

16 December 2016

Dear Investor,

I am writing to notify you of some changes the Fund Boards have decided to apply to our Irish-domiciled fund companies, prompted by regulatory developments. A summary of the changes is outlined below and details can be found in the attachments. These changes do not affect the investment proposition of our Irish-domiciled funds.

You do not need to take any action. This letter is for information purposes only.

**Appointment of a management company:** Absolute Insight Funds plc is an internally or self-managed investment company. This means the company acts as the manager/operator of your investment fund, delegating other functions to third parties. The Central Bank of Ireland (CBI) has conducted a review of fund management company effectiveness for Irish-domiciled funds, known as CP86, and has clarified its expectations regarding the governance and oversight arrangements that investment management companies should have in place.

To meet the CBI's expectations in the most efficient way possible, Insight has moved away from the self-managed model to a more traditional external management company model. The new company has been authorised by the CBI.

**Moving to a fixed operating expenses rate (FOE):** The Fund Board is also taking the opportunity to introduce a fixed rate model for charging operating expenses to the share class you are invested in, which the Fund Board believes will provide investors with greater certainty over the level of the Fund's future costs and lock in the economies of scale that have been generated to date as the Funds have grown to their current levels.

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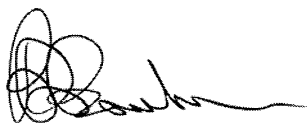


Under the current variable operating expenses model, following the appointment of the management company, Absolute Insight Funds plc would pay a variable level of operating expenses that change in line with the fees and charges incurred and passed on by the management company. Under the FOE model, a fixed rate of operating expenses will be paid by Absolute Insight Funds plc to the management company. In return for receiving this fixed rate, the management company will pay a range of incurred fees and expenses relating to the operation of the Funds, including depositary and administrator charges. The new fixed rate will be based on the current level of known expenses. As the management company is taking on the cost and regulatory risk, if the level of actual incurred expenses rises, the FOE model will benefit investors. Conversely if the level of incurred expenses falls any surplus will be retained by the management company.

**Liquidity features:** The Prospectus will be updated to incorporate adjustments and enhanced disclosures relating to the Company's various liquidity features. These changes are not deemed to be substantive in nature and rather are limited to those designed to correctly reflect all prescribed legal and regulatory requirements and to align the provisions of the Prospectus with pre-existing provisions of the articles of association of the Company.

As mentioned previously you do not need to take any action. This letter is for informational purposes only. If you have any questions or comments about any aspect of this notification please contact us.

Yours sincerely,



Paul Bourdon  
Head of Institutional Client Relationship Management  
Insight Investment



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# ABSOLUTE INSIGHT FUNDS PLC

Beaux Lane House  
Mercer Street Lower  
Dublin 2

16 December 2016

## Absolute Insight Funds plc (the "Company") Notification of Amendments to the Prospectus

Dear Shareholder

### 1 Overview of Amendments

- 1.1 We are writing to you as a shareholder in the Company to notify you of amendments to be made to the prospectus of the Company (the "**Prospectus**").
- 1.2 The proposed amendments to the Prospectus relate primarily to:
- (a) the appointment of Insight Investment Management (Ireland) Limited (the "**Management Company**") as UCITS management company to the Company;
  - (b) adjustments and enhanced disclosure relating to the Company's various liquidity features;
  - (c) adjustments to the fee structure for the various service providers to the Company (noting there is no change to the investment management fees or performance fees); and
  - (d) various minor ancillary miscellaneous updates.
- 1.3 Subject to approval from the Central Bank of Ireland (the "**Central Bank**"), the directors of the Company (the "**Directors**") intend to effect these changes on 1 February 2017 (the "**Effective Date**").

### 2 Amendments

#### 2.1 *Appointment of the Management Company*

- (a) The Management Company is authorised by the Central Bank as a UCITS management company pursuant to Part 4 of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, (S.I. No. 352 of 2011), as amended and as may be further amended, consolidated or substituted from time to time (the "**UCITS Regulations**").
- (b) On the Effective Date, the Company will appoint the Management Company to act as its UCITS management company by way of a management agreement entered into by the two parties.
- (c) The appointment of the Company's various service providers will be adjusted to reflect the presence of the Management Company in the Company's structure (for example, the Management Company will now appoint the Company's administrator and investment manager).
- (d) The Prospectus will be updated to reflect the appointment of the Management Company and the various adjustments to the Company's structure that this brings.

An open-ended umbrella investment company with variable capital with segregated liability between sub-funds.

Registered in Ireland. Registration Number 431087.

Directors: Michael Boyce, Charles Farquharson (British), John Fitzpatrick, Barry McGrath, Mark Stancombe (British).



- (e) The Company is currently authorised as self-managed investment company. An application will be filed with the Central Bank with effect from the Effective Date to alter the Company's current status as a self-managed investment company.

## 2.2 *Adjustments and enhanced disclosure relating to the Company's various liquidity features*

- (a) The Prospectus will be updated to incorporate adjustments and enhanced disclosure relating to the Company's various liquidity features. The changes are not substantive in nature and rather are limited to those designed to correctly reflect all prescribed legal and regulatory requirements and to align the provisions of the Prospectus with the pre-existing provisions of the articles of association of the Company (the "**Articles**").
- (b) The principal liquidity amendments to be made to the Prospectus include:
  - (i) *Form of Shares* - It will be provided that written confirmation of ownership will "normally" be sent to shareholders within four business days, noting that in some exceptional circumstances, where necessary, such written confirmations may be issued at a later point;
  - (ii) *Transfer of Shares* - The existing ability of the Directors to decline to register transfers of shares in their discretion, as provided for in the Articles, will now be disclosed in the Prospectus;
  - (iii) *Minimum Repurchase Amount* - The Prospectus will provide for a facility to set a minimum repurchase amount which can then be specified in the relevant supplement;
  - (iv) *Pre-Repurchase Anti-Money Laundering Checks* - Disclosure will be made reflecting the pre-existing facility of the Company to require that the necessary anti-money laundering checks must be carried out, verified and requisite documentation received before repurchase proceeds will be paid;
  - (v) *Restriction on Repurchases* - Enhanced disclosure regarding the restriction on shares being repurchased during any period when the calculation of the net asset value is suspended, as set out in the Articles, will be disclosed in the Prospectus. The procedure to be followed where a repurchase request is made during such suspension will not change and no additional restrictions will be imposed;
  - (vi) *Deduction of Tax* - As provided for in the Articles, the Prospectus will provide that certain deductions from repurchase proceeds will be made by the Company in respect of Irish residents as defined in the Prospectus, consistent with existing disclosure in the "Irish Taxation" section of the Prospectus;
  - (vii) *Dilution Adjustment* - The Prospectus wording concerning the Company's ability to make a dilution adjustment will be amended to align with the prescriptive requirements contained in the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015. The changes are not substantive and remain consistent with the existing, unchanged provisions in the Articles;
  - (viii) *Other Liquidity Measures* - The Prospectus will now reflect the pre-existing facility of the Company, as described in the Articles, to reduce the repurchase price or temporarily borrow funds in certain prescribed circumstances;
  - (ix) *Suspension of Calculation of Net Asset Value* - The disclosure in relation to the suspension of the net asset value shall be updated to ensure this provision corresponds exactly with the Articles. The circumstances in which suspension

can be invoked shall not change and the specified events triggering suspension are in line with the prescribed legal and regulatory requirements restricting suspension to exceptional cases where circumstances so require and is justified having regard to the interest of the shareholders. The existing power the Directors, as provided for in the Articles, to postpone any dealing day by one business day where so required will be reflected in the Prospectus;

- (x) *Liquidity Risk* - The section of the Prospectus headed "Part 9 - Risk Factors" shall be amended to include additional disclosure surrounding Liquidity Risk. This language will enhance transparency and clarify the potential circumstances which may arise which may prevent certain assets being sold, liquidated or closed at limited cost in an adequately short time frame;
- (xi) *Business Day and Dealing Day* - The terms of "Business Day" and "Dealing Day" shall no longer include reference to approval of the depositary being necessary before the Directors can specify additional business days. This will be removed as its inclusion no longer reflects prescribed legal and regulatory requirements;
- (xii) *Supplement Definitions* - The definitions of "Settlement Date" and "Dealing Deadline" shall be amended for enhanced flexibility within the scope of prescribed legal and regulatory requirements.

2.3 *Adjustments to the fee structure for the various service providers to the Company (noting there is no change to the investment management fees);*

- (a) It is proposed to adjust the fee structure for the various service providers to the Company.
- (b) The investment management and/or performance fees are excluded from this adjustment and remain payable directly out of the assets of the Company. The amounts payable have not been changed.
- (c) This involves the introduction of a *fixed rate operating expenses* model, capturing all ordinary fees and expenses (with the exception of investment management fees and/or any performance fees). Under this new model, a single fixed rate (the "**Fixed Operating Expenses**"/"FOE") for each share class is paid out of the assets of the Company to the Management Company. In return for receiving this single fixed rate, the Management Company will cover the fees and expenses of the depositary and the administrator, a range of other service providers and a range of other operating expenses of the Company.
- (d) This replaces the existing model whereby the Company currently pays these fees and expenses to the various parties directly.
- (e) Given the fixed nature of the FOE, if a share class's expenses actually incurred in any period exceed the FOE, the Management Company will make up the shortfall from its own resources. Conversely, if the FOE in any period is greater than the share class's expenses actually incurred, the Management Company will retain the difference.
- (f) By virtue of this model, the Management Company, and not shareholders, takes the risk of any price increases in the cost of the services covered by the FOE and takes the risk of expense levels relating to such services increasing above the FOE as a result of a decrease in net assets. Conversely, the Management Company, and not shareholders, would retain any surplus arising from any price decrease in the cost of services covered by the FOE, including decreased expense levels resulting from an increase in net assets.
- (g) It is noted that the current model provides for (i) a maximum administrator's fee (1%); (ii) maximum administrative support provider's fee (within the administrator's 1% max) and;



(iii) a maximum depositary's fee (0.5%). The Company therefore provides for an aggregate maximum level of 1.5% for these respective service provider's fees. The FOE captures all three services as well as a range of other fees and expenses and will be for each particular share class, at a level significantly below the 1.5% aggregate maximum it replaces. Accordingly, this represents an adjustment of non-management fees/expenses within current disclosed maximum levels.

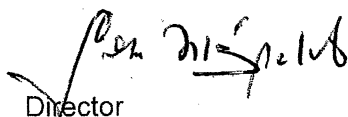
#### 2.4 *Various minor ancillary miscellaneous updates*

- (a) The section of the Prospectus entitled "Sub-Investment Manager" is to be amended to reflect the recent change of name of Pareto New York LLC to Insight North America LLC.
- (b) The section of the Prospectus entitled "Establishment Costs" is to be updated to reflect that the cost of establishing any subsequent sub-funds will be paid by the Company unless otherwise provided in the supplement for the relevant fund.
- (c) An additional risk factor "Changes in the UK political environment" is to be included.

### 3 **Next Steps**

- 3.1 Please note that you do not need to respond to this letter as it is for notification purposes only. However, you are invited to discuss the contents of this letter with a representative from the Company.
- 3.2 The proposed changes will be reflected in a revised draft of the Prospectus. If you wish to receive specific details of the proposed changes, please contact a representative from the Company.
- 3.3 We advise that you also discuss this letter with your own professional advisers as you find necessary. This letter should not be disclosed to anyone other than your professional advisers. This letter has been specifically addressed to you and relates solely to the shares you currently hold in the Company.

Yours faithfully



Director

For and on behalf of Absolute Insight Funds plc