

# *Charles Schwab Worldwide Funds plc*

## **Prospectus**

14 October 2016

## **& Supplements**

14 October 2016

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Schwab U.S. Dollar  
Liquid Assets Fund

An investment company with variable capital constituted as an umbrella fund under the laws of Ireland and authorised and regulated by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended).

**Manager** Charles Schwab Asset Management (Ireland) Limited

**Investment Manager** Charles Schwab Investment Management, Inc.

REG 13956-09

*charles* SCHWAB

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# *Important information*

## **This prospectus**

This Prospectus describes Charles Schwab Worldwide Funds plc (the “Company”), an investment company with variable capital incorporated in Ireland as a public limited company. The Company is constituted as an umbrella fund insofar as the share capital of the Company will be divided into different series of Shares with each series of Shares representing a separate investment portfolio of assets (“Fund”). Shares of any Fund may be divided into different classes to accommodate different subscription and/or redemption provisions and/or dividend and/or charges and/or fee arrangements, including different total expense ratios.

The Funds have different investment objectives and invest in different types of transferable securities. Each Fund will invest in accordance with the investment objectives and policies applicable to such Fund as specified in the Relevant Supplement. The Relevant Supplement should be read in conjunction with and construed as one document with this Prospectus. Although each Fund will be treated as bearing its own liabilities, the Company as a whole will remain liable to third parties for all liabilities attributable to the Company rather than an individual Fund.

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

**This Prospectus is an important document. If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.**

## **Investor responsibility**

Prospective investors should review this Prospectus carefully and in its entirety and consult with legal, tax and financial advisers for independent advice in relation to: (a) the legal requirements within their own countries for the purchase, holding, exchanging, redeeming or disposing of Shares; (b) any foreign exchange restrictions to which they are subject in their own countries in relation to the purchase, holding, exchanging, redeeming or disposing of Shares; (c) the legal, tax, financial or other consequences of subscribing for, purchasing, holding, exchanging, redeeming or disposing of Shares; and (d) the provisions of this Prospectus and any Relevant Supplement.

The Shares have not been registered under the United States Securities Act of 1933, as amended (the “1933 Act”), or any U.S. state securities laws, and neither the Funds nor the Company has been registered under the United States Investment Company Act of 1940, as amended (the “1940 Act”). Except as otherwise described herein, such Shares may not be offered or sold, directly or indirectly, in the United States or its territories or possessions or to any U.S. Person and such Shares may not be held by U.S. Persons. For this purpose, a U.S. Person (a “U.S. Person”) has the meaning set forth under the heading “Definitions” in the Prospectus. Shares will be offered and sold only to such persons as may be authorised by the Directors

and in such manner as will not require registration of the Company, any Fund, or the Shares under the securities laws of the United States or any state thereof. The Articles of Association of the Company give powers to the Directors to impose restrictions on the shareholdings by (and consequently to redeem Shares held by) or the transfer of Shares to any U.S. Person or by any person who appears to be in breach of the laws or requirements of any country or government authority or by any person or persons in circumstances (whether directly or indirectly affecting such person or persons, and whether taken alone or in conjunction with any other persons connected or not, or any other circumstances appearing to the Directors to be relevant) which, in the opinion of the Directors, might result in the Company or any Shareholder incurring liability to taxation or suffering any other pecuniary or regulatory disadvantage which the Company might not otherwise have incurred or suffered.

### **Central Bank of Ireland authorisation—UCITS**

The Company is authorised and regulated by the Central Bank as an “Undertaking for Collective Investment in Transferable Securities” (“UCITS”) pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended. **The authorisation of the Company by the Central Bank shall not constitute a warranty as to the performance of the Company and the Central Bank shall not be liable for the performance or default of the Company.**

**Authorisation of the Company by the Central Bank is not an endorsement or guarantee of the Company by the Central Bank nor is the Central Bank responsible for the contents of this Prospectus.**

### **Distribution and selling restrictions**

The distribution of this Prospectus and the offering or purchase of Shares may be restricted in certain

jurisdictions. This Prospectus does not constitute and may not be treated as an offer or solicitation by or to anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this Prospectus and any persons wishing to apply for Shares pursuant to this Prospectus to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdiction.

Shares may not be purchased or held by or for the benefit of U.S. Persons.

### **Stock exchange listing**

An application may be made to the Irish Stock Exchange for Shares of any series or class to be admitted to its Official List and to trading on its Main Market. This Prospectus, together with the Relevant Supplement, may constitute Listing Particulars for the purpose of any such application for listing. Neither the admission of Shares to the Official List and to trading on its Main Market nor the approval of the listing particulars pursuant to the listing requirements of the Irish Stock Exchange constitute a warranty or representation by the Irish Stock Exchange as to the competence of the service providers or any other party connected with the Company, the adequacy of information contained in this Prospectus or the suitability of the Company for investment purposes. The Class A Shares in the Schwab U.S. Dollar Liquid Assets Fund have been admitted to the Official List and to trading on the Main Market of the Irish Stock Exchange.

### **Reliance on this Prospectus**

Shares are offered only on the basis of the information contained in this Prospectus, the Relevant Supplement and, the latest audited annual accounts and any

subsequent half-yearly report of the Company. No person has been authorised to give any information or to make any representation in connection with the offering of Shares other than those contained in this Prospectus, the Relevant Supplement and in any subsequent half-yearly or annual report for the Company and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors or any entity appointed by the Company. Statements in this Prospectus are in accordance with the law and practice in force in Ireland at the date hereof and are subject to change. Neither the delivery of this Prospectus nor the issue of Shares shall, under any circumstances, create any implication or constitute any representation that the affairs of the Company have not changed since the date of this Prospectus.

This Prospectus may also be translated into other languages. Any such translation shall only contain the same information and have the same meaning as the English language Prospectus. To the extent that there is any inconsistency between the English language Prospectus and the Prospectus in another language, this English language Prospectus will prevail, except, to

the extent (but only to the extent) required by law of any jurisdiction where the Shares are sold, that in an action based upon disclosure in a Prospectus in a language other than English, the language of the Prospectus on which such action is based shall prevail. All disputes as to the contents of this Prospectus shall be governed in accordance with the laws of Ireland.

### **Risks**

Investment in the Company carries with it a degree of risk. **The value of Shares and the income from them may go down as well as up, and investors may not get back the amount invested.** Investment in the Shares may not be suitable for all investors and should not be considered a complete investment programme. Investors should consider carefully their investment requirements and the “Investment Risks” section of this Prospectus, and the Relevant Supplement, before selecting any investment.

**An investment in the Company is not in the nature of a deposit in a bank account and is not protected by any government, government agency or other guarantee scheme which may be available to protect the holder of a bank deposit account.**

# Directory

## Charles Schwab Worldwide Funds plc

### Registered Office

70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

### Directors

Kieran McGowan  
Marie Chandoha  
George Pereira  
Gary Palmer

### Manager

Charles Schwab Asset  
Management (Ireland) Limited  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

### Investment Manager

Charles Schwab Investment  
Management, Inc.  
211 Main Street  
San Francisco, CA 94105  
United States

### Sponsoring Irish Stock Exchange Broker

Davy Stockbrokers  
Davy House  
49 Dawson Street  
Dublin 2  
Ireland

### Auditors

Deloitte & Touche  
Deloitte & Touche House  
Earlsfort Terrace  
Dublin 2  
Ireland

### Hong Kong Representative

Charles Schwab, Hong Kong, Ltd.  
Suites 1607-1611  
16/F of ICBC Tower  
No. 3 Garden Road  
Central, Hong Kong.

### Depository

State Street Custodial Services  
(Ireland) Limited  
78 Sir John Rogerson's Quay  
Dublin 2  
Ireland

### Administrator, Transfer Agent and Registrar

State Street Fund Services  
(Ireland) Limited  
78 Sir John Rogerson's Quay  
Dublin 2  
Ireland

### United Kingdom Facilities Agent

Charles Schwab, U.K., Limited  
5th Floor, 20 St. Dunstan's Hill  
London EC3R 8HL  
United Kingdom

### Legal Advisers

Matheson  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

### Dechert

27th Floor, Henley Building  
5 Queen's Road Central  
Hong Kong

### Secretary

Matsack Trust Limited  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

## *Definitions*

**Administrator** State Street Fund Services (Ireland) Limited;

**Articles** the Memorandum and Articles of Association of the Company for the time being in force and as may be modified from time to time;

**Business Day** shall have such meaning as shall be specified in the Relevant Supplement;

**Central Bank** the Central Bank of Ireland;

**Central Bank UCITS Regulations** the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 (as may be amended or supplemented from time to time) in addition to any guidance issued by the Central Bank in respect of same;

**CIS** collective investment scheme(s);

**Class Expenses** any expenses attributable to a specific class of Shares including legal fees, marketing expenses and the expenses of registering a class of Shares in any jurisdiction or with any stock exchange, regulated market or settlement system and such other expenses arising from such registration and such further expenses howsoever arising as may be disclosed in the Relevant Supplement;

**Company** Charles Schwab Worldwide Funds plc;

**Directors** the Directors of the Company for the time being and any duly constituted committee thereof;

**Depository** State Street Custodial Services (Ireland) Limited;

**Duties and Charges** all stamp duties and other duties, taxes, governmental charges, imposts, levies, exchange costs and commissions, transfer fees and expenses, agents' fees, brokerage fees, commissions, bank charges, registration fees and other duties and charges, whether payable in respect of the constitution, increase or reduction of all of the cash and other assets of the Company or the creation, acquisition, issue, conversion,

exchange, purchase, holding, repurchase, redemption, sale or transfer of Shares or investments by or on behalf of the Company or in respect of the issue or cancellation of Share Certificates or otherwise which may have become or will become payable in respect of or prior to or upon the occasion of any transaction, dealing or valuation;

**EEA** the European Economic Area, currently comprising EU Member States, Norway, Iceland and Liechtenstein;

**EEA Member State** a member state of the EEA from time to time;

**EU** the European Union;

**EU Member State** a member state of the European Union from time to time;

**FATCA** means the provisions commonly known as the Foreign Accounts Tax Compliance Act in the enactment of the United States of America known as Hiring Incentives to Restore Employment Act 2010.

**FDI** financial derivative instruments;

**FCA** the Financial Conduct Authority or any successor entity or entities;

**Fund** a portfolio of assets established by the Directors (with the prior approval of the Depository and the Central Bank) and constituting a separate fund represented by a separate series of Shares and invested in accordance with the investment objective and policies applicable to such Fund as specified in the Relevant Supplement;

**Hong Kong Representative** Charles Schwab, Hong Kong, Ltd.;

**Investment Manager** Charles Schwab Investment Management, Inc.;

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

**Irish Resident** any company resident, or other person resident or ordinarily resident, in the Republic of Ireland for the purposes of Irish tax. Please see the “Taxation” section below for the summary of the concepts of residence and ordinary residence issued by the Irish Revenue Commissioners;

**Irish Revenue Commissioners** the Irish authority responsible for taxation;

**Irish Stock Exchange** the Irish Stock Exchange Limited;

**Manager** Charles Schwab Asset Management (Ireland) Limited;

**Net Asset Value** the net asset value of a Fund calculated as described in the “Determination of Net Asset Value” section of this Prospectus;

**Net Asset Value per Share** in relation to any Fund, the Net Asset Value divided by the number of Shares in the relevant Fund in issue or deemed to be in issue in respect of that Fund as of the relevant Valuation Point and, in relation to any class of Shares, subject to such adjustments, if any, as may be required in relation to such class;

**OTC** over-the-counter;

**Prospectus** this document and any Supplement designed to be read and construed together with and to form part of this document;

**Recognised Market** any recognised exchange or market listed or referred in the Articles in accordance with the regulatory criteria as defined in the Central Bank UCITS Regulations which does not issue a list of approved markets. The Recognised Markets in which each Fund may invest will be listed in the Relevant Supplement;

**Relevant Institutions** a credit institution authorised in the EEA, a credit institution authorised within a signatory state, other than an EEA Member State, to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, United States) or a credit

institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand;

**Relevant Supplement** in relation to a Fund, the Supplement published in respect of that Fund;

**S&P** Standard & Poor’s Corporation;

**Share or Shares** a share or shares of whatsoever series or class in the capital of the Company (other than Subscriber Shares) entitling the holders to participate in the profits of the Company attributable to the relevant Fund as described in this Prospectus and the Relevant Supplement;

**Shareholder** a person registered in the share register of members of the Company as a holder of Shares;

**SIV** structured investment vehicle;

**Subscriber Shares** the initial issued share capital of 30,000 Subscriber Shares of no par value issued at EUR1.269738 each and initially designated as “Subscriber Shares” and which are held by the Manager and its nominees but which do not entitle the holders to participate in the profits of the Company attributable to any Fund;

**Subscriber Shareholder or Subscriber Shareholders** a person/persons registered in the register of members of the Company as a holder or holders of Subscriber Shares;

**Supplement** a document which contains specific information supplemental to this document in relation to a particular Fund;

**UCITS** an undertaking for collective investment in transferable securities within the meaning of the UCITS Regulations;

**UCITS Level 2** the Commission Delegated Regulation (EU) 2016/438 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries;

**UCITS Regulations** the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (S.I. 352 of

2011) as amended from time to time and all applicable regulations made or conditions imposed or derogations granted thereunder by the Central Bank (other than the Central Bank UCITS Regulations);

**U.S. or United States** the United States of America, its territories and possessions and all areas subject to its jurisdiction (including the Commonwealth of Puerto Rico);

**United States Person or U.S. Person** a “U.S. Person”, as defined by Rule 902 of Regulation S under the 1933 Act including:

- (i) any natural person resident in the United States;
- (ii) any partnership or corporation organised or incorporated under the laws of the United States;
- (iii) any estate of which any executor or administrator is a U.S. Person;
- (iv) any trust of which any trustee is a U.S. Person;
- (v) any agency or branch of a non-U.S. entity located in the United States;
- (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person;
- (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and
- (viii) any partnership or corporation if:
  - (a) organised or incorporated under the laws of any non-U.S. jurisdiction; and
  - (b) formed by a U.S. Person principally for the purposes of investing in

securities not registered under the 1933 Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) of Regulation D under the 1933 Act) who are not natural persons, estates or trusts.

Notwithstanding the preceding paragraph, “U.S. Person” shall not include:

- (i) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. Person by a dealer or other professional fiduciary organised, incorporated, or (if an individual) resident in the United States;
- (ii) any estate of which any professional fiduciary acting as executor or administrator is a U.S. Person, if:
  - (a) an executor or administrator of the estate who is not a U.S. Person has sole or shared investment discretion with respect to the assets of the estate, and
  - (b) the estate is governed by non-United States law;
- (iii) any trust of which any professional fiduciary acting as trustee is a U.S. Person if a trustee who is not a U.S. Person has sole or shared investment discretion with respect to the trust assets and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. Person;
- (iv) an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country;

- (v) any agency or branch of a U.S. Person located outside the United States if:
  - (a) the agency or branch operates for valid business reasons, and
  - (b) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located;
- (vi) certain international organisations (and their agencies, affiliates and pension plans) as specified in Rule 902(k)(2)(vi) of Regulation S under the 1933 Act; or
- (vii) an entity excluded or exempted from the definition of “U.S. Person” in reliance on or with reference to interpretations or positions of the U.S. Securities and Exchange Commission or its staff; and

**Valuation Point** the time at which the Net Asset Value of a Fund is determined which shall be specified in the Relevant Supplement.

## *The Company*

The Company is an investment company with variable capital incorporated in Ireland on 8 February 1999 under registration number 300943 and authorised and regulated by the Central Bank as a UCITS pursuant to the UCITS Regulations. The object of the Company, as set out in Clause 2 of the Articles, is the collective investment in transferable securities and other liquid financial assets of capital raised from the public operating on the principle of risk spreading in accordance with the UCITS Regulations. All holders of Shares are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Articles, copies of which are available as described in the “Documents for inspection” section of this Prospectus.

The Company has been structured as an umbrella fund in that the Directors may from time to time, with the prior approval of the Central Bank, issue different series of Shares representing separate portfolios of assets. The assets of each Fund will be invested in accordance with the investment objective and policies applicable to such Fund as disclosed in the Relevant Supplement, which should be read in conjunction with and construed as supplemental to this Prospectus. Although each Fund will be treated as bearing its own liabilities, the Company as a whole will remain liable to third parties for all of the liabilities of the Company. Under the Articles, the Directors are required to establish a separate Fund, with separate records, for each series of Shares in the following manner:

- (a) the Company will keep separate books of account for each Fund. The proceeds from the issue of each series of Shares will be applied to the Fund established for that series of Shares, and the assets and liabilities and income and expenditure attributable to them will be applied to such Fund;
- (b) any asset derived from another asset in a Fund will be applied to the same Fund as the asset from which it was derived and any increase or diminution in value of such an asset will be applied to the relevant Fund;
- (c) in the case of any asset which the Directors do not consider as readily attributable to a particular Fund or Funds, the Directors have the discretion to determine, with the consent of the Depositary, the basis upon which any such asset will be allocated between Funds and the Directors may at any time and from time to time, with the approval of the Depositary, vary such basis;
- (d) any liability will be allocated to the Fund or Funds to which in the opinion of the Directors it relates or, if such liability is not readily

attributable to any particular Fund, the Directors will have discretion to determine, with the consent of the Depositary, the basis upon which any liability will be allocated between Funds and the Directors may at any time and from time to time, with the approval of the Depositary, vary such basis;

- (e) the Directors may, with the consent of the Depositary, transfer any assets to and from a Fund or Funds if, as a result of a creditor proceeding against certain of the assets of the Company or otherwise, a liability would be borne in a different manner from that in which it would have been borne under paragraph (d) above or in any similar circumstances; and
- (f) where the assets of the Company (if any) attributable to the Subscriber Shares give rise to any net profit, the Directors may allocate assets representing such net profits to such Fund or Funds as they may deem appropriate.

Shares of any particular series may be divided into different classes to accommodate different subscription and/or redemption provisions and/or dividend and/or charges and/or fee arrangements, including different total expense ratios. The Company retains the right to offer only one class of Shares for purchase by investors in any particular jurisdiction in order to conform with local law, custom or business practice or to offer additional classes of Shares or Funds in future without Shareholder approval. The Company may adopt standards applicable to classes of investors or transactions that permit or require the purchase of a particular class of Shares. Any such standards shall be specified in the Relevant Supplement.

### **The share capital**

The authorised share capital of the Company is 500,000,030,000 Shares of no par value divided into 30,000 Subscriber Shares of no par value and 500,000,000,000 Shares of no par value. The Directors

are authorised to issue the Shares on such terms as they think fit.

The Subscriber Shares entitle the holders to attend and vote at general meetings of the Company but do not entitle the holders to participate in the profits or assets of the Company except for a return of capital on a winding-up. The Shares entitle the holders to attend and vote at general meetings of the Company and to participate equally (subject to any differences between fees, charges and expenses applicable to different classes of Shares) in the profits and assets of the Company on the terms and conditions set out in the Relevant Supplement. The Subscriber Shareholders shall have one vote for each Subscriber Share held. There are no pre-emption rights attaching to Shares.

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

### **Voting rights**

Subject to any special rights or restrictions for the time being attached to any class of Shares, each Shareholder shall be entitled to such number of votes as shall be produced by dividing the aggregate Net Asset Value of that Shareholder's shareholding (expressed or converted into U.S. dollars and calculated as of the relevant record date) by one, provided however that fractional Shares shall not carry any voting rights. The "relevant record date" for these purposes shall be a date being not more than thirty days prior to the date of the relevant general meeting or written resolution as determined by the Directors. In relation to a resolution which in the opinion of the Directors gives or may give rise to a conflict of interest between the Shareholders of any series or class, such resolution shall be deemed

to have been duly passed only if, in lieu of being passed through a single meeting of the Shareholders of such series or class, such resolution shall have been passed at a separate meeting of the Shareholders of each such series or classes.

All votes shall be cast by a poll of Shareholders present in person or by proxy at the relevant Shareholder meeting or by unanimous written resolution of the Shareholders.

### **Variation of Shareholders' rights**

Under the Articles, the rights attached to each series or class of Share may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three fourths of the issued Shares of that series or class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that series or class. The rights attaching to any series or class of Shares shall not be deemed to be varied by the creation or issue of further Shares ranking *pari passu* with Shares already in issue, unless otherwise expressly provided by the terms of issue of those Shares. The provisions of the Articles relating to general meetings shall apply to every separate general meeting except that the necessary quorum at such a meeting shall be two persons present in person or by proxy holding Shares of the series or class in question or, at an adjourned meeting, one person holding Shares, of the series or class in question or his proxy.

## *Investment objectives and policies*

The Company has been established for the purpose of investing in transferable securities in accordance with the UCITS Regulations. The investment objectives and policies for each Fund, and investment restrictions in relation thereto, will be formulated by the Directors at the time of creation of each Fund and will be set out in the Relevant Supplement.

The assets of each Fund will be invested in accordance with the investment restrictions contained in the UCITS Regulations and such additional investment restrictions, if any, as may be adopted by the Directors for any Fund and specified in the Relevant Supplement. References below to a Fund means the Company acting for the account of the relevant Fund. The principal investment restrictions applying to each Fund under the UCITS Regulations are as follows:

### **1 Permitted Investments**

Investments of a Fund are confined to:

- (a) transferable securities and money market instruments which are either admitted to official listing on a Recognised Market in an EU Member State or non-EU Member State or which are dealt on a market which is regulated, operates regularly, is recognised and open to the public in an EU Member State or non-EU Member State.
- (b) recently issued transferable securities which will be admitted to official listing on a Recognised Market within a year.
- (c) money market instruments other than those dealt on a Recognised Market.
- (d) units of UCITS.
- (e) units of non-UCITS.
- (f) deposits with credit institutions.
- (g) FDI.

### **2 Investment Restrictions**

- (a) A Fund may invest no more than 10% of net assets in transferable securities and money market instruments other than those referred to in paragraph 1.
- (b) A Fund may invest no more than 10% of net assets in recently issued transferable securities which will be admitted to official

listing on a Recognised Market within a year. This restriction will not apply in relation to investment by a Fund in certain U.S. securities known as Rule 144A securities provided that:

- (i) the securities are issued with an undertaking to register with the U.S. Securities and Exchanges Commission within one year of issue; and
  - (ii) the securities are not illiquid securities i.e. they may be realised by the Fund within seven days at the price, or approximately at the price, at which they are valued by the Fund.
- (c) A Fund may invest no more than 10% of net assets in transferable securities or money market instruments issued by the same body provided that the total value of transferable securities and money market instruments held in the issuing bodies in each of which it invests more than 5% is less than 40%.
- (d) The limit of 10% in (c) above is raised to 35% if the transferable securities or money market instruments are issued or guaranteed by an EU Member State or its local authorities or by a non-EU Member State or public international body of which one or more EU Member States are members.
- (e) The transferable securities and money market instruments referred to in (d) above shall not be taken into account for the purpose of applying the limit of 40% referred to in (c) above.
- (f) A Fund may not invest more than 20% of net assets in deposits made with the same credit institution. Deposits with any one credit institution, other than (i) a credit institution authorised in the EEA, (ii) a credit institution authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, United States) or (iii) a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand, held as ancillary liquidity, must not exceed 10% of net assets. This limit may be raised to 20% in the case of deposits made with the Depositary.
- (g) The risk exposure of the Fund to a counterparty to an OTC derivative may not exceed 5% of net assets. This limit is raised to 10% in the case of (i) a credit institution authorised in the EEA, (ii) a credit institution authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, United States) or (iii) a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand.
- (h) Notwithstanding paragraphs (c), (f) and (g) above, a combination of two or more of the following issued by, or made or undertaken with, the same body may not exceed 20% of net assets:
- investments in transferable securities or money market instruments;
  - deposits, and/or
  - counterparty risk exposures arising from OTC derivatives transactions.
- (i) The limits referred to in (c), (d), (f), (g) and (h) above may not be combined, so

that exposure to a single body shall not exceed 35% of net assets.

- (j) Group companies are regarded as a single issuer for the purposes of (c), (d), (f), (g) and (h) above. However, a limit of 20% of net assets may be applied to investment in transferable securities and money market instruments within the same group.

- (k) A Fund may invest up to 100% of net assets in different transferable securities and money market instruments issued or guaranteed by any EU Member State, its local authorities, non-EU Member States or public international bodies of which one or more EU Member States are members, as may be drawn from the following list:

OECD Governments (provided the relevant issues are investment grade)  
European Investment Bank  
European Bank for Reconstruction and Development  
International Finance Corporation  
International Monetary Fund  
Euratom  
The Asian Development Bank  
Council of Europe  
Eurofima  
African Development Bank  
International Bank for Reconstruction and Development (The World Bank)  
The Inter American Development Bank  
European Union  
European Central Bank  
Federal National Mortgage Association (Fannie Mae)  
Federal Home Loan Mortgage Corporation (Freddie Mac)  
Government National Mortgage Association (Ginnie Mae)

Student Loan Marketing Association (Sallie Mae)  
Federal Home Loan Bank  
Federal Farm Credit Bank  
Tennessee Valley Authority

A Fund must hold securities from at least 6 different issues, with securities from any one issue not exceeding 30% of its net assets.

### 3 Investment in CIS

- (a) A Fund may not invest more than 20% of net assets in any one CIS.
- (b) Investment in non-UCITS may not, in aggregate, exceed 30% of net assets.
- (c) A Fund may only invest in CIS which are prohibited from investing more than 10% of their net assets in other open-ended CIS.
- (d) When a Fund invests in the units of other CIS that are managed, directly or by delegation, by the Investment Manager or by any company with which the Investment Manager is linked by common management or control, or by a substantial direct or indirect holding, the Investment Manager or other company may not charge subscription, conversion or redemption fees on account of the Fund's investment in the units of such other CIS.
- (e) Where by virtue of investment in the units of another CIS, a Fund, the Manager or the Investment Manager receives a commission on behalf of a Fund (including a rebated commission), the Manager shall ensure that the relevant commission is paid into the property of the Fund.

### 4 General Provisions

- (a) The Manager acting in connection with all of the CIS which it manages, may not

acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.

- (b) A Fund may acquire no more than:
  - (i) 10% of the non-voting shares of any single issuing body;
  - (ii) 10% of the debt securities of any single issuing body;
  - (iii) 25% of the units of any single CIS;
  - (iv) 10% of the money market instruments of any single issuing body.

NOTE: The limits laid down in (ii), (iii) and (iv) above may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the money market instruments, or the net amount of the securities in issue cannot be calculated.

- (c) The provisions of (a) and (b) above shall not be applicable to:
  - (i) transferable securities and money market instruments issued or guaranteed by an EU Member State or its local authorities;
  - (ii) transferable securities and money market instruments issued or guaranteed by a non-EU Member State;
  - (iii) transferable securities and money market instruments issued by public international bodies of which one or more EU Member States are members;
  - (iv) shares held by a Fund in the capital of a company incorporated in a

non-EU Member State which invests its assets mainly in the securities of issuing bodies having their registered offices in that non-EU Member State, where under the legislation of that non-EU Member State such a holding represents the only way in which the Fund can invest in the securities of issuing bodies of that non-EU Member State. This waiver is applicable only if in its investment policies the company from the non-EU Member State complies with the limits laid down in 2 (c) to (j), 3 (a) and (b) and 4 (a),(b),(d),(e) and (f) and provided that where these limits are exceeded, paragraphs (e) and (f) below are observed; and

- (v) shares held by a Fund in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the repurchase of Shares at Shareholders' request exclusively on their behalf.
- (d) A Fund need not comply with the investment restrictions herein when exercising subscription rights attaching to transferable securities or money market instruments which form part of its assets.
- (e) The Central Bank may allow a recently authorised Fund to derogate from the provisions of 2 (c) to (k) and 3(a) and (b) for six months following the date of its authorisation, provided that it observes the principle of risk spreading.
- (f) If the limits laid down herein are exceeded for reasons beyond the control of a Fund,

or as a result of the exercise of subscription rights, the Fund must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its Shareholders.

- (g) Neither the Investment Manager nor the Depositary acting on behalf of a Fund may carry out uncovered sales of:
  - (i) transferable securities;
  - (ii) money market instruments
  - (iii) units of CIS; or
  - (iv) financial derivative instruments.

- (h) A Fund may hold ancillary liquid assets.

## 5 FDI

- (a) A Fund's global exposure must not exceed its total Net Asset Value.
- (b) Position exposure to the underlying assets of FDI, including embedded FDI in transferable securities or money market instruments, when combined where relevant with positions resulting from direct investments, may not exceed the investment limits set out in the Central Bank UCITS Regulations. (This provision does not apply in the case of index based FDI provided the underlying index is one which meets with the criteria set out in the Central Bank UCITS Regulations.)
- (c) A Fund may invest in FDI dealt OTC provided that the counterparties to OTCs are institutions subject to prudential supervision and belonging to categories approved by the Central Bank.
- (d) Investment in FDI is subject to the conditions and limits laid down by the Central Bank.

## 6 Further Restrictions

- (a) A Fund may not acquire either precious metals or certificates representing them, but may invest in securities issued by an issuer whose main business is concerned with precious metals.
- (b) A Fund may not invest more than 5% of its net assets in warrants.
- (c) A Fund may not make any loan or act as a guarantor on behalf of third parties provided that, for the purpose of this restriction, the making of deposits, the acquisition of bonds, debentures, debenture stock, notes, commercial paper, certificates of deposit, time deposits, bankers' acceptances, money market instruments or other debt instruments, securities or obligations permitted by the UCITS Regulations, or the acquisition of transferable securities which are not fully paid, shall not be deemed to constitute the making of a loan.
- (d) A Fund may not borrow money except as follows:
  - (i) where a Fund has foreign currency borrowings which exceed the value of a back-to-back deposit, the Manager shall ensure that excess is treated as borrowing for the purpose of the UCITS Regulations; and
  - (ii) a Fund may borrow up to 10% of its net assets at any time and the Depositary may charge the assets of the Fund as security for any such borrowing, provided that such borrowing is only for temporary purposes such as securities settlement or meeting a redemption, and not for

leverage. Without prejudice to the powers of a Fund to invest in transferable securities, a Fund may not lend to, or act as guarantor on behalf of, third parties. A Fund may acquire debt securities and securities which are not fully paid; and

- (iii) a Fund may utilize and/or enter into repurchase agreements, buy and sell back agreements and securities lending agreements subject to the limits and conditions laid down by the Central Bank from time to time.

The investment restrictions listed above apply at the time of purchase of the relevant investments. If these limits are exceeded with respect to a Fund for reasons beyond the control of the Investment Manager or as a result of subscription rights, the Investment Manager shall adopt as a priority objective for the sales transactions of the relevant Fund the remedying of that situation, taking due account of the interests of its Shareholders.

Any Fund which proposes to invest in FDI as part of its investment policy or for efficient portfolio management purposes shall submit a risk management process to the Central Bank for review in advance of any such investment and shall set out in the Relevant Supplement (a) a statement drawing attention to this policy; (b) confirmation whether the FDI will be used for investment or efficient portfolio management purposes; (c) the types of FDI in which it is intended to invest; and (d) an explanation of the expected effect of these transactions on the risk profile of the relevant Fund. Any Fund which intends to invest principally in FDI will include in the Relevant Supplement a prominent statement to such effect.

Without limitation, the Directors, in accordance with the requirements of the Central Bank, may adopt additional investment restrictions to facilitate the

distribution of Shares to the public in a particular jurisdiction. In addition, the investment restrictions set out above may be changed from time to time by the Directors in accordance with a change in the applicable law and regulations in any jurisdiction in which Shares are currently offered, provided that the assets of the Fund, at all times, will be invested in accordance with the restrictions on investments set out in the UCITS Regulations. The Company will not amend such investment restrictions except in accordance with the requirements of the Central Bank and of the Irish Stock Exchange for as long as the Shares are admitted to the Official List and to trading on the Main Market of the Irish Stock Exchange.

## *Use of Financial Derivative Instruments and Fund Investment Techniques*

The use of FDI (including, futures and options, currency swaps, interest rate swaps, foreign exchange contracts, exchange traded stock index contracts and contracts for differences) is permitted for efficient portfolio management purposes, subject to the general restrictions outlined under “Investment Restrictions” in the “Investment Objectives and Policies” section above. The Fund may also employ fund investment techniques for efficient portfolio management of the assets of any Fund within the limits stipulated by the Central Bank under the UCITS Regulations and described below. Any use of such techniques or instruments should be reasonably believed by the Investment Manager to be economically appropriate to the effective portfolio management of the Fund, i.e. the use of FDI may only be undertaken for the purpose of one or more of the following: (a) a reduction of risk, (b) a reduction in cost, or (c) an increase in capital or

income returns to a Fund. A Fund is not expected to have an above average risk profile as a result of utilisation of FDI and the total exposure of a Fund, including but not limited to, its exposure from the use of any derivative instruments (but not including temporary borrowings), must not exceed the total Net Asset Value of the Fund. The Central Bank defines “leverage” as being a fund’s global exposure divided by its net asset value, where global exposure is defined as a measure of incremental exposure and leverage generated by using FDI. Although a Fund may be leveraged in this sense through its use of FDI, the Investment Manager does not expect the use of FDI to significantly increase such Fund’s risk profile and the Investment Manager does not intend to use FDI as a means of gearing a Fund or as an alternative to borrowing.

Counterparties to FDI, repurchase agreements and stocklending arrangements will be entities (which may or may not be related to the AIFM, Depositary or their delegates) with legal personality typically located in OECD jurisdictions. A credit assessment (which may, but is not obliged to, include a minimum credit rating requirement) will be undertaken with respect to each counterparty by the Manager or its delegate. Where a counterparty is downgraded to A2 or below (or comparable rating) by a credit rating agency, a new credit assessment in respect of the counterparty will be undertaken without delay. In the event a counterparty fails a credit assessment, the Fund will adopt as a priority objective the remedying of the situation over a reasonable timeframe, taking into account the best interests of the Shareholders.

Any income arising from efficient portfolio techniques (including on securities which are the subject of repo contracts) shall accrue to the benefit of the Fund. No costs or fees will be deducted from that income.

## **Use of repurchase/reverse repurchase agreements**

A Fund may enter into repurchase agreements under which it acquires securities from a seller (for example, a bank or securities dealer) who agrees, at the time of sale, to repurchase the security at a mutually agreed-upon date (usually not more than seven days from the date of purchase) and price, thereby determining the yield to the Fund during the term of the repurchase agreement. The resale price reflects the purchase price plus an agreed upon market rate of interest which is unrelated to the coupon rate or maturity of the purchased security. The Fund may enter into reverse repurchase agreements under which it sells a security and agrees to repurchase it at a mutually agreed upon date and price.

An investment by a Fund in repurchase and reverse repurchase agreements shall be subject to the conditions and limits set out in the Central Bank UCITS Regulations (as may be amended from time to time). A Fund may enter into repurchase agreements and reverse repurchase agreements only in accordance with normal market practice and provided that collateral obtained meets the criteria set out below under “Permitted types of collateral”. In addition, a Fund must ensure that it is able at any time to terminate a repurchase or reverse repurchase agreement or recall any securities or the full amount of cash subject to the repurchase or reverse repurchase agreement respectively, unless the agreement is entered into for a fixed term not exceeding seven days. In circumstances where cash is recallable on a mark-to-market basis, the mark-to-market value of the relevant agreement shall be used for the calculation of the Net Asset Value.

Repo contracts do not constitute borrowing or lending for the purposes of the UCITS Regulations.

## Permitted types of collateral

Subject to the Central Bank UCITS Regulations, a Fund may only accept collateral that meets the following criteria: (i) liquidity: collateral (other than cash) should be transferable securities or money market instruments (of any maturity) which are highly liquid and traded on a regulated market or multi-lateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to its pre-sale valuation; (ii) valuation: collateral should be capable of being valued on a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place; (iii) issuer credit quality: collateral should be of high quality; (iv) correlation: collateral should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty; (v) diversification: collateral should be sufficiently diversified in terms of country, markets and issuers. Non-cash collateral will be considered to be sufficiently diversified if the relevant Fund receives collateral with a maximum exposure to any one issuer of 20% of the Fund's net asset value, save that a Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by any EU Member State, its local authorities, non-EU Member States or public international body of which one or more EU Member States are members (the individual issuers are listed in paragraph 2(k) of the section entitled "Investment Objectives and Policies"). Such a Fund should receive securities from at least 6 different issues, but securities from any single issue should not account for more than 30 per cent of the Fund's net value; and (vi) collateral received should be capable of being fully enforced by the Fund at any time without reference to or approval from the counterparty.

In accordance with the Central Bank UCITS Regulations, the collateral obtained must (a) equal or

exceed, in value, at all times, the value of the amount invested or securities loaned; and (b) be transferred for safekeeping to the Depository, or its agent (where there is title transfer). The requirement in (b) above is not applicable in the event that there is no title transfer in which case the collateral can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.

Collateral will be valued, on a daily basis, using available market prices and taking into account appropriate discounts which will be determined by the Fund based on its haircut policy. The policy takes into account the credit quality of the issuer of the collateral, price volatility and the result of any liquidity stress tests carried out.

Cash received as collateral may only be invested in the following:

- (i) deposits with a Relevant Institution;
- (ii) government or other public securities;
- (iii) certificates of deposit issued by Relevant Institutions;
- (iv) repurchase agreements provided the transactions are with credit institutions subject to prudential supervision and the Fund is able to recall at any time the full amount of cash on an accrued basis; and
- (v) short-term money market funds.

Invested cash collateral should be diversified in accordance with the diversification requirement applicable to non-cash collateral. Invested cash collateral may not be placed on deposit with the counterparty or a related entity. Assets purchased as part of such re-investment are subject to the same risks as assets purchased directly by a Fund in the course of its investment activities, including the risk that they may decline in value.

## **Mortgage dollar roll transactions**

A Fund may enter into mortgage dollar roll transactions which are transactions in which mortgage-backed securities are sold for delivery in the current month and the seller simultaneously contracts to repurchase substantially similar securities on a specified future date. The difference between the sale price and the purchase price (plus any interest earned on the cash proceeds of the sale) is netted against the interest income foregone on the securities sold to arrive at an implied borrowing rate. Alternatively, the sale and purchase transactions can be executed at the same time, with the Fund being paid a fee as consideration for entering into the commitment to purchase. Mortgage dollar rolls may be renewed prior to cash settlement and initially may involve only a firm commitment agreement by the Fund to buy a security. If the broker-dealer to whom the Fund sells the security becomes insolvent, the Fund's right to repurchase the security may be restricted. Other risks involved in entering into mortgage dollar rolls include the risk that the value of the security may change adversely over the term of the mortgage dollar roll and that the security the Fund is required to repurchase may be worth less than the security that the Fund originally held. To avoid any leveraging concerns, the Fund will place U.S. government or other liquid securities in a segregated account in an amount sufficient to cover its repurchase obligation. The Fund's use of mortgage dollar rolls will be subject to the same conditions and restrictions as those applicable to repurchase agreements which are set out in the Prospectus.

## **Sale-buybacks**

A Fund also may effect simultaneous purchase and sale transactions that are known as "sale-buybacks." A sale-buyback is similar to a reverse repurchase agreement, except that in a sale-buyback, the counterparty who purchases the security is entitled to receive any

principal or interest payments made on the underlying security pending settlement of the Fund's repurchase of the underlying security. To avoid any leveraging concerns, the Fund will place U.S. government or other liquid securities in a segregated account in an amount sufficient to cover its repurchase obligation. The Fund's use of sale-buybacks will be subject to the same conditions and restrictions as those applicable to repurchase agreements which are set out in the Prospectus.

## **Lending of Fund Securities**

A Fund may lend its securities to brokers, dealers and other financial organisations in accordance with normal market practice, which brokers, dealers and other financial institutions have a minimum credit rating of A2 or equivalent or deemed by the Investment Manager to have an implied rating of A2 or with an unrated counterparty where a Fund is indemnified against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A2 or better.

Collateral obtained under such contracts or transactions must comply with the restrictions outlined under "Use of Repurchase/Reverse Repurchase Agreements" above. That notwithstanding, a Fund may enter into securities lending programmes organised by generally recognised International Central Securities Depositories Systems provided that the programme is subject to a guarantee from the system operator.

Any interest, dividends or other income paid on securities which are the subject of such securities lending agreements shall accrue to the benefit of the Fund.

In addition, a Fund must have the right at any time to terminate any securities lending agreement entered into by it, and to demand the return of any or all securities lent within five Business Days or such other period observed as normal market practice.

Securities lending transactions do not constitute borrowing or lending for the purposes of the UCITS Regulations.

### **When-Issued and Forward Commitment Securities**

A Fund may purchase securities on a “when-issued” basis and may purchase or sell securities on a “forward commitment” basis. The price, which is generally expressed in yield terms, is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. When-issued securities and forward commitments may be sold prior to the settlement date, but a Fund will usually enter into when-issued and forward commitments only with the intention of actually receiving or delivering the securities or to avoid currency risk, as the case may be. No income accrues on securities which have been purchased pursuant to a forward commitment or on a when-issued basis prior to delivery of the securities. If the Fund disposes of the right to acquire a when-issued security prior to its acquisition or disposes of its right to deliver or receive against a forward commitment, the Fund may incur a gain or loss.

### **Currency transactions**

Each Fund is permitted to invest in securities denominated in a currency other than the base currency of the Fund and may purchase currencies to meet settlement requirements. In addition, subject to the restrictions imposed by the UCITS Regulations, each Fund may enter into various currency transactions, i.e., forward foreign currency contracts, currency swaps or foreign currency to protect against uncertainty in future exchange rates. Forward foreign currency contracts are agreements to exchange one currency for another – for example, to exchange a certain amount of Sterling for a certain amount of Euro – at a future date. The date (which may be any

agreed-upon fixed number of days in the future), the amount of currency to be exchanged and the price at which the exchange will take place are negotiated and fixed for the term of the contract at the time that the contract is entered into. Under the UCITS Regulations, uncovered positions in currency derivatives are not permitted.

Currency transactions undertaken to alter the currency exposure characteristics of transferable securities held by a Fund through the purchase or sale of currencies other than the currency of denomination of the Fund or the relevant transferable securities must not be speculative in nature i.e., they must not constitute an investment in their own right. To the extent that such currency transactions alter the currency characteristics of transferable securities of a Fund, they must be fully covered by the cash flows of the transferable securities held by the Fund, including any income therefrom. A Fund may not be leveraged or geared in any way through the use of currency transactions.

Currency transactions which alter currency exposure characteristics of transferable securities held by a Fund may only be undertaken for the purposes of a reduction in risk, a reduction in costs and/or an increase in capital or income returns to the Fund. Any such currency transactions must be used in accordance with the investment objective of the Fund and must be deemed by the Investment Manager to be economically appropriate.

A Fund may “cross-hedge” one foreign currency exposure by selling a related foreign currency into the base currency of that Fund. Also, in emerging or developing markets, local currencies are often expressed as a basket of major market currencies such as the U.S. dollar or Japanese Yen. A Fund may hedge out the exposure to currencies other than its base currency in the basket by selling a weighted average of those currencies forward into the base currency.

## Credit default swaps

A Fund may enter into credit default swaps. A credit default swap is a bilateral financial contract under which the protection buyer pays a fee, usually expressed in basis points per annum on the notional amount, in return for a payment by the protection seller contingent on the occurrence of a credit event, such as a bankruptcy, default, or restructuring, with respect to a referenced entity. The credit events and applicable settlement mechanism used to determine the contingent payment are negotiated between the counterparties at time of trading. Once the credit event has been declared, the protection buyer has the right to settle the contract. Settlement is usually either physical or cash. With physical settlement the protection buyer has the right to deliver bonds of the effected referenced entity with a face value equal to the notional amount of the credit default swap contract. In return, the protection buyer receives the notional amount of the credit default swap contract in cash. With cash settlement, the protection seller pays to the protection buyer the difference between the face value of the debt of the referenced entity and the estimated value of such debt in the markets. Selling protection is the equivalent of synthetically buying a bond or other credit exposure as described herein whereas buying protection is the equivalent of synthetically shorting or hedging that bond or credit exposure. The use of credit default swap contracts is restricted to the extent that the benefits to the Fund mirror that which could be obtained by direct investment in the underlying instruments and that the swaps do not expose the Fund to risks which it would not otherwise assume (other than the exposure to the credit default swap counterparty). In addition, where a Fund acts as protection seller the following additional requirements will apply: (a) the contract must be subject to daily valuations by the Fund and be independently valued at least once a month; and (b) the risks attached to the contract must be independently assessed (i.e., by a party independent to

the counterparty) on a semi-annual basis and the independent report submitted to the Company for review. Credit default swaps which are not exchange traded will be subject to the conditions and restrictions applicable to OTC contracts set out in the Prospectus.

## *Investment risks*

Investment in any Fund entails a degree of risk. While there are some risks that may be common to a number or all of the Funds, there may also be specific risk considerations which apply to particular Funds in which case such risks will be specified in the Relevant Supplement for that Fund. It is important to keep in mind one of the main axioms of investing: generally, the higher the risk of losing money, the higher the potential reward. The reverse, also, is generally true: the lower the risk, the lower the potential reward. Investment in the Shares may not be suitable for all investors and should not be considered a complete investment program. As you consider an investment in one or more of the Funds, you should take into account your investment objectives and personal risk tolerance. There can be no assurance that any Fund will achieve its investment objectives. The Net Asset Value of Shares may go down as well as up and you may not get back the amount invested or any return on your investment.

The Company will, on request, provide supplementary information to Shareholders in a given Fund relating to any risk management methods to be employed by such Fund, including the quantitative limits that are applied, and any recent developments in the risk and yield characteristics of the main categories of investments.

## **Market risk**

The investments of a Fund are subject to normal market fluctuations and the risks inherent in investment in international securities markets and there can be no assurances that appreciation will occur.

Stock markets can be volatile and stock prices can change substantially. Debt securities are interest rate sensitive and may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. The magnitude of these price fluctuations will be greater when the maturity of the outstanding securities is longer. The performance of a Fund will therefore depend in part on the ability of the Investment Manager to anticipate and respond to such fluctuations in market interest rates and to utilise appropriate strategies to maximise returns, while attempting to reduce the associated risks to investment capital.

### **Downgrading risk**

Investment grade securities may be subject to the risk of being downgraded to below investment grade securities. If an investment grade security is downgraded to below investment grade, then Shareholders should note that such below investment grade securities would generally be considered to have a higher credit risk and a greater possibility of default than more highly rated securities. If the issuer defaults, or such securities cannot be realised, or perform badly, Shareholders may suffer substantial losses. In addition, the market for securities which are rated below investment grade and/or have a lower credit rating generally is of lower liquidity and less active than that for higher rated securities and a Fund's ability to liquidate its holdings in response to changes in the economy or the financial markets may be further limited by factors such as adverse publicity and investor perception.

### **Political and/or regulatory risks**

The value of the assets of a Fund may be affected by uncertainties such as international political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in applicable laws and regulations.

### **Developing market risk**

There are certain risks involved in investing in securities of companies and governments of developing market countries which are in addition to the usual risks inherent in investment in securities of more developed countries. These risks include those resulting from fluctuations in currency exchange rates, revaluation of currencies, future adverse political and economic developments and the possible imposition of currency exchange blockages or other foreign governmental laws or restrictions, reduced availability of public information concerning issuers, the lack of uniform accounting, auditing and financial reporting standards and other regulatory practices and requirements that are often less rigorous than those applied in more developed countries. Securities of many companies in developing market countries may be less liquid and the prices more volatile than those securities of comparable companies in non-developing market countries. Certain developing market countries are known to experience long delays between the trade and settlement dates of securities purchased or sold. In addition, with respect to certain developing market countries, there is a possibility of expropriation, nationalisation, confiscatory taxation and limitations on the use or removal of funds or other assets of a Fund, including the withholding of dividends. Moreover, individual economies of developing market countries may differ favourably or unfavourably from the economies of non-developing market countries in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. Investment in foreign securities may also result in higher operating expenses due to the cost of converting foreign currency into the base currency of a Fund, higher valuation and communications cost and the expense of maintaining securities with foreign depositories.

## Currency risk

The Net Asset Value per Share of a Fund will be computed in the base currency of the relevant Fund, whereas the investments held for the account of that Fund may be acquired in other currencies. The base currency value of the investments of a Fund designated in another currency may rise and fall due to exchange rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital. The investments of each Fund may be fully hedged into its base currency. In addition, currency hedging transactions, while potentially reducing the currency risks to which a Fund would otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty.

Where a Fund enters into “cross hedging” transactions (e.g., utilising currency different than the currency in which the security being hedged is denominated), the Fund will be exposed to the risk that changes in the value of the currency used to hedge may not correlate with changes in the value of the currency in which the securities are denominated, which could result in loss on both the hedging transaction and the Fund securities.

## Counterparty risk

A Fund will have a credit risk on the parties with which it trades including for example, counterparties to repurchase agreements, securities lending agreements and OTC contracts. In the event of the insolvency, bankruptcy or default of the seller under a repurchase agreement, a Fund may experience both delays in liquidating the underlying securities and losses, including the possible decline in the value of securities during the period while it seeks to enforce its rights thereto, possible sub-normal level of income, lack of access to income during the period and expenses in enforcing its rights. The risks associated with lending portfolio securities include the possible loss of rights

against the collateral for the securities should the borrower fail financially.

A Fund’s foreign exchange, futures and other transactions also involve counterparty credit risk and may expose the Fund to unanticipated losses to the extent that counterparties are unable or unwilling to fulfill their contractual obligations. With respect to futures contracts and options on futures, the risk is more complex in that it involves the potential default of the clearing house or the clearing broker.

The Company may have contractual remedies upon any default pursuant to the agreements related to particular transactions. Such remedies could be inadequate, however, to the extent that the collateral or other assets available are insufficient to satisfy the obligations of the counterparty to the Company.

## Valuation risk

The Net Asset Value of each of the Funds is currently calculated using the amortised cost method, which values securities at their cost and thereafter assumes a constant amortisation to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the security or instrument. Whilst this method provides certainty in valuation, it may result in periods during which the value of the security, as determined by the amortised cost method of valuation, is higher or lower than the price a Fund would receive if the security was sold. During such periods, the daily fluctuation in value of the Shares in the Funds may differ somewhat from an identical computation made by an investment company with identical investments utilizing available indications as to market value in order to value its portfolio securities.

The calculation of the Net Asset Value of each Fund involves the estimation of expenses and liabilities and may involve the amortisation of these expenses and liabilities together with any realized capital losses over a certain period. In the event that these estimates prove

inaccurate or in the event that the Fund terminates before the end of the relevant amortisation period, this may impact on the Net Asset Value of the Fund and the Net Asset Value per Share and in particular may result in Shareholders receiving less than the amount they invested on the redemption of their Shares or the termination of the Fund.

### **Risk of investments issued by special purpose vehicles**

Investments in asset-backed, mortgage related and other types of structured securities which are issued by special purpose vehicles (such as SIVs) may be subject to certain credit and liquidity risks. Market conditions may significantly impair the value of these types of investments resulting in a lack of correlation between their credit ratings and values. For example a SIV collateralized by residential mortgages may find the market conditions could result in the underlying mortgages' default rates increasing and their foreclosure values being materially below any outstanding amounts. In these circumstances collection of the full amount of accrued interest and principal on such investments may be affected.

### **Portfolio transaction charges**

Sales, redemption or transaction charges may be payable in respect of any Fund if specified in the Relevant Supplement. In the short term, these charges will have the effect of reducing the value of an investment. Accordingly, an investor should view its investment in that Fund as medium to long term.

### **Investment techniques**

There are certain investment risks which apply in relation to techniques and instruments which the Investment Manager may employ for efficient portfolio management purposes including, but not limited to, the techniques listed below. To the extent that the Investment Manager's expectations in employing such techniques and instruments are

incorrect, a Fund may suffer a substantial loss having an adverse effect on the Net Asset Value of the Shares.

### **Futures and options contracts, forward commitments, swaps and when-issued securities**

Each Fund may use futures and options, forward commitments, swaps and when-issued securities for portfolio management purposes and/or for hedging against market movements, currency exchange or interest rate risks or otherwise. A Fund's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations. Use of these strategies involves certain special risks, including: (a) dependence on the Investment Manager's ability to predict movements in the price of securities being hedged and movements in interest rates; (b) imperfect correlation between movements in the securities or currency on which a futures or options contract is based and movements in the securities or currencies in the relevant Fund; (c) the absence of a liquid market or of accurate pricing information for any particular instrument at any particular time; (d) while a Fund may not be leveraged or geared in any way through the use of derivatives the degree of leverage inherent in futures trading (i.e., the low margin deposits normally required in futures trading) means that a relatively small price movement in a futures contract may result in an immediate and substantial loss to the Fund; and (e) possible impediments to effective portfolio management or the ability to meet redemption requests or other short-term obligations because of the percentage of a Fund's assets segregated to cover its obligations.

Positions in futures contracts may be closed out only on an exchange which provides a secondary market for such futures. However, there can be no assurance that a liquid secondary market will exist for any particular futures contract at any specific time. Thus, it may not be possible to close a futures position. In the event of

adverse price movements, a Fund would continue to be required to make daily cash payments to maintain its required margin. In such situations, if a Fund has insufficient cash, it may have to sell portfolio securities to meet daily margin requirements at a time when it may be disadvantageous to do so. In addition, a Fund may be required to make delivery of the instruments underlying futures contracts it holds. The inability to close options and futures positions also could have an adverse impact on the ability to effectively hedge the Fund.

The risk of loss in trading futures contracts in some strategies can be substantial, due both to the low margin deposits required, and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a futures contract may result in immediate and substantial loss (as well as gain) to the investor. For example, if at the time of purchase, 10% of the value of the futures contract is deposited as margin, a subsequent 10% decrease in the value of the futures contract would result in a total loss of the margin deposit, before any deduction for the transaction costs, if the account were then closed out. A 15% decrease would result in a loss equal to 150% of the original margin deposit if the contract were closed out. Thus, a purchase or sale of a futures contract may result in losses in excess of the amount of investment in the contract. The relevant Fund also assumes the risk that the Investment Manager will incorrectly predict future stock market trends. However, because the futures strategies of each Fund are engaged in only for hedging purposes, the Company does not believe that the Funds are subject to the risks of loss frequently associated with futures transactions. A Fund would generally have sustained comparable losses if, instead of the futures contract, it had invested in the underlying financial instrument and sold it after the decline.

Utilisation of futures transactions by a Fund does involve the risk of imperfect or no correlation where

the securities underlying the futures contracts have different maturities than the portfolio securities being hedged. It is also possible that a Fund could both lose money on futures contracts and also experience a decline in value of its portfolio securities. There is also a risk of loss by a Fund of margin deposits in the event of bankruptcy of a broker with whom a Fund has an open position in a futures contract or related option.

Most futures exchanges limit the amount of fluctuation permitted in futures contract prices during a single trading day. The daily limit establishes the maximum amount that the price of a futures contract may vary either up or down from the previous day's settlement price at the end of a trading session. Once the daily limit has been reached in a particular type of contract, no trades may be made on that day at a price beyond that limit. The daily limit governs only price movement during a particular trading day and therefore does not limit potential losses, because the limit may prevent the liquidation of unfavourable positions. Futures contract prices have occasionally moved to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and subjecting some futures traders to substantial losses.

## **Derivatives**

Derivatives, in general, involve special risks and costs and may result in losses to the Funds. The successful use of derivatives requires sophisticated management, and a Fund will depend on the ability of the Investment Manager to analyse and manage derivatives transactions. The prices of derivatives may move in unexpected ways, especially in abnormal market conditions. In addition, correlation between the particular derivative and an asset or liability of a Fund may prove not to be what the Investment Manager expected. Some derivatives are "leveraged" and therefore may magnify or otherwise increase investment losses to the Fund, creating the risk of potentially unlimited loss.

Other risks arise from the potential inability to terminate or sell derivatives positions. A liquid secondary market may not always exist for the Funds' derivatives positions at any time. In fact, many OTC instruments will not be liquid and may not be able to be "closed out" when desired. OTC instruments such as swap transactions also involve the risk that the other party will not meet its obligations to the Funds. The participants in OTC markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets, and there is no clearing corporation which guarantees the payment of required amounts. This exposes the Funds to risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the relevant Fund to suffer a loss. Derivative contracts may also involve legal risk.

### **Repurchase and reverse repurchase agreements**

If the seller of a repurchase agreement fails to fulfill its commitment to repurchase the security in accordance with the terms of the agreement, the relevant Fund may incur a loss to the extent that the proceeds realised on the sale of the securities are less than the repurchase price. If the seller becomes insolvent, a bankruptcy court may determine that the securities do not belong to the Fund and order that the securities be sold to pay off the seller's debts. The relevant Fund may experience both delays in liquidating the underlying securities and losses during the period while it seeks to enforce its rights, including possible sub-normal level of income and lack of access to income during the period and expenses in enforcing its rights.

Reverse repurchase agreements create the risk that the market value of the securities sold by the Fund may decline below the price at which the Fund is obliged to repurchase such securities under the agreement. In the

event that the buyer of securities under a reverse repurchase agreement files for bankruptcy or proves insolvent, the Fund's use of proceeds from the agreement may be restricted pending the determination by the other party or its trustee or receiver whether to enforce the obligation to repurchase the securities.

### **Securities lending agreements**

A Fund will have a credit risk on a counterparty to any securities lending contract. The risks associated with lending portfolio securities include the possible loss of rights against the collateral for the securities should the borrower fail financially.

### **Stable Net Asset Value**

While the Directors may seek to maintain a stable Net Asset Value per Share in respect of the Funds of 1.00 unit of the relevant base currency per Share, there can be no assurance that the Net Asset Value per Share, or in any particular class of Share, in such Fund will remain stable or that the price of the Shares will not fall.

### **Mortgage-backed securities**

Mortgage-backed securities provide a monthly or quarterly payment consisting of interest and principal payments. Additional payments may be made out of unscheduled repayments of principal resulting from the sale of the underlying property, refinancing or foreclosure, net of fees or costs that may be incurred. Prepayments of principal on mortgage-backed securities may tend to increase due to refinancing of mortgages as interest rates decline. Prepayments may be passed through to the registered holder with the regular monthly payments of principal and interest, and have the effect of reducing future payments. In the event of prepayments, the Funds may experience a loss (if the price at which the respective security was acquired by the Fund was at a premium over par, which represents the price at which the security will be

redeemed upon repayment) or a gain (if the price at which the respective security was acquired by the Fund was at a discount from par). To the extent that a Fund purchases mortgage-backed securities at a premium, mortgage foreclosures and prepayments of principal by mortgagors (which may be made at any time without penalty) may result in some loss of the Fund's principal investment to the extent of the premium paid. Prepayments may occur with greater frequency in periods of declining mortgage rates because, among other reasons, it may be possible for mortgagors to refinance their outstanding mortgages at lower interest rates. When market interest rates increase, the market values of mortgage-backed securities decline. At the same time, however, mortgage refinancing slows, which lengthens the effective maturities of these securities. As a result, the negative effect of the rate increase on the market value of mortgage-backed securities is usually more pronounced than it is for other types of fixed-income securities.

Mortgage pools created by private organisations generally offer a higher rate of interest than governmental and government-related pools because there are no direct or indirect guarantees of payments in the former pools. Timely payment of interest and principal in private organisation pools, however, may be supported by various forms of private insurance or guarantees, including individual loan, title, pool and hazard insurance. There can be no assurance that the private insurers can meet their securities under the policies. The Funds' yields may be affected by reinvestment of prepayments at higher or lower rates than the original investment. In addition, like those of other debt securities, the values of mortgage-related securities, including government and government-related mortgage pools, generally will fluctuate in response to market interest rates.

### **Asset-backed securities**

The principal of asset-backed securities may be prepaid at any time. As a result, if such securities were purchased at a premium, a prepayment rate that is faster than expected will reduce yield to maturity, while a prepayment rate that is slower than expected will have the opposite effect. Conversely, if the securities are purchased at a discount, prepayments faster than expected will increase yield to maturity and prepayments slower than expected will decrease it. Accelerated prepayments also reduce the certainty of the yield because the Funds must reinvest the assets at the then-current rates. Accelerated prepayments on securities purchased at a premium also impose a risk of loss of principal because the premium may not have been fully amortised at the time the principal is repaid in full.

### **FATCA**

The Company will require Shareholders to certify information relating to their status for FATCA purposes and to provide other forms, documentation and information in relation to their FATCA status. The Company may be unable to comply with its FATCA obligations if Shareholders do not provide the required certifications or information. In such circumstances, the Company could become subject to US FATCA withholding tax at a rate of 30% in respect of its US source income if the US Internal Revenue Service specifically identified the Company as being a 'non-participating financial institution' for FATCA purposes. Any such US FATCA withholding tax would negatively impact the financial performance of the Company and all Shareholders may be adversely affected in such circumstances.

### **Foreign Taxes**

The Company may be liable to taxes (including withholding taxes) in countries other than Ireland on income earned and capital gains arising on its investments. The Company may not be able to benefit

from a reduction in the rate of such foreign tax by virtue of the double taxation treaties between Ireland and other countries. The Company may not, therefore, be able to reclaim any foreign withholding tax suffered by it in particular countries. If this position changes and the Company obtains a repayment of foreign tax, the Net Asset Value of the Company will not be restated and the benefit will be allocated to the then-existing Shareholders rateably at the time of repayment.

## *Distribution policy*

The Articles empower the Directors to declare dividends in respect of any Shares out of net income (including dividend and interest income) and the excess of realised and unrealised capital gains over realised and unrealised losses in respect of investments of the Company. Any dividend unclaimed after a period of six years from the date when it first became payable shall be forfeited and shall revert to the relevant Fund. The distribution policy of each Fund will be specified in the Relevant Supplement.

The Company will be obliged and is entitled to deduct an amount in respect of Irish tax from any dividend payable to a Shareholder who is or is deemed to be or is acting on behalf of an Irish Resident who is not an exempt Irish Shareholder (as described in the section entitled “Taxation”) and pay such sum to the Revenue Commissioners in Ireland.

## *Buying Shares*

The Directors may issue Shares of any series or class, and create new series or classes of Shares, on such terms as they may from time to time determine in relation to any Fund provided that the creation of any Share class is effected in accordance with the requirements of the Central Bank. Shares of any particular series may be divided into different classes to accommodate different subscription and/or

redemption and/or dividend provisions and/or charges and/or fee arrangements, including different total expense ratios. The terms, conditions and procedures applicable to an issue of Shares in respect of a Fund will be specified in the Relevant Supplement.

The price at which Shares in any Fund are initially issued will be specified in the Relevant Supplement and thereafter Shares will be issued at the Net Asset Value per Share for the relevant Fund, together with such sum as the Directors in their absolute discretion may from time to time determine as an appropriate provision for Duties and Charges in respect of the allotment and issue of such Shares. A Fund may assess a sales charge or transaction fee on Share subscriptions in such amount as is specified in the Relevant Supplement.

The Directors may issue Shares in respect of a Fund in exchange for investments in which the relevant Fund may invest in accordance with the UCITS Regulations and the particular investment objective and policies of the relevant Fund described in the Relevant Supplement. No Shares may be issued in exchange for such investments unless the Directors are satisfied that (a) the number of Shares issued in the relevant Fund will not be more than the number which would have been issued for settlement in cash having valued the investments to be exchanged in accordance with the valuation provisions set out in the Articles and summarised herein; and (b) all fiscal Duties and Charges arising in connection with the vesting of such investments in the Depositary for the account of the relevant Fund are paid by the person to whom the Shares in such Fund are to be issued or, at the discretion of the Directors, partly by such person and partly out of the assets of such Fund; (c) following completion of an audit of same by the auditors of the Company, the terms of such exchange shall not materially prejudice the Shareholders in the relevant Fund; and (d) the investments have been vested in the Depositary or its sub-custodian, or in the nominee or

agent thereof. Shares may not be issued in exchange for such investments unless title to such investments has been delivered.

The Directors may decline any application for Shares in whole or in part without assigning any reason therefore. If an application is rejected, the Company, at the risk of the applicant, will return application moneys or any balance within 28 Business Days of the rejection.

All Shares issued will be in registered form and no Share Certificates will be issued. Written confirmation of ownership will be sent to Shareholders on a monthly basis or at such other time as is specified in the Relevant Supplement or brokerage account agreement. This enables the Company to deal with redemption requests without undue delay. Fractional Shares of up to three decimal places will be issued in respect of any part of subscription monies insufficient to purchase whole Shares.

Measures aimed towards the prevention of money laundering may require a detailed verification of the applicant's identity. Each of the Company and the Administrator reserves the right to request such information as is necessary to verify the identity of an applicant. By way of example an individual may be required to produce a copy of a passport or identification card duly certified by a notary public, together with evidence of his/her address such as a utility bill or bank statement and date of birth. In the case of corporate applicants this may require production of a certified copy of the certificate of incorporation (and any change of name), memorandum and articles of association (or equivalent), the names, occupations, dates of birth and residential and business addresses of all directors. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Company or the Administrator may refuse to process the application or, in the case of any

Shareholder who has not provided such verification, compulsorily redeem the Shares.

Investors should note that they may be unable to purchase or redeem Shares through an agent, broker or distributor on days that such parties are not open for business.

## *Subscriptions by, and transfers to, United States Persons*

Notwithstanding the foregoing, the Directors may authorise the purchase by, or transfer of Shares to, a United States Person provided, however, that:

1. such purchase or transfer does not result in a violation of the 1933 Act or the securities laws of States of the United States;
2. such purchase or transfer would not require the Company to register under the 1940 Act; and
3. there will be no adverse tax consequences to the Company or the Shareholders as a result of such a purchase or transfer.

In addition, the Directors may authorise the purchase by, or transfer of Shares to, a United States Person resident outside the United States if the United States Person declares that it is making its application as a "professional discretionary fiduciary" or otherwise for the beneficial account of a person who is not a United States Person.

Each applicant for Shares who is a United States Person will be required to provide such representation, warranties or documentation as may be required by the Directors to ensure that such requirements are met prior to approval of such sale or transfer by the Directors. The Directors shall determine from time to time the number of United States Persons who may be admitted into the Company and currently will not

normally permit the number of holders of such Shares who are United States Persons to exceed 100.

The Directors may receive information about investments by United States Persons and subsidiaries of United States Persons and shall have the authority to refuse applications for Shares or require compulsory redemptions of Shares where the level of investment proposed, or held as a result of redemptions by other Shareholders, would exceed that permitted by the Directors in respect of United States Persons or subsidiaries of United States Persons.

## *Determination of Net Asset Value*

The Net Asset Value of each Fund, and the Net Asset Value per Share in each Fund, shall be calculated by the Administrator to the nearest two decimal places in the base currency of the relevant Fund. To the extent specified in the Relevant Supplement, the Net Asset Value of each Fund, and the Net Asset Value per Share in each Fund, shall be calculated by the Administrator as of the Valuation Point on each Business Day in accordance with the valuation provisions set out in the Articles and summarised below.

The Net Asset Value of a Fund shall be calculated by ascertaining the value of the assets of the relevant Fund and deducting from such amount the liabilities of the Fund, which shall include all fees and expenses payable and/or accrued and/or estimated to be payable out of the assets of the Fund.

In the event that a Fund is further divided into different classes of Shares, the amount of the Net Asset Value of the Fund attributable to a class shall be determined by establishing the number of Shares issued in the class at the relevant Valuation Point and by allocating the relevant fees and Class Expenses to the class and making appropriate adjustments to take

account of distributions paid out of the Fund, if applicable, and apportioning the Net Asset Value of the Fund accordingly.

The Net Asset Value per Share in respect of a Fund will be calculated by dividing the Net Asset Value of the relevant Fund by the number of Shares of the relevant Fund in issue. In the event that a Fund is further subdivided into different classes of Shares, the Net Asset Value per Share in respect of a class will be calculated by dividing the Net Asset Value of the relevant class by the number of Shares of the relevant class in issue.

The Net Asset Value per Share will be published on each Business Day on at [https://client.schwab.com/secure/cc/research/offshore\\_mutual\\_funds/offshore\\_sweep\\_fund/](https://client.schwab.com/secure/cc/research/offshore_mutual_funds/offshore_sweep_fund/), in the Financial Times and in such other newspapers and through such other media as the Directors may from time to time determine and as shall be notified to the Irish Stock Exchange without delay.

The Articles provide for the methods of valuation of the assets and liabilities of each Fund. The Net Asset Value of the Funds shall be calculated, where appropriate, using the amortised cost method. This involves valuing an investment at its cost and thereafter assuming a constant amortisation to maturity of any discount or premium. The Directors shall continually assess this method of valuation and recommend changes, where necessary, to ensure that the relevant Fund's investments will be valued at their fair value as determined in good faith by the Directors. The review of the amortised cost method of valuation relative to the market valuation of each Fund's assets will be carried out in accordance with the Central Bank's guidelines.

In the event that the Directors determine not to apply the amortised cost method of valuation to a particular Fund, in determining the value of the assets of a Fund, where an investment owned or contracted for by a

Fund is listed or dealt in on a Recognised Market, its value shall be based on the last traded price available to Directors as at the Valuation Point. Where such asset is listed or dealt in on more than one Recognised Market the Directors shall select one which the Directors determine provides the fairest criteria for the purposes of valuation. Investments listed or dealt in on or under the rules of any Recognised Market but acquired or traded at a premium or at a discount outside or off of the Recognised Market may be valued taking into account the level of premium or discount as at the Valuation Point. The Depositary must ensure that the adoption of such a procedure is justifiable in the context of establishing the probable realization value of the investment. The value of any investment which is not normally listed or dealt in on a Recognised Market or of any investment which is normally listed or dealt in on a market but in respect of which no price is currently available or the price does not in the opinion of the Directors represent fair market value, shall be the probable realization value of the investment as ascertained with care and in good faith by the Directors or on behalf of the Directors by a competent person approved for the purpose by the Depositary.

The value of units or shares or other similar participation in any collective investment schemes which provides for the units or shares or other similar participation therein to be redeemed at the option of the holder out of assets of that undertaking shall be valued at the last available net asset value per unit or share or other participation as at a Valuation Point.

The value of cash in hand or on deposit, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received as at a Valuation Point shall be valued at face value unless in any case the Directors are of the opinion that the same is unlikely to be repaid or received in full in which case the value of such asset shall be arrived at after making such discount as the Directors may consider

appropriate in such case to reflect the true value of the asset at any Valuation Point.

Forward foreign exchange and interest rate swap contracts shall be valued in accordance with the provisions applicable to OTC derivative contracts described below, or by reference to freely available market quotations.

The value of any OTC derivative contracts will be valued either using the counterparty's valuation, or an alternative valuation, including valuation by the Investment Manager or by an independent pricing vendor, who shall be appointed by the Directors and approved for such purpose by the Depositary. OTC derivatives shall be valued at least daily. If using the counterparty's valuation, such valuation must be approved or verified by a party independent of the counterparty and approved by the Depositary on a weekly basis. If using an alternative valuation, the Company will follow international best practice and adhere to the principles on valuation of OTC instruments established by bodies such as IOSCO and AIMA. In the event that the Company opts to use an alternative valuation, such alternative valuation will be reconciled with the counterparty's valuation on a monthly basis. Any significant differences to the counterparty valuation will be promptly investigated and explained.

The value of any futures contracts, share price index futures contracts and options which are dealt in on a market shall be calculated by reference to the price appearing to the Directors with the approval of the Depositary to be the settlement price as determined by the market in question as at a Valuation Point, provided that where it is not the practice for the relevant market to quote a settlement price or such settlement price is not available for any reason as at a Valuation Point, such value shall be the probable realisation value of such assets as ascertained with care and in good faith by the Directors or on behalf of the

Directors by a competent person approved for the purpose by the Depositary.

If in any case a particular value is not ascertainable as above provided or if the Directors shall consider that some other method of valuation better reflects the fair value of the relevant investment then in such case the method of valuation of the relevant investment shall be such as the Directors in their absolute discretion shall determine with the approval of the Depositary.

## *Exchange privilege*

Except where dealings in Shares have been temporarily suspended in the circumstances described in this Prospectus, or as may otherwise be specified in the Relevant Supplement for any Fund, Shareholders will be entitled to exchange any or all of their Shares of any series representing a Fund (Original Class) for corresponding Shares of another series representing another Fund (New Class). Conversion shall be effected by notice in writing to the Company in such form as the Directors may approve. Unless specified otherwise in any Relevant Supplement, the general provisions and procedures relating to redemptions of Shares of the Original Class and subscriptions for Shares of the New Class will apply to any conversion of Shares. Accordingly, for these purposes, a conversion notice will be treated as a redemption request in respect of the Original Class and as an application form in respect of Shares of the New Class.

When requesting the exchange of Shares as an initial investment in a Fund, Shareholders should ensure that the Net Asset Value of the Shares converted is equal to or exceeds any minimum holding for the relevant Fund specified in the Relevant Supplement. In the case of an exchange of a partial holding only, the value of the remaining holding must also be at least equal to any minimum holding for the relevant Fund as specified in the Relevant Supplement. If the number of Shares of the New Class to be issued on conversion is

not an integral number of Shares, the Company may issue fractional new Shares or return the surplus arising to the Shareholder seeking to convert the Shares of the Original Class.

Because excessive exchanges can disrupt the management of the Funds and increase transaction costs, the Company may charge an exchange fee or a short-term redemption fee for exchanges or redemptions of Shares from certain Funds. Any exchange fee or short-term redemption fee payable by Shareholders in respect of any Fund shall be disclosed in the Relevant Supplement.

## *Redeeming Shares*

Shareholders may request the Company to redeem their Shares on any Business Day at their Net Asset Value per Share on such Business Day, less such sum as the Directors in their absolute discretion may from time to time determine as an appropriate provision for Duties and Charges in respect of the realisation or cancellation of such Shares, in accordance with the redemption procedures specified in the Relevant Supplement. If a redemption order reduces the shareholding to below any minimum holding required in respect of a Fund and specified in the Relevant Supplement, such order may be treated as an order to redeem the entire shareholding. A Fund may assess a redemption or transaction fee on Share redemptions in such amount as shall be specified in the Relevant Supplement.

If any Shareholder requests the redemption of Shares equal to 5% or more of the number of Shares of a particular series of Shares in issue on any Business Day, the Company may at its absolute discretion, hold over the redemption of such numbers of Shares as exceeds 5% or distribute underlying investments rather than cash provided that any such distribution shall not materially prejudice the interest of other Shareholders. In such circumstances, the relevant

Shareholder will have the right to instruct the Company to procure the sale of such underlying investments on their behalf in which case the Shareholder will receive the proceeds net of all fiscal Duties and Charges incurred in connection with the sale of such underlying investments. If the Company refuses to redeem Shares for this reason, the redemption request shall be reduced accordingly and the Shares to which such request relates which are not redeemed shall be redeemed on each subsequent Business Day in accordance with the Articles, subject to the same 5% limit, until all of the Shares to which the original redemption request related have been redeemed.

If outstanding redemption requests from all holders of Shares of a particular series on any Business Day total an aggregate of more than 10% of all the Shares of such series in issue on such Business Day, the Company shall be entitled at its discretion to refuse to redeem such number of Shares in issue in that series on that Business Day in respect of which redemption requests have been received as the Directors shall determine. If the Company refuses to redeem Shares for this reason, the requests for redemption on such date shall be reduced rateably and the Shares to which each request relates which are not redeemed shall be redeemed on each subsequent Business Day in accordance with the Articles, provided that the Company shall not be obliged to redeem more than 10% of the number of Shares of a particular series outstanding on any Business Day, until all the Shares of the series to which the original request related have been redeemed.

Redemption proceeds will be paid within 10 Business Days of the relevant Business Day, unless otherwise specified in the Relevant Supplement or unless payment has been suspended in the circumstances described under “Temporary Suspension of Dealings” below.

Redemption proceeds may, with the consent of the Shareholder concerned, be paid by in specie transfer to the Shareholder in question. The assets to be transferred shall be selected at the discretion of the Directors and taken at their value used in determining the redemption price of the Shares being so repurchased. Such distributions will only be made if the Directors consider that they will not materially prejudice the interests of the redeeming Shareholder or the remaining Shareholders.

## *Temporary suspension of dealings*

The Directors may at any time, with prior notification to the Depositary, temporarily suspend the issue, valuation, sale, purchase, redemption, exchange or conversion of Shares during:

- (a) any period when any Recognised Market on which a substantial portion of the investments for the time being comprised in the relevant Fund are quoted, listed or dealt in is closed otherwise than for ordinary holidays, or during which dealings on any such Recognised Market are restricted or suspended;
- (b) any period when, as a result of political, military, economic or monetary events or other circumstances beyond the control, responsibility and power of the Directors, the disposal or valuation of investments for the time being comprised in the relevant Fund cannot, in the opinion of the Directors, be effected or completed normally or without prejudicing the interests of Shareholders;
- (c) any breakdown in the means of communication normally employed in determining the value of any investments for the time being comprised in the relevant Fund

or during any period when for any other reason the value of investments for the time being comprised in the relevant Fund cannot, in the opinion of the Directors, be promptly or accurately ascertained;

- (d) any period when the Company is unable to repatriate funds for the purposes of making redemption payments or during which the realisation of investments for the time being comprised in the relevant Fund, or the transfer or payment of funds involved in connection therewith cannot, in the opinion of the Directors, be effected at normal prices or normal rates of exchange; or
- (e) any period when, as a result of adverse market conditions, the payment of redemption proceeds may, in the opinion of the Directors, have an adverse impact on the relevant Fund or the remaining Shareholders in such Fund.

Notice of any such suspension shall be published by the Company in the Financial Times and in such other newspapers and through such other media as the Directors may from time to time determine, and shall be transmitted immediately and in any event, within one Business Day, to the Central Bank, the Irish Stock Exchange and the Shareholders. Shareholders who have requested the issue or redemption of Shares of any series or class will have their subscription or redemption request dealt with on the first Business Day after the suspension has been lifted unless applications or redemption requests have been withdrawn prior to the lifting of the suspension.

Where possible, reasonable steps will be taken to bring any period of suspension to an end as soon as possible.

## *Transfer of Shares*

Transfers of Shares must be effected by transfer in writing in any usual or common form or in any other

form approved by the Directors from time to time. Every form of transfer must state the full name and address of each of the transferor and the transferee and must be signed by or on behalf of the transferor. The Directors or their delegate may decline to register any transfer of Shares unless the transfer form is deposited at the registered office of the Company, or such other place as the Directors may reasonably require, accompanied by such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and to determine the identity of the transferee. The transferor shall be deemed to remain the holder of the Shares until the name of the transferee is entered in the register of Shareholders. A transfer of Shares will not be registered unless the transferee, if not an existing Shareholder, has completed to the satisfaction of the Directors an application form with respect to the relevant Shares and any original supporting documentation in relation to anti money laundering requirements and otherwise and the declaration required by the Irish Revenue Commissioners (to the effect that the transferee is not an Irish resident or is otherwise exempt from Irish tax). The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, provided, however that such registration shall not be suspended for more than 30 days in a year. Shares are freely transferable except that the Directors may decline to register a transfer of Shares (a) in the absence of satisfactory evidence that the proposed transferee is not a U.S. Person (other than pursuant to an exemption available under the laws of the United States); (b) if in the opinion of the Directors the transfer would be unlawful or result or be likely to result in any adverse regulatory, tax or fiscal consequences or material administrative burden to the Company or the Shareholders; (c) in the absence of satisfactory evidence of the transferee's identity; or (d) where the Company is required to redeem or

cancel such number of Shares as are required to meet the appropriate tax of the Shareholder on such transfer. A proposed transferee may be required to provide such representations, warranties or documentation as the Directors may require in relation to the above matters.

In the event that the Company does not receive a declaration in the prescribed form (to the effect that the transferee is not an Irish resident or is otherwise exempt from Irish tax), the Company will be required to deduct appropriate tax in respect of any payment to the transferee or any sale, transfer, cancellation, redemption, repurchase, cancellation or other payment in respect of the Shares as described in the section headed “Taxation—Ireland” below.

## *Mandatory repurchase of Shares*

The Funds have not been registered under the 1940 Act or the 1933 Act and may not be offered for sale and will not be sold in the United States, its territories or possessions or to U.S. Persons. Investors will be required to complete a purchase application or other documentation which represents that the purchaser is not a U.S. Person. The Company reserves the right to enforce compulsory redemption of Shares held by such persons at any time.

Shareholders are required to notify the Company immediately in the event that they become Irish Residents or U.S. Persons, or cease to be exempt Irish Shareholders (as described in the section entitled “Taxation”), or the declaration made by or on their behalf is no longer valid. Shareholders are also required to notify the Company immediately in the event that they hold Shares for the account or benefit of Irish Residents or U.S. Persons, or otherwise hold Shares in breach of any law or regulation or otherwise

in circumstances having or which may have, adverse regulatory, tax or fiscal consequences for the Company or the Shareholders.

Where the Company becomes aware that a Shareholder is (a) a U.S. Person or is holding Shares for the account of a U.S. Person (other than pursuant to an exemption available under the laws of the United States); or (b) holding Shares in breach of any law or regulation or otherwise in circumstances having or which may have adverse regulatory, tax or fiscal consequences for the Company or the Shareholders, the Company may: (i) direct the Shareholder to dispose of those Shares to a person who is entitled to own the Shares within such time period as the Company stipulates; or (ii) redeem the Shares at their Net Asset Value per Share as at the next Business Day after the date of notification to the Shareholder or following the end of the period specified for disposal pursuant to (i) above.

Under the Articles, any person who becomes aware that he is holding Shares in contravention of any of the above provisions and who fails to transfer, or deliver for redemption, his Shares pursuant to the above provisions or who fails to make the appropriate notification to the Company shall indemnify and hold harmless each of the Directors, the Company, the Manager, the Investment Manager, the Administrator, the Depositary and the Shareholders (each an “Indemnified Party”) from any claims, demands, proceedings, liabilities, damages, losses, costs and expenses directly or indirectly suffered or incurred by such Indemnified Party arising out of or in connection with the failure of such person to comply with his obligations pursuant to any of the above provisions.

The Company shall be entitled to redeem Shares in respect of any Fund or class in the circumstances described below under “Termination or Merger of Funds or Share Classes”, and in such other circumstances may be specified in the Relevant Supplement.

## *Termination or merger of Funds or Share classes*

The Company is established for an unlimited period and may have unlimited assets in its Funds. However, the Company may redeem all of the Shares of any Fund or class in issue if:

- (a) the Shareholders in that Fund or class pass a special resolution providing for such redemption at a general meeting of the holders of the Shares of that Fund or class;
- (b) the redemption of the Shares in that Fund or class is approved by a resolution in writing signed by all of the holders of the Shares in that Fund or class;
- (c) the Net Asset Value of the relevant Fund does not exceed or falls below U.S. \$15,000,000 (or such other amount as may be approved by the Directors in respect of any Fund); or
- (d) the Directors deem it appropriate because of adverse political, economic, fiscal or regulatory changes affecting the relevant Fund or class of Shares.

In the event of termination or merger, the Shares of the relevant Fund or class shall be redeemed after giving such prior written notice as may be required by law to all holders of such Shares. Such notice periods may be three months or such shorter notice as may be required by any relevant regulatory authority. The Shares will be redeemed at the Net Asset Value per Share on the relevant Business Day less such sums as the Company in its discretion may from time to time determine as an appropriate provision for Duties and Charges in relation to the estimated realisation costs of the assets of the relevant Fund and in relation to the redemption and cancellation of the Shares to be redeemed.

As an alternative to liquidating a Fund, or class or classes of Shares, in the circumstances described above, subject to the UCITS Regulations, the Directors may resolve to merge a Fund, or the relevant class or classes of Shares, with another Fund or class or classes of Shares whether in the Company or in any other UCITS whether authorised by the Central Bank under the UCITS Regulations or in any other member state of the European Union, and provided that such merger or transfer occurs at the Net Asset Value per Share as at the relevant Valuation Point subject to the provisions referred to above for realisation of assets and redemption and cancellation of Shares.

Unamortised establishment and organisational expenses shall be borne by the Company or Fund as applicable.

## *Management and administration*

### **The Directors and Secretary**

The Directors are responsible for managing the business affairs of the Company. The Directors have delegated (a) the administration of the Company's affairs, including responsibility for the preparation and maintenance of the Company's records and accounts and related fund accounting matters (including the calculation of the Net Asset Value per Share) and Shareholder registration and transfer agency services to the Manager, who has in turn sub-delegated these responsibilities to the Administrator; (b) the safe-keeping of the Company's assets to the Depositary; (c) the investment, management and disposal of the assets of each Fund to the Manager, who has in turn sub-delegated these responsibilities to the Investment Manager; and (d) the marketing, distribution and sale of Shares to the Manager with the power to sub-delegate these responsibilities to such companies or persons as it may from time to time determine.

The Directors are listed below with their principal occupations. None of the Directors has entered into an employment or service contract with the Company nor is any such contract proposed. Consequently, the Directors are all non-executive Directors. The Company has granted indemnities to the Directors in respect of any loss or damages which they may suffer save where this results from the Directors' negligence, default, breach of duty or breach of trust in relation to the Company. The Articles do not provide for retirement of Directors by rotation. However, the Directors may be removed by the Shareholders by ordinary resolution in accordance with the procedures established under the Irish Companies Acts. The address of the Directors is the registered office of the Company.

### **Kieran McGowan**

Kieran McGowan is Chairman of Appian Asset Management Ltd and Director of Malin plc. He is also Chairman of the Business in the Community Ireland. He is former Chairman of CRH Plc, the Governing Authority of University College Dublin and the Public Interest Board of PwC. He retired as Chief Executive of IDA Ireland at the end of 1998 after nine years in that position.

### **Marie Chandoha**

Marie A. Chandoha serves as Director, President and Chief Executive Officer of Charles Schwab Investment Management, Inc., the Investment Manager to the Fund ("CSIM"). Prior to joining Schwab in 2010, Ms. Chandoha was the global head of the fixed income business at Blackrock, formerly Barclays Global Investors. Before joining Barclays Global Investors in 2007, she was co-head and senior portfolio manager in charge of the Montgomery fixed income division at Wells Capital, a senior bond strategist at Goldman Sachs, and managing director responsible for the global fixed income research and economics

department at Credit Suisse First Boston. Previously, Ms. Chandoha was a mortgage securities research analyst at Morgan Stanley and an economist at the Federal Reserve Bank of New York. Ms. Chandoha earned a Bachelor of Arts degree in economics from Harvard University.

### **George Pereira**

George Pereira currently serves as Chief Operating Officer, Senior Vice President and Chief Financial Officer of CSIM. Mr. Pereira joined the CSIM management team in November 2004 after spending 5 years leading the Financial & Regulatory Reporting areas of The Charles Schwab Corporation. Prior to joining CSIM Mr. Pereira was the CFO of Commerzbank Capital Markets, the US broker-dealer subsidiary of Commerzbank (Germany) in New York City. In addition, Mr. Pereira spent 10 years at the New York Stock Exchange in the Member Firm Regulation Division. He left the NYSE as a Managing Director responsible for comprehensive regulatory oversight of approximately 100 broker-dealers. At the NYSE, Mr. Pereira also led the Financial and Operational interpretation group for a number of years. Mr. Pereira has an MBA in International Finance from St John's University, and obtained his undergraduate degree in Economics from The State University of New York at Albany.

### **Gary Palmer**

Gary Palmer is the Chief Executive of the Irish Debt Securities Association and a non-executive director. Until April 2012 and for the previous thirteen years, Mr Palmer was the Chief Executive of the Irish Funds Industry Association (IFIA). A former director, board member and member of the management committee of the European Funds and Asset Management Association (EFAMA) where Mr Palmer chaired the Valuations Committee; he is also a former director of the US based, National Investment Company Service

Association (NICSA). Mr Palmer was a member of the Irish Prime Minister's Clearing House Group where he chaired the Investment Funds Committee and was a member of the Financial Regulator's Consultative Industry Panel and chaired the EU and International advisory group. Mr Palmer holds a degree in Economics and an MBS from University College Dublin and has been awarded the Certified Investment Fund Director designation from the Institute of Banking.

The Company Secretary is Matsack Trust Limited, 70 Sir John Rogerson's Quay, Dublin 2.

## **The Manager**

The Manager of the Company is Charles Schwab Asset Management (Ireland) Limited which was incorporated in Ireland as a private limited liability company on 29 January 1999 under registration number 300641. The issued and paid up share capital of the Manager is EUR126,973.80. The directors and company secretary of the Manager are the same as the Directors and Company Secretary of the Company. The Manager is engaged in the business of providing management services to collective investment vehicles and is a wholly owned subsidiary of Schwab (SIS) Holdings, Inc I, which is a wholly-owned subsidiary of The Charles Schwab Corporation, the promoter of the Company. The Charles Schwab Corporation is a publicly traded financial services company that is listed on the NASDAQ Stock Market and is subject to regulation by the Federal Reserve Bank and the U.S. Securities and Exchange Commission.

Under the Management Agreement between the Company and the Manager dated 28 April 1999 (the "Management Agreement"), the Manager will provide or procure the provision of investment management, administration, accounting, registration and distribution services to the Company.

The Management Agreement provides that in the absence of gross negligence, wilful default, fraud or

bad faith, the Manager shall not be liable for any loss or damage arising out of the performance of its duties. The Management Agreement provides further that the Company shall indemnify the Manager (and each of its directors, officers, servants, employees and agents) for any proceedings taken or loss or damage suffered (including costs and expenses) in the performance or non-performance of its duties except for such loss as arises out of or in connection with any gross negligence, wilful default, fraud or bad faith by the Manager in the performance or non-performance of its duties.

The Management Agreement shall continue in force unless and until terminated by either party after the third anniversary of its execution on ninety days notice in writing to the other party or until terminated by either party immediately in certain circumstances described in the Management Agreement including, without limitation, the insolvency of either party or the Manager's Irish tax certificate being revoked.

The Manager has put in a place a remuneration policy which is consistent with and promotes sound and effective risk management. It is designed not to encourage risk-taking which is inconsistent with the risk profile of the Fund and includes measures to avoid conflicts of interest. The Manager has no employees and none of the Directors receives variable remuneration. The Manager considers that these remuneration arrangements are consistent with sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profile or the Articles of the Company. The policy will be reviewed annually. The details of the up-to-date policy are available on at [https://client.schwab.com/secure/cc/research/offshore\\_mutual\\_funds/offshore\\_sweep\\_fund/](https://client.schwab.com/secure/cc/research/offshore_mutual_funds/offshore_sweep_fund/). A copy of the up-to-date policy is also available to investors free of charge from the Manager on request.

## **The Investment Manager**

Pursuant to the Investment Management Agreement dated 28 April 1999 between the Manager and the Investment Manager, CSIM has been appointed as the Investment Manager with responsibility for the investment, management and disposal of the assets of each Fund.

CSIM, 211 Main Street, San Francisco, CA 94105, currently provides investment management services to the Schwab Funds®, Laudus Funds, and Schwab ETFs, a family of 97 mutual funds and exchange-traded funds which are collective investments organised and registered for sale in the United States with over U.S. \$263 billion in assets as of 30 November 2014.

Under the Investment Management Agreement, the Investment Manager is not liable for any loss or damage arising out of the performance of its duties unless it is deemed responsible for gross negligence, wilful default, fraud or bad faith, and in no circumstances shall the Investment Manager be liable for special, indirect or consequential damages, or for lost profits or loss of business, arising out of the performance of its duties. In addition, the Company has agreed to indemnify the Investment Manager from and against any claims, damages, losses, liabilities, costs and expenses suffered by the Investment Manager in connection with the performance of its duties and/or the exercise of its powers, unless it arises from the gross negligence, wilful default, bad faith or fraud of the Investment Manager.

Under the Investment Management Agreement, the Investment Manager is entitled to delegate or subcontract all or any of its functions, powers, discretions, duties and obligations to any person approved by the Manager, provided that such delegation or sub-contract is in accordance with the requirements of the Central Bank and shall terminate automatically on the termination of the Investment Management Agreement and provided further that the

Investment Manager shall remain responsible and liable for any acts or omissions of any such delegatee as if such acts or omissions were those of the Investment Manager.

The Investment Management Agreement can be terminated by any party on ninety days' written notice or immediately in certain circumstances described in the Investment Management Agreement.

## **The Administrator**

Pursuant to the Administration Agreement dated 28 September 2012 between the Company, the Manager and the Administrator, State Street Fund Services (Ireland) Limited has been appointed as the Administrator of the Company with responsibility for performing the day-to-day administration of the Company and each Fund and providing related fund accounting services (including the calculation of the Net Asset Value of each Fund and the Net Asset Value per Share) and for providing Shareholder registration, transfer agency and related support services.

The Administrator was incorporated as a limited liability company in Ireland on 23 March 1992. The Administrator has an issued and fully paid up capital of U.S. \$435,500. The Administrator is ultimately a wholly-owned indirect subsidiary of State Street Corporation, a U.S. corporation organised under the laws of the Commonwealth of Massachusetts.

Under the Administration Agreement, the Administrator is not liable for any loss of any nature whatsoever suffered by the Manager or the Shareholders in connection with the performance of its obligations under the Administration Agreement, except where that loss results directly from, breach, negligence, fraud, bad faith or wilful default on the part of the Administrator in the performance of its obligations and duties under the Administration Agreement. In addition, the Manager has agreed to indemnify the Administrator out of the assets of the Manager from and against all actions, proceedings and

claims and against all costs, demands and expenses (including legal and professional expenses) arising therefrom which may be brought against, suffered or incurred by the Administrator, its permitted delegates, servants or agents in the performance or non-performance of its obligations and duties, unless they arise from the negligence, fraud, bad faith, or wilful default of the Administrator or its delegates, servants or agents.

The Administration Agreement can be terminated by any party on ninety days' written notice or immediately in certain circumstances described in the Administration Agreement.

### **The Depositary**

Pursuant to the Amended and Restated Depositary Agreement between the Company and the Depositary, State Street Custodial Services (Ireland) Limited has been appointed as the Depositary of all the Company's assets. The Depositary was incorporated in Ireland as a limited liability company on 22 May 1991. The Depositary, whose ultimate parent is State Street Corporation, has an issued and fully paid up share capital of U.S.\$250,000. The principal activity of the Depositary is to act as depositary and trustee of collective investment schemes.

The Depositary Agreement contains provisions governing the responsibilities and duties of the Depositary. They include, amongst others, the following:

- (i) ensuring that the Company's cash flows are properly monitored, and that all cash has been booked in the appropriate accounts;
- (ii) safekeeping the assets of the Company, which includes (a) holding in custody all financial instruments that can be registered in a financial instrument account opened in the Depositary's books and all financial instruments that can be physically delivered to the Depositary and (b) for

other assets, verifying the ownership of the Company (or the Manager acting on behalf of the Company) of such assets and maintain maintaining an up-to-date record accordingly;

- (iii) ensuring that the sale, issue, re-purchase, redemption and cancellation of Shares are carried out in accordance with applicable national law and the Articles;
- (iv) ensuring that the value of the Shares is calculated in accordance with the applicable laws and the Articles;
- (v) carrying out the instructions of the Company and the Manager, unless they conflict with the applicable national law or the Articles;
- (vi) ensuring that in transactions involving the Company's assets any consideration is remitted within the usual time limits which are acceptable market practice in the context of the particular transaction; and
- (vii) ensuring that the Company's net income is applied in accordance with the applicable national law and the Articles.

### *Depositary Liability*

In carrying out its duties the Depositary shall act honestly, fairly professionally, independently and solely in the interests of the Company and its Shareholders.

In the event of a loss of a financial instrument held in custody, determined in accordance with the UCITS Regulations, and in particular Article 18 of the UCITS Level 2, the Depositary shall return financial instruments of identical type or the corresponding amount to the Company without undue delay. The Depositary shall not be liable if it can prove that the loss of a financial instrument held in custody has arisen as a result of an external event beyond its reasonable control, the consequences of which would

have been unavoidable despite all reasonable efforts to the contrary pursuant to the UCITS Regulations.

In case of a loss of financial instruments held in custody, the Shareholders may invoke the liability of the Depositary directly or indirectly through the Company provided that this does not lead to a duplication of redress or to unequal treatment of the Shareholders.

The Depositary will be liable to a Fund for all other losses suffered by the Fund as a result of the Depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the UCITS Regulations. The Depositary shall not be liable for consequential or indirect or special damages or losses, arising out of or in connection with the performance or non-performance by the Depositary of its duties and obligations.

The Depositary Agreement contains provisions, subject to certain exceptions, for the Company to indemnify and hold harmless the Depositary and its directors, officers and employees from losses arising out of the performance or non-performance of its obligations under the Depositary Agreement.

## *Delegation*

The Depositary has the power, subject to certain conditions, to delegate the whole or any part of its safe-keeping functions but its liability will not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping. Information about the safe-keeping functions which have been delegated and the identification of the relevant delegates and sub-delegates are contained in Appendix II to the Prospectus.

## *Conflicts of Interest*

The Depositary is part of an international group of companies and businesses that, in the ordinary course

of their business, act simultaneously for a large number of clients, as well as for their own account, which may result in actual or potential conflicts. Conflicts of interest arise where the Depositary or its affiliates engage in activities under the depositary agreement or under separate contractual or other arrangements. Such activities may include:

- (i) providing nominee, administration, registrar and transfer agency, research, agent securities lending, investment management, financial advice and/or other advisory services to the Company;
- (ii) engaging in banking, sales and trading transactions including foreign exchange, derivative, principal lending, broking, market making or other financial transactions with the Company either as principal and in the interests of itself, or for other clients.

In connection with the above activities the Depositary or its affiliates:

- (i) will seek to profit from such activities and are entitled to receive and retain any profits or compensation in any form and are not bound to disclose to, the Fund, the nature or amount of any such profits or compensation including any fee, charge, commission, revenue share, spread, mark-up, mark-down, interest, rebate, discount, or other benefit received in connection with any such activities;
- (ii) may buy, sell, issue, deal with or hold, securities or other financial products or instruments as principal acting in its own interests, the interests of its affiliates or for its other clients;
- (iii) may trade in the same or opposite direction to the transactions undertaken, including based upon information in its possession that is not available to the Company;
- (iv) may provide the same or similar services to other clients including competitors of the Fund;

(v) may be granted creditors' rights by the Company which it may exercise.

The Company may use an affiliate of the Depositary to execute foreign exchange, spot or swap transactions for the account of the Company. In such instances the affiliate shall be acting in a principal capacity and not as a broker, agent or fiduciary of the Company. The affiliate will seek to profit from these transactions and is entitled to retain and not disclose any profit to the Company. The affiliate shall enter into such transactions on the terms and conditions agreed with the Company.

Where cash belonging to the Company is deposited with an affiliate being a bank, a potential conflict arises in relation to the interest (if any) which the affiliate may pay or charge to such account and the fees or other benefits which it may derive from holding such cash as banker and not as trustee. The Company may also be a client or counterparty of the Depositary or its affiliates.

Up-to-date information on the Depositary, its duties, any conflicts that may arise, the safe-keeping functions delegated by the depositary, the list of delegates and sub-delegates and any conflicts of interest that may arise from such a delegation will be made available to Shareholders on request.

## *Re-use of the Company's assets*

The Depositary Agreement contains a provision which provides that the Depositary or third parties to who safekeeping duties are delegated may only re-use the Company's assets with the prior agreement of the Company or the Manager acting on its behalf.

## *Termination*

The Depositary Agreement shall continue until it is terminated in accordance with its terms, which provide,

amongst other things in this regard, that each of the Company and the Depositary may terminate the Depositary Agreement on 90 days' written notice to the other (although in certain circumstances the Depositary Agreement may be terminated forthwith). Such termination shall take effect on the appointment of a replacement depositary approved by the Central Bank and the Company will seek to appoint a new depositary within 90 days from the date on which notice is given. However, if within 90 days from the date of the relevant notice, no new depositary approved by the Central Bank has been appointed, the Company shall serve notice on the Shareholders of its intention to convene an extraordinary general meeting at which a resolution to wind up the Company will be considered.

## *Taxation*

The following is a summary of certain Irish tax consequences of the purchase, ownership and disposal of Shares. The summary does not purport to be a comprehensive description of all of the Irish tax considerations that may be relevant. The summary relates only to the position of persons who are the absolute beneficial owners of Shares and may not apply to certain other classes of persons. The summary is based on Irish tax laws and the practice of the Irish Revenue Commissioners in effect on the date of this Prospectus (and is subject to any prospective or retroactive change). Potential investors in Shares should consult their own advisors as to the Irish or other tax consequences of the purchase, ownership and disposal of Shares.

### **Taxation of the Company**

The Company intends to conduct its affairs so that it is Irish tax resident. On the basis that the Company is Irish tax resident, the Company qualifies as an 'investment undertaking' for Irish tax purposes and, consequently, is exempt from Irish corporation tax on its income and gains.

The Company will be obliged to account for Irish income tax to the Irish Revenue Commissioners if Shares are held by non-exempt Irish resident Shareholders (and in certain other circumstances), as described below. Explanations of the terms ‘*resident*’ and ‘*ordinarily resident*’ are set out at the end of this summary.

### **Taxation of non-Irish Shareholders**

Where a Shareholder is not resident (or ordinarily resident) in Ireland for Irish tax purposes, the Company will not deduct any Irish tax in respect of the Shareholder’s Shares once the declaration set out in the application form has been received by the Company confirming the Shareholder’s non-resident status. The declaration may be provided by an Intermediary who holds Shares on behalf of investors who are not resident (or ordinarily resident) in Ireland, provided that, to the best of the Intermediary’s knowledge, the investors are not resident (or ordinarily resident) in Ireland. An explanation of the term ‘Intermediary’ is set out at the end of this summary.

If this declaration is not received by the Company, the Company will deduct Irish tax in respect of the Shareholder’s Shares as if the Shareholder was a non-exempt Irish resident Shareholder (see below). The Company will also deduct Irish tax if the Company has information which reasonably suggests that a Shareholder’s declaration is incorrect. A Shareholder will generally have no entitlement to recover such Irish tax, unless the Shareholder is a company and holds the Shares through an Irish branch and in certain other limited circumstances. The Company must be informed if a Shareholder becomes Irish tax resident.

Generally, Shareholders who are not Irish tax resident will have no other Irish tax liability with respect to their Shares. However, if a Shareholder is a company which holds its Shares through an Irish branch or

agency, the Shareholder may be liable to Irish corporation tax in respect of profits and gains arising in respect of the Shares (on a self-assessment basis).

### **Taxation of exempt Irish Shareholders**

Where a Shareholder is resident (or ordinarily resident) in Ireland for Irish tax purposes and falls within any of the categories listed in section 739D(6) of the Taxes Consolidation Act of Ireland (“TCA”), the Company will not deduct Irish tax in respect of the Shareholder’s Shares once the declaration set out in the application form has been received by the Company confirming the Shareholder’s exempt status.

The categories listed in section 739D(6) TCA can be summarised as follows:

1. Irish tax resident companies.
2. Pension schemes (within the meaning of section 774, section 784 or section 785 TCA).
3. Companies carrying on life assurance business (within the meaning of section 706 TCA).
4. Investment undertakings (within the meaning of section 739B TCA).
5. Investment limited partnerships (within the meaning of section 739J TCA).
6. Special investment schemes (within the meaning of section 737 TCA).
7. Unauthorised unit trust schemes (to which section 731(5)(a) TCA applies).
8. Charities (within the meaning of section 739D(6)(f)(i) TCA).
9. Qualifying managing companies (within the meaning of section 734(1) TCA).
10. Specified companies (within the meaning of section 734(1) TCA).
11. Qualifying fund and savings managers (within the meaning of section 739D(6)(h) TCA).

12. Personal Retirement Savings Account (PRSA) administrators (within the meaning of section 739D(6)(i) TCA).
13. Irish credit unions (within the meaning of section 2 of the Credit Union Act 1997).
14. The National Asset Management Agency.
15. The National Pensions Reserve Fund Commission or a Commission investment vehicle.
16. Qualifying companies (within the meaning of section 110 TCA).
17. Any other person resident in Ireland who is permitted (whether by legislation or by the express concession of the Irish Revenue Commissioners) to hold Shares in the Company without requiring the Company to deduct or account for Irish tax.

Irish resident Shareholders who claim exempt status will be obliged to account for any Irish tax due in respect of Shares on a self-assessment basis.

If this declaration is not received by the Company in respect of a Shareholder, the Company will deduct Irish tax in respect of the Shareholder's Shares as if the Shareholder was a non-exempt Irish resident Shareholder (see below). A Shareholder will generally have no entitlement to recover such Irish tax, unless the Shareholder is a company within the charge to Irish corporation tax and in certain other limited circumstances.

### **Taxation of other Irish Shareholders**

Where a Shareholder is resident (or ordinarily resident) in Ireland for Irish tax purposes and is not an 'exempt' Shareholder (see above), the Company will deduct Irish tax on distributions, redemptions and transfers and, additionally, on 'eighth anniversary' events, as described below.

## *Distributions by the Company*

If the Company pays a distribution to a non-exempt Irish resident Shareholder, the Company will deduct Irish tax from the distribution. The amount of Irish tax deducted will be:

1. 25% of the distribution, where the distributions are paid to a Shareholder who is a company which has made the appropriate declaration for the 25% rate to apply; and
2. 41% of the distribution, in all other cases.

The Company will pay this deducted tax to the Irish Revenue Commissioners.

Generally, a Shareholder will have no further Irish tax liability in respect of the distribution. However, if the Shareholder is a company for which the distribution is a trading receipt, the gross distribution (including the Irish tax deducted) will form part of its taxable income for self-assessment purposes and the Shareholder may set off the deducted tax against its corporation tax liability.

## *Redemptions and transfers of Shares*

If the Company redeems Shares held by a non-exempt Irish resident Shareholder, the Company will deduct Irish tax from the redemption payment made to the Shareholder. Similarly, if such an Irish resident Shareholder transfers (by sale or otherwise) an entitlement to Shares, the Company will account for Irish tax in respect of that transfer. The amount of Irish tax deducted or accounted for will be calculated by reference to the gain (if any) which has accrued to the Shareholder on the Shares being redeemed or transferred and will be equal to:

1. 25% of such gain, where the Shareholder is a company which has made the appropriate declaration for the 25% rate to apply; and
2. 41% of the gain, in all other cases.

The Company will pay this deducted tax to the Irish Revenue Commissioners. In the case of a transfer of Shares, to fund this Irish tax liability the Company may appropriate or cancel other Shares held by the Shareholder. This may result in further Irish tax becoming due.

Generally, a Shareholder will have no further Irish tax liability in respect of the redemption or transfer. However, if the Shareholder is a company for which the redemption or transfer payment is a trading receipt, the gross payment (including the Irish tax deducted) less the cost of acquiring the Shares will form part of its taxable income for self-assessment purposes and the Shareholder may set off the deducted tax against its corporation tax liability.

If Shares are not denominated in euro, a Shareholder may be liable (on a self-assessment basis) to Irish capital gains taxation on any currency gain arising on the redemption or transfer of the Shares.

## *Eighth anniversary' events*

If a non-exempt Irish resident Shareholder does not dispose of Shares within eight years of acquiring them, the Shareholder will be deemed for Irish tax purposes to have disposed of the Shares on the eighth anniversary of their acquisition (and any subsequent eighth anniversary). On such deemed disposal, the Company will account for Irish tax in respect of the increase in value (if any) of those Shares over that eight year period. The amount of Irish tax accounted for will be equal to:

1. 25% of such increase in value, where the Shareholder is a company, which has made the

appropriate declaration for the 25% rate to apply; and

2. 41% of the increase in value, in all other cases.

The Company will pay this tax to the Irish Revenue Commissioners. To fund the Irish tax liability, the Company may appropriate or cancel Shares held by the Shareholder.

However, if less than 10% of the Shares (by value) in the Company are held by non-exempt Irish resident Shareholders, the Company may elect not to account for Irish tax on this deemed disposal. To claim this election, the Company must:

1. confirm to the Irish Revenue Commissioners, on an annual basis, that this 10% requirement is satisfied and provide the Irish Revenue Commissioners with details of any non-exempt Irish resident Shareholders (including the value of their Shares and their Irish tax reference numbers); and
2. notify any non-exempt Irish resident Shareholders that the Company is electing to claim this exemption.

If the exemption is claimed by the Company, any non-exempt Irish resident Shareholders must pay to the Irish Revenue Commissioners on a self-assessment basis the Irish tax which would otherwise have been payable by the Company on the eighth anniversary (and any subsequent eighth anniversary).

Any Irish tax paid in respect of the increase in value of Shares over the eight year period may be set off on a proportionate basis against any future Irish tax which would otherwise be payable in respect of those Shares and any excess may be recovered on an ultimate disposal of the Shares.

## *Share exchanges*

Where a Shareholder exchanges Shares on arm's length terms for other Shares in the Company or for Shares in

another Fund of the Company and no payment is received by the Shareholder, the Company will not deduct Irish tax in respect of the exchange.

## *Stamp duty*

No Irish stamp duty (or other Irish transfer tax) will apply to the issue, transfer or redemption of Shares. If a Shareholder receives a distribution *in specie* of assets from the Company, a charge to Irish stamp duty could potentially arise.

## *Gift and inheritance tax*

Irish capital acquisitions tax (at a rate of 33%) can apply to gifts or inheritances of Irish situate assets or where either the person from whom the gift or inheritance is taken is Irish domiciled, resident or ordinarily resident or the person taking the gift or inheritance is Irish resident or ordinarily resident. The Shares could be treated as Irish situate assets because they have been issued by an Irish company. However, any gift or inheritance of Shares will be exempt from Irish gift or inheritance tax once:

1. the Shares are comprised in the gift or inheritance both at the date of the gift or inheritance and at the 'valuation date' (as defined for Irish capital acquisitions tax purposes);
2. the person from whom the gift or inheritance is taken is neither domiciled nor ordinarily resident in Ireland at the date of the disposition; and
3. the person taking the gift or inheritance is neither domiciled nor ordinarily resident in Ireland at the date of the gift or inheritance.

## **FATCA**

The Company (and each Fund) will be required to comply (or be deemed compliant) with extensive new reporting and withholding requirements (known as "FATCA") designed to inform the U.S. Department of

the Treasury of U.S.-owned foreign investment accounts. The Company is registered as a reporting foreign financial institution under FATCA. Ireland has an intergovernmental agreement with the United States of America (the "IGA") in relation to FATCA, of a type commonly known as a 'model 1' agreement. Ireland has also enacted regulations to introduce the provisions of the IGA into Irish law. The Company intends to carry on its business in such a way as to ensure that it is treated as complying with FATCA, pursuant to the terms of the IGA. Unless an exemption applies, the Company shall be required to register with the US Internal Revenue Service as a 'reporting financial institution' for FATCA purposes and report information to the Irish Revenue Commissioners relating to Shareholders who, for FATCA purposes, are specified US persons, non-participating financial institutions or passive non-financial foreign entities that are controlled by specified US persons. Exemptions from the obligation to register for FATCA purposes and from the obligation to report information for FATCA purposes are available only in limited circumstances. Any information reported by the Company to the Irish Revenue Commissioners will be communicated to the US Internal Revenue Service pursuant to the IGA. It is possible that the Irish Revenue Commissioners may also communicate this information to other tax authorities pursuant to the terms of any applicable double tax treaty, intergovernmental agreement or exchange of information regime.

The Company should generally not be subject to FATCA withholding tax in respect of its US source income for so long as it complies with its FATCA obligations. FATCA withholding tax at a rate of 30% would only be envisaged to arise on US source payments to the Company if the Company did not comply with its FATCA registration and reporting obligations and the US Internal Revenue Service specifically identified the Company as being a

‘non-participating financial institution’ for FATCA purposes.

Shareholders may be requested to provide additional information to the Company (and/or a Fund) to enable the Company (and/or the Fund) to satisfy any FATCA obligations. In the event that a Shareholder fails to provide such information or, in the case of a Shareholder that is a non-U.S. entity, fails to satisfy its own FATCA obligations, the Company may take all actions necessary to ensure that such failure does not subject the Company (and/or the Fund) to liability or, in the event that such failure does result in the Company (and/or the Fund) being subject to liability, to bring action against the Shareholder for such loss, provided that such actions are taken by the Company, acting on reasonable grounds and in good faith and permitted by laws and regulations. Such actions may include, without limitation, reporting tax information to the U.S. authorities in respect of the Shareholder. All prospective investors should consult with their own tax advisors regarding the possible implications of FATCA on them and the Company.

### **Reporting of Information under the Savings Directive**

Ireland has transposed the EU Directive on the taxation of savings income in the form of interest payments (Directive 2003/48/EC) into Irish law. In certain circumstances, the Company (or an Irish paying agent) may be obliged to report information to the Irish Revenue Commissioners relating to Shareholders who are individuals resident in the EU (other than in Ireland) or in certain other territories. A reporting obligation may also arise with respect to Shareholders established in these jurisdictions who are not legal persons, persons subject to corporate taxation or UCITS. Any information reported to the Irish Revenue Commissioners would be communicated to the authorities in the jurisdiction of residence (or establishment) of the relevant Shareholders. However,

no reporting obligation should arise in Ireland once (broadly) the Company, or the relevant sub-fund of the Company, invests less than 15% of its total assets (directly or indirectly) in debt claims or other specified assets.

The Council of the EU has adopted a Directive (the “Amending Directive”) which, if implemented, will amend and broaden the scope of the Savings Directive. For the Amending Directive to be implemented in Ireland, further steps must be undertaken in Ireland. However, it remains uncertain if the Amending Directive will be implemented into national law. In particular, discussions are currently ongoing at an EU level to replace the Savings Directive (and the Amending Directive) with an automatic exchange of information regime in compliance with the regime known as the “Common Reporting Standard” proposed by the Organisation for Economic Co-operation and Development. See section below entitled “OECD Common Reporting Standard”. If these proposals are carried out, it would result in the abolishment of the Savings Directive. It is currently proposed that the Savings Directive would be abolished from 1 January 2017.

### **OECD Common Reporting Standard**

The Council of the EU has recently adopted Directive 2014/107/EU, which amends Directive 2011/16/EU on administrative cooperation in the field of taxation. This 2014 Directive provides for the adoption of the regime known as the “Common Reporting Standard” proposed by the Organisation for Economic Co-operation and Development and will, once implemented into national law, generalise the automatic exchange of information within the European Union as of 1 January 2016. Under these measures, the Company may be required to report information relating to Shareholders, including the identity and residence of Shareholders, and income, sale or redemption proceeds received by Shareholders

in respect of the Shares. This information may be shared with tax authorities in other EU member states and jurisdictions which implement the OECD Common Reporting Standard.

## **Meaning of Terms**

### *Meaning of 'Residence' for Companies*

A company which has its central management and control in Ireland is tax resident in Ireland irrespective of where it is incorporated. A company which does not have its central management and control in Ireland but which was incorporated in Ireland on or after 1 January 2015 is tax resident in Ireland except where the company is regarded as not resident in Ireland under a double taxation treaty between Ireland and another country.

A company which does not have its central management and control in Ireland but which was incorporated before 1 January 2015 in Ireland is resident in Ireland except where:

1. the company (or a related company) carries on a trade in Ireland and either the company is ultimately controlled by persons resident in EU member states or countries with which Ireland has a double tax treaty, or the company (or a related company) are quoted companies on a recognised stock exchange in the EU or in a tax treaty country; or
2. the company is regarded as not resident in Ireland under a double tax treaty between Ireland and another country.

Finally, a company that was incorporated in Ireland before 1 January 2015 will also be regarded as resident in Ireland if the company is (i) managed and controlled in a territory with which a double taxation agreement with Ireland is in force (a 'relevant territory'), and such management and control would have been sufficient, if exercised in Ireland, to make the company Irish tax resident; and (ii) the company

would have been tax resident in that relevant territory under its laws had it been incorporated there; and (iii) the company would not otherwise be regarded by virtue of the law of any territory as resident in that territory for the purposes of tax.

### *Meaning of 'Residence' for Individuals*

An individual will be regarded as being tax resident in Ireland for a calendar year if the individual:

1. spends 183 days or more in Ireland in that calendar year; or
2. has a combined presence of 280 days in Ireland, taking into account the number of days spent in Ireland in that calendar year together with the number of days spent in Ireland in the preceding year. Presence in Ireland by an individual of not more than 30 days in a calendar year will not be reckoned for the purposes of applying this 'two year' test.

An individual is treated as present in Ireland for a day if that individual is personally present in Ireland at any time during that day.

### *Meaning of 'Ordinary Residence' for Individuals*

The term 'ordinary residence' (as distinct from 'residence') relates to a person's normal pattern of life and denotes residence in a place with some degree of continuity. An individual who has been resident in Ireland for three consecutive tax years becomes ordinarily resident with effect from the commencement of the fourth tax year. An individual who has been ordinarily resident in Ireland ceases to be ordinarily resident at the end of the third consecutive tax year in which the individual is not resident. For example, an individual who is resident and ordinarily resident in Ireland in 2015 and departs Ireland in that year will remain ordinarily resident in Ireland up to the end of the tax year in 2018.

### *Meaning of ‘Intermediary’*

An ‘intermediary’ means a person who:

1. carries on a business which consists of, or includes, the receipt of payments from a regulated investment undertaking resident in Ireland on behalf of other persons; or
2. holds units in such an investment undertaking on behalf of other persons.

## *United States federal income taxes*

The following discussion is a general summary of certain U.S. federal tax consequences that may result to the Company and its Shareholders in connection with their investment in the Company. The discussion does not purport to deal with all of the U.S. federal tax income consequences applicable to the Company or to all categories of investors, some of whom may be subject to special rules. The discussion assumes that the Company will not hold any interests (other than as a creditor) in any “United States real property holding corporations” as defined in the U.S. Internal Revenue Code of 1986, as amended. Furthermore, the discussion assumes that no U.S. Person owns directly or indirectly, or is considered as owning by application of certain tax law rules of constructive ownership, any Shares of the Company. Investors should consult their own tax advisers regarding the tax consequences to them of an investment in the Company in light of their particular circumstances.

### **The Company**

The Company intends to conduct its affairs so that it will not be deemed to be engaged in trade or business in the United States and, therefore, none of its income will be treated as “effectively connected” with a U.S. trade or business carried on by the Company. If none of the Company’s income is effectively connected with

a U.S. trade or business carried on by the Company, certain categories of income (including dividends and certain types of interest income) derived by the Company from U.S. sources will be subject to a U.S. tax of 30%, which tax is generally withheld from such income. Capital gains derived by the Company will not be subject to this 30% tax. If, on the other hand, the Company derives income which is effectively connected with a U.S. trade or business carried on by the Company, such income will be subject to U.S. federal income tax at the graduated rates applicable to U.S. domestic corporations, and the Company may also be subject to a branch profits tax. It is not anticipated that the Company will be eligible for a reduced rate of withholding tax or other benefits pursuant to the income tax treaty currently in force between the United States and Ireland.

### **Shareholders**

The U.S. tax consequences to Shareholders of distributions from the Company and of dispositions of Shares generally depends on the Shareholder’s particular circumstances, including whether the Shareholder conducts a trade or business within the United States.

## *Fees and expenses*

The Company shall pay the Manager and the Depositary such fees and expenses relating to each Fund as will be specified in the Relevant Supplement. The Manager will be responsible for paying the fees and expenses of the Investment Manager, the Administrator and the Company Secretary. Shareholders shall be given three months notice of any increase in the level of management fee charged in respect of any Fund from the current level as stated in the Relevant Supplement to the maximum level which is permitted by the Management Agreement. Any increase beyond this maximum shall be effected by an approval of the Shareholders by ordinary resolution.

The Company's organisational expenses have been fully amortised. Each Fund will bear its own establishment expenses.

The Company will also pay certain other costs, charges, fees and expenses incurred in its operation, including without limitation fees and expenses incurred in relation to banking and brokerage in respect of the purchase and sale of Fund securities, taxes, insurance, the costs and expenses of maintaining its books of account and of preparing, printing, publishing and distributing (in such languages as may be necessary) prospectuses, supplements, annual and half-yearly reports and other documents or information to current and prospective Shareholders (including the costs of developing and enhancing computer software and electronic transmission techniques to distribute such documents or information), the expense of publishing daily price and yield information, in relevant media, the costs and expenses of obtaining authorisations or registrations of the Company or of any Shares with the regulatory authorities (including local securities dealers associations) in various jurisdictions, the cost of listing and maintaining a listing of Shares on any stock exchange, marketing and promotional expenses, the cost of convening and holding Directors and Shareholders meetings and professional fees and expenses for legal, auditing and other consulting services and such other costs and expenses (including non-recurring and extraordinary costs and expenses) as may arise from time to time and which have been approved by the Directors as necessary or appropriate for the continued operation of the Company or of any Fund.

The Manager or an affiliate may, out of its own resources, pay fees to Charles Schwab & Co. Inc. and its affiliated brokers or financial intermediaries (or other institutional investors) as compensation for services provided, or responsibilities assumed by such

entities, with respect to large institutional accounts. Such fees are not paid by the Company or the Shareholders.

Separate and apart from the expenses borne by the Company or any Fund, financial institutions through whom Shares are purchased may charge fees for services provided which may be related to the ownership of Shares. This Prospectus should, therefore, be read together with any agreement between customer and institution with regard to services provided, the fees charged for these services, and any restrictions and limitations imposed thereunder.

The Articles provide that the Directors shall be entitled to a fee as remuneration for their services at a rate to be determined from time to time by the Directors provided that the amount of remuneration payable to any Director in any one year shall not exceed such amount as the Directors may from time to time determine and disclose to the Shareholders in the latest annual or half-yearly report. The Directors have determined that their annual remuneration shall not exceed U.S. \$30,000 each. At present, Ms Chandoha and Mr Pereira waive their entitlement to remuneration from the Company. The Directors, and any alternate Directors, shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in attending Directors or Shareholders meetings or any other meetings in connection with the business of the Company. None of the Directors have entered into a service contract with the Company nor is any such contract proposed and none of the Directors is an executive of the Company. The expenses of each Fund of the Company are deducted from the total income of such Fund before dividends are paid. Expenses of the Company which are not directly attributable to the operation of a particular Fund are allocated among all Funds in a manner determined by the Directors. Class Expenses

shall be allocated to the class to which they relate. Expenses of the Company which are not directly attributable to a specific class of Shares and which are directly attributable to a specific Fund are allocated among all classes of such Fund in a manner determined by the Directors. In such cases, the expenses will normally be allocated among all classes of such Fund pro-rata to the value of the net assets of the Fund which are attributable to those classes.

## *Information for United Kingdom investors*

The Company is categorised as a recognised scheme for the purposes of Section 264 of the Financial Services and Markets Act 2000 (the “FSMA”). Accordingly, Shares may be marketed to the general public in the United Kingdom. Charles Schwab, U.K., Limited has been appointed by the Manager to act as Facilities Agent for the Company in the United Kingdom pursuant to the U.K. Facilities Agreement dated 30 September 2003 and it has agreed to provide facilities at its offices at 5th Floor, 20 St. Dunstan’s Hill, London EC3R 8HL, United Kingdom where:

- (a) a Shareholder may redeem or arrange for redemption of his or her Shares and from which payment of the price on redemption may be obtained; and
- (b) information can be obtained orally and in writing about the Funds’ most recently published Share price.

Copies of the following documents may be inspected and obtained (free of charge) from the offices of the Facilities Agent:

- (a) the Articles and any amendments thereto;
- (b) the prospectus most recently issued by the Company;

- (c) the key investor information document most recently issued by the Company; and
- (d) the most recently published annual and half yearly reports relating to the Company.

The fees of the U.K. Facilities Agent will be payable by the Manager out of its own fees.

### *United Kingdom taxation*

The following summary of anticipated tax treatment in the United Kingdom does not constitute legal or tax advice and applies only to persons holding Shares as an investment. The summary is based on the taxation law and practice in force at the date of this Prospectus, but prospective investors should be aware that the relevant fiscal rules and practice or their interpretation might change. Prospective investors should consult their own professional advisers on the implications of making an investment in, holding or disposing of Shares, and the receipt of distributions (whether or not on redemption) with respect to such Shares under the laws of the countries in which they are liable to taxation. The following tax summary is not a guarantee to any investor of the tax results of investing in the Company.

### **The Company**

The Directors intend to conduct the affairs of the Company in such a manner as to minimise, so far as they consider reasonably practicable, taxation suffered by the Company. This will include conducting the affairs of the Company so that it does not become resident in the United Kingdom for taxation purposes. Accordingly, and provided that the Company does not carry on a trade in the United Kingdom (whether or not through a permanent establishment situated therein), the Company will not be subject to United Kingdom income tax or corporation tax on gains on disposal of its investments, but may be subject to United Kingdom withholding taxes on United Kingdom source income.

## Shareholders

The Company is an offshore umbrella fund for the purposes of United Kingdom taxation. Consequently, the United Kingdom offshore funds rules will apply in relation to each Fund of the Company and, if relevant, in relation to each class of Shares within a Fund.

For so long as Reporting Fund status is maintained in relation to any Fund (or, if relevant, any class of Shares of a Fund), any profit on a disposal of Shares in such Fund or Share class (for example, by way of transfer or redemption) by a UK resident Shareholder should fall to be taxed as a capital gain (subject to the rules outlined below for corporate investors in Bond Funds).

The Schwab U.S. Dollar Liquid Asset Fund has been accepted by HM Revenue & Customs as a “Reporting Fund” for the purposes of United Kingdom offshore funds rules. Reporting Fund status will apply in relation to the Schwab U.S. Dollar Liquid Asset Fund for each period of account of the Company provided the Company continues to comply with the applicable rules and does not elect in relation to the Schwab U.S. Dollar Liquid Asset Fund to become a non-Reporting Fund.

If Reporting Fund status is not maintained in respect of any Fund or, if relevant, any class of Shares of a Fund, any gain arising on a disposal of Shares in such Fund or Share class will constitute income for all purposes of United Kingdom taxation.

As the disposal proceeds of Shares will be received in U.S. dollars, they should be translated into pounds sterling to calculate the amount of any chargeable gain or allowable loss or, where Reporting Fund status is not maintained, income gain or allowable loss. For instance, even though the Company seeks to maintain Shares of the Schwab U.S. Dollar Liquid Assets Fund at a stable Net Asset Value per Share of U.S. \$1.00, a Shareholder may make a gain (or loss) when that value is translated into pounds sterling when Shares are

redeemed. Investors resident in the United Kingdom should note that they will be required to account in pounds sterling in respect of their transactions in Shares notwithstanding that the Shares are denominated in U.S. dollars.

According to their personal circumstances, and subject to the points set out below, Shareholders resident in the United Kingdom for tax purposes will be liable to income tax or corporation tax in respect of any dividend or other income distribution of the Company (whether or not actually distributed to such Shareholders, or reinvested in further Shares, and including (for the avoidance of doubt) any undistributed reported income under the Reporting Fund regime).

Investors within the charge to income tax may in certain circumstances be entitled to a non-payable tax credit which may be set off against their total income tax liability on the dividends or other income distributions. Where applicable, the tax credit is equal to 10% of the aggregate of the distribution and the tax credit, or one-ninth of the distribution received.

Investors who are within the charge to corporation tax in respect of Shares in the Company will generally be exempt from corporation tax on dividends and other distributions unless the Bond Fund rules (see below) or other anti-avoidance provisions apply.

For UK investors investing in Bond Funds (as defined below) all distributions will be taxed as interest and will not carry a non-repayable tax credit.

If any Fund has more than 60% by market value of its investments in debt securities, money placed at interest (other than cash awaiting investment), building society shares or in holdings in unit trusts or other offshore funds with, broadly, more than 60% by market value of their investments similarly invested, such Fund will be a “Bond Fund”. United Kingdom corporate investors will be taxed on any increase (or relieved for any loss) on the open market value of their interest in a

Bond Fund at the end of each accounting period and at the date of disposal of their interest as income.

It should be noted that authorised unit trusts, open-ended investment companies and investment trusts holding Shares should not be affected by these rules to the extent that profits and losses on their Shares are accounted for as capital. However the rules may apply to investors in relevant authorised unit trusts and open-ended investment companies.

Investors who are life insurance companies within the charge to United Kingdom taxation holding their Shares in the Company for the purposes of their long-term business (other than their pensions business) will be deemed to dispose of and immediately reacquire their Shares at the end of each accounting period. Such Shareholders should seek their professional advisers' advice as to the tax consequences of the deemed disposal.

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007. These provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad and may render them liable to taxation in respect of undistributed income and profits of the Company on an annual basis.

The Income and Corporation Taxes Act 1988 contains provisions which subject certain United Kingdom resident companies to corporation tax on profits of companies not so resident in which they have an interest. The provisions affect United Kingdom resident companies which are deemed to be interested (whether directly or indirectly) in at least 25% of the profits of a non-resident company which is controlled by residents of the United Kingdom and is resident in a low tax jurisdiction. The legislation is not directed towards the taxation of capital gains. Investors should

note that the United Kingdom Government is currently considering the reform of these rules.

It is anticipated that the shareholdings in the Company will be such as to ensure that the Company would not be a close company if resident in the United Kingdom. If, however, the Company were to be such that it would be close if resident in the United Kingdom, gains accruing to it may be apportioned to certain United Kingdom resident Shareholders who may thereby become chargeable to capital gains tax, or corporation tax, on chargeable gains on the gains apportioned to them.

### **Miscellaneous**

- The Class A Shares in the Schwab U.S. Dollar Liquid Assets Fund have been admitted to the Official List and to trading on the Main Market of the Irish Stock Exchange. However, there will be no market maker in the Shares. Shareholders may be able to realise their investment in the Shares only through the redemption of their Shares by the Company as described in "Redeeming Shares" in the Prospectus and "Redemptions" in the Relevant Supplement or through separate agreement with your securities broker or financial intermediary.
- The Shares issued to investors in the Company will be denominated in U.S. dollars and not pounds sterling. Changes in rates of currency exchange may have an adverse effect on the value, price, or income of the investment.
- The price and value of the Shares and any income from them can fluctuate and may move against the investor's interest, and an investor may get back less than he invested. Notwithstanding the foregoing, Schwab U.S. Dollar Liquid Assets Fund intends to maintain a stable Net Asset Value per Share of U.S. \$1.00, although there is no guarantee it will be able to do so.

- Investment in the Company may not be suitable for all investors. This document should not be regarded as a recommendation to buy, sell or otherwise maintain any particular investment or shareholding. Investors needing advice should consult an appropriate financial adviser. References should in particular be made to the sections headed “Investment Objectives and Policies”, “Use of Financial Derivative Instruments and Fund Investment Techniques”, and “Investment Risks” in the Prospectus and the sections headed “Investment Objectives and Policies”, “Investment Restrictions” and “Investment Risks” in the Relevant Supplement.
- Charles Schwab & Co., Inc. or companies associated with Charles Schwab & Co., Inc. will or may provide investment and shareholder services for the Company, but do not have any beneficial holding in any Shares of the Company. However, such companies may themselves hold or subsequently acquire Shares, as holder of record or nominee for customers or otherwise. Save as disclosed herein and in the Prospectus, no commissions, discounts, brokerages, or other special terms have been granted or are payable by the Company in connection with the issue or sale of Shares and no officer or Director of the Company has an interest, direct or indirect, in the promotion of the Company or in any property proposed to be acquired by the Company.
- The Company does not have a place of business in the United Kingdom and is not authorised under the FSMA. As against the Company, and any overseas agent thereof who is not authorised to carry on investment business in the United Kingdom, a United Kingdom investor will not benefit from the following rights designed to protect investors under the rules of the FCA; the Financial Services Compensation Scheme; access to

the Financial Ombudsman and their Arbitration Scheme. Please contact Charles Schwab, U.K., Limited Compliance Dept., 5th Floor, 20 St. Dunstan’s Hill, London EC3R 8HL, United Kingdom regarding complaints or requests for documents.

- Investors purchasing Shares in the Company will generally have no rights of cancellation under the FSMA. If any transaction attracts cancellation rights, Charles Schwab, U.K. Limited will forward to the investor a cancellation notice in accordance with the above rules.
- The Directors have, and may exercise, rights under the Articles or otherwise to compulsorily redeem Shares issued, sold, or transferred to, or owned by, certain U.S. Persons (as defined in the Prospectus). These rights may extend to any person who becomes a U.S. Person.
- Levels and bases of taxation in relevant jurisdictions are subject to change. For a discussion of United Kingdom taxation, see above.

## *General*

### **Conflicts of interest**

Subject to the provisions of this section, the Administrator, the Investment Manager, the Depositary, any Shareholder and any of their respective subsidiaries, affiliates, associates, agents or delegates (“Connected Persons” and each a “Connected Person”) may contract or enter into any financial, banking or other transaction with one another or with the Company including, without limitation, investment by the Company in securities of a Shareholder or investment by any Connected Persons in any company or body any of whose investments form part of the assets comprised in any Fund or be interested in any such contract or transactions and in particular, without limitation, they may invest in and deal with Shares relating to any

Fund or any property of the kind included in the property of the Company for their respective individual accounts or for the account of someone else. A Connected Person may also from time to time have a position in, or underwrite or deal in, one or more of the securities on which the Investment Manager has provided investment advice to the Company.

In addition, any cash of the Company may be deposited, subject to the provisions of the Irish Central Bank Acts 1942 to 2013, with any Connected Person or invested in certificates of deposit or banking instruments issued by any Connected Person. Banking and similar transactions, including foreign exchange transactions, may also be undertaken with or through a Connected Person.

Any Connected Person may also deal as agent or principal in the sale or purchase of securities and other investments to or from the Company through or with the Investment Manager or the Depositary or any subsidiary, affiliate, associate, agent or their respective delegates.

There will be no obligation on the part of any Connected Person to account to Shareholders for any benefits so arising and any such benefits may be retained by the relevant party, provided that such transactions are conducted at arm's length, are consistent with the best interests of Shareholders and

- (a) a certified valuation of such transaction by a person approved by the Depositary (or, in a transaction involving the Depositary, the Directors) as independent and competent has been obtained; or
- (b) such transaction has been executed on best terms reasonably available on an organised investment exchange under its rules; or
- (c) such transaction has been executed on terms which the Depositary is satisfied conform with the principle that such transactions be conducted at arm's length. In the event of a

transaction involving the Depositary, the Directors should be satisfied that such transaction conforms with the principle that it be carried out as if effected on normal commercial terms negotiated at arm's length.

The Depositary (or the Directors in the case of a transaction involving the Depositary or an affiliate of the Depositary) shall document how it has complied with (a), (b) or (c) above. Where transactions are conducted in accordance with (c), the Depositary (or the Directors in the case of a transaction involving the Depositary or an affiliate of the Depositary) shall document its rationale for being satisfied that the transaction conformed to the principles outlined in that paragraph.

A Connected Person may also engage in other activities involving or affecting the securities in which the Funds will invest. In particular Connected Persons may be involved in origination of transactions concerning such securities, underwriting such securities and acting as broker/dealer in respect of such securities. In addition, a Connected Person may perform other services for portfolio companies and receive fees, commissions and other remuneration therefor. In conjunction with their various activities, Connected Persons may come into possession of confidential information that could, if known to the public, affect the market value of the securities in which the Funds will invest. Connected Persons will not be obliged to disclose such information to the Funds or to use such information for the benefit of the Funds.

The Articles provide that the Directors may rely on the valuation of a competent person when determining the probable realization value of unlisted securities. The Directors may rely on a valuation provided by the Investment Manager or a related entity for these purposes and investors should be aware that in these circumstances a possible conflict of interest may arise

as the higher the estimated probable realization value of the security, the higher the fees payable to the Investment Manager.

The Administrator and the Investment Manager may also, in the course of their business, have potential conflicts of interest with the Company in circumstances other than those referred to above. Each of the Administrator and the Investment Manager will, however, have regard in such event to its obligations under the Administration Agreement and the Investment Management Agreement respectively and, in particular, to its obligations to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients when undertaking any investments where conflicts of interest may arise and will ensure that such conflicts are resolved fairly. In the event that a conflict of interest does arise the Directors will endeavor to ensure that such conflicts are resolved fairly.

Ms. Chandoha and Mr. Pereira are officers of the Investment Manager. The Directors may also serve as directors of other collective investment schemes or may be directors or shareholders of other companies in which the Company invests.

In selecting brokers to make purchases and sales for the Company, the Investment Manager will choose those brokers who provide best execution to the Company. In determining what constitutes best execution, the Investment Manager may consider a number of factors, including, for example, the over-all economic result of the Company (price of commission plus other costs), clearance, settlement, reputation, the efficiency of the transaction and error resolution, the broker's ability to effect the transaction if a large block is involved, availability of the broker for difficult transactions in the future, order of call, other services provided by the broker such as research and the provision of statistical and other information and the financial strength and stability of the broker. In

managing the assets of the Company, the Investment Manager may receive certain research and statistical and other information and assistance from brokers who may in some cases be an affiliate of the Investment Manager. The Investment Manager may allocate brokerage business to brokers who have provided such research and assistance to the Company and/or other accounts for which the Investment Manager exercises investment discretion. The brokerage rates payable to such brokers shall not be in excess of customary institutional full service brokerage rates and are known as "soft commissions". The benefits provided under any such soft commission arrangements must assist in the provision of investment services to the Company and any such soft commission arrangements will be disclosed in the periodic reports of the Company. No cash rebates will be retained by the Investment Manager or any of its affiliates.

### **Meetings**

At least one general meeting of the Company shall be held in each year as the Company's annual general meeting. At least twenty-one days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) shall be given to Shareholders. The notice shall specify the place, day and hour of the meeting and the terms of the resolutions to be proposed. A proxy may attend on behalf of any Shareholder. The voting rights attached to the Shares are set out under the heading "Voting Rights" in this Prospectus.

### **Reports and accounts**

The Directors shall cause to be prepared an annual report and audited annual accounts for the Company and each Fund for the period ending 31 December in each year. The most recent annual report and audited accounts covered the period from 1 January 2015 to 31 December 2015. These annual reports will be filed

with the Central Bank and the Companies Announcements Office of the Irish Stock Exchange within four months of the end of the relevant accounting period and will be circulated to Shareholders as soon as possible thereafter, and in any event at least twenty one days before the annual general meeting. In addition, the Directors shall cause to be prepared a half-yearly report covering the period from 1 January to 30 June each year which shall include unaudited half-yearly accounts for the Company and each Fund. Half-yearly reports for each Fund will be filed with the Central Bank and the Companies Announcements Office of the Irish Stock Exchange within two months of the end of the relevant accounting period and will be circulated to Shareholders in the relevant Fund as soon as possible thereafter. The most recent half-yearly report covered the period from 1 January 2015 to 30 June 2015. The annual report and the half-yearly report may be sent to Shareholders by electronic mail or other electronic means of communication where Shareholders have elected to receive the reports by such methods. Shareholders are also entitled to receive reports by hard copy mail on request.

## **Winding up**

The Articles contain provisions to the following effect:

- (a) If the Company shall be wound up the liquidator shall apply the assets of the Company in such manner and order as he thinks fit in satisfaction of creditors' claims. The liquidator shall, in relation to the assets available for distribution among the Shareholders, make in the books of the Company such transfers thereof to and from Funds as may be necessary in order that the effective burden of such creditors' claims may be shared between the holder of Shares of different classes in such proportions as the liquidator in his absolute discretion may think equitable.
- (b) The assets available for distribution among the Shareholders shall then be applied in the following priority:
  - (i) First, in the payment to the holders of the Shares of each series of a sum in the currency in which that series is designated (or in any other currency selected by the liquidator) as nearly as possible equal (at a rate of exchange determined by the liquidator) to the Net Asset Value of the Shares of such series held by such holders respectively as at the date of commencement to wind up provided that there are sufficient assets available in the relevant Fund to enable such payment to be made. In the event that, as regards any series of Shares, there are insufficient assets available in the relevant Fund to enable such payment to be made recourse shall be had:
    - (1) first, to the assets of the Company not comprised within any of the Funds; and
    - (2) secondly, to the assets remaining in the Funds for the other series of Shares (after payment to the holders of the Shares of the series to which they relate of the amounts to which they are respectively entitled under this paragraph (i)) pro rata to the total value of such assets remaining within each such Fund.
  - (ii) Secondly, in the payment to the holders of the Subscriber Shares of sums up to the nominal amount paid thereon out of the assets of the Company not

comprised within any Funds remaining after any recourse thereto under subparagraph (i)(1) above. In the event that there are insufficient assets as aforesaid to enable such payment in full to be made, no recourse shall be had to the assets comprised within any of the Funds.

- (iii) Thirdly, in the payment to the holders of each series of Shares of any balance then remaining in the relevant Fund, such payment being made in proportion to the number of Shares of that series held.
  - (iv) Fourthly, in the payment to the holders of the Shares of any balance then remaining and not comprised within any of the Funds, such payment being made in proportion to the number of Shares held.
- (c) If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the Court) the liquidator may, with the authority of a special resolution and any other sanction required by the Irish Companies Acts, divide among the Shareholders in specie the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of a single kind, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator shall if any Shareholder so requests liquidate or otherwise dispose of sufficient assets in order to enable the liquidator to distribute the cash proceeds thereof, net of all fiscal Duties and Charges incurred in connection with the sale of

such underlying investments, to the Shareholder in question. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator, with the like authority, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no Shareholder shall be compelled to accept any assets in respect of which there is liability.

### **Material contracts**

The following contracts, which are summarised in the “Management and Administration” and “Fees and Expenses” sections in this Prospectus, have been entered into and are, or may be, material:

- (a) Management Agreement dated 28 April 1999 between the Company and the Manager pursuant to which the Manager was appointed to provide management, administrative and distribution services to the Company;
- (b) Administration Agreement dated 28 September 2012 between the Company, the Manager and the Administrator pursuant to which the Administrator was appointed to provide administration, accounting and Shareholder registration and transfer agency services to the Company;
- (c) Amended and Restated Depositary Agreement dated 13 October 2016 between the Company, the Manager and the Depositary pursuant to which the Depositary has been appointed as depositary of the Company’s assets; and
- (d) Investment Management Agreement dated 28 April 1999 between the Manager and the Investment Manager pursuant to which the Investment Manager has been appointed to provide investment management and advisory services to the Company.

## **Documents for inspection**

Copies of the following documents may be inspected at the Company's registered office at 70 Sir John Rogerson's Quay, Dublin 2, Ireland, during normal business hours on any day on which the Administrator is open for business:

- (a) the material contracts referred to above;
- (b) the Articles;
- (c) the UCITS Regulations; and
- (d) the latest published annual and half-yearly reports and audited and unaudited accounts of the Company.

Copies of the Articles and of any annual or half-yearly reports may be obtained from the Administrator free of charge.

# *Charles Schwab Worldwide Funds plc*

## **Supplement No. 1**

14 October 2016

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### **Schwab U.S. Dollar Liquid Assets Fund**

#### *Schwab U. S. Dollar Liquid Assets Fund*

A sub-fund of Charles Schwab Worldwide Funds plc, which is an investment company with variable capital constituted as an umbrella fund under the laws of Ireland and authorised and regulated by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended.

This Supplement forms part of, and should be read in conjunction with, the Prospectus dated 14 October 2016 (the “Prospectus”) in relation to Charles Schwab Worldwide Funds plc (the “Company”) and contains information relating to the Schwab U.S. Dollar Liquid Assets Fund (the “Fund”), which is a separate portfolio of the Company, represented by the Schwab U.S. Dollar Liquid Assets Fund series of shares in the Company (the “Shares”).

Shares issued in the Fund have been admitted to the Official List and to trading on the Main Market of the Irish Stock Exchange. The Directors do not anticipate that an active secondary market will develop in the Shares.

The directors of Charles Schwab Worldwide Funds plc (the “Directors”) listed in the “Management and Administration” section of the Prospectus, accept responsibility for the information contained in this Supplement and the Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit any material information likely to affect the import of such information. The Directors accept responsibility accordingly.

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## *Definitions*

Words and terms defined in the Prospectus have the same meaning in this Supplement unless otherwise stated herein.

For the purposes of Share dealings and valuations of the Fund, “Business Day” shall mean a day on which both the New York Stock Exchange is open for regular trading and the Federal Reserve Bank of New York is open, or such other day or days (except Saturday, Sunday or any public holiday in New York) as may be determined by the Directors. “Valuation Point” shall mean the close of trading on the New York Stock Exchange on each Business Day, generally 4:00 p.m. (U.S. Eastern Time).

For the purposes of this Supplement, a “Recognised Rating Agency” shall mean Moody’s Investor Service, S&P, Fitch Ratings or an equivalent rating agency.

For the purposes of this Supplement, a “Recognised Market” shall mean any of the exchanges or markets listed in Appendix I.

There is currently one class of Shares available for subscription in the Fund, the Class A Shares.

## *Investment objectives and policies*

The Fund seeks to provide current income while maintaining liquidity and a stable Net Asset Value per Share of U.S. \$1.00. The Fund will seek to achieve this objective by investing principally in U.S. dollar-denominated, high-quality short-term money market securities traded primarily in the U.S. such as securities backed by the full faith and credit of the U.S. government, securities issued by U.S. government agencies, or securities issued by corporations and financial institutions. There is no assurance that the Fund will be able to maintain a stable Net Asset Value per Share of U.S. \$1.00 or otherwise meet its investment objectives.

The investment objectives and material investment policies of the Fund will not be altered without the approval of the Shareholders by ordinary resolution.

In seeking to achieve its investment objectives, the Fund will invest in securities or instruments which have a residual maturity of up to and including 397 days. The Fund will maintain an average U.S. dollar-weighted portfolio maturity of 60 days or less and an average U.S. dollar-weighted portfolio life of 120 days or less. The calculation of both will take into account the impact of deposits and any efficient portfolio management techniques used by the Fund. Weighted average portfolio maturity is a measure of the average length of time to maturity of all of the underlying securities weighted to reflect the relative holdings in each instrument, assuming that the maturity of a floating or variable rate instrument is the time remaining until the next interest rate reset date rather than the time remaining before the principal value of the security must be repaid, while weighted average portfolio life is the weighted average of the remaining life (maturity) of each security held, meaning the time until the principal is repaid in full. In addition, for so long as the Fund is authorized by the Securities and Futures Commission in Hong Kong, it will maintain an average portfolio maturity not exceeding 90 days.

As such, the Fund is classified as a “Short Term Money Market Fund” as defined by the European Securities and Markets Authority’s Guidelines on a common definition of European money market funds.

The general categories of short-term securities or instruments in which the Fund invests are described below. The Fund will not invest in any CIS unless it is a “Short Term Money Market Fund” as defined by the European Securities and Markets Authority’s Guidelines on a common definition of European money market funds.

The general categories of short-term securities or instruments in which the Fund invests are described below.

### **U.S. Government debt securities**

The Fund may invest in securities, including bills, bonds or notes, issued or guaranteed by the U.S. government, by various agencies of the U.S. government, and by various instrumentalities which have been established or sponsored by the U.S. government.

U.S. Treasury securities are backed by the “full faith and credit” of the United States government. Securities issued or guaranteed by Federal agencies and U.S. government sponsored instrumentalities may or may not be backed by the full faith and credit of the United States. In the case of securities not backed by the full faith and credit of the United States, the investor must look principally to the agency or instrumentality issuing or guaranteeing the obligation for ultimate repayment, and may not be able to assert a claim against the United States itself in the event the agency or instrumentality does not meet its commitment. However, it is not intended to invest in any such securities unless they are investment grade securities. Some of the U.S. government agencies that issue or guarantee securities include the Export-Import Bank of the United States, the Farmers Home Administration, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Maritime Administration, the Small Business Administration and the Tennessee Valley Authority. An instrumentality of the U.S. government is a government agency organised under Federal charter with government supervision. Instrumentalities issuing or guaranteeing securities include, among others, Federal Home Loan Banks, the Federal Land Banks, the Central Bank for Cooperatives, Federal Intermediate Credit Banks, and the Federal National Mortgage Association.

The Fund may invest in zero coupon Treasury securities which may be issued by the U.S. government, its agencies or instrumentalities and which are purchased at a substantial discount from their face value. Zero coupon Treasury securities generally are U.S. Treasury notes and bonds that have been “stripped” of their interest coupons, U.S. Treasury bills without interest coupons, or certificates representing interests in the stripped securities. They are subject to greater fluctuations in market value when interest rates change than debt securities that pay interest periodically. The Fund accrues interest on zero coupon bonds even though cash is not actually received.

### **Bank obligations**

The Fund may invest in negotiable certificates of deposit (issued by banks in large denominations) and bankers’ acceptances (credit instruments guaranteed by a bank) which are High-Quality Securities. Generally, “High-Quality Securities” are securities that are rated in one of the two highest rating categories by two Recognised Rating Agencies, or by one if only one Recognised Rating Agency has rated the securities, or, if unrated, determined to be of comparable quality by the Investment Manager. High-Quality Securities may be “first tier” or “second tier” securities. First tier securities are rated within the highest category and second tier securities are rated within the second-highest category. In general the Fund intends to invest the majority of its assets in first tier securities. Should a security’s high-quality rating change after purchase by a Fund, the Investment Manager would take such action, including no action, as determined to be in the best interest of the Fund, provided that no more than 5% of the Fund’s Net Asset Value will be invested in below investment grade securities.

The Fund may also invest in Eurodollar and Yankee obligations which are certificates of deposit issued in U.S. dollars by non-U.S. banks and U.S. branches of

non-U.S. banks. Eurodollar and Yankee obligations have the same risks, such as income risk and credit risk, as U.S. money market securities. Other risks of Eurodollar and Yankee obligations include the possibility that a government will not let U.S. dollar-denominated assets leave the country; the possibility that the banks that issue Eurodollar obligations may be subject to an inadequate degree of regulation; and the possibility that adverse political or economic developments will affect investments in a particular country. Before the Investment Manager selects a Eurodollar or Yankee obligation however, any relevant issuer undergoes the same credit-quality analysis and tests of financial strength as the issuers of U.S. securities.

### **Commercial paper**

The Fund may invest in commercial paper which are High-Quality Securities as described above under “Bank obligations”. Commercial paper consists of short-term promissory notes issued by banks, corporations and other institutions to finance short-term credit needs. These securities generally are discounted but sometimes may be interest bearing. Commercial paper, which is generally unsecured, is subject to credit risk.

### **Promissory notes**

The Fund may invest in promissory notes which are transferable and High-Quality Securities as described above under “Bank obligations”. Promissory notes are written agreements committing the maker or issuer to pay the payee a specified amount either on demand or at a fixed date in the future, with or without interest. These are sometimes called negotiable notes or instruments and are subject to credit risk.

### **Bank notes**

Bank notes are notes used to represent debt obligations issued by banks in large denominations and are generally freely transferable.

### **Asset-backed securities**

Asset-backed securities are securities that are backed by the loans or accounts receivables of an entity, such as a bank or credit card company. These securities are obligations which the issuer intends to repay using the assets backing them (once collected). Therefore, repayment depends largely on the cash flows generated by the assets backing the securities. The rate of principal payments on asset-backed securities generally depends on the rate of principal payments received on the underlying assets, which in turn may be affected by a variety of economic and other factors. As a result, the yield on any asset-backed security is difficult to predict with precision, and actual yield to maturity may be more or less than the anticipated yield to maturity.

Sometimes the credit quality of these securities is limited to the support provided by the underlying assets, but, in other cases, additional credit support also may be provided by a third party via a letter of credit or insurance guarantee. Such credit support falls into two classes: liquidity protection and protection against ultimate default on the underlying assets. Liquidity protection refers to the provision of advances, generally by the entity administering the pool of assets, to ensure that scheduled payments on the underlying pool are made in a timely fashion. Protection against ultimate default ensures payment on at least a portion of the assets in the pool. Such protection may be provided through guarantees, insurance policies or letters of credit obtained from third parties, through various means of structuring the transaction or through a combination of such approaches.

The degree of credit support provided on each issue is based generally on historical information respecting the level of credit risk associated with such payments. Delinquency or loss in excess of that anticipated could adversely affect the return on an investment in an asset-backed security.

### **Other short-term debt securities**

The Fund may also invest in other short-term debt securities (including zero coupon securities and asset-backed securities) which are High-Quality Securities as described above under “Bank obligations”.

### **Other short-term government, municipal and corporate debt obligations**

The Fund may also invest in short-term government, municipal and corporate obligations whether issued as bonds, notes or other debt securities which are High-Quality Securities as described above under “Bank obligations”.

### **Floating rate/variable rate notes**

The Fund may purchase notes with floating or variable interest rates. Variable rates are adjustable at stated periodic intervals. Floating rates are adjusted automatically according to a specified market index for such investments, such as the prime rate of a bank.

### **Ancillary liquid assets**

The Fund may also hold or maintain ancillary liquid assets which may include time deposits, master demand notes, variable rate demand notes and short-term funding agreements, subject to compliance with the UCITS requirement that no more than 10% of the Fund’s Net Asset Value be held in ancillary liquid assets issued by the same issuer.

### **Master demand notes**

A master demand note is a note that permits investment of fluctuating amounts of money at varying rates of interest pursuant to arrangements with issuers of the notes. The interest rate on a master demand note may fluctuate based upon changes in specified interest rates or be set periodically according to a prescribed formula or may be a set rate. Although there is no secondary market in master demand notes, such notes have a demand feature pursuant to which the payee may demand payment of the principal

amount for the note on relatively short notice, which generally can vary from one to seven days. The Fund will only invest in master demand notes issued by highly rated institutions or subsidiaries of highly rated institutions.

### **Short-term funding agreements**

A short-term funding agreement is similar to a variable rate demand note insofar as it is an agreement which obligates the issuer, typically an insurance company, to pay a rate of interest on a principal sum deposited by the investor. The terms of the agreement specify, among other things, how long the funds will be placed with the issuer, the method for calculating the interest rate (which is usually a variable rate) and the frequency of change, and the terms of the put feature. The put (akin to a demand feature) obligates the issuer to pay the principal and accrued interest within a specified time after notice is given by the investor. The Fund will only enter into short-term funding agreements which have a fixed maturity of no greater than seven days with highly rated institutions or subsidiaries of highly rated institutions.

### **Use of Financial Derivative Instruments and Fund Investment Techniques**

The Fund may employ fund investment techniques for efficient portfolio management purposes as described under “Use of Financial Derivative Instruments and Fund Investment Techniques” in the Prospectus. In particular, the Fund may enter into repurchase agreements and reverse repurchase agreements. The Fund’s exposure to repurchase agreements and reverse repurchase agreements is expected to be between 15% and 25% of its Net Asset Value, subject to a maximum of 100% of Net Asset Value. The Fund will not engage in securities lending nor enter into FDI transactions. The efficient portfolio management purposes for which the Fund intends to employ fund investment techniques are reduction of risk, reduction of cost and the generation of additional capital or income for the

Fund with an appropriate level of risk, taking into account the risk profile of the Fund and the general provisions of the UCITS Directive.

### **Credit quality and ratings**

The credit quality of a money market security depends upon the issuer's ability to pay interest on the security and ultimately to repay the debt. The lower the rating by one of the Recognized Rating Agencies, the greater the chance (in the rating agency's opinion) the security's issuer will default or fail to meet its payments obligations. Direct U.S. Treasury obligations (i.e. securities backed by the U.S. government) carry the highest credit ratings. Generally, money market securities with greater credit risk offer higher yields.

### **Short-term debt ratings**

#### *Moody's Investors Service*

Prime-1 is the highest commercial paper rating assigned by Moody's. Issuers (or related supporting institutions) of commercial paper with this rating are considered to have a superior ability to repay short-term promissory obligations. Issuers (or related supporting institutions) of securities rated Prime-2 are viewed as having a strong capacity to repay short-term promissory obligations. This capacity normally will be evidenced by many of the characteristics of issuers whose commercial paper is rated Prime-1 but to a lesser degree.

#### *S&P*

An S&P A-1 commercial paper rating indicates a strong degree of safety regarding timely payment of principal and interest. Issues determined to possess overwhelming safety characteristics are denoted A-1+. Capacity for timely payment on commercial paper rated A-2 is satisfactory, but the relative degree of safety is not as high as for issues designated A-1.

#### *Fitch Ratings*

F1+ is the highest category, and indicates the strongest degree of assurance for timely payment. Issues rated F1 reflect an assurance of timely payment only slightly less than issues rated F1+. Issues assigned an F2 rating have a satisfactory degree of assurance for timely payment, but the margin of safety is not as great as for issues in the first two rating categories.

### **Long-term debt ratings**

#### *Moody's Investors Service*

Moody's rates the bonds it judges to be of the best quality AAA. These bonds carry the smallest degree of investment risk and generally are referred to as "gilt edge". Interest payments are protected by a large or exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualised are most unlikely to impair the fundamentally strong position of these issues. Bonds carrying an AA designation are deemed to be of high quality by all standards. Together with AAA rated bonds, they comprise what are generally known as high-grade bonds. AA bonds are rated lower than the best bonds because they may enjoy relatively lower margins of protection, fluctuations of protective elements may be of greater amplitude or there may be other factors present that make them appear to be subject to somewhat greater long-term risks. A rated bond is considered as upper-medium grade obligations as they possess many favourable investment attributes. Bonds designated BAA are considered medium grade in that they are not highly protected nor poorly secured. Interest payments and principal security appear to be adequate at the present, but they may lack certain protective elements or be characteristically unreliable over any great length of time. BAA bonds do not have any outstanding investment characteristics and do have speculative characteristics.

## *S&P*

AAA is the highest rating assigned by S&P to a bond and indicates the issuer's extremely strong capacity to pay interest and repay principal. An AA rating denotes a bond whose issuer has a very strong capacity to pay interest and repay principal and differs from an AAA rating only in small degree. A ratings are given to debt that has a strong capacity to pay interest and repay principal but is somewhat more susceptible to adverse effects of changes in circumstances and economic conditions than higher-rated debt. BBB debt indicates the issuer is regarded by S&P as having an adequate capacity to pay interest and repay principal. These securities appear to have adequate protection, however adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal in this category than in higher categories.

## *Fitch Ratings*

AAA is the highest rating Fitch assigns to bonds, and indicates the issuer's exceptionally strong ability to pay interest and repay principal. Bonds that Fitch considers of very high credit quality, and the issuer's ability to pay interest and repay principal is very strong, although not as strong as AAA, is rated AA. An A rating is given to show high credit quality and the issuer's ability to pay interest and repay principal is strong, but there is more vulnerability to economic conditions and circumstances than higher rated debt. BBB bonds are considered investment grade, where the issuer has adequate ability to pay interest and repay principal. Bonds rated BBB are more susceptible to adverse changes in economic conditions and circumstances, thus these bonds are more likely to fall below investment grade or have the timeliness of their payments impaired.

## **Short-term notes and variable rate demand obligations**

### *Moody's Investors Service*

Short-term notes/variable rate demand obligations bearing the designations MIG-1/VMIG-1 are considered to be of the best quality, enjoying strong protection from established cash flows, superior liquidity support or demonstrated broad-based access to the market for refinancing. Obligations rated MIG2/VMIG-3 are of high quality and enjoy ample margins of protection although not as large as those of the top rated securities.

### *S&P Corporation*

An S&P SP-1 rating indicates that the subject securities' issuer has a strong capacity to pay principal and interest. Issues determined to possess very strong safety characteristics are given a plus (+) designation. S&P's determination that an issuer has a satisfactory capacity to pay principal and interest is denoted by an SP-2 rating.

## *Investment restrictions*

The assets of the Fund will be invested in accordance with the concentration and other restrictions imposed under the UCITS Regulations and summarised in the "Investment Objectives and Policies" section of the Prospectus. In addition, for so long as the Fund is authorized by the Securities and Futures Commission in Hong Kong, the Fund may only invest in deposits and debt securities and may not invest in financial derivative instruments. Furthermore, and again only for so long as the Fund is authorized by the Securities and Futures Commission in Hong Kong, the Fund may borrow up to 10% of its total Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses and the aggregate value of the Fund's holding of

instruments and deposits issued by a single issuer may not exceed 10 per cent of the total Net Asset Value of the Fund except:

- (i) where the issuer is a substantial financial institution and the total amount does not exceed 10 per cent of the issuer's issued capital and published reserves, the limit may be increased to 25 per cent; or
- (ii) in the case of Government and other public securities, up to 30 per cent may be invested in the same issue; or
- (iii) in respect of any deposit of less than \$1,000,000 or its equivalent in the base currency of the Fund, where the Fund cannot otherwise diversify as a result of its size.

## *Investment risks*

Investment in the Fund carries with it a degree of risk including, but not limited to, the risks described in the "Investment Risks" section of the Prospectus and those referred to below. These investment risks are not purporting to be exhaustive and potential investors should review the Prospectus and this Supplement carefully before making an application for Shares. The value of investments in the Fund, and income earned from them, can go down as well as up and an investor may not recover the amount invested. There can be no assurance that the Fund will be able to maintain a stable Net Asset Value per Share of U.S. \$1.00 or otherwise achieve its investment objective. The Fund is not designed to offer capital appreciation. In exchange for their emphasis on stability and liquidity, the Fund's investments may offer lower long-term performance than stock or bond investments.

### **Income risk**

The Fund invests in short-term securities whose performance is closely correlated to short-term interest

rates. Interest rates rise and fall over time. As with any investment whose yield reflects current interest rates, the Fund's yield will change over time. During periods when interest rates are low, the Fund's yield (and total return) also will be low. Historically, short-term interest rate fluctuations have been influenced by government monetary policy and by markets' growing demand. The Fund is subject to income risk, which is the possibility that dividends (i.e. income) will decline because of falling interest rates. Because the Fund's income is based on short-term interest rates which can fluctuate significantly over short periods, income risk is expected to be high.

### **Credit risk**

The Fund is subject to credit risk, which is the possibility that the issuer or guarantor of a portfolio investment fails to make timely principal or interest payments or otherwise honor its obligations. The negative perceptions of an issuer's ability to make such payments could also cause the price of that investment to decline. The credit quality of the Fund's portfolio holdings can change rapidly in certain market environments and any default on the part of a single portfolio investment could cause the Fund's share price or yield to fall. While the credit quality of government securities is high, the Fund invests in money market securities of private financial and non-financial corporations and, accordingly, not all of the securities in which it invests are issued or guaranteed by sovereign governments or government agencies.

### **Floating rate securities**

The Fund may invest in floating rate securities whose interest rates are not set but which fluctuate periodically. These securities reset their yield on a periodic basis (for example, daily, weekly or quarterly) and are closely correlated to changes in money market interest rates. These securities may be subject to price volatility due to such factors including, but not limited

to, changes in interest rates, market perception of the creditworthiness of the issuer and the general market liquidity.

### **Fixed income securities**

The fixed-income securities in which a Fund may invest are interest rate sensitive and may be subject to price volatility due to such factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. The magnitude of these fluctuations will normally be greater when the maturity of the outstanding securities is longer. An increase in interest rates will generally reduce the value of fixed-income securities, while a decline in interest rates will generally increase the value of fixed-income securities. The performance of a Fund which invests in fixed income securities will therefore depend in part on the ability of the Investment Manager to anticipate and respond to such fluctuations in market interest rates and to utilise appropriate strategies to maximise returns, while attempting to minimise the associated risks to investment capital.

### **Portfolio turnover**

Because of the short-term nature of portfolio securities, the turnover rate for the Fund is expected to be high. The turnover rate should not increase portfolio costs however, since brokerage commissions are not usually charged for the purchase or sale of short-term fixed income securities.

### **Redemption risk**

The Fund may experience periods of heavy redemptions that could cause the Fund to liquidate its assets at inopportune times or at a loss or depressed value, particularly during periods of declining or illiquid markets. Redemptions by a few large investors in the Fund may have a significant adverse effect on the Fund's ability to maintain a stable U.S.\$1.00 Net Asset Value per Share. In the event any money market

fund fails to maintain a stable net asset value, other money market funds, including the Fund, could face a market-wide risk of increased redemption pressures, potentially jeopardizing the stability of their U.S.\$1.00 Net Asset Value per Share.

### **Liquidity risk**

Liquidity risk exists when particular investments are difficult to purchase or sell. The market for certain investments may become illiquid due to specific adverse changes in the conditions of a particular issuer or under adverse market or economic conditions independent of the issuer. If an investment becomes illiquid, the Fund may incur significant trading costs and may even suffer losses when selling such instruments.

### **Negative Yield Environment**

As a result of the ongoing deflationary environment and low growth expectations, certain money market instruments in which the Fund invests may trade at a negative net yield. These instruments include government securities as well as obligations issued or guaranteed by corporations or commercial banks, bank deposits and repurchase agreements. Such instruments will have a negative impact on the amount of income available to be distributed. Furthermore, as a result, the Fund may not achieve its objective of preservation of capital and may suffer from negative yields on its portfolio (ie, the costs and expenses of the Fund may exceed the income and gains of its portfolio on any given day). This will result in a corresponding reduction in the amount of income available for distribution and may have an adverse impact on the Fund's ability to maintain a stable Net Asset Value Per Share.

## *Subscriptions*

Shares in the Fund are available for subscription on each Business Day at their Net Asset Value per Share,

which the Company will seek to maintain at U.S. \$1.00 per Share.

Shares will be issued at the next determined Net Asset Value per Share after receipt and acceptance by the Administrator of a request for subscription. In the case of an initial subscription, this must be an original signed request; subsequent requests for subscription may be made by way of facsimile or other electronic means. In either case, subscription requests must be received by the Administrator by 10:00 a.m (U.S. Eastern Time), or such other time as the Directors may from time to time determine in order to be issued as of the next Net Asset Value per Share. In addition, subscription monies must be received by the Depository in immediately available funds by 4:00 p.m. (U.S. Eastern Time), or such other time as the Directors may from time to time determine (the “Dealing Deadline”). Applications and/or subscription monies received after that time will be treated as being received on the next Business Day. On any day that the New York Stock Exchange, Federal Reserve Bank of New York or principal or government securities markets close early such as days in advance of holidays, the Fund reserves the right to advance the time of the close of the relevant Business Day.

Applications for Shares received during any period when the Share dealings have been temporarily suspended in the circumstances described in the “Temporary Suspension of Dealings” section of the Prospectus will be treated as received on the first Business Day after dealings have recommenced, unless such application has been withdrawn during the period of suspension.

The address of the Administrator is:

State Street Fund Services (Ireland) Limited  
78 Sir John Rogerson’s Quay  
Dublin 2  
Ireland

Shareholders whose Shares are held in a Charles Schwab securities brokerage account may select to have free credit balances in their securities brokerage account invested automatically in Shares of the Fund. Free credit balances in their securities brokerage accounts as of 8:00 p.m. (U.S. Eastern Time) will be invested in Shares of the Fund on the next Business Day unless a different time is established in documentation relating to their securities brokerage account.

The base currency of the Fund is U.S. dollars. The minimum subscription amount for the Fund is U.S. \$1.00. There is no minimal shareholding requirement.

## *Redemptions*

The Fund redeems the Shares at their next determined Net Asset Value per Share. Redemption requests must be received in proper form and are only effective upon acceptance by the Administrator.

Shares may be redeemed on any Business Day by way of facsimile or other written or electronic communication to the Administrator at the address specified in the “Subscriptions” section above, provided that the relevant redemption request is received by the Administrator no later than 10:00 a.m. (U.S. Eastern Time) or such other time as the Directors may from time to time determine, on the relevant Business Day. Redemption requests received after that time will be treated as being received on the following Business Day.

Generally, for Shareholders whose Shares are held in a Charles Schwab securities brokerage account, redemption requests received before 10:00 a.m. (U.S. Eastern Time) will be redeemed on that Business Day and become immediately available funds in the securities brokerage accounts by 4:00 p.m. (U.S. Eastern Time).

Redemption requests must specify the Shareholder’s full name, address and Shareholder number and the

number or U.S. dollar amount of Shares to be redeemed. Amendments to the Shareholder's registration details and payment instructions will only be effected on receipt of original documentation or electronic instruction and redemption requests can be processed on receipt of electronic instruction only where payment is to the account of record.

Redemption proceeds which are paid by way of redemption monies will be sent within 10 Business Days after the Business Day on which redemption is effected, provided that redemption proceeds will not be paid unless and until the Shareholder's original subscription application form and anti-money laundering documentation have been received by the Administrator.

Shareholders of the Fund are not subject to a sales charge, a transaction fee, a redemption fee or an exchange fee, notwithstanding that the Directors may, at their discretion, charge a redemption fee and an exchange fee as provided in the Prospectus under "Exchange Privilege". In the event that the Directors determine to implement any such fees or charges in respect of any Shares of the Fund then in issue, the Shareholders will be given at least three months' prior notice of the implementation.

## *Dividend policy*

All or substantially all of the Fund's net investment income will be calculated and declared each Business Day as a dividend denominated in U.S. dollars. Dividends will be distributed to Shareholders as of the 15th day (or, if not a Business Day, on the next Business Day) of each month (except in December when dividends are paid on the last Business Day of the month) in the form of additional full and fractional Shares, unless a Shareholder has elected to receive dividends paid in cash to his securities brokerage account. However, where a Shareholder has elected to receive dividends paid in cash, such

dividends will not be paid unless and until the Shareholder's original subscription application form and anti-money laundering documentation have been received by the Administrator.

For Subscription requests received by 10:00 a.m. (U.S. Eastern Time), and subscription monies received by the Dealing Deadline, Shares begin receiving dividends that day. For redemption requests received and accepted before 10:00 a.m. (U.S. Eastern Time), Shares will be redeemed the same Business Day but will not be entitled to that day's dividends, and proceeds will be distributed the same Business Day.

The Fund's net investment income consists of the aggregate of (a) accrued interest or discount (including both original issued and market discount on taxable securities) on portfolio securities; and (b) any income of the Fund from sources other than capital gains, less (i) the amortisation of market premium on all portfolio securities and (ii) the estimated expenses of the Fund, including a proportionate share of the general expenses of the Company. The Directors may declare dividends in respect of any Shares out of net income (including interest income) and the excess of realised and unrealised capital gains over realised and unrealised losses in respect of investments of the Company. Although realised gains and losses on the assets of the Fund are reflected in its Net Asset Value, they are not expected to be of an amount which would affect the Fund's Net Asset Value per Share of U.S. \$1.00. The Company will adhere to the policies of the Irish Stock Exchange relating to distributions for so long as the Shares are admitted to the Official List and to trading on the Main Market of the Irish Stock Exchange.

## *Fees and expenses*

Investors should read this section in conjunction with the section headed "Fees and Expenses" in the Prospectus. The Manager may receive a management

fee of up to 1.00% per annum of the Fund's average daily Net Asset Value attributable to the Class A Shares (plus value added tax, if any, thereon) accrued daily and payable monthly in arrears as of the last Business Day of each month. The Manager shall also be entitled to be reimbursed for all reasonable out-of-pocket expenses incurred for the benefit of the Fund. The Manager shall be responsible for paying the fees and expenses (plus value added tax, if any, thereon) of the Administrator and the Investment Manager out of its own management fee.

The Depository may receive a depository fee of up to 0.03% per annum of the Fund's average daily Net Asset Value attributable to the Class A Shares (plus value added tax, if any, thereon) accrued daily and payable monthly in arrears as of the last Business Day of each month in addition to any transaction related charges ranging approximately from U.S. \$10 to U.S. \$150 per transaction depending on the location and the type of securities dealt in. The Depository shall also be entitled to be reimbursed for all reasonable out-of-pocket expenses incurred for the benefit of the Fund. Pursuant to the Management Agreement the Manager may voluntarily undertake to reduce or waive its management fee or to make other arrangements to reduce expenses of the Fund to the extent that such expenses exceed such lower expense limitation as the

Manager may, by notice to the Company, voluntarily declare to be effective. The Manager has currently undertaken to limit the aggregate annual operating expenses of the Fund attributable to the Class A Shares, including Directors fees, the management fee, and depository and sub-custody fees which will be at normal commercial rates, but excluding interest, taxes (including any withholding tax applicable to portfolio securities or distributions to Shareholders and the costs associated therewith), transaction charges, brokerage commissions, insurance premiums, the costs associated with registering the Company, the Fund or the Class A Shares with any governmental or regulatory authority or with any stock market or other Recognised Market and extraordinary expenses, to 1.00% per annum of the average daily Net Asset Value of the Shares. In addition to the above, the Manager also may voluntarily waive and/or reimburse fees and/or expenses in excess of the current waiver to the extent necessary to maintain a positive net yield. The Manager may terminate or modify this voluntary undertaking at any time at its sole discretion upon notice in writing to the Company.

It is not currently anticipated that any Duties and Charges beyond transaction charges commonly incurred in transactions in the relevant securities would be imposed.

# *Appendix I*

## **Recognised Markets**

The following is a list of the Recognised Markets in which the Fund may invest:

1. NASDAQ in the United States.
2. The market in the U.S. government securities conducted by the primary dealers regulated by the Federal Reserve Bank of New York.
3. The OTC market in the United States conducted by primary dealers and secondary dealers regulated by the Securities and Exchange Commission and the Financial Industry Regulatory Authority and by banking institutions regulated by the U.S. Comptroller of Currency, the Federal Reserve System or Federal Deposit Insurance Corporation.
4. Any stock exchange in the United States.
5. In the case of an investment in financial derivative instrument, in any derivative market approved in a member state of the European Economic Area (with the exception of Cyprus and Liechtenstein) and the following exchanges or markets:  
  
American Stock Exchange, Chicago Mercantile Exchange, Chicago Board of Options Exchange, Chicago Board of Trade, Kansas City Board of Trade, Mid-American Commodity Exchange, Minneapolis Grain Exchange, New York Board of Trade and New York Mercantile Exchange.
6. The market conducted by banks and other institutions regulated by the FCA and subject to the Inter-Professional Conduct provisions of the Market Conduct section of the FCA Handbook (formerly known as the “Grey Paper”).

## Appendix II

The Depository has appointed State Street Bank and Trust Company with registered office at Copley Place 100, Huntington Avenue, Boston, Massachusetts 02116, USA as its global sub-custodian. State Street Bank and Trust Company as global sub-custodian has appointed local sub-custodians within the State Street Global Custody Network as listed below, as at the date of this Prospectus. The latest version of this list can be consulted at the Investment Manager Guide on the website [www.mystatestreet.com](http://www.mystatestreet.com).

Market	Subcustodian
Albania	Raiffeisen Bank sh.a.
Australia	The Hongkong and Shanghai Banking Corporation Limited
Austria	Deutsche Bank AG
	UniCredit Bank Austria AG
Bahrain	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
Bangladesh	Standard Chartered Bank
Belgium	Deutsche Bank AG, Netherlands (operating through its Amsterdam branch with support from its Brussels branch)
Benin	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
Bermuda	HSBC Bank Bermuda Limited
Federation of Bosnia and Herzegovina	UniCredit Bank d.d.
Botswana	Standard Chartered Bank Botswana Limited
Brazil	Citibank, N.A.
Bulgaria	Citibank Europe plc, Bulgaria Branch
	UniCredit Bulbank AD
Burkina Faso	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast

Market	Subcustodian
Canada	State Street Trust Company Canada
Chile	Banco Itaú Chile S.A.
People's Republic of China	HSBC Bank (China) Company Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
	China Construction Bank Corporation (for A-share market only)
	Citibank N.A. (for Shanghai – Hong Kong Stock Connect market only)
	The Hongkong and Shanghai Banking Corporation Limited (for Shanghai – Hong Kong Stock Connect market only)
	Standard Chartered Bank (Hong Kong) Limited (for Shanghai – Hong Kong Stock Connect market)
Colombia	Cititrust Colombia S.A. Sociedad Fiduciaria
Costa Rica	Banco BCT S.A.
Croatia	Privredna Banka Zagreb d.d.
	Zagrebacka Banka d.d.
Cyprus	BNP Paribas Securities Services, S.C.A., Greece (operating through its Athens branch)
Czech Republic	Československá obchodní banka, a.s.
	UniCredit Bank Czech Republic and Slovakia, a.s.
Denmark	Nordea Bank AB (publ), Sweden (operating through its subsidiary, Nordea Bank Danmark A/S)
	Skandinaviska Enskilda Banken AB (publ), Sweden (operating through its Copenhagen branch)
Egypt	HSBC Bank Egypt S.A.E. (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
Estonia	AS SEB Pank

Market	Subcustodian
Finland	Nordea Bank AB (publ), Sweden (operating through its subsidiary, Nordea Bank Finland Plc.)
	Skandinaviska Enskilda Banken AB (publ), Sweden (operating through its Helsinki branch)
France	Deutsche Bank AG, Netherlands (operating through its Amsterdam branch with support from its Paris branch)
Republic of Georgia	JSC Bank of Georgia
Germany	State Street Bank GmbH
	Deutsche Bank AG
Ghana	Standard Chartered Bank Ghana Limited
Greece	BNP Paribas Securities Services, S.C.A.
Guinea-Bissau	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
Hong Kong	Standard Chartered Bank (Hong Kong) Limited
Hungary	Citibank Europe plc Magyarországi Fióktelepe
	UniCredit Bank Hungary Zrt.
Iceland	Landsbankinn hf.
India	Deutsche Bank AG
	The Hongkong and Shanghai Banking Corporation Limited
Indonesia	Deutsche Bank AG
Ireland	State Street Bank and Trust Company, United Kingdom branch
Israel	Bank Hapoalim B.M.
Italy	Deutsche Bank S.p.A.
Ivory Coast	Standard Chartered Bank Côte d'Ivoire S.A.
Japan	Mizuho Bank, Limited
	The Hongkong and Shanghai Banking Corporation Limited
Jordan	Standard Chartered Bank

Market	Subcustodian
Kazakhstan	JSC Citibank Kazakhstan
Kenya	Standard Chartered Bank Kenya Limited
Republic of Korea	Deutsche Bank AG
	The Hongkong and Shanghai Banking Corporation Limited
Kuwait	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
Latvia	AS SEB banka
Lebanon	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
Lithuania	AB SEB bankas
Malawi	Standard Bank Limited
Malaysia	Deutsche Bank (Malaysia) Berhad
	Standard Chartered Bank Malaysia Berhad
Mali	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
Mauritius	The Hongkong and Shanghai Banking Corporation Limited
Mexico	Banco Nacional de México, S.A.
Morocco	Citibank Maghreb
Namibia	Standard Bank Namibia Limited
Netherlands	Deutsche Bank AG
New Zealand	The Hongkong and Shanghai Banking Corporation Limited
Niger	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
Nigeria	Stanbic IBTC Bank Plc.
Norway	Nordea Bank AB (publ), Sweden (operating through its subsidiary, Nordea Bank Norge ASA)
	Skandinaviska Enskilda Banken AB (publ), Sweden (operating through its Oslo branch)

Market	Subcustodian
Oman	HSBC Bank Oman S.A.O.G. (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
Pakistan	Deutsche Bank AG
Panama	Citibank, N.A.
Peru	Citibank del Perú, S.A.
Philippines	Deutsche Bank AG
Poland	Bank Handlowy w Warszawie S.A.
	Bank Polska Kasa Opieki S.A
Portugal	Deutsche Bank AG, Netherlands (operating through its Amsterdam branch with support from its Lisbon branch)
Puerto Rico	Citibank N.A.
Qatar	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
Romania	Citibank Europe plc, Dublin – Romania Branch
Russia	Limited Liability Company Deutsche Bank
Saudi Arabia	HSBC Saudi Arabia Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
Senegal	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
Serbia	UniCredit Bank Serbia JSC
Singapore	Citibank N.A.
	United Overseas Bank Limited
Slovak Republic	UniCredit Bank Czech Republic and Slovakia, a.s.
Slovenia	UniCredit Banka Slovenija d.d.
South Africa	FirstRand Bank Limited
	Standard Bank of South Africa Limited
Spain	Deutsche Bank S.A.E.
Sri Lanka	The Hongkong and Shanghai Banking Corporation Limited

Market	Subcustodian
Republic of Srpska	UniCredit Bank d.d.
Swaziland	Standard Bank Swaziland Limited
Sweden	Nordea Bank AB (publ)
	Skandinaviska Enskilda Banken AB (publ)
Switzerland	Credit Suisse AG
	UBS Switzerland AG
Taiwan — R.O.C.	Deutsche Bank AG
	Standard Chartered Bank (Taiwan) Limited
Tanzania	Standard Chartered Bank (Tanzania) Limited
Thailand	Standard Chartered Bank (Thai) Public Company Limited
Togo	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
Tunisia	Banque Internationale Arabe de Tunisie
Turkey	Citibank, A.Ş.
	Deutsche Bank A.Ş.
Uganda	Standard Chartered Bank Uganda Limited
Ukraine	PJSC Citibank
United Arab Emirates Dubai Financial Market	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
United Arab Emirates Dubai International Financial Center	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
United Arab Emirates Abu Dhabi	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
United Kingdom	State Street Bank and Trust Company, United Kingdom branch
Uruguay	Banco Itaú Uruguay S.A.

<b>Market</b>	<b>Subcustodian</b>
Venezuela	Citibank, N.A.
Vietnam	HSBC Bank (Vietnam) Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
Zambia	Standard Chartered Bank Zambia Plc.
Zimbabwe	Stanbic Bank Zimbabwe Limited (as delegate of Standard Bank of South Africa Limited)

Notes

*Charles Schwab*  
*Worldwide Funds plc*

**Prospectus & Supplement**

14 October 2016

**Schwab U.S. Dollar Liquid Assets Fund**