

The Directors of Albemarle Funds plc (the “Company”) whose names appear in the section of the Prospectus entitled “THE COMPANY” are the persons responsible 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 and the Prospectus 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.

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

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## **ALBEMARLE EURO FLEXIBLE FUND**

**A sub-fund of Albemarle Funds plc an investment company with segregated liability between sub-funds and variable capital incorporated in Ireland on 5 March 2007 under registration number 435796 and established as an umbrella fund pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011**

## **SUPPLEMENT 2**

**DATED:8 OCTOBER 2020**

**Investment Manager**

**Albemarle Asset Management Limited**

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**This Supplement forms part of, and should be read in the context of and together with, the Prospectus dated 8 October 2020 (the “Prospectus”) in relation to the Company and contains information relating to the Albemarle Euro Flexible Fund (the “Fund”) which is a separate portfolio of the Company.**

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## Definitions

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

- “Base Currency”** for the purposes of this Supplement, the base currency shall be Euro.
- “Dealing Day”** means each Business Day or such other day as the Directors may agree following consultation with the Administrator and upon prior notification to Shareholders, provided there shall be at least two Dealing Days every calendar month;
- “Dealing Deadline”** shall mean 13:00 (Irish time) at least 1 Business Day prior to the relevant Dealing Day or such later time as any Director may from time to time permit and notify in advance to Shareholders provided that applications will not be accepted after the Valuation Point;
- “Valuation Day”** means each Business Day, and such other day as the Directors may determine, following consultation with the Administrator and prior notification to the Shareholders, provided that there shall be a Valuation Day for every Dealing Day and for the avoidance of doubt, the Valuation Day will precede the relevant Dealing Day by one Business Day; and
- “Valuation Point”** means 11.15 pm (Irish time) on a Valuation Day using the closing market prices in the relevant markets available as at the Valuation Day or such other time on a Valuation Day as the Directors may determine provided that the valuation point is always after the Dealing Deadline.

## **Investment Objective and Policies**

### **Investment Objective**

The investment objective of the Fund is to achieve long term capital appreciation.

### **Investment Policy**

The Fund will seek to achieve its investment objective by investing mainly in bonds issued by commercial, governmental or supranational entities domiciled in developed countries primarily, and in particular in European countries. Investment in bonds may include investment in investment-grade or below investment-grade corporate or government bonds, which have a fixed or floating rate. Investment in below investment-grade bonds will not exceed 30% of the net asset value of the Fund. The Fund will also invest in a portfolio of European market equities depending on market condition from a minimum of 10% to a maximum of 80% of net asset value of the Fund. The Fund will invest predominantly in Italian market equities. The securities of the Fund will be listed or traded on Recognised Markets.

### *Financial Derivative Instruments*

The Fund may use financial derivative instruments, such as, but not limited to, futures, forwards, foreign exchange contracts (including spot and forward contracts) and options (“**FDIs**”) for efficient portfolio management or investment purposes. A list of the FDI markets are set out in Appendix IV of the Prospectus.

Futures (including financial future contracts) may be used to hedge against market risk, to change the Fund’s interest rate sensitivity or to gain exposure to an underlying market. Forward contracts may be used to hedge or to gain exposure to an increase in the value of an asset, currency or deposit. Foreign exchange contracts may be used to reduce the risk of adverse market changes in exchange rates or to increase exposure to foreign currencies or to shift exposure to foreign currency fluctuations from one country to another. Options may be used to hedge or achieve exposure to a particular market instead of using a physical security.

A risk management process prepared in accordance with the Central Bank's requirements, which enables the Fund to accurately measure, monitor and manage the various risks associated with FDI, has been submitted to the Central Bank. The Fund may only utilise FDI listed in the risk management process once cleared by the Central Bank.

The assets of the Fund will be invested in accordance with the UCITS Regulations and the investment restrictions described under “Investment Restrictions” in the Prospectus.

The Fund may also employ investment techniques and instruments, including FDI, subject to the conditions and limits set out in the Central Bank issued guidelines, for efficient portfolio management of its assets for hedging against market movements, currency exchange, interest rate risks or otherwise as detailed under the heading “Efficient Portfolio Management” in the Prospectus.

### *Securities Financing Transactions*

As outlined under the terms of the Prospectus, the Fund may engage in efficient portfolio management techniques including Securities Financing Transactions such as securities lending agreements. The types of assets that may be subject to securities lending will be of a type which is consistent with the investment policy of the Fund and as listed above under "Investment Policy". Assets subject to Securities Financing Transactions and collateral received are safe-kept by the Depositary.

The maximum exposure of the Fund in respect of Securities Financing Transactions shall be 60% of the net asset value of the Fund. The Investment Manager does not anticipate that the Fund's exposure to securities lending will exceed 60% of the net asset value of the Fund.

The Fund is actively managed in reference to a performance benchmark comprised of 50% DJ EURO STOXX 50 and 50% three months EURIBOR (the "**Performance Benchmark**") as its performance is compared to the Performance Benchmark in marketing materials and the Fund's performance is measured against the Performance Benchmark for the purposes of calculating the performance fee as set out below under the heading "Performance Fees". The Fund is also actively managed in reference to the Index as the Fund may use the Index as a universe from which to select securities. The Investment Manager may use its discretion to invest in companies or sectors not included in either the Index or the Performance Benchmark in order to take advantage of specific investment opportunities and deviation from the Index and the Performance Benchmark may be significant.

### **Investment Restrictions**

The investment restrictions set out in the Prospectus are deemed to apply at the time of purchase of the investments. If such limits are exceeded for reasons beyond the control of the Company, or as a result of the exercise of subscription rights, the Company must adopt, as a priority objective, the remedying of the situation, taking due account of the interests of Shareholders.

The Directors may in their absolute discretion from time to time impose such further investment restrictions as shall be compatible with or in the interest of the Shareholders, in order to comply with the laws and regulations of the countries where Shareholders are located, provided that the general principle of diversification in respect of the Company's assets are adhered to for so long as the Shares are listed on the Irish Stock Exchange.

### **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. These investment risks are not purported to be exhaustive and potential investors should review the Prospectus and this Supplement carefully and consult with their professional advisers before making an application for Shares. There can be no assurance that the Fund will achieve its investment objective.

#### *Financial Derivative Instruments*

In the event that the Fund uses FDIs for efficient portfolio management or investment purposes, such use may increase the risk profile of the Fund.

The Fund may be leveraged as a result of its use of FDIs, however, any such leverage will not exceed 100% of the net assets of the Fund at any time.

For information in relation to the risks associated with the use of FDIs, please refer to the "Investment Risks" section of the Prospectus.

### **Subscriptions**

The Fund is offering two Classes of Shares in respect of the Company – Class A Shares and Class I Shares which are all denominated in Euro. It is currently intended that the Class I Shares will be marketed to institutional investors and accordingly, such shares will not be generally available to other investors.

#### *Subsequent Dealing*

All Classes of Shares shall be issued at the Net Asset Value per Share on each Dealing Day and adding thereto such sum as the Directors in their absolute discretion may from time to time determine as an appropriate provision for duties and charges.

In order to receive Shares at the Net Asset Value per Share as of any particular Dealing Day, the signed original application form, together with any anti-money laundering documents, must be received no later than the Dealing Deadline or such later time as any Director may from time to time permit provided that subscription applications will not be accepted after the Valuation Point. Applications received after such time will be held over until the following Dealing Day. Subsequent applications may be made in writing or by facsimile or by electronic means provided such means are in accordance with the requirements of the Central Bank.

There is a minimum initial subscription amount of €1,000 or its foreign currency equivalent or such other amount as the Directors may from time to time determine, provided it is not less than €1,000 in the case of the Class A Shares and Class I Shares.

Subscriptions for Shares must be in Euro unless the Directors otherwise agree to accept subscriptions in any freely convertible currency approved by the Administrator, in which case such subscriptions will be converted into the relevant currency at the prevailing exchange rate available to the Administrator and the cost (and associated risk) of conversion will be borne by the Shareholder and deducted from the subscription monies.

Settlement for subscriptions for all Classes of Shares must be received by the Company, care of the Administrator, no later than two Business Days after the relevant Dealing Day provided that the Directors reserve the right to defer the issue of Shares until receipt of subscription monies by the Fund.

Subscriptions for all Shares should be made by electronic transfer to the account set out in the Application Form.

## **Redemptions**

### **Redemption of Shares**

Shareholders may request the Fund to redeem their Shares on and with effect from any Dealing Day at the Net Asset Value per Share less any applicable duties and charges on such Dealing Day (subject to such adjustments, if any, as may be specified including, without limitation, any adjustment required for redemption charges as described under the section of the Prospectus entitled "Fees and Expenses") in accordance with the redemption procedures specified below.

A redemption request form should be posted or sent by facsimile, so as to arrive at the Administrator's address no later than the Dealing Deadline or such later time as any Director may from time to time permit provided that redemption requests will not be accepted after the Valuation Point.

Redemption requests should be made on a signed redemption request form (available from the Administrator), which should be posted or sent by facsimile to the Company, care of the Administrator. The address for the Administrator is set out in the Prospectus. In the case of redemption requests sent by facsimile, payment of redemption proceeds will only be made to the account of record as provided for in the application form. Alternatively, redemption requests can be sent by electronic means provided such means are in accordance with the requirements of the Central Bank.

Settlement will normally be made by electronic transfer on the second Business Day after the relevant Dealing Day on which the redemption is effective. Payment will be made in the Base Currency unless otherwise agreed with the Administrator to be in another major freely convertible currency. Payment of redemption proceeds will be made to the registered Shareholder to the account of record. Amendments to the registration details and payments instructions will only be effected on receipt of

original documentation. The proceeds of the redemption of Shares will only be paid on receipt by the Administrator of the original subscription application form and anti-money laundering documents and only where all anti-money laundering procedures have been completed. A repurchase request will not be capable of withdrawal after submission to the Company, unless such withdrawal is approved by the Company acting in its absolute discretion. If requested, the Company may, in its absolute discretion and subject to the prior approval of the Depositary, and on prior written notification to the Shareholders, agree to designate additional Dealing Days and Valuation Points for the repurchase of Shares.

### **Dividend Policy**

The Company does not anticipate distributing dividends from net investment income in respect of the Fund but the Company reserves the right to pay dividends or make other distribution in the future. Initially such amounts will be retained by the Company and will be reflected in the Net Asset Value of the Fund.

### **Fees and Expenses**

#### **Investment Management and Performance Fees**

The Investment Manager shall be entitled to the following investment management and performance fees payable out of the assets of the Fund in relation to the relevant Class of Shares:

1. an investment management fee calculated by the Administrator accruing at each Valuation Point and payable monthly in arrears at a rate of 1/12<sup>th</sup> of:
  - (a) 1.40% of the average Net Asset Value of the Class A Shares; and
  - (b) 0.70% of the average Net Asset Value of the Class I Shares.
2. a performance fee payable equal to 25% of the aggregate outperformance in value of each Class of Shares over the amount of the benchmark return for the relevant Class of Shares multiplied by the average number of Shares in issue during the calculation period (the "**Performance Fees**"). The manner in which the outperformance in value of the Shares and the benchmark return are calculated for these purposes is described in more detail below.

The Performance Fees are calculated by the Administrator and verified by the Depositary. The Performance Fees are accrued at each Valuation Point and:

- a. up to 30 September 2020 are payable quarterly;
- b. from 1 October 2020 to 31 December 2021 are payable for a 15-month period; and
- c. from 1 January 2022 and each year thereafter, are payable for a 12-month period each starting on 1 January and ending on 31 December.

(each period being a "**Calculation Period**").

Where a Shareholder requests the Fund to redeem their Shares prior to the end of a Calculation Period, any accrued but unpaid performance fee in respect of such Shares will be deducted from the redemption proceeds.

For the purposes of calculating the Performance Fees, a performance period shall generally commence on the Business Day following the immediately preceding Calculation Period and end on the final day of the Calculation Period as at which the performance fee is to be calculated. For the purposes of calculating the performance fee during the first calculation period of a Class

of Shares, the initial offer price of the relevant Class of Shares will be taken as the starting point for the calculation of the performance fee for the first performance period.

The outperformance in value in respect of Shares in a Class shall be calculated on the final day of each Calculation Period based off the Closing NAV of those Shares for that Calculation Period (the "**Calculation Date**"). For the purposes of such calculation, the "**Closing NAV**" shall be the Net Asset Value per Share at the Calculation Date as at which the calculation is being made before accrual of the performance fee. The initial Closing NAV was the close of the initial offer period.

The benchmark return shall be the aggregate notional return which would have accrued in that performance period had a sum equal in value to the Net Asset Value per Share at the preceding Calculation Date been invested at the commencement of the performance period at the benchmark value composed of the following indices: 50% DJ EURO STOXX 50 and 50% three months EURIBOR set on the first Business Day of the calculation period and accruing simply (and not compounding) day by day. The Bloomberg ticker for the performance benchmark is SX5E.

The performance fee will only be payable in circumstances where the "Closing NAV" of the relevant Class of Shares has appreciated in value since the previous Calculation Date. Furthermore, the performance fee will only be payable on the amount by which the Net Asset Value of the relevant Class of Shares exceeds the benchmark return for the relevant calculation period. Any underperformance against the benchmark in previous periods will be clawed back before the performance fee becomes due in subsequent periods.

As the Fund uses a benchmark to measure the performance fee, the Fund is considered a user of a benchmark in accordance with Regulation (EU) 2016/1011 (the "**Benchmark Regulation**"). As at the date of this Supplement, the administrator of the Benchmark is not yet included on the register referred to in Article 36 of the Benchmark Regulations.

### **Other Fees and Expenses**

The Fund shall also bear a portion of the fees and expenses of the Company as set out under the heading "Fees and Expenses" in the Prospectus.