

## **CITI EQUITY BALANCED-BETA US FUND**

### **Supplement to the Prospectus**

This supplement (the “**Supplement**”) contains information in relation to Classes of Shares issued in respect of the Citi Equity Balanced-Beta US Fund (the “**Fund**”), which is a sub-fund created by CitiFirst Investments plc (the “**Company**”), an umbrella open-ended investment company with variable capital governed by the laws of Ireland and authorised by the Central Bank of Ireland.

**This Supplement forms part of the prospectus issued by the Company dated 22 December 2014 (the “Prospectus”) and may not be distributed (other than to prior recipients of the Prospectus) unless accompanied by, and must be read in conjunction with, the Prospectus.**

**The Fund will invest principally in Financial Derivative Instruments.**

**The Directors of the Company expect that the Net Asset Value of the Fund will have medium to high volatility, through investment in Derivative Contracts.**

The Directors (whose names appear in the Prospectus under the heading “*Management of the Company – Directors of the Company*”) accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement when read together with the Prospectus (as complemented, modified or supplemented by this Supplement) is in accordance with the facts as at the date of this Supplement and does not omit anything likely to affect the meaning of such information.

**Words and expressions defined in the Prospectus will, unless otherwise defined in this Supplement, have the same meaning when used in this Supplement.**

### **CitiFirst Investments plc**

An umbrella fund with segregated liability between sub-funds

A company incorporated with limited liability as an investment company  
with variable capital under the laws of Ireland with registered number 452758

**Dated 22 December 2014**

## FUND SUMMARY

### Profile of a Typical Investor

Subject to their personal circumstances, the Fund may be suitable for investors who seek a longer-term investment in US equity markets with potential for some capital growth, and who understand and are willing to accept the risk of capital loss with a medium to high degree of volatility.

### Investment Objective

The investment objective of the Fund is to provide Shareholders in each Class with exposure to the performance of the Citi Volatility Balanced Beta (VIBE) Equity US Net Total Return Index (the “**Index**”), developed by Citigroup Global Markets Limited.

The constituents of the Index are drawn from the S&P 100 Index (“**S&P 100**”) and weighted according to the Citi Volatility Balanced Beta (“**VIBE**”) methodology, a proprietary risk-weighting model developed by the Index Sponsor. As described in more detail below, the VIBE methodology determines the percentage weight within the Index of each constituent on a quarterly basis such that the risk contribution of each constituent is equal. In determining the risk contribution of each constituent, the VIBE methodology relies exclusively on market price volatility (both historic and implied) as a measure of risk. The S&P 100 measures the performance of the US’s leading blue chip companies. The S&P 100 is made up of 100 constituents selected from the S&P 500 Index (“**S&P 500**”) on the basis of sector balance and the availability of individual stock options for each constituent.

Further details in respect of the constituents of the S&P 100 Index and the eligibility criteria are available at <http://www.spindices.com/indices/equity/sp-100>.

S&P 100 is itself a sub-set of the S&P 500. The S&P 500 focuses on the large capitalization sector of the US markets. To be included, stocks must have an unadjusted market capitalization of US\$4.0 billion or more, satisfy a minimum liquidity threshold and at least 50% of its stock must be publicly listed. Further details in respect of the S&P 500 are available at <http://www.spindices.com/indices/equity/sp-500>.

### Investment Policy

In order to achieve the investment objective, the Company on behalf of the Fund intends to invest the net proceeds of any issue of Shares (whether on the Initial Issue Date or subsequently) in Fund Assets. Pursuant to the terms of the Investment Advisory Agreement, the Investment Advisor does not have power to take investment decisions. The Investment Advisor will advise the Manager, and the Manager will take investment decisions in respect of the Fund Assets that the Company will enter into and invest in on behalf of the Fund in order to achieve its investment objective.

The Fund Assets (i) will include a single total return swap (the “**Total Return Swap**”), which will be fully funded or partially funded from the net proceeds of any issue of Shares, to obtain an exposure to the performance of the Index (and the terms “fully funded” and “partially funded” are explained in the following paragraphs); (ii) will include, where the Total Return Swap is partially funded, a single reverse repurchase agreement (the “**Reverse Repurchase Agreement**”), which will also be funded out of the net proceeds of any issue of Shares, to

enable the Company to hold assets in a more cost-effective manner (this is generally referred to as “efficient portfolio management”); and (iii) will include one-month foreign exchange currency forward contracts (the “**FX Contracts**”), which will be used to smooth out the currency exposures to which the Company on behalf of the Fund will be exposed in respect of the Classes the currencies of which are not the same as the base currency of the Fund. Where the Total Return Swap is partially funded, the portion of the net proceeds of any issue of Shares which will be used to fund partially the Total Return Swap is the “**TRS Funded Portion**”, and the remainder of the net proceeds of such issue of Shares is the “**Second Portion**”, which will be used to fund the Reverse Repurchase Agreement.

### ***Total Return Swap***

The Company on behalf of the Fund will enter into the Total Return Swap with the Approved Counterparty for the purposes of the Total Return Swap (the “**TRS Counterparty**”), in order to obtain an exposure to the performance of the Index. Under the Total Return Swap, in order to obtain this exposure, as described in the following paragraphs, the Company on behalf of the Fund, where the Total Return Swap is fully funded, will make an upfront payment (using the entire net proceeds of any issue of Shares), or where the Total Return Swap is partially funded, will make an upfront payment (using the TRS Funded Portion) and, depending on conditions in the relevant markets, may also make further periodic payments.

The extent to which the Total Return Swap creates an exposure to the Index can be referred to as the “notional size” of the Total Return Swap, and the amount of the upfront payment will be either the whole or a portion of this notional size. The extent to which the amount of the upfront payment covers the notional size will be the portion of the Total Return Swap which is said to be “funded”. Where the amount of the upfront payment will be the whole of this notional size, the Total Return Swap is said to be “fully funded”, and where the amount of the upfront payment will only be a portion, and not the whole, of the notional size, the Total Return Swap is said to be “partially funded”. In seeking to hold its assets in a cost-effective manner, for the purposes of efficient portfolio management, the Company on behalf of the Fund will assess whether the Total Return Swap is to be fully funded or partially funded. This assessment will be made both when the Total Return Swap is entered into and when it is renewed on a periodic basis.

Where the Total Return Swap is fully funded, no periodic payments will be made. Where the Total Return Swap is partially funded, a Reverse Repurchase Agreement is entered into and, where periodic payments are made, the amounts of these periodic payments will be calculated with reference to a market-standard interest rate in the base currency of the Fund, and the portion of the notional size which is unfunded. The Company on behalf of the Fund will receive periodic payments under the Reverse Repurchase Agreement (which is described in the following paragraphs under the heading “*Reverse Repurchase Agreement*”), and it will use the amounts so received to make the periodic payments under the Total Return Swap.

The performance of the Index is measured periodically, and on each measurement date, depending on the performance of the Index during the period since the last measurement date, the Company on behalf of the Fund will either receive a payment (if the level of the Index has increased over this period, that is, the performance of the Index has been positive) or make a payment (if the level of the Index has decreased over this period, that is, the performance of the Index has been negative). The amount of any such payment received or made will be calculated as the notional size of the Total Return Swap multiplied by the performance of the Index over this period (expressed as a percentage). The notional size of the Total Return

Swap will be adjusted from time to time to reflect subscriptions or redemptions in the Fund (which will require a change in the size of the Total Return Swap) and the payment of the various fees noted in this Supplement. In this way, the value of the Total Return Swap in the hands of the Company on behalf of the Fund, as a Fund Asset, will either increase (where the performance of the Index has been positive) or decrease (if the performance of the Index has been negative).

### ***Swap Fees***

The Company on behalf of the Fund will pay up to 0.20% of the notional size of the Total Return Swap to the TRS Counterparty for the provision and hedging of the Total Return Swap. Citigroup Global Markets Limited shall pay any such fees in excess of such amount.

### ***Reverse Repurchase Agreement***

Where the Total Return Swap is partially funded, for efficient portfolio management purposes, the Company on behalf of the Fund will also enter into the Reverse Repurchase Agreement with the Approved Counterparty for the purposes of the Reverse Repurchase Agreement (the “**Reverse Repo Counterparty**”). (Where the Total Return Swap is fully funded, no Reverse Repurchase Agreement is entered into).

Under the Reverse Repurchase Agreement (if such an agreement is entered into), the Company on behalf of the Fund will buy stocks (the “**Repo Stocks**”) from the Reverse Repo Counterparty, using the Second Portion. The Repo Stocks will include only constituents of the S&P 100, and no other stocks. On the redemption of any Shares, under the Reverse Repurchase Agreement, the Company on behalf of the Fund will sell back the Repo Stocks to the Reverse Repo Counterparty.

Where the Company on behalf of the Fund makes periodic payments under the Total Return Swap, as described in the preceding paragraphs under the heading “*Total Return Swap*”, the Company on behalf of the Fund will receive under the Reverse Repurchase Agreement periodic payments for the period over which it holds the Repo Stocks, and it will use these periodic payments to make the periodic payments under the Total Return Swap.

The amounts of these periodic payments made under the Reverse Repurchase Agreement will be calculated with reference to a market-standard interest rate in the base currency of the Fund, and the amount paid by the Company on behalf of the Fund on its initial purchase of the Repo Stocks, as adjusted from time to time to reflect subscriptions or redemptions in the Fund.

If the TRS Counterparty chooses to hedge its obligations to make payments under the Total Return Swap, it may elect to hold one or more stocks which are constituents of the S&P 100. The TRS Counterparty would be exposed to a cost in holding such stocks for the duration of the Total Return Swap, which would be passed to the Company on behalf of the Fund. However, the Company on behalf of the Fund will be able to realise the benefit of having a lower cost passed to it by the TRS Counterparty if the TRS Counterparty does not hold such stocks over the duration of the Total Return Swap. Accordingly, under the Reverse Repurchase Agreement, in its capacity as Reverse Repo Counterparty (please see below, under the heading “*TRS Counterparty and Reverse Repo Counterparty*”), the TRS Counterparty will sell such stocks (i.e. Repo Stocks) to the Company on behalf of the Fund, and the TRS Counterparty will repurchase the Repo Stocks when it needs them in order to

fulfil the obligations it has under the Total Return Swap. **Moreover, the TRS Counterparty will be able to provide an exposure to the performance of the Index whether or not it holds the Repo Stocks for the duration of the Total Return Swap. Selling the Repo Stocks (in its capacity as the Reverse Repo Counterparty) for the duration of the Total Return Swap will, however, enable the TRS Counterparty to incur a lower cost, as described above, which will benefit the Company on behalf of the Fund.**

The Company on behalf of the Fund will not obtain exposure to the performance of the Index under the Reverse Repurchase Agreement (if any). The purpose of the Reverse Repurchase Agreement (where such an agreement is entered into) is instead to enable the Company on behalf of the Fund to achieve efficient portfolio management (and thereby realise the benefit of having a lower cost passed to it), as described in the preceding paragraphs, and to invest the Second Portion in such a way to enable it to obtain a cash flow that it can use to make the periodic payments under the Total Return Swap, also as described in the preceding paragraphs.

### ***Foreign Exchange Currency Forward Contracts***

The Company on behalf of the Fund will enter into a separate FX Contract for each Class in respect of which it has exposure to movements in currency exchange rates (each such Class, a “**Currency Hedged Class**”). The Share Class Addendum specifies, in respect of a Class, whether or not currency hedging applies. The Fund may enter into different FX Contracts for efficient portfolio management purposes to seek to hedge against changes in the values of the Currency Hedged Classes as a result of changes in currency exchange rates between the base currency and the share class currency. All hedging transactions will be clearly attributable to a specific Class and therefore currency exposures of different Classes shall not be combined or offset and currency exposures of assets of the Fund shall not be allocated to separate Classes.

It is expected that the extent to which such currency exposure will be hedged may from time to time be less than or more than 100% of the Net Asset Value attributable to the relevant Class, whereupon the Manager will keep the situation under review. Moreover, over-hedged positions will not be permitted to exceed 105% of the Net Asset Value attributable to the relevant Class, and under-hedged positions will not be permitted to be less than 95% of the Net Asset Value attributable to the relevant Class. Positions materially in excess of 100% of the Net Asset Value will not be carried forward from month to month. While it is not the intention of the Fund, over-hedged or under-hedged positions may arise due to factors outside the control of the Fund.

Where applicable, the counterparty to the FX Contracts (the “**FX Counterparty**”) may be required, under the terms of the relevant agreements, to provide Collateral to the Company if the exposure of the Fund to the FX Counterparty exceeds certain limits, so that the Company's risk exposure to the FX Counterparty is reduced to the extent required by the Central Bank. The costs associated with providing such Collateral will be charged to the Fund and will therefore ultimately impact the Net Asset Value of the Shares.

The Company may incur transaction costs in respect of entering into any currency hedging. Any costs and gains/losses of the hedging transactions will accrue solely to the relevant Class.

Further details relating to the Total Return Swap, the Reverse Repurchase Agreement and the FX Contracts are set out under the heading “*Documentation*” below.

### ***TRS Counterparty, Reverse Repo Counterparty and FX Counterparty***

As described in the preceding paragraphs under the heading “*Reverse Repurchase Agreement*”, Citigroup Global Markets Limited will act as both the TRS Counterparty and (where a Reverse Repurchase Agreement is entered into) the Reverse Repo Counterparty.

Citibank N.A. or any of its Affiliates, may, if selected by the Company, act as the FX Counterparty.

### **The Index as Reference Asset**

This section is a brief overview of the Index. It contains a summary of the principal features of the Index and is not a complete description. An English language version of a detailed description of the rules governing the Index (the “**Index Rules**”) is available to investors at <http://www.citigroup.com/icg/euprospectus.jsp>. In particular, the Index Rules include a description of the manner in which the Index is calculated and a discussion of the factors to be considered when assuming an exposure to the Index.

Shareholders' attention is drawn to the fact that the Index Rules may be amended from time to time without notice under certain circumstances. An amendment to the Index Rules will in general only be made where it is necessary to make an administrative update or to address an error, omission or ambiguity. A change to the Supplement may be made following such an amendment. Where any change to the Index Rules causes a material change to the investment policy of the Fund, prior approval of the Shareholders shall be sought.

### ***The Index***

The Index is a notional rules-based proprietary index, developed by Citigroup Global Markets Limited, and uses a proprietary risk-weighting model, also developed by Citigroup Global Markets Limited.

### ***Constituents of the Index***

The constituents of the Index will comprise up to 100 stocks of the S&P 100, and will exclude (i) stocks with less than 159 days of historical data, (ii) stocks issued by the Index Sponsor or its Affiliates, including Citigroup Inc., and (iii) stocks which are included on the Index Sponsor's restricted list, being a list of stocks in which the Index Sponsor or any of its Affiliates is not permitted to deal for a particular period due to laws and regulations.

The S&P 100 is made up of 100 constituents selected from the S&P 500 on the basis of sector balance and the availability of individual stock options for each constituent.

Further details in respect of the constituents of the S&P 100 Index and the eligibility criteria are available at <http://www.spindices.com/indices/equity/sp-100>.

S&P 100 is itself a sub-set of the S&P 500. The S&P 500 focuses on the large capitalization sector of the US markets. To be included, stocks must have an unadjusted market capitalization of US\$4.0 billion or more, satisfy a minimum liquidity threshold and at least

50% of its stock must be publicly listed. Further details in respect of the S&P 500 are available at <http://www.spindices.com/indices/equity/sp-500>.

### ***Weighting of Index constituents***

On a quarterly basis, under a balancing process, a weight is applied to each stock contained in the Index, and the weight of each such constituent stock is determined in accordance with the formulaic VIBE methodology. Under this methodology, the volatility of each constituent stock is systematically measured against all of the other constituent stocks, and the weight that is applied to each constituent stock is such that the volatility of each constituent stock has the same contribution to the overall volatility of the Index, based on the correlation of the constituent stocks to each other and their respective volatilities. Under the quarterly rebalancing process, no single constituent stock can have a percentage weight greater than 10%.

Under the quarterly balancing process, the percentage weight of any constituent stock will be reduced to no more than 10% if, as a result of price movements through the quarter, its percentage weight has increased to 10% or above.

### ***Index Sponsor***

The sponsor of the Index (the “**Index Sponsor**”) is Citigroup Global Markets Limited or any of its Affiliates that it may designate.

Standard & Poor's Financial Services LLC acts as the calculation agent (the “**Index Calculation Agent**”) of the Index. The Index Sponsor may, in its sole discretion, appoint an alternative Index Calculation Agent at any time.

### ***Leverage***

None of the Fund Assets is leveraged.

## **TERMS OF SHARES REPRESENTING INTERESTS IN THE FUND**

### **Share Classes**

The available Classes will be set out in the Share Class Addendum. The terms of each Class will differ and details in respect of each Class are set out in the Share Class Addendum and are described more fully below. The Company may create other Classes (including Classes denominated in different currencies) in the future and will update the Share Class Addendum in respect of each such other Class. In the event that the Company seeks to issue additional Classes, these additional Classes will be notified to and cleared by the Central Bank in advance.

### **Exchange of Shares**

Exchange of Shares of any Class of the Fund may be made into Shares of another Class of the Fund which are being offered at the same time.

### **Valuation**

The Net Asset Value of the Fund and the Net Asset Value per Share of each Class will be determined as of the Valuation Point on each Dealing Day in accordance with the rules set out in the Prospectus.

The Net Asset Value per Share will differ on each Dealing Day as the value of the Fund Assets will increase or decrease over time by reference to: (i) the performance of the Index; (ii) a variety of factors including, amongst others, market risks, credit quality, corporate actions, macro economic factors, currency markets, interest rates and speculation; and (iii) any applicable fees and expenses.

The Net Asset Value per Share will be calculated separately for each Class in the currency of such Class. The Net Asset Value of the Fund will be determined separately by reference to the relevant Fund Assets. If additional Classes are issued, the Net Asset Value per Share will also be calculated separately for each such additional Class.

### **Repurchase Price**

The Repurchase Price of each Share on any Dealing Day will be the Net Asset Value per Share of the relevant Class on that Dealing Day.

### **Dividend Policy**

The Directors do not intend to declare dividends.

The Directors intend to operate the Fund relating to each Class with the objective of satisfying the conditions for certification by HM Revenue & Customs (“HMRC”) as a reporting fund for United Kingdom tax purposes, although no guarantee can be given that this will be the outcome. It is intended that the Company on behalf of the Fund relating to each



Class will make an application for certification by HMRC as a reporting fund for the purposes of relevant United Kingdom tax legislation.

### General Information Relating to the Fund

<b>Business Day</b>	A day (i) on which commercial banks are open for business and settle payments (including dealings in foreign exchange and foreign currency deposits) in Dublin, London and New York; and (ii) on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) system 2 (TARGET 2) is open.
<b>Dealing Day</b>	Any Business Day.
<b>Valuation Point</b>	5.00 p.m. (Dublin time) on a Dealing Day.
<b>Dealing Deadline</b>	9.30 a.m. (Dublin time) on each Dealing Day. The Directors may elect to extend the Dealing Deadline to 12.00 noon (Dublin time) in their sole and absolute discretion (any such extended Dealing Deadline would apply to all investors).
<b>Settlement Date</b>	<p>In the case of subscriptions, up to two Business Days after the relevant Dealing Day assuming the receipt prior to the Dealing Deadline for such day of the relevant signed subscription application and the availability of cleared funds, each as confirmed by the Administrator.</p> <p>In the case of redemptions, up to five Business Days after the relevant Dealing Day, assuming receipt of the relevant signed repurchase request prior to the Dealing Deadline for such relevant Dealing Day, as confirmed by the Administrator.</p>
<b>Minimum Fund Size</b>	USD 50,000,000 (or the equivalent in such other relevant currency) or such other amount as the Directors may determine from time to time at their absolute discretion.
<b>Base Currency</b>	U.S. Dollars.
<b>Manager</b>	Capita Financial Managers (Ireland) Limited.
<b>Investment Advisor</b>	Citigroup Global Markets Limited.
<b>Index Calculation Agent</b>	Standard & Poor's Financial Services LLC.
<b>Promoter</b>	Citibank International plc.
<b>Distributor</b>	Citigroup Global Markets Limited.

<b>Custodian</b>	J.P. Morgan Bank (Ireland) plc.
<b>Administrator</b>	Capita Financial Administrators (Ireland) Limited.
<b>Approved Counterparty</b>	For the purposes of the Total Return Swap and the Reverse Repurchase Agreement, Citigroup Global Markets Limited or any of its Affiliates, and for the purposes of the FX Contracts, an entity to be selected by the Company on the advice of the Manager. For the avoidance of doubt, the Approved Counterparty is not, and shall not, be the Manager or any of its Affiliates.
<b>TRS Counterparty</b>	Citigroup Global Markets Limited or any of its Affiliates (i.e. the Approved Counterparty for the purposes of the Total Return Swap).
<b>Reverse Repo Counterparty</b>	Citigroup Global Markets Limited or any of its Affiliates (i.e. the Approved Counterparty for the purposes of the Reverse Repurchase Agreement).
<b>FX Counterparty</b>	An entity to be selected by the Company on the advice of the Manager (i.e. the Approved Counterparty for the purpose of the FX Contracts). Shareholders may obtain information about the selected entity from the Company by contacting it at the address shown in the Prospectus under the heading “ <i>Directory</i> ”.

## **Fees and Expenses**

The following fees and expenses will be incurred by the Company on behalf of the Fund and will affect the Net Asset Value per Share of each Class issued in respect of the Fund.

### ***Management Fee***

The Company on behalf of the Fund will pay in respect of each Class a fee to the Manager out of the assets of the Fund attributable to such Class (the “**Management Fee**”). The Management Fee in respect of each Class is specified in the Share Class Addendum. The Management Fee in respect of each Class will accrue on each Business Day, and will be calculated on each Business Day with reference to the Net Asset Value of such Class on the immediately preceding Business Day. The Management Fee will be deducted from the prevailing Net Asset Value of each Share of each Class, and will be paid to the Manager monthly in arrears on the last Business Day of each calendar month.

The Manager will make payments to the Investment Advisor and the Distributor using amounts it receives as the Management Fee. The Management Fee will not include the other costs and expenses described below under the heading “*Other Costs and Expenses*”.

### ***Preliminary Charge***

A Preliminary Charge may be levied on the subscription of any Share of each Class. The maximum Preliminary Charge (if any) that may be levied in respect of each Class is specified in the Share Class Addendum. Where levied, a Preliminary Charge is used to pay Sub-Distributors. Any Preliminary Charge levied will be added to the amount payable on a subscription for Shares, at the prevailing Net Asset Value per Share of the relevant Class, at the point of subscription. Any such Preliminary Charge will therefore not affect the Net Asset Value per Share of the relevant Class, but will have the effect of increasing the total amount to be paid for the subscription for Shares and reducing the number of Shares allotted in respect of that total amount.

### ***Other Costs and Expenses***

The Company on behalf of the Fund will pay up to 0.20% of the Net Asset Value of each Class. Such amount shall reflect the costs and the expenses incurred by the Company in setting up and maintaining the Fund, the fees charged by the Administrator and the Custodian, and other expenses such as administrative and legal costs. Citigroup Global Markets Limited shall pay any costs and expenses in excess of such amount.

### ***Anti-Dilution Levy***

As described in the Prospectus under the heading “*Share Dealings*”, the Directors may adjust, in the case of large net subscriptions, the Net Asset Value per Share by adding or, in the case of large net repurchases, the Repurchase Price by deducting, an Anti-Dilution Levy of up to 1% of the Net Asset Value.

This section headed “*Fees and Expenses*” should be read in conjunction with the section headed “*Fees and Expenses*” in the Prospectus.

### **Risk Management**

The Company has filed with the Central Bank a risk management policy statement setting out how it intends to measure, monitor and manage the various risks associated with the Total Return Swap, the Reverse Repurchase Agreement, and the FX Contracts it intends to enter into with one or more Approved Counterparties. The Company on behalf of the Fund will, for each Class, only enter into such contracts of the type listed in the risk management policy statement. The Company will, on request, provide supplementary information to Shareholders relating to the risk management methods employed, including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments held by the Company on behalf of the Fund.

### **Documentation**

The Total Return Swap, the Reverse Repurchase Agreement (where such an agreement is entered into), and the FX Contracts (the “**Contracts**”) will be collateralised to comply with applicable investment restrictions.

The Total Return Swap and the FX Contracts will comprise an ISDA Master Agreement (including the Schedule and a Credit Support Annex) and a confirmation. On or shortly prior to the first issue of Shares of any Class created in respect of the Fund in respect of which currency hedging applies, a new foreign exchange currency forward contract will be entered

into by the Company on behalf of the Fund for such Class with the FX Counterparty. Separate FX Contracts will be entered into in respect of each Currency Hedged Class.

The Reverse Repurchase Agreement (where such an agreement is entered into) will comprise a market-standard contract to specify the rights and obligations of the Company on behalf of the Fund and the Reverse Repo Counterparty.

From time to time, appropriate modifications (for example, additional confirmations) may be made in relation to repurchases and subscriptions of Shares. In addition, the Contracts will include provisions relating to their termination (including early termination).

### **Collateral**

The Approved Counterparty to each Contract will be required under the terms of such Contract to provide collateral (the “**Collateral**”) to the Company so that the Company's risk exposure to such Approved Counterparty is in compliance with the Central Bank's UCITS requirements.

Where the Total Return Swap is partially funded, Citigroup Global Markets Limited will be both the TRS Counterparty and the Reverse Repo Counterparty. The risk exposure that the Company on behalf of the Fund will have to Citigroup Global Markets Limited under both of the Total Return Swap and the Reverse Repurchase Agreement will be aggregated and, for the purposes of monitoring compliance with the Central Bank's UCITS requirements, such aggregated risk exposure will be compared with the aggregate of the Collateral received by the Company on behalf of the Fund from Citigroup Global Markets Limited in respect of both the Total Return Swap and the Reverse Repurchase Agreement.

### **Investment Restrictions**

The general investment restrictions set out under the heading “*Funds – Investment Restrictions*” in the Prospectus apply to the Fund.

### **Borrowings**

In accordance with the general provisions set out in the Prospectus under the heading “*Funds – Borrowing and Lending Powers*”, the Company on behalf of the Fund may borrow up to 10% of the Net Asset Value of the Fund on a temporary basis.

### **General**

At the date of this Supplement the Company has established the following funds:

- (i) UK Autocall Fund
- (ii) Citi 80% Protected Dynamic Allocation Fund
- (iii) Citi Equity Balanced-Beta Eurozone Fund
- (iv) Citi Equity Balanced-Beta UK Fund
- (v) Citi Equity Balanced-Beta US Fund

(vi) Harness Macro Currency Fund

## **OTHER INFORMATION - RISK FACTORS**

In addition to the risk factors set out in the section entitled “*Risk Factors*” in the Prospectus, the following risk factors must be considered.

### ***Notional Exposures***

The Index comprises notional assets. The exposures to the constituents are all notional and will exist solely in the records maintained by or on behalf of the Index Sponsor and the Index Calculation Agent. Although the performance of the constituents will have an effect on the performance of the Index, investors in the Fund will have no legal or beneficial ownership interest in any of such assets.

### ***Limited Operating History***

The Index was established on the start date indicated in the Index Rules (10 June 2011). Any back-testing or similar performance analysis performed by any person in respect of the Index must be considered illustrative only and may be based on estimates or assumptions not used by the Index Calculation Agent when determining the level of the Index.

Past performance should not be considered indicative of future performance.

### ***Potential Conflicts of Interest***

Citigroup Global Markets Limited and its Affiliates (together, “**Citi**”) have various roles that may give rise to potential conflicts of interest in relation to the Shares. Citi acts as Investment Advisor, Distributor and Promoter in respect of the Shares, Index Sponsor in respect of the Index, is expected to act as TRS Counterparty and may also act as Reverse Repo Counterparty and as FX Counterparty.

Citi entities will only have the duties and responsibilities expressly agreed to by them in their relevant capacities and will not be deemed to have other duties or responsibilities or be deemed to have a standard of care other than as expressly provided in respect of each capacity in which they act. In particular, Citi entities have no duties or responsibilities in relation to the Fund other than as set out under the Prospectus and this Supplement. Citi entities may, for their own account (including for the purpose of hedging the Approved Counterparty's obligations under the relevant Derivative Contracts) or on behalf of their customers, trade in financial instruments, including derivatives, linked to the Index. These activities may result in conflicts of interest for Citi entities and may, directly or indirectly, affect the value (either positively or negatively) of the relevant Index and in turn the Net Asset Value of the Shares of the relevant Class(es).

Citi may also from time to time act as trustee, administrator, registrar, manager, custodian, investment manager or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Company. Each will, at all times, have regard in such event to its obligations to the Company and will endeavour to ensure that such conflicts are resolved fairly.

This risk factor should be read in conjunction with the risk factor headed “*Potential Conflicts of Interest*” in the Prospectus.

### ***Counterparty Risk***

The Company on behalf of the Fund will have exposure to the risk of a default by the TRS Counterparty (its counterparty under the Total Return Swap), the FX Counterparty (its counterparty under the FX Contracts) and, where a Reverse Repurchase Agreement is entered into, the Reverse Repo Counterparty (its counterparty under the Reverse Repurchase Agreement). The TRS Counterparty, the FX Counterparty, and, where a Reverse Repurchase Agreement is entered into, the Reverse Repo Counterparty will provide to the Company on behalf of the Fund collateral in order to mitigate this counterparty risk in accordance with the requirements of the Central Bank.

### ***Strategy Risk***

The VIBE methodology used by the Index employs a quantitative risk-weighting strategy that determines the percentage weights of the constituents on a quarterly basis such that the risk contribution of each constituent is equal. This strategy is designed with the aim of providing diversification among the selected constituents, with lower volatility, when compared to an equivalent equal-weighted or market capitalization-weighted index. However, there is no guarantee that this will be the case, especially over short periods. In particular, the benefits of the Index strategy may only become apparent over a long period and may underperform market capitalization-weighted indices during an upward trend in the investment cycle.

### ***Volatility as a measure for risk***

In determining the risk contribution of each constituent, the VIBE methodology used by the Index relies exclusively on market price volatility as a measure of risk. Although market prices may in theory reflect all available public information, this may not always be the case. Furthermore, there are many types of risk inherent in an equity investment. This does not mean that the Index is risk-free. The VIBE methodology (and therefore the Index) do not attempt to identify or quantify any specific risks which may be relevant to a stock, sector, industry, country or region, such as commercial, operational, credit, financing, macro, political, regulatory or legal risks. The reliance of the VIBE methodology (and therefore the Index) solely on volatility as a measure of risk may fail to accurately identify and account for specific risks or fail to adjust for overall risk in line with the objectives of the Index.

### ***Limitations of the VIBE methodology***

The performance of the Index is dependent on the pre-defined rules-based VIBE methodology set out in the Index Rules. There is no assurance that other methodologies for calculating equal risk-contribution would not result in better performance than the VIBE methodology.

The weights assigned to the constituents are equally dependent on the percentage weights which the VIBE methodology (and its optimization model), used by the Index, determine would achieve (i) an equal implied risk contribution for each constituent, and (ii) an equal trend-following risk contribution for each constituent. There can be no assurance that this particular blend of implied and historic volatilities and correlations will be successful over any particular period of time.

### ***Concentration Risk***

The VIBE methodology used by the Index to identify weights for the constituents on a quarterly basis will not necessarily result in a less concentrated equity market exposure than the S&P 100 Index. The Index may be more or less concentrated than the S&P 100 Index, or any benchmark equity index.

The VIBE methodology limits the maximum weight of each constituent to 10%, with a resulting reallocation to the other constituents in the event that the VIBE methodology would allocate a weight in excess of 10% for any constituent. Although this individual weight constraint is designed to limit a concentration of exposures, it remains possible that a number of constituents could all be assigned a weight of 10%.

### ***Performance Risk***

The Index may underperform other indices with the same constituents, where those other indices employ a different weighting scheme. The VIBE methodology uses a risk-contribution weighting methodology with the aim of improving risk-adjusted returns. The VIBE methodology may not be successful and does not seek to outperform the S&P 100 Index or any other equity benchmark in absolute terms.

### ***Rebalancing Frequency Limitations***

The frequency of rebalancing of the Index is quarterly. The VIBE methodology only evaluates the constituents on the quarterly selection days which precede the rebalancing dates, which means that new weights are only determined on these days.

As the closing level, historic volatility and exponential moving average of each constituent, and the level of the Index itself, all move daily, the equal contribution to risk that is determined on a selection day may no longer be accurate or valid on any other Index business day. As a result, the weights of the constituents between rebalancing dates may deviate significantly from the weights which would be required for the constituents to contribute equally to risk on an ongoing basis. In particular, the Index may not achieve its objectives during periods of significant change in the volatilities of individual stocks and/or the correlations between stocks. For example, (i) if a group of constituents which have historically exhibited lower than average volatilities (and have therefore been assigned relatively higher weights by the VIBE methodology) undergo a sudden increase in volatility; or (ii) if a group of constituents which have historically exhibited a lower than average correlation with other constituents (and have therefore been assigned relatively higher weights by the VIBE methodology) undergo a sudden increase in correlation, the Index may deviate substantially from the theoretical equal risk-contribution weighting scheme.

### ***Fixed Algorithmic Model Parameters***

In common with all algorithmic strategies, the Index uses a rules-based methodology (the VIBE methodology) which contains fixed parameters. For example, (i) implied volatilities are calculated by reference to 120 daily log-return observations of the constituents and the 3-month implied spot volatility of a benchmark equity index, and (ii) historic volatilities are calculated by reference to 120 daily exponential moving average observations where each exponential moving average is calculated for a period of 40 index business days. The VIBE methodology assumes that these observation periods and other fixed parameters are



reasonable in the context of the Index; however, alternative parameters could have a positive effect on the performance of the Index.

### ***Optimization Model Precision***

The VIBE methodology employs an optimization algorithm to determine the weights to be applied to the constituents on each rebalancing date. The optimization algorithm is a complex calculation model which is sensitive to the precision of both the original inputs and the interim calculations. Each of these is in turn dependent on the rounding conventions used in the financial market for the primary data and the rounding conventions determined appropriate by the Index Calculation Agent at each stage of the calculation process.

### ***Index Calculation Agent Determinations***

The Index Rules confer on the Index Calculation Agent and the Index Sponsor a degree of discretion in making certain determinations and calculations in relation to, for example, the occurrence of disruptions and extraordinary events. While the Index Calculation Agent and the Index Sponsor will each act in good faith and in a commercially reasonable manner, the exercise of any such discretion may have an adverse impact on the level of the Index.

### ***Calculations and Determinations by the Index Calculation Agent***

The Index Calculation Agent shall make all calculations, determinations, rebalancings and adjustments in respect of the Index. Neither the Index Calculation Agent nor the Index Sponsor shall have any responsibility for good faith errors or omissions in its calculations, determinations, rebalancings and adjustments as provided in the Index Rules. The calculations, determinations, rebalancings and adjustments of the Index Calculation Agent shall be made by it in accordance with the Index Rules, acting in its sole, absolute and unfettered discretion, but in good faith and in a commercially reasonable manner (having regard, in each case, to the criteria stipulated in the Index Rules and (where relevant) on the basis of information provided to or obtained by employees or officers of the Index Calculation Agent responsible for making the relevant calculation, determination, rebalancing or adjustment). All calculations, determinations, rebalancings and adjustments shall, in the absence of manifest error, be final, conclusive and binding on any user of the Index including any holder of, or counterparty to, an investment product linked to the Index.

### ***Reliance on publicly available sources***

Although the Index Calculation Agent will obtain information for inclusion in or for use in the calculation of the Index from sources which the Index Calculation Agent considers reliable (such sources including the Index Calculation Agent's internally maintained databases and public sources, such as Bloomberg and Reuters), the Index Calculation Agent will not publish or independently verify such information.

### ***Use of Derivative Contracts***

The Fund may be terminated by the Directors in accordance with the terms of the Memorandum and Articles of Association in the event that the Derivative Contracts entered into in respect of the Fund are terminated early. In the event of the termination of the Fund, Shareholders may not receive the full amount they have invested, depending on the

performance of the Index as at the time of such termination; Shareholders will receive the Net Asset Value at termination of the Fund.

***Anticipated Tracking Error***

The Fund is a Tracking Fund as defined under the Prospectus and Shareholders are advised to review all relevant risks associated with an investment in a Tracking Fund. The Anticipated Tracking Error of the Fund is up to 0.25%.