The Investment Manager monitors compliance with the social and environmental characteristics outlined above for the purposes of integrating sustainability risk into its investment –decision making process on an ongoing basis through automated controls coded into the Algebris Order Management System ("OMS"). The OMS has fully integrated pre- and post-trade controls that implement and safeguard the exclusion lists described above. Breaches are communicated systematically to the relevant teams via automated e-mail notification and they are escalated to relevant Boards and committees as appropriate.

#### Direct engagement with Lenders/Financers

A list of banks that comprise the core universe of the Fund have been identified. The ESG committee examines, inter alia, the institution's exposure and policies surrounding coal extraction and consumption and, on a case-by-case basis, where relevant public disclosures fall below industry standard or where exposure is thought to be high, a tailored questionnaire assesses the institution's position on coal and any planned action to reduce its coal-related exposure.

The ESG committee engages directly with the same universe of banks, seeking assurance about their controversial weapons involvement and policies.

#### Voting Policy

Where the investment Manager is given the opportunity to exercise voting rights in relation to the positions held in the Fund, these are made in the best interests of the investors after considering the long-term sustainability of the respective issuer. While abstaining can be the best option in a limited number of cases, the relevant policy in place commits the Investment Manager to take an active role in the company's decision-making process, with sustainability being a prime consideration.

#### UNPRI Screening & ESG Scoring

The Fund is subject to a screening that evaluates the alignment of investee companies with the 10 Principles of the UN Global Compact ("UNGC"). The screening will be underpinned by quantitative and qualitative analysis carried out by the ESG research team of the Algebris group, using data collected by specialised ESG data provider Vigeo Eiris. From an operational standpoint, this screening will restrict investment in companies that are identified to be exhibiting a poor performance in business areas relevant to the UNGC principles, and companies whose performance is significantly below average (but above the threshold for immediate exclusion) will be placed on a watchlist.

The Investment Manager also assesses the governance practices of issuers through a variety of scores covering various aspects of firm-level governance, from external ESG data providers (such as Standard & Poors ("S&P")) in order to satisfy itself that the relevant issuers follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The investment team of the Investment Manager may also engage with investee companies about specific governance-related 13 issues. The dedicated AI/Big Data team of the Algebris group is further developing an AI-driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee names.

#### **Assessment of the likely impact of sustainability risks on the return of financial products:**

Sustainability risks may adversely affect the returns of the Fund. The Investment Manager has implemented a policy in respect of the integration of sustainability risks in its investment decision making-process. A sustainability risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment, and hence the Net Asset Value of the Fund.

The Fund invests primarily in securities of financial institutions. The sustainability risks of such investments include the sustainability risks of the investments made by the Fund's investee financial institutions as well as other sustainability risks that relate only to the Fund's investee financial institutions themselves.

The Fund's investments are exposed to losses resulting from reputational damage an investee issuer may face for a variety of reasons, including:

- environmental, social or governance concerns in relation to the operation of the issuer
- compromise of human rights or labour rights
- breaches to intellectual property and privacy (GDPR) rights
- occupational health and safety
- gender, race and/or other non-discrimination standards
- other controversies or scandals

The Fund's investments are also exposed to the risk of losses resulting from reputational damage an investee issuer may face in connection with its lending and funding operations, for example, in connection with the following sectors:

- Greenhouse gas (GHG) and air pollutants (like SO<sub>2</sub> and CO<sub>2</sub> emissions)

- Mining, oil and gas extraction specific issues (like offshore drilling, Shale Oil and Gas Hydraulic Fracturing), coal extraction, dams and chemicals, including plastics
- Controversial Weapons, nuclear weapons proliferation and Defence equipment
- Agricultural, forestry and related to pulp & paper and palm oil
- Animal testing and animal welfare
- Tobacco, alcohol and addictive substances
- World Heritage sites and Ramsar wetlands
- Water use, resources and pollution
- Gambling and predatory lending

Reputational damage to an investee company may lead to a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital.

The Fund's investments are also exposed to the risk that where investee financial institutions have provided finance to borrowers, sustainability risk events may impact the ability of such borrowers to repay their debt to investee financial institutions.

The Fund is also exposed to risks associated with the increased cost and administrative burden due to changes in regulations and policies in the areas of climate, energy, and environment as well as cost from improving governance and oversight, an area of regulatory focus for the financial institutions. More importantly, there is regulatory risk in the form of penalties for failing to comply with such regulations, accompanied by reputational stigma any such violation would bring, an issue particularly acute for high profile and systemic financial organisations.

## **INVESTMENT TECHNIQUES AND INSTRUMENTS**

### **Financial Derivative Instruments**

The Central Bank requires that all UCITS funds that use FDIs employ a risk management process which enables them to accurately manage, measure and monitor the various risks associated with FDIs. Any other FDI proposed to be used by the Fund which is not set out herein and not included in the risk management process will not be used until such time as this Supplement has been updated and a revised risk management process has been submitted to, and cleared in advance by, the Central Bank. In relation to the use of FDIs, investors' attention is drawn to "Information on Risk Management" in the Prospectus regarding the risk management process.

The Company may employ investment techniques and instruments for investment, efficient portfolio management and for hedging purposes, subject to the conditions and within the limits from time to time laid down by the Central Bank. These techniques and instruments may involve the use of FDIs. FDI may be exchange traded or over-the-counter ("OTC"). The Fund may utilise the following FDIs: swaps, options, futures and forward contracts. The Fund may invest in convertible securities, CoCo-Bonds and ETNs which may embed leverage or embed a derivative component.

### **Swaps**

The Fund may enter into swaps on debt securities, ETFs, currencies and interest rates. Swap agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments or market factors. A swap contract is a derivative contract between two parties to exchange a series of future cash flow obligations for a stated period of time.

The Fund may also use credit default swaps (which such term includes credit default swap indices) which reference single or multiple issuers (including both corporate and government issuers) and/or single or multiple obligations. The Fund is the buyer in a credit default swap transaction. The "buyer"

in a credit default contract is obligated to pay the “seller” a periodic stream of payments over the term of the contract provided that no event of default on an underlying reference obligation has occurred.

Swap agreements do not involve the purchase or sale of an asset, only the agreement to receive or pay the movement in its price.

### **TRS**

TRS shall have the meaning set out in SFTR and are OTC derivative contracts whereby the Fund agrees to pay a stream of payments based on an agreed interest rate in exchange for payments representing the total economic performance, including income from interest and fees, gains and losses from price movements and credit losses, over the life of the swap of a reference obligation to another counterparty.

### **Options**

The Fund may purchase and sell put and call exchange traded options or may enter into options traded OTC. An option contract allows the holder to buy or sell an underlying security at a given price. The Fund may purchase and sell put and call options on debt securities, ETFs, eligible indices, currencies, interest rates, futures, interest rate futures for hedging and efficient portfolio management purposes. The Fund may also buy put options on equity securities.

As a purchaser of put options on equity securities the Fund pays a premium to the seller of the option for the right to sell the underlying equity security to the seller at an agreed price (“Strike Price”) at a particular point in time. Such an option contract is described as being “in the money” where the Strike Price of the equity security underlying the option contract is higher than the current market price of the equity security plus premium paid.

The Fund does not intend to invest directly in ordinary equity securities and it is the general intention that any options over ordinary equity securities purchased by the Fund which are physically settled and “in the money” would be sold or closed out on or prior to their final exercise date. However there may be circumstances in which the Fund may purchase the ordinary equity security required to physically settle an option over an ordinary equity security owned by it. It is intended that the Fund will only purchase or acquire ordinary equity securities for this purpose where (i) the option contract is in the money; (ii) the option contract is physically settled; and (iii) the Investment Manager is satisfied that the exercise of the option in this manner is in the best interests of the Fund.

### **Futures**

The Fund may enter into futures on debt securities and interest rates. A futures contract is an agreement between two parties to buy or sell a specified quantity of the financial instrument called for in the contract at a pre-determined price in the future. Futures can be cash settled as well as physically settled.

The purchase of futures contracts can serve as a long hedge and the sale of futures contracts can serve as a limited short hedge. Futures contracts allow the Fund to hedge against market risk. Since these contracts are marked-to-market daily, the Fund can, by closing out its position, exit from its obligation to buy or sell the underlying assets prior to the contract’s delivery date.

### **Forward contracts**

The Fund may enter into forward contracts on debt securities and currencies. Forward contracts are non-standardised contracts between two parties to buy or sell an asset at a specified future time at a price to be agreed at the time that contract is entered into. Forward currency exchange contracts are

FDIs where the parties agree on the sale and purchase of one currency against another currency at a pre-agreed price and a specific delivery date in the future.

A list of the Regulated Markets on which the exchange traded FDI's used by the Fund may be quoted or traded is set out in Schedule I to the Prospectus.

A description of the current conditions and limits laid down by the Central Bank in relation to FDI's is set out in Schedules II and III to the Prospectus. Investors' attention is drawn to the description of the risks associated with the use of FDI's included in the section headed "Risk Factors" in the Prospectus.

### ***Collateral Management Policy***

The policy that will be applied to collateral arising from OTC derivative transactions or efficient portfolio management techniques relating to the Fund is to adhere to the requirements set out in Schedule III of the Prospectus. This sets out the permitted types of collateral, level of collateral required and haircut policy and, in the case of cash collateral, the re-investment policy prescribed by the Central Bank pursuant to the Regulations. To the extent that the Fund receives any collateral, the categories of collateral which may be received by the Fund include cash and non-cash assets such as equities, debt securities and money market instruments. From time to time and subject to the requirements in Schedule III, the policy on levels of collateral required and haircuts may be adjusted, at the discretion of the Investment Manager, where this is determined to be appropriate in the context of the specific counterparty, the characteristics of the asset received as collateral, market conditions or other circumstances. The haircuts applied (if any) by the Investment Manager are adapted for each class of assets received as collateral, taking into account the characteristics of the assets such as the credit standing and/or the price volatility, as well as the outcome of any stress tests performed in accordance with the requirements in Schedule III. Each decision to apply a specific haircut, or to refrain from applying any haircut, to a certain class of assets should be justified on the basis of this policy. If cash collateral received by the Fund is re-invested, the Fund is exposed to the risk of loss on that investment. Should such a loss occur, the value of the collateral will be reduced and the Fund will have less protection if the counterparty defaults. The risks associated with the re-investment of cash collateral are substantially the same as the risks which apply to the other investments of the Fund. For further details see the section entitled "Risk Factors".

### ***General***

Direct and indirect operational costs and fees arising from the efficient portfolio management techniques may be deducted from the revenue delivered to the Fund. These costs and fees do not and should not include hidden revenue. All the revenues arising from such efficient portfolio management techniques, net of direct and indirect operational costs, will be returned to the Fund. The entities to which direct and indirect costs and fees may be paid may include banks, investment firms, broker-dealers or other financial institutions or intermediaries and may be related parties to the Company, the Manager, the Investment Manager or the Depositary. The revenues arising from such efficient portfolio management techniques for the relevant reporting period, together with the direct and indirect operational costs and fees incurred and the identity of the counterparty(ies) to these efficient portfolio management techniques (if any), will be disclosed in the annual and half-yearly reports of the Company.

### ***Securities Financing Transactions and TRS***

As set out above, the Fund may enter into repurchase agreements and reverse repurchase agreements for efficient portfolio management purposes only where the objective of using such instruments is to hedge against risk and/or to reduce costs borne by the Fund or to generate additional capital or income which is consistent with the risk profile of the Fund and the risk diversification rules set down in the Regulations.

As set out above, the Fund may also enter into TRS within the meaning of the SFTR.

All types of assets which may be held by the Fund in accordance with its investment objectives and policies may be subject to a securities financing transaction or TRS.

The maximum proportion of the Fund's assets which can be subject to securities financing transactions and/or TRS is 100% of the Net Asset Value of the Fund.

However, the expected proportion of the Fund's assets which will be subject to securities financing transactions and/or TRS is between 0% and 50% of the Net Asset Value of the Fund's assets. The proportion of the Fund's assets which are subject to securities financing transactions and/or TRS at any given time will depend on prevailing market conditions and the value of the relevant investments. The amount of assets engaged in each type of securities financing transaction and TRS, expressed as an absolute amount and as a proportion of the Fund's assets, as well as other relevant information relating to the use of securities financing transactions and/or TRS shall be disclosed in the annual report and semi-annual report of the Company.

For the purposes of the above, a TRS shall have the meaning set out in SFTR as outlined above.

Further information relating to securities financing transactions and TRS is set out in the Prospectus at the sections entitled "*Securities Financing Transactions*" and "*Total Return Swaps*".

### ***Share Class Currency Hedging***

Foreign exchange transactions may be used for Class currency hedging purposes. Where a Class of Shares is designated as a hedged Class, as stipulated in Schedule 1 hereto, that Class will be hedged against exchange rate fluctuation risks between the denominated currency of the Share Class and the Base Currency of the Fund. Such hedging strategy shall be subject to the conditions and within the limits laid down by the Central Bank and may not be implemented in the following circumstances:

- (i) if the Net Asset Value of the Fund falls below USD\$10,000,000 or any other level whereby the Investment Manager considers that it can no longer hedge the currency exposure in an effective manner;
- (ii) if the FX markets are closed for business; and
- (iii) where a material tolerance of the size of the hedge is applied to share class hedging to avoid unnecessary frictional trading costs, which is typically 50bps.

Further information is set out in the Prospectus at the section entitled "Currency Considerations". It should be noted that the successful execution of a hedging strategy which mitigates this currency risk exactly cannot be assured.

Where a Class is unhedged, a currency conversion will take place on subscriptions, redemptions, conversions and distributions at prevailing exchange rates. In such circumstances, the value of the Share expressed in the Class currency will be subject to exchange rate risk in relation to the Base Currency and/or in relation to the designated currencies of the underlying assets.

### **INVESTMENT RESTRICTIONS**

The Fund's investments will be limited to investments permitted by the Regulations, as set out in Schedule II to the Prospectus. If the Regulations are altered during the life of the Company, the investment restrictions may be changed to take account of any such alterations but any such changes shall be in accordance with the Central Bank's requirements and Shareholders will be advised of such changes in an updated Prospectus or a Supplement and in the next succeeding annual or half-yearly report of the Company. In the event that any alterations to the Regulations necessitate a material change in the investment policy of the Fund, such a change to the investment policy may only be made

on the basis of a majority of votes cast at a general meeting or with the prior written approval of all Shareholders and a reasonable notification period shall be provided to Shareholders to enable them to redeem their Shares prior to the implementation of such a change.

The Directors may from time to time impose such further investment restrictions as shall be compatible with or in the interests of Shareholders, including in order to comply with the laws and regulations of the countries where Shareholders are located and any additional investment restrictions or limits will be set down in the “Investment Policy” section above.

The investment restrictions, as well as the policies of the Fund as to ratings of portfolio investments, will apply only at the time of purchase of the investments. If these limits are exceeded for reasons beyond the control of the Fund, the Fund shall adopt as a priority objective for its sales transactions the remedying of that situation taking account of the interests of the Fund and its Shareholders.

## **SHARE CLASSES**

Shares are available in the different Classes of Shares as shown in the table set out at Schedule 1 hereto.

The Investment Manager may in its discretion vary the minimum initial subscription or minimum additional subscription amounts in the future and may choose to waive these criteria.

Investors should note that as at the date of this Supplement only certain Classes of Shares may currently be available for purchase at the discretion of the Directors.

Class M Shares are only available for subscription by (i) employees, members or affiliates of the Investment Manager and the Manager including, without limitation, members of the immediate families of such persons, and trusts or other entities for their benefit; and (ii) other investors who have agreed separate fee arrangements with the Investment Manager or the Manager. Class M Shares are not subject to a performance fee or management fee, and are not subject to minimum initial or additional subscription amounts.

Class A Shares, Class C Shares, Class I2 Shares, Class W Shares and Class Z Shares are only available for subscription with the prior approval of the Investment Manager and the Investment Manager may refuse to accept new subscriptions for Class A Shares, Class C Shares, Class I2 Shares, Class W Shares and Class Z Shares at its sole and absolute discretion.

## **DIVIDENDS**

The Directors are permitted to declare distributions in respect of any Class of Shares. Distributions may not be payable for all Classes of Shares. For the Distributing Classes, the current distribution policy is to distribute net income (consisting of revenue, including any accrued interest and dividends less expenses). As a result, a distribution may include accrued revenue which may subsequently never be received. The amount of the net income to be distributed is determined at the discretion of the Directors in accordance with Articles and the Directors will also determine what proportion of the Fund’s expenses may be charged against the income to arrive at the net income figure. For the avoidance of doubt net income excludes any realised and unrealised capital gains and losses incurred during a relevant period. Shareholders should also be aware that in maintaining a regular dividend payment, at times dividends may be paid out of the capital of the Fund in addition to or in the absence of net income. Accordingly, notwithstanding the intention to distribute net income, distributions may also be paid out of capital. In respect of each dividend declared, the Directors may determine if, and to what extent, such dividend is to be paid out of the capital of the Fund.

The Fund expects to receive periodic interest and dividend payments from the assets it invests in and these interest payments and dividend payments will be accrued (as accrued revenue), in accordance

with IFRS, in the Net Asset Value of the Fund. The Fund, in order to provide a regular and consistent income stream to its Shareholders, will generally declare a distribution quarterly on the following approximate dates: 1 January, 1 April, 1 July and 1 October. In the event that the accrued revenue is unrealised (i.e. the Fund has not yet received the revenue), on the date a distribution is declared, the distribution of net income will be made out of the capital of the Fund. For the avoidance of doubt, the Fund shall be permitted to make a distribution of net income (including unrealised accrued revenue) even in the event that the Fund has made a capital loss in relevant period and such distribution will be made out of the capital of the Fund. The Fund may make distributions out of capital in other circumstances, at the discretion of the Directors.

***As distributions may be made out of the capital of the Fund, there is a greater risk that capital will be eroded and ‘income’ will be achieved by foregoing the potential for future capital growth of your investment and the value of future returns may also be diminished. This cycle may continue until all capital is depleted.***

Please note that distributions out of capital may have different tax implications to distributions of income and you are recommended to seek advice in this regard.

The Fund’s net income attributable to the Accumulating Classes shall be re-invested in the capital of the Fund.

For further information, investors’ attention is drawn to the section of the Prospectus entitled “Dividend Policy”.

## **SUBSCRIPTIONS AND REDEMPTIONS**

The minimum initial subscription amounts and minimum additional subscription amounts are set out in Schedule I hereto.

There are no minimum subscription amounts for Class M Shares.

Please see the section in the Prospectus entitled “Administration of the Company” of the Prospectus for further information on subscriptions and redemptions.

### *Dilution Adjustment*

A dilution adjustment of up to 1.50% of the Net Asset Value per Share may be payable on net subscriptions for Shares and net redemptions of Shares as determined by the Investment Manager. Please see the sub-section in the Prospectus entitled “Dilution Adjustment”, in the section entitled “Administration of the Company” for further information.

The Initial Offer Period is set out in Schedule I hereto.

## **DEALINGS IN THE FUND**

“Trade Cut-off Time for Subscriptions”	12 noon (Irish time) on the last Business Day prior to a Dealing Day.
“Trade Cut-off Time for Redemptions”	12 noon (Irish time) on the last Business Day prior to a Dealing Day.
“Business Day”	means, unless otherwise determined by the Directors and notified in advance to Shareholders, a day on which retail banks are open for business in Ireland and the United Kingdom.

“Dealing Day”	means every Business Day or such other days as the Directors may determine and notify in advance to Shareholders, and provided that there shall be at least one Dealing Day each fortnight.
“Valuation Day”	means, unless otherwise determined by the Directors and notified in advance to Shareholders, every Business Day.
“Valuation Point”	means 5.30 pm (New York time) on the Valuation Day.
“Settlement Time (for subscriptions)”	within 3 Business Days following the relevant Dealing Day.
“Settlement Time (for redemptions)”	within 3 Business Days following the relevant Dealing Day.

In respect of the Fund, dealing requests received subsequent to the relevant Trade Cut-Off Time shall be effective on the next applicable Dealing Day (e.g. if a subscription or redemption request is received at 12:01 pm on Monday, presuming it is a Business Day, it shall be effective on Wednesday, presuming that both Tuesday and Wednesday are Dealing Days).

## **FEES AND EXPENSES**

Investors’ attention is drawn to the section of the Prospectus entitled “Fees and Expenses”.

Class C Shares, Class Z Shares and Class I Shares are available to those financial intermediaries providing independent investment advisory services or discretionary investment management as defined in MiFID II and those financial intermediaries providing non-independent investment services and activities who have separate fee arrangements with their clients under which they have agreed not to receive and retain inducements. Such Classes shall be referred to in the tables in Schedule I of this Supplement as “Clean” Classes.

### **Initial Sales Charge**

An initial sales charge of up to 5.00% of the amount subscribed shall be payable in respect of subscriptions for all Class A Shares and up to 3.00% in respect of subscriptions for all Class R Shares. Any such sales charge may be payable to the relevant distributors. In addition, the distributors may, in their sole discretion, waive payment of the initial sales charge or reduce the initial sales charge payable by a subscriber for Class A Shares and Class R Shares.

There shall be no initial sales charge for the Class C Shares, Class I Shares, Class I2 Shares, Class M Shares, Class XXL Shares, Class W Shares or Class Z Shares.

In addition to the sales charge described above, a local paying agent or local representative may charge customer service fees in connection with subscribed/redeemed Shares.

### **Redemption Charge**

No redemption charge will be payable on redemptions with respect to any Class of Shares.

## **U.S. Dealing Services Charge**

With respect to Class A Shares and Class I2 Shares, the Company may pay out of the assets of the Fund, a U.S. dealing services charge (the “U.S. Dealing Services Charge”). Such charge will be paid to networking agents in the U.S. whose appointment is necessary to facilitate investment by U.S. investors approved by the Investment Manager in the Class A and Class I2 Shares. The U.S. Dealing Services Charge shall not exceed 0.10% per annum of the Net Asset Value of the Class A or Class I2 Shares. Any such charge shall accrue daily and shall be payable monthly in arrears.

There shall be no U.S. Dealing Services Charge for the Class C Shares, Class I Shares, Class R Shares, Class M Shares, Class XXL Shares, Class W Shares or Class Z Shares.

## **Fees in respect of the Manager and Investment Manager**

### ***Management Fee***

The Manager and the Investment Manager shall be entitled to receive an overall investment management fee (the “Management Fee”) from the Company in respect of the Fund equal to 0.50% per annum of the Net Asset Value of the Class I Shares and Class XXL Shares, 1.20% per annum of the Net Asset Value of the Class R Shares, 0.79% per annum of the Net Asset Value of the Class Z Shares, 1.00% per annum of the Net Asset Value of the Class C Shares, 1.50% per annum of the Net Asset Value of the Class W Shares, 0.85% per annum of the Net Asset Value of the Class I2 Shares and 1.35% per annum of the Net Asset Value of the Class A Shares.

The Management Fee shall be (i) calculated and accrued daily; and (ii) is calculated by reference to the Net Asset Value of the relevant Shares before the deduction of that day’s Management Fee and accrued Performance Fee. The Management Fee is normally payable in arrears within 14 days’ of the end of the relevant month end.

No Management Fee shall be payable in respect of Class M Shares.

In addition, each of the Manager and the Investment Manager shall be entitled to be reimbursed its reasonably vouched out-of-pocket expenses incurred with respect to the Company and the Fund. The Fund shall bear its pro-rata share of out-of-pocket expenses relating to the Company as a whole.

### ***Performance Fee***

The Performance Fee in respect of the Class I and Class R Accumulating Classes is equal to 10% of the excess of the Net Asset Value per Share of the relevant Class I Shares and Class R Shares (after the deduction of the Management Fee and all other payments and expenses but before the deduction of any accrued Performance Fee) at the end of a Performance Period over the High Water Mark.

“High Water Mark” means the previous highest of (i) the highest Net Asset Value per Share of the Class I and Class R Accumulating Classes (before any accrual for the Performance Fee) at the end of any previous Performance Period on which the Performance Fee was paid; and (ii) the Initial Offer Price of the relevant Class I Shares and Class R Shares, respectively.

The Performance Fee in respect of the Class I and Class R Distributing Classes is equal to 10% of the excess of the Adjusted NAV over the Adjusted High Water Mark.

“Adjusted NAV” means the Net Asset Value per Share of the Class I and Class R Distributing Classes after the deduction of the Management Fee and all other payments and expenses but before the deduction of any accrued Performance Fee at the end of a Performance Period adjusted by the aggregate amount of all distributions per Share declared in respect of the relevant Distributing Class since the initial issue of Shares in that Class.

“Adjusted High Water Mark” means the previous highest of (i) the highest Adjusted NAV (before any accrual for the Performance Fee) at the end of any previous Performance Period on which the Performance Fee was paid; and (ii) the Initial Offer Price of the relevant Class I Shares and Class R Shares, respectively.

The Performance Fee (if any) will accrue daily. The amount accrued on each day will be determined by calculating the Performance Fee that would be payable if that day was the last day of the current Performance Period. The Performance Fee will be payable by the Fund to the Investment Manager annually in arrears normally within 14 calendar days of the end of each Performance Period.

The Performance Fee, if any, is calculated on Net Asset Value per Share (after the deduction of the Management Fee and all other payments and expenses but before the deduction of any accrued Performance Fee) at the end of each Performance Period (with respect to the Class I and Class R Accumulating Share Classes) and the Adjusted NAV (with respect to the Class I and Class R Distributing Share Classes) including in each case, for the avoidance of doubt the net realised and unrealised gains and losses. As a result, a Performance Fee may be paid on unrealised gains which may subsequently never be realised. There is no repayment of any Performance Fee already paid if the Net Asset Value per Share subsequently falls back below the High Water Mark or Adjusted High Water Mark, as appropriate, even if an investor redeems its holding.

The calculation of the performance fee shall be verified by the Depositary.

#### *Performance Fee Examples*

These examples deal with accrual and payment of the Performance Fee for the Fund under different performance scenarios:

Any reference to Net Asset Value per Share or Adjusted Net Asset Value per Share in the examples below, including for the purpose of calculating the Excess (as defined below), is after the deduction of the Management Fee and all other payments and expenses but before the deduction of any accrued Performance Fee provided that in doing so it is in the best interest of investors.

#### **Example 1:**

Performance Fee: 10%

Scenario: Net Asset Value per Share decreases during a Performance Period and does not exceed the High Water Mark at the end of a Performance Period. The scenario assumes no subscription/redemption activities for the Performance Period.

Result: No Performance Fee is paid at the end of the Performance Period.

Detail: In this scenario, a Performance Fee is not payable because the High Water Mark was greater than the Net Asset Value per Share for the Share Class at the end of the Performance Period.

#### **Example 2:**

Performance Fee: 10%

Scenario: The Net Asset Value per Share increases during the Performance Period and is greater than the High Water Mark at the end of the Performance Period and there are 100,000 Shares in issue. The scenario assumes no subscription/redemption activities for the Performance Period.

**Result:** Performance Fee is paid at the end of the Performance Period.

**Detail:** In this scenario, a Performance Fee is payable because the Net Asset Value per Share of the Share Class is greater than the High Water Mark at the end of the Performance Period.

**Example:** At the end of Year 1 the Net Asset Value per Share is €1.05, and the High Water Mark is €1.03.

The difference between the Net Asset Value per Share and the High Water Mark is €0.02, and is referred to as the “Excess”.

The Performance Fee payable at the end of the Performance Period is equal to 10% of the Excess multiplied by the Shares in issue of the relevant Share Classes:

$$10\% \times 0.02 \times 100,000 = \text{€}200$$

### **Example 3:**

**Performance Fee:** 10%

**Scenario:** The Fund has prior period losses that need to be considered in the calculation. Net Asset Value per Share increases during a Performance Period but does not exceed the High Water Mark at the end of a Performance Period. The scenario assumes no subscription/redemption activities for the Performance Period.

**Result:** No Performance Fee is paid at the end of the Performance Period.

**Detail:** In this scenario, a Performance Fee is not payable because the High Water Mark was greater than the Net Asset Value per Share for the Share Class. This is because the Fund has prior period losses that need to be recovered before a fee can begin to accrue.

### **Example 4:**

**Performance Fee:** 10%

**Scenario:** The Net Asset Value per Share increases during the Performance Period and is greater than the High Water Mark during the first half of the Performance Period. The Net Asset Value per Share then decreases during the second half of the Performance Period such that it is below the High Water Mark at the end of the Performance Period. This scenario assumes there are 100,000 Shares in issue at the start of the Performance Period and a redemption of 50,000 Shares occurs during the first half of the Performance Period.

**Result:** Performance Fee is paid on the redemption that occurs during the Performance Period. No Performance Fee is paid at the end of the Performance Period.

**Example:** At the date of the redemption, the Net Asset Value per Share is €1.05, at the end of Year 1 the Net Asset Value per Share is €1.02, and the High Water Mark is €1.03 during the Performance Period.

The difference between the Net Asset Value per Share at the date of redemption and the High Water Mark is €0.02, and is referred to as the “Excess”.

The Performance Fee payable on redemption is equal to 10% of the Excess multiplied by the Shares redeemed of the relevant Share Classes. The High Water Mark remains as €1.03:

$$10\% \times 0.02 \times 50,000 = €100$$

At the end of the Performance Period, the Net Asset Value per Share is €1.02 and is less than the High Water Mark €1.03. Therefore no Performance Fee is paid at the end of the Performance Period.

**Example 5:**

Performance Fee: 10%

Scenario: The Adjusted Net Asset Value per Share increases during the Performance Period and is greater than the Adjusted High Water Mark at the end of the Performance Period. A distribution is made during the performance period. The scenario assumes no subscription/redemption activities for the Performance Period and there are 100,000 Shares in issue.

Result: Performance Fee is paid at the end of the Performance Period.

Example: At the start of Year 1, both the Net Asset Value per Share and the Adjusted Net Asset Value per Share are €1.03, and the Adjusted High Water Mark is €1.03. A distribution of €0.02 is paid during the year.

At the end of Year 1, the Net Asset Value is still €1.03 however the Adjusted Net Asset Value per Share is now €1.05 due to the distribution during the period. The Adjusted High Water Mark is still €1.03.

The difference between the Adjusted Net Asset Value per Share and the Adjusted High Water Mark is €0.02, and is referred to as the “Excess”.

The Performance Fee payable at the end of the Performance Period is equal to 10% of the Excess multiplied by the Shares in issue of the relevant Share Classes:

$$10\% \times 0.02 \times 100,000 = €200$$

The calculation of the Performance Fee is verified by the Depositary and is not open to the possibility of manipulation. The Performance Fee shall normally be credited to the Investment Manager within 14 days of the end of each Performance Period.

*Deemed End of Performance Period*

Class I Shares and Class R Shares redeemed other than at the end of a Performance Period will be treated as if the date of redemption was the end of the Performance Period and the above provisions shall apply. For the avoidance of doubt, this will not create a new High Water Mark or Adjusted High Water Mark, as appropriate. Any Performance Fee payable to the Investment Manager shall be paid within 14 calendar days of the end of the relevant Performance Period.

If the Investment Management Agreement as it relates to the Investment Manager's appointment with respect to the Fund is terminated other than at the end of a Performance Period, the date of termination will be deemed to be the end of the Performance Period and the above provisions shall apply. Any Performance Fee payable to the Investment Manager shall be paid as soon as reasonably practicable after the date of termination.

#### *Performance Fee – No Equalisation*

The methodology used in calculating the Performance Fees in respect of the Class I Shares and the Class R Shares may result in inequalities between investors in relation to the payment of Performance Fees (with some investors paying disproportionately higher Performance Fees in certain circumstances) and may also result in certain investors having more of their capital at risk at any time than others (as no equalisation methodology is employed in respect of the Performance Fee calculation).

#### **Class A, Class C, Class I2, Class M, Class XXL, Class W and Class Z Shares**

No performance fees shall be payable in respect of Class A, Class C, Class I2, Class M, Class XXL, Class W and Class Z Shares.

#### **Depositary's Fee**

The Depositary shall be entitled to receive out of the assets of the Fund a fee, accrued and calculated daily and payable monthly in arrears, at a rate of 0.01% per annum of the Fund's Net Asset Value subject to a minimum annual fee of €600,000 at the level of the Company (as above, to include administration and depositary services).

The Depositary shall also be entitled to receive transaction charges and all sub-custodian charges will be recovered by the Depositary from the Company out of the assets of the Fund as they are incurred by the relevant sub-custodians. All such charges shall be charged at normal commercial rates. The Depositary is also entitled to reimbursement for its reasonable vouched out-of-pocket expenses.

#### **Administrator's Fee**

The Administrator shall be entitled to receive out of the assets of the Fund a fee, accrued and calculated daily and payable monthly in arrears, at a rate of up to 0.035% per annum of the Fund's Net Asset Value for the first €200 million, 0.03% per annum of the Fund's Net Asset Value between €200 million and €500 million and 0.02% per annum of the Fund's Net Asset Value above €500 million subject to a minimum annual fee of €600,000 at the level of the Company (to include administration and depositary services).

In addition, the Company shall pay out of the assets of the Fund its portion of the Administrator's annual financial statement preparation fee of €5,000 per annum (at the level of the Company) and €1,000 per annum (per Fund) for the preparation of financial statements for the Company and a preparation fee of €3,000 per annum (at Company level) and €750 per annum (per Fund) for the semi-annual financial statement. In addition, the Administrator shall be entitled to be reimbursed for its reasonable vouched out-of-pocket expenses, transaction and account fees.

#### **RISK FACTORS**

The attention of investors is drawn to the section headed "Risk Factors" in the Prospectus.

## SCHEDULE I

### Classes of Shares

<b>Algebris Financial Credit Fund – Fund denomination – EURO</b>								
Share Class	Class Currency	Hedged currency class	Initial Offer Price	Minimum initial subscription	Minimum additional subscription	Management Fee	Initial Offer Period Status*	Distribution Status
Class I EUR (Clean)	EUR	No	€100	€500,000	€5,000	0.50%	Funded	Accumulating
Class Id EUR (Clean)	EUR	No	€100	€500,000	€5,000	0.50%	Funded	Distributing
Class I GBP (Clean)	GBP	Yes	GBP 100	GBP equivalent of €500,000	GBP equivalent of €5,000	0.50%	Funded	Accumulating
Class Id GBP (Clean)	GBP	Yes	GBP 100	GBP equivalent of €500,000	GBP equivalent of €5,000	0.50%	Funded	Distributing
Class I CHF (Clean)	CHF	Yes	CHF 100	CHF equivalent of €500,000	CHF equivalent of €5,000	0.50%	Funded	Accumulating
Class Id CHF (Clean)	CHF	Yes	CHF 100	CHF equivalent of €500,000	CHF equivalent of €5,000	0.50%	Funded	Distributing
Class I USD (Clean)	USD	Yes	USD 100	USD equivalent of €500,000	USD equivalent of €5,000	0.50%	Funded	Accumulating
Class Id USD (Clean)	USD	Yes	USD 100	USD equivalent of €500,000	USD equivalent of €5,000	0.50%	Funded	Distributing
Class I SGD (Clean)	SGD	Yes	SGD 100	SGD equivalent of €500,000	SGD equivalent of €5,000	0.50%	Funded	Accumulating
Class Id SGD (Clean)	SGD	Yes	SGD 100	SGD equivalent of €500,000	SGD equivalent of €5,000	0.50%	Funded	Distributing
Class I JPY (Clean)	JPY	Yes	JPY 100	JPY equivalent of €500,000	JPY equivalent of €5,000	0.50%	Funded	Accumulating
Class Id JPY (Clean)	JPY	Yes	JPY 100	JPY equivalent of €500,000	JPY equivalent of €5,000	0.50%	Extended	Distributing

**Algebris Financial Credit Fund – Fund denomination – EURO**

Share Class	Class Currency	Hedged currency class	Initial Offer Price	Minimum initial subscription	Minimum additional subscription	Management Fee	Initial Offer Period Status*	Distribution Status
Class I HKD (Clean)	HKD	Yes	HKD 100	HKD equivalent of €500,000	HKD equivalent of €5,000	0.50%	Funded	Accumulating
Class Id HKD (Clean)	HKD	Yes	HKD 100	HKD equivalent of €500,000	HKD equivalent of €5,000	0.50%	Extended	Distributing
Class I AUD (Clean)	AUD	Yes	AUD 100	AUD equivalent of €500,000	AUD equivalent of €5,000	0.50%	Funded	Accumulating
Class Id AUD (Clean)	AUD	Yes	AUD 100	AUD equivalent of €500,000	AUD equivalent of €5,000	0.50%	Extended	Distributing
Class I SEK (Clean)	SEK	Yes	SEK 100	SEK equivalent of €500,000	SEK equivalent of €5,000	0.50%	New	Accumulating
Class Id SEK (Clean)	SEK	Yes	SEK 100	SEK equivalent of €500,000	SEK equivalent of €5,000	0.50%	New	Distributing
Class R EUR	EUR	No	€100	€10,000	€1,000	1.20%	Funded	Accumulating
Class Rd EUR	EUR	No	€100	€10,000	€1,000	1.20%	Funded	Distributing
Class R GBP	GBP	Yes	GBP 100	GBP equivalent of €10,000	GBP equivalent of €1,000	1.20%	Funded	Accumulating
Class Rd GBP	GBP	Yes	GBP 100	GBP equivalent of €10,000	GBP equivalent of €1,000	1.20%	Funded	Distributing
Class R CHF	CHF	Yes	CHF100	CHF equivalent of €10,000	CHF equivalent of €1,000	1.20%	Funded	Accumulating
Class Rd CHF	CHF	Yes	CHF100	CHF equivalent of €10,000	CHF equivalent of €1,000	1.20%	Funded	Distributing
Class R USD	USD	Yes	USD 100	USD equivalent of €10,000	USD equivalent of €1,000	1.20%	Funded	Accumulating
Class Rd USD	USD	Yes	USD 100	USD equivalent of €10,000	USD equivalent of €1,000	1.20%	Funded	Distributing

**Algebris Financial Credit Fund – Fund denomination – EURO**

Share Class	Class Currency	Hedged currency class	Initial Offer Price	Minimum initial subscription	Minimum additional subscription	Management Fee	Initial Offer Period Status*	Distribution Status
Class R SGD	SGD	Yes	SGD 100	SGD equivalent of €10,000	SGD equivalent of €1,000	1.20%	Funded	Accumulating
Class Rd SGD	SGD	Yes	SGD 100	SGD equivalent of €10,000	SGD equivalent of €1,000	1.20%	Funded	Distributing
Class R JPY	JPY	Yes	JPY 100	JPY equivalent of €10,000	JPY equivalent of €1,000	1.20%	Extended	Accumulating
Class Rd JPY	JPY	Yes	JPY 100	JPY equivalent of €10,000	JPY equivalent of €1,000	1.20%	Funded	Distributing
Class R HKD	HKD	Yes	HKD 100	HKD equivalent of €10,000	HKD equivalent of €1,000	1.20%	Extended	Accumulating
Class Rd HKD	HKD	Yes	HKD 100	HKD equivalent of €10,000	HKD equivalent of €1,000	1.20%	Funded	Distributing
Class R AUD	AUD	Yes	AUD 100	AUD equivalent of €10,000	AUD equivalent of €1,000	1.20%	Funded	Accumulating
Class Rd AUD	AUD	Yes	AUD 100	AUD equivalent of €10,000	AUD equivalent of €1,000	1.20%	Funded	Distributing
Class R SEK	SEK	Yes	SEK 100	SEK equivalent of €10,000	SEK equivalent of €1,000	1.20%	New	Accumulating
Class Rd SEK	SEK	Yes	SEK 100	SEK equivalent of €10,000	SEK equivalent of €1,000	1.20%	New	Distributing
Class Z EUR (Clean)	EUR	No	€100	€50,000,000	€10,000	0.79%	Funded	Accumulating
Class Zd EUR (Clean)	EUR	No	€100	€50,000,000	€10,000	0.79%	Funded	Distributing
Class Z GBP (Clean)	GBP	Yes	GBP 100	GBP equivalent of €50,000,000	GBP equivalent of €10,000	0.79%	Funded	Accumulating
Class Zd GBP (Clean)	GBP	Yes	GBP 100	GBP equivalent of €50,000,000	GBP equivalent of €10,000	0.79%	Funded	Distributing

**Algebris Financial Credit Fund – Fund denomination – EURO**

Share Class	Class Currency	Hedged currency class	Initial Offer Price	Minimum initial subscription	Minimum additional subscription	Management Fee	Initial Offer Period Status*	Distribution Status
Class Z CHF (Clean)	CHF	Yes	CHF100	CHF equivalent of €50,000,000	CHF equivalent of €10,000	0.79%	Funded	Accumulating
Class Zd CHF (Clean)	CHF	Yes	CHF100	CHF equivalent of €50,000,000	CHF equivalent of €10,000	0.79%	Extended	Distributing
Class Z USD (Clean)	USD	Yes	USD 100	USD equivalent of €50,000,000	USD equivalent of €10,000	0.79%	Funded	Accumulating
Class Zd USD (Clean)	USD	Yes	USD 100	USD equivalent of €50,000,000	USD equivalent of €10,000	0.79%	Funded	Distributing
Class Z SGD (Clean)	SGD	Yes	SGD 100	SGD equivalent of €50,000,000	SGD equivalent of €10,000	0.79%	Extended	Accumulating
Class Zd SGD (Clean)	SGD	Yes	SGD 100	SGD equivalent of €50,000,000	SGD equivalent of €10,000	0.79%	Extended	Distributing
Class Z AUD (Clean)	AUD	Yes	AUD 100	AUD equivalent of €50,000,000	AUD equivalent of €10,000	0.79%	Extended	Accumulating
Class Zd AUD (Clean)	AUD	Yes	AUD 100	AUD equivalent of €50,000,000	AUD equivalent of €10,000	0.79%	Extended	Distributing
Class Z JPY (Clean)	JPY	Yes	JPY 100	JPY equivalent of €50,000,000	JPY equivalent of €10,000	0.79%	Extended	Accumulating
Class Zd JPY (Clean)	JPY	Yes	JPY 100	JPY equivalent of €50,000,000	JPY equivalent of €10,000	0.79%	Extended	Distributing
Class Z HKD (Clean)	HKD	Yes	HKD 100	HKD equivalent of €50,000,000	HKD equivalent of €10,000	0.79%	Extended	Accumulating
Class Zd HKD (Clean)	HKD	Yes	HKD 100	HKD equivalent of €50,000,000	HKD equivalent of €10,000	0.79%	Extended	Distributing

**Algebris Financial Credit Fund – Fund denomination – EURO**

Share Class	Class Currency	Hedged currency class	Initial Offer Price	Minimum initial subscription	Minimum additional subscription	Management Fee	Initial Offer Period Status*	Distribution Status
Class W EUR	EUR	No	€100	€10,000,000	€10,000	1.50%	Funded	Accumulating
Class Wd EUR	EUR	No	€100	€10,000,000	€10,000	1.50%	Funded	Distributing
Class W GBP	GBP	Yes	GBP 100	GBP equivalent of €10,000,000	GBP equivalent of €10,000	1.50%	Funded	Accumulating
Class Wd GBP	GBP	Yes	GBP 100	GBP equivalent of €10,000,000	GBP equivalent of €10,000	1.50%	Funded	Distributing
Class W CHF	CHF	Yes	CHF100	CHF equivalent of €10,000,000	CHF equivalent of €10,000	1.50%	Funded	Accumulating
Class Wd CHF	CHF	Yes	CHF100	CHF equivalent of €10,000,000	CHF equivalent of €10,000	1.50%	Funded	Distributing
Class W USD	USD	Yes	USD 100	USD equivalent of €10,000,000	USD equivalent of €10,000	1.50%	Funded	Accumulating
Class Wd USD	USD	Yes	USD 100	USD equivalent of €10,000,000	USD equivalent of €10,000	1.50%	Funded	Distributing
Class W SGD	SGD	Yes	SGD 100	SGD equivalent of €10,000,000	SGD equivalent of €10,000	1.50%	Funded	Accumulating
Class Wd SGD	SGD	Yes	SGD 100	SGD equivalent of €10,000,000	SGD equivalent of €10,000	1.50%	Funded	Distributing
Class W JPY	JPY	Yes	JPY 100	JPY equivalent of €10,000,000	JPY equivalent of €10,000	1.50%	Extended	Accumulating
Class Wd JPY	JPY	Yes	JPY 100	JPY equivalent of €10,000,000	JPY equivalent of €10,000	1.50%	Extended	Distributing
Class W HKD	HKD	Yes	HKD 100	HKD equivalent of €10,000,000	HKD equivalent of €10,000	1.50%	Extended	Accumulating
Class Wd HKD	HKD	Yes	HKD 100	HKD equivalent of €10,000,000	HKD equivalent of €10,000	1.50%	Extended	Distributing
Class W AUD	AUD	Yes	AUD 100	AUD equivalent of €10,000,000	AUD equivalent of €10,000	1.50%	Extended	Accumulating

**Algebris Financial Credit Fund – Fund denomination – EURO**

Share Class	Class Currency	Hedged currency class	Initial Offer Price	Minimum initial subscription	Minimum additional subscription	Management Fee	Initial Offer Period Status*	Distribution Status
Class Wd AUD	AUD	Yes	AUD 100	AUD equivalent of €10,000,000	AUD equivalent of €10,000	1.50%	Funded	Distributing
Class C EUR (Clean)	EUR	No	€100	€50,000,000	€10,000	1.00%	Funded	Accumulating
Class Cd EUR (Clean)	EUR	No	€100	€50,000,000	€10,000	1.00%	Funded	Distributing
Class C GBP (Clean)	GBP	Yes	GBP 100	GBP equivalent of €50,000,000	GBP equivalent of 10,000	1.00%	Funded	Accumulating
Class Cd GBP (Clean)	GBP	Yes	GBP 100	GBP equivalent of €50,000,000	GBP equivalent of €10,000	1.00%	Funded	Distributing
Class C CHF (Clean)	CHF	Yes	CHF 100	CHF equivalent of €50,000,000	CHF equivalent of €10,000	1.00%	Funded	Accumulating
Class Cd CHF (Clean)	CHF	Yes	CHF 100	CHF equivalent of €50,000,000	CHF equivalent of €10,000	1.00%	Extended	Distributing
Class C USD (Clean)	USD	Yes	USD 100	USD equivalent of €50,000,000	USD equivalent of €10,000	1.00%	Funded	Accumulating
Class Cd USD (Clean)	USD	Yes	USD 100	USD equivalent of €50,000,000	USD equivalent of €10,000	1.00%	Funded	Distributing
Class C AUD (Clean)	AUD	Yes	AUD 100	AUD equivalent of €50,000,000	AUD equivalent of €10,000	1.00%	Extended	Accumulating
Class Cd AUD (Clean)	AUD	Yes	AUD 100	AUD equivalent of €50,000,000	AUD equivalent of €10,000	1.00%	Extended	Distributing
Class C JPY (Clean)	JPY	Yes	JPY 100	JPY equivalent of €50,000,000	JPY equivalent of €10,000	1.00%	Extended	Accumulating
Class Cd JPY (Clean)	JPY	Yes	JPY 100	JPY equivalent of €50,000,000	JPY equivalent of €10,000	1.00%	Extended	Distributing

**Algebris Financial Credit Fund – Fund denomination – EURO**

Share Class	Class Currency	Hedged currency class	Initial Offer Price	Minimum initial subscription	Minimum additional subscription	Management Fee	Initial Offer Period Status*	Distribution Status
Class C HKD (Clean)	HKD	Yes	HKD 100	HKD equivalent of €50,000,000	HKD equivalent of €10,000	1.00%	Extended	Accumulating
Class Cd HKD (Clean)	HKD	Yes	HKD 100	HKD equivalent of €50,000,000	HKD equivalent of €10,000	1.00%	Extended	Distributing
Class C SGD (Clean)	SGD	Yes	SGD 100	SGD equivalent of €50,000,000	SGD equivalent of €10,000	1.00%	Extended	Accumulating
Class Cd SGD (Clean)	SGD	Yes	SGD 100	SGD equivalent of €50,000,000	SGD equivalent of €10,000	1.00%	Extended	Distributing
Class C SEK (Clean)	SEK	Yes	SEK 100	SEK equivalent of €50,000,000	SEK equivalent of €10,000	1.00%	New	Accumulating
Class Cd SEK (Clean)	SEK	Yes	SEK 100	SEK equivalent of €50,000,000	SEK equivalent of €10,000	1.00%	New	Distributing
Class XXL EUR	EUR	No	€100	€50,000,000	€1,000,000	0.50%	Closed**	Accumulating
Class XXLd EUR	EUR	No	€100	€50,000,000	€1,000,000	0.50%	Closed**	Distributing
Class XXL GBP	GBP	Yes	GBP 100	GBP equivalent of €50,000,000	GBP equivalent of €1,000,000	0.50%	Closed**	Accumulating
Class XXLd GBP	GBP	Yes	GBP 100	GBP equivalent of €50,000,000	GBP equivalent of €1,000,000	0.50%	Closed**	Distributing
Class XXL CHF	CHF	Yes	CHF100	CHF equivalent of €50,000,000	CHF equivalent of €1,000,000	0.50%	Closed**	Accumulating
Class XXLd CHF	CHF	Yes	CHF100	CHF equivalent of €50,000,000	CHF equivalent of €1,000,000	0.50%	Closed**	Distributing

**Algebris Financial Credit Fund – Fund denomination – EURO**

Share Class	Class Currency	Hedged currency class	Initial Offer Price	Minimum initial subscription	Minimum additional subscription	Management Fee	Initial Offer Period Status*	Distribution Status
Class XXL USD	USD	Yes	USD 100	USD equivalent of €50,000,000	USD equivalent of €1,000,000	0.50%	Closed**	Accumulating
Class XXLd USD	USD	Yes	USD 100	USD equivalent of €50,000,000	USD equivalent of €1,000,000	0.50%	Closed**	Distributing
Class XXL SGD	SGD	Yes	SGD 100	SGD equivalent of €50,000,000	SGD equivalent of €1,000,000	0.50%	Closed**	Accumulating
Class XXLd SGD	SGD	Yes	SGD 100	SGD equivalent of €50,000,000	SGD equivalent of €1,000,000	0.50%	Closed**	Distributing
Class I2 USD	USD	Yes	USD 100	USD equivalent of €50,000,000	USD equivalent of €10,000	0.85%	Extended	Accumulating
Class I2d USD	USD	Yes	USD 100	USD equivalent of €50,000,000	USD equivalent of €10,000	0.85%	Funded	Distributing
Class A USD	USD	Yes	USD 100	USD equivalent of €1,000	USD equivalent of €100	1.35%	Extended	Accumulating
Class Ad USD	USD	Yes	USD 100	USD equivalent of €1,000	USD equivalent of €100	1.35%	Extended	Distributing
Class M EUR	EUR	No	€100	N/A	N/A	N/A	Funded	Accumulating
Class Md EUR	EUR	No	€100	N/A	N/A	N/A	Funded	Distributing
Class M GBP	GBP	Yes	GBP 100	N/A	N/A	N/A	Funded	Accumulating
Class Md GBP	GBP	Yes	GBP 100	N/A	N/A	N/A	Funded	Distributing

**Algebris Financial Credit Fund – Fund denomination – EURO**

Share Class	Class Currency	Hedged currency class	Initial Offer Price	Minimum initial subscription	Minimum additional subscription	Management Fee	Initial Offer Period Status*	Distribution Status
Class M CHF	CHF	Yes	CHF 100	N/A	N/A	N/A	Extended	Accumulating
Class Md CHF	CHF	Yes	CHF 100	N/A	N/A	N/A	Extended	Distributing
Class M USD	USD	Yes	USD 100	N/A	N/A	N/A	Extended	Accumulating
Class Md USD	USD	Yes	USD 100	N/A	N/A	N/A	Funded	Distributing
Class M SGD	SGD	Yes	SGD 100	N/A	N/A	N/A	Extended	Accumulating
Class Md SGD	SGD	Yes	SGD 100	N/A	N/A	N/A	Extended	Distributing
Class M JPY	JPY	Yes	JPY 100	N/A	N/A	N/A	Extended	Accumulating
Class Md JPY	JPY	Yes	JPY 100	N/A	N/A	N/A	Extended	Distributing
Class M HKD	HKD	Yes	HKD 100	N/A	N/A	N/A	Extended	Accumulating
Class Md HKD	HKD	Yes	HKD 100	N/A	N/A	N/A	Extended	Distributing

**Initial Offer Period Shares**

\* This column specifies “New” where a Class is being offered for the first time, “Funded” where a Class is in issue, “Extended” where a Class has been offered, the Initial Offer Period has commenced and is continuing but no Shares are in issue.

For all Classes of Shares identified as “New”, the Initial Offer Period is from 9.00 a.m. (Irish time) on 29 November 2022 until 5.30 p.m. (Irish time) on 29 May 2023, or such other dates as the Directors may determine and notify to the Central Bank.

For all Classes of Shares identified as “Extended”, the Initial Offer Period shall continue until 5.30 p.m. (Irish time) on 1 June 2023 or such other dates as the Directors may determine and notify to the Central Bank.

\*\* In this column specifies “Closed” where a Class is closed to new subscriptions.

## SCHEDULE II

**Product name: Algebris Financial Credit Fund (the “Fund”)**

**Legal entity identifier: 5493007EKRT33WKV7H33**

# Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> Yes	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> No
<p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b>: ____%</p> <p style="margin-left: 20px;"><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p style="margin-left: 20px;"><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b>: ____%</p>	<p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ____% of sustainable investments</p> <p style="margin-left: 20px;"><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p style="margin-left: 20px;"><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p style="margin-left: 20px;"><input type="checkbox"/> with a social objective</p> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. For the time being, it does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



## What environmental and/or social characteristics are promoted by this financial product?

The environmental and social characteristics promoted by the Fund are:

1. Prevention of predatory lending practices
2. Pollution prevention and control
3. Emissions reduction
4. Human rights
5. Labour relations

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

## ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The Investment Manager will use the following sustainability indicators to measure the attainment of the environmental and social characteristics promoted by the Fund. Where relevant, the data for assessing the below indicators is sourced from third-party ESG data providers (the “Data Providers”) and internal research.

### **Key ESG concerns**

#### ***Characteristic 1: Predatory lending practices***

- **Indicator: the share of revenues derived from predatory lending activities.**

#### ***Characteristic 2: Pollution prevention and control***

- **Indicator: amount of air pollutants in proportion to company revenue and/or the amount of inorganic pollutants in proportion to company revenues.**

#### ***Characteristic 3: Emission reduction***

- **Indicator: the share of investments in companies that explicitly disclose that they have either committed to setting or have set science-based targets (“SBTs”) in relation to decarbonisation.**

#### ***Characteristic 4: Human rights***

- **Indicator: the share of investments in companies involved in very serious violations of human rights under the United Nations Global Compact (“UNGC”).**
- **Indicator: the existence of Human Rights commitments, policies and procedures at the individual investee level.**

### **Characteristic 5: Labour relations**

- **Indicator: the share of investments in companies involved in very serious violations of labour rights under the UNGC.** For the purpose of this indicator, the Investment Manager defines a very serious violation as the case of a company being: (a) involved in persistent UNGC-related controversies; (b) where the controversy is of critical severity; and (c) where the company is non-reactive. The existence of Human Rights Policies and Commitments at the individual investee level is also monitored in the context of measuring the attainment of targets monitored.
- **Indicator: the evolution at portfolio level of an aggregate labour practice score.** The score reflects the investees' gender balance; gender pay ratio; performance in terms of preventing discrimination and harassment; freedom of association; ethnic diversity.

#### **Exclusion policies**

- **Indicator: any holdings (0%) of the Fund comprising issuers on the exclusion lists.**

#### **Voting policy and engagement**

- **Indicator: the % of meetings voted; the % of shareholders' resolutions voted against; the % of shareholders' resolutions voted in favour; the number of ESG-related engagements with investees.**

#### **ESG screening**

- **Indicator: any share of investments (0%) in companies that are identified to be in the bottom 15% of the distribution of the relevant sector's ESG score.**
- **Indicator: the evolution at portfolio level of a global ESG score, as well as of individual E, S, and G scores.**

***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

N/A

***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

N/A

***How have the indicators for adverse impacts on sustainability factors been taken into account?***

N/A

**How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**

N/A

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy- aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**Does this financial product consider principal adverse impacts on sustainability factors?**

- Yes, the Investment Manager considers the principal adverse impacts (“PAI”) of the Fund’s investments on sustainability factors: (i) prior to and at the point of investment, by conducting (to the extent possible) due diligence on any proposed investments, with at a minimum the application of ESG exclusion polices; and (ii) on an ongoing basis by monitoring the investments against any applicable mandatory and additional PAI indicators. More information is available in the periodic reporting pursuant to Article 11(2) of the SFDR.

The **climate and other environmental** related PAI indicators considered by the Investment Manager in respect to all investee companies are:

- GHG emissions;
- carbon footprint;
- GHG intensity of investee companies;
- exposure to companies active in the fossil fuel sector;
- share of non-renewable energy consumption and production;
- energy consumption intensity per high impact climate sector;
- activities negatively affecting biodiversity-sensitive areas;
- emissions to water;

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti- corruption and anti- bribery matters.

- hazardous waste ratio; and
- investments in companies without carbon emission reduction initiatives.

The **social and employee, respect for human rights, anti-corruption and anti-bribery** related PAI indicators considered by the Investment Manager in respect to all investee companies are:

- violations of UNGC principles and OECD guidelines for multinational enterprise;
  - lack of processes and company mechanisms to monitor companies with UNGC principles and OECD guidelines for multinational enterprise;
  - unadjusted gender pay gap;
  - board gender diversity;
  - exposure to controversial weapons; and
  - lack of anti-corruption and anti-bribery policies.
- No

### What investment strategy does this financial product follow?

The investment objective, investment policy and investment strategy of the Fund is detailed in the Supplement for this Fund and should be read in conjunction with and in the context of this Annex.

Due to the key role that the banking and broader financial sector play in providing funding across sectors and economic activities, the Fund is presented with an opportunity to contribute to a fairer and more sustainable economy through its investment in institutions that themselves contribute to this transition. In addition, in the context of its promotion of environmental and social characteristics, the Investment Manager mainly relies on a combination of the following approaches to responsible investment:

- (1) **Key ESG concerns:** the Fund aims to facilitate and accelerate the transition towards a greener and more sustainable economy by investing in companies in the financial services sector that are considered acceptable by reference to the environmental and social characteristics the Fund promotes.
- (2) **Exclusion policies:** the Fund applies exclusion policies to provide reasonable comfort that the Fund does not make or hold investments in industries, market segments and companies considered to have particularly harmful or controversial practices from an environmental or social perspective.

As regards coal in particular, the Fund also applies the following approach: a list of banks that comprise the core universe of the Fund has been identified. The Investment Manager's ESG committee examines each relevant institution's exposure and policies surrounding coal extraction and consumption and, on a case-by-case basis, where relevant public disclosures fall below industry standard or where exposure is thought to be high, a tailored questionnaire



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

assesses the institution's position on coal and any planned action to reduce its coal-related exposure. The Investment Manager's ESG committee engages directly with the same universe of banks, seeking assurances about their controversial weapons involvement and policies.

The Investment Manager will not invest in the banks providing the largest share of lending to coal mining.

- (3) **Voting Policy and engagement**: Where the Investment Manager is given the opportunity to exercise voting rights in relation to the positions held by the Fund, these are made in the best interests of the investors in the Fund after considering the long-term sustainability of the respective issuer. While abstaining can be the best option in a limited number of cases, the voting policy applicable to the Investment Manager commits it to take an active role, with sustainability being a prime consideration.

When deciding how to exercise voting rights attached to the investments made by the Fund, the Investment Manager will consider voting decisions on a case-by-case basis taking into account: (i) the likely effect on the performance of the Fund's investments; and also (ii) the long-term sustainability considerations of the issuer.

The Investment Manager is a supporter of the Say on Climate Initiative – Shareholder Voting on Climate Transition Action Plans (a shareholder voting initiative to encourage companies to publish annual disclosures of emissions and to adopt a plan to manage these emissions) ("**Say on Climate**"). Where companies will not do so voluntarily, the Investment Manager has formally stated in its voting policy that it will vote for and/or file annual general meeting (AGM) resolutions (whenever it has voting rights, and sufficient votes) requiring such a vote that furthers the aims of Say on Climate.

On engagement more broadly, the Investment Manager also holds an ongoing dialogue with investee companies. This is typically done in the form of calls and meetings with management, following publication of banks' periodic results or upon presentation of their industrial plans. This direct engagement also spans ESG-relevant themes (e.g. ESG disclosures; climate transition plans; net zero targets). The Investment Manager also actively participates in several investor collective engagement initiatives (such as the Non-Disclosure Campaign led by the Carbon Disclosure Project (CDP)) and may engage with investee companies as part of these initiatives.

- (4) **United Nations Global Compact screening**: the Investment Manager applies screening that evaluates the alignment of investee companies with the 10 Principles of the UNGC. This will exclude investments in companies that are identified as exhibiting a poor performance in business areas relevant to the UNGC principles. In addition, companies whose performance is significantly below average (but above the threshold for immediate exclusion) will be placed on a watchlist.
- (5) **ESG screening**: The Fund is subject to ESG screening, which prevents an investment being made in companies that are identified as being in the bottom 15% of its sector's overall ESG score as measured by way of an ESG scoring assessment. This assessment is based on data from third-party ESG data providers (the "**Data Providers**") and internal research.

These principles are integrated, on a best-efforts basis, into the investment controls where possible and reviewed on a regular basis by the Investment Manager. Where any of the requirements are not met, the Investment Manager will determine how best to liquidate the position(s), if appropriate, or take action to remediate the situation through active engagement with the issuer. The Investment Manager will abstain from investing in similar investments until the identified issue is resolved and the relevant position is no longer considered in breach of the Fund's sustainability criteria detailed above.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

In order to attain the environmental and/or social characteristics promoted, the Investment Manager applies the following binding criteria to the selection of underlying assets as part of its investment decision making process:

**(1) Key ESG Concerns:**

- a. No investment is allowed in companies that derive any revenues from predatory lending activities; and/or companies that have significant ownership in entities excluded under this rule.
- b. No investment is allowed in companies that derive any revenues from coal mining and/or coal power generation; and/or in companies that have a significant ownership in the entities excluded under this rule. No investment is allowed in debt or equity issued by the top global coal shareholders, bondholders, and lenders as defined in the Investment Manager's exclusion policies and procedures.
- c. No investment is allowed in companies that derive any revenues from exploration-extraction of arctic oil and/or tar sands; and/or in companies that have a significant ownership in entities excluded under this rule.
- d. No investment is allowed in companies that derive more than 40% of their revenues from the production of conventional Oil & Gas.
- e. No investment is allowed in companies that derive any revenues from the manufacturing of controversial weapons; and/or in companies that have a significant ownership in entities excluded under this rule. No investment is allowed in debt or equity issued by the top global investors in nuclear weapons and cluster weapons as defined in the Investment Manager's exclusion policies and procedures.
- f. No investment is allowed in companies found to be involved in very serious violations of human rights and/or labour rights under the UNGC.

**(2) Exclusion policies:** the Fund is subject to the Investment Manager's firm-level exclusion policy, including but not limited to the restrictions listed under (1). This policy results in ESG exclusion lists that are implemented in the Investment Manager's internal automated controls system, which include fully integrated pre- and post-trade controls to implement and safeguard the exclusion lists.

**(3) UNGC screening:** as noted above, in addition to exclusion policies, the Fund is also subject to a screening that evaluates the alignment of investee companies with the 10 Principles of the UNGC. An exclusion list of companies found in breach of the UN Global Compact is compiled by the Investment Manager, and investment in the companies on the list is not allowed.

The UNGC screening will be underpinned by quantitative and qualitative analysis carried out by the ESG research team of the Investment Manager, using data collected by specialist Data Providers and internal research.

**(4) ESG screening:** as noted above, the Fund is subject to ESG screening, which prevents an investment being made in companies that are identified to be in the bottom 15% of the distribution of the relevant sector's ESG score. Investments in such companies are not allowed.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not have a committed minimum rate to reduce the scope of the investments considered prior to the application of the investment strategy.

● **What is the policy to assess good governance practices of the investee companies?**

The Investment Manager assesses the governance practices of investee companies through a variety of scores covering various aspects of firm-level governance, sourced from external Data Providers in order to satisfy itself that the relevant investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The investment team of the Investment Manager may also engage with investee companies about specific governance-related issues. The dedicated AI/ Data team of the Algebris group has also developed a proprietary artificial intelligence (AI) driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee companies.

To satisfy itself that the relevant investee companies follow good governance practices (in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance) the Investment Manager monitors a number of governance related key performance indicators (“KPIs”) for the investee companies. These include:

(i) **Sound management structures:**

an aggregate performance index reflecting anti-crime policies and processes; business ethics; and corporate governance structure and effectiveness.

(ii) **Employee relations:**

an aggregate performance index reflecting occupational health and safety; human capital development; and talent retention.

(iii) **Remuneration of staff:**

an aggregate performance index reflecting gender pay gap; and CEO to employee pay ratio;

(iv) **Tax compliance:**

an aggregate performance index reflecting tax strategy and governance; effective tax rate; and tax reporting.

Data for assessing the elements above is sourced from Data Providers and internal research. The investment team of the Investment Manager may also engage with investee companies about specific governance-related issues – such as news items and/or the emergence of governance-related controversies.

**What is the asset allocation planned for this financial product?**

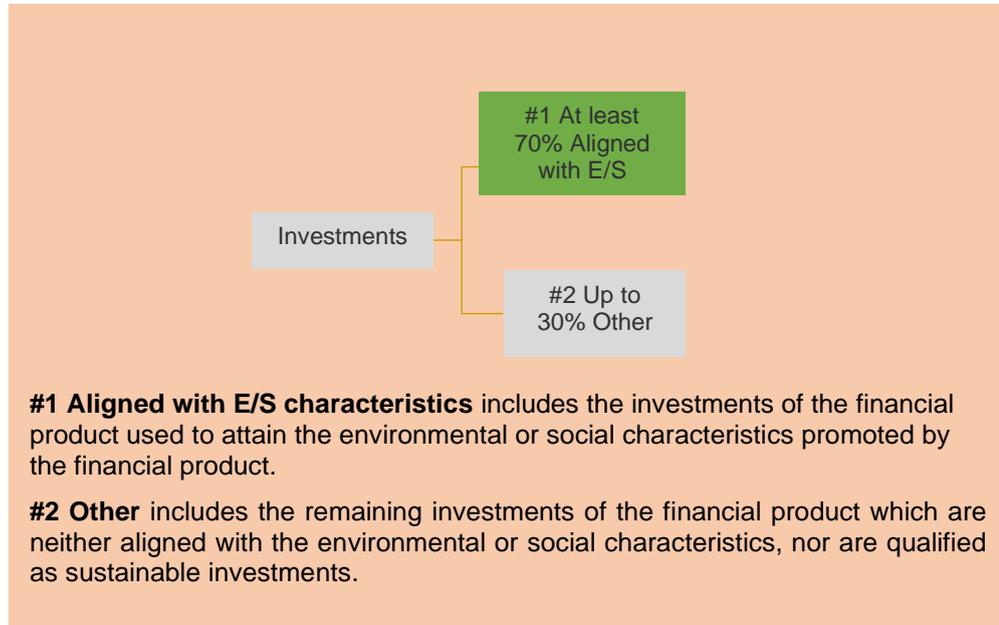
The minimum proportion of the Fund's investments that will be aligned with the environmental and social characteristics promoted by the Fund will be 70% (taking into



account only the binding elements referred to above).

**Asset allocation** describes the share of investments in specific assets.

The remaining proportion of up to 30% of the Fund's investments will be used for hedging, liquidity, diversification and/or efficient portfolio management purposes and will not incorporate any of the environmental and or social characteristics promoted by the Fund. Any minimum environmental or social safeguards regarding the remaining proportion of the investments is covered in a specific section below.



● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Whilst the Fund does use derivatives as part of its investment strategy as further detailed in the Supplement for the Fund, the use of derivatives is not conducted with a view to attaining the environmental or social characteristics promoted by the Fund.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

While the Fund promotes environmental and social characteristics, as at the date of this document, it is expected that the minimum proportion of investments of the Fund in environmentally sustainable economic activities aligned with the “EU Taxonomy” (being Regulation (EU) 2020/852 of the European Parliament and the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investments) (including in transitional and enabling activities) shall be 0% of the investments of the Fund.

**Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

Yes:

In fossil gas

In nuclear energy

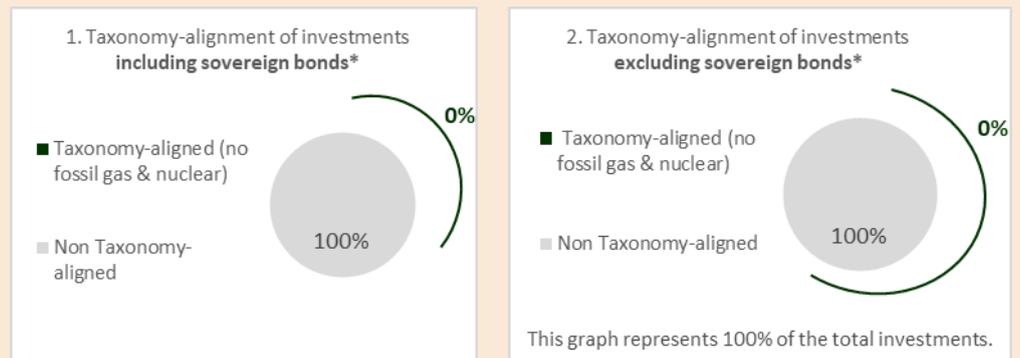
No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

N/A



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

N/A



**What is the minimum share of socially sustainable investments?**

N/A



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The “#Other” investments made by the Fund include instruments which are used for the purpose of hedging (including currency risk management), liquidity, diversification, and efficient portfolio management. These investments include, but are not limited to, ancillary liquid assets and financial derivative instruments. Whilst these investments may not be aligned with the environmental or social characteristics promoted by the Fund, they will, to the extent possible, still be subject to the exclusion policies detailed above, in addition to the UNGC Screening. These provide the minimum safeguards.

The remaining assets of the Fund will also comprise cash and cash equivalents held from

time to time on an ancillary basis, as well as instruments for hedging purposes. Such assets are subject to the Fund's minimum safeguards, to the extent applicable/ relevant in the context of such assets being cash and cash equivalents.



#### Reference

**benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristic that they promote.

**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No specific index has been designated for the purpose of attaining the environmental characteristics promoted by the Fund.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

N/A

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

N/A

- ***How does the designated index differ from a relevant broad market index?***

N/A

- ***Where can the methodology used for the calculation of the designated index be found?***

N/A



**Where can I find more product specific information online?**

More product-specific information can be found on the website:  
<https://www.algebris.com/fund/algebris-financial-credit-fund-2/>