INSIGNIA FINANCIAL

Ballybunion Insignia Defined Returns Fund

Investment objective and strategy

The investment objective of the Fund is to generate long-term capital growth. The Fund has a target return of 7-9% per annum over rolling five year periods.

The Fund will invest in a diversified pool of defined-return equity strategies (structured products) (“Notes”). The Fund aims to produce positive returns in all but extreme negative equity market scenarios.

What are defined return investments?

Defined return investments are investment products which have a defined pay-off which depends on certain conditions as they relate to an underlying investment. Let’s consider a simpe example as set out across. In this case, the Note has a maximum five year term but may “autocall” early on each anniversary if the underlying is above its starting level. If this occurred in year 1 then there would be a 6% return payable along with return of capital. If this condition was met in year 2 there would be a 12% return (6% for each year) and return of capital and so on. Capital is at risk if the underlying is below the capital barrier at maturity.

The fund will primarily invest in Euro denominated Notes which are structured as autocall or kickout type payoffs. The Fund may also invest in different payoff structures and/or GBP or USD denominated Notes.

The Fund can invest in single and multiple index-based Notes, stock basket based Notes and single stock Notes. The Fund will usually hold ten to fifteen Notes, with an approximately equal split by notional value and counterparty exposure.

Note example

Term: 5 years max

Underlying: Eurostoxx 50

Autocall barrier: 100% (annual observations)

Coupon: 6% (with memory feature)

Capital barrier: 60% (observed at maturity)

WARNING: These figures are estimates only. They are not a reliable guide to future performance.

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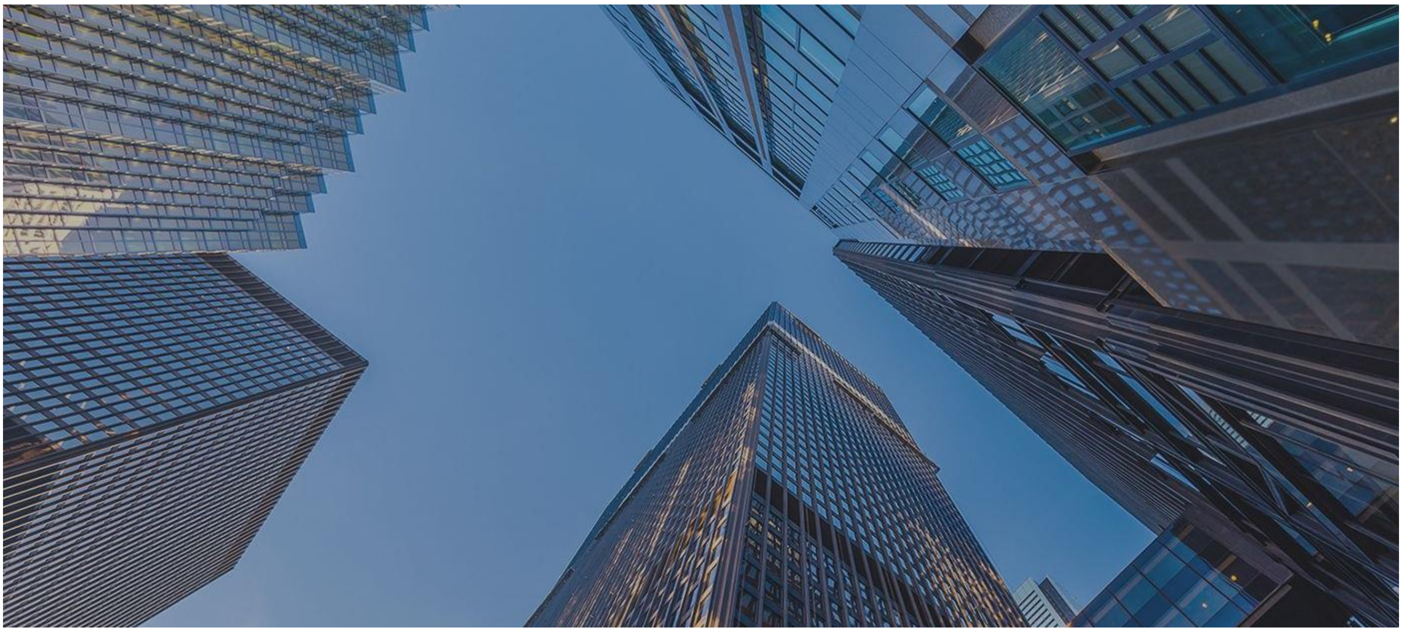
Why invest in a defined returns strategy?

Research has shown that holding defined return investments in a portfolio increases the risk-adjusted return of the portfolio. A recent study conducted by Structured Retail Products *(White paper: The power of structured products correlation in a passive portfolio)* looked at data from 2007 to 2019 and compared two portfolios, one which contained a passive equity and bond allocation and another which contained passive equites and bonds and an allocation to structured products. The results showed that the second portfolio containing structured products produced a better risk adjusted return than the portfolio without structured products. Interestingly, the study also looked at optimal allocations to structured products across differing risk profiles and found that in all but the riskiest portfolios structured products play a strong role in improving risk-adjusted returns. ***The study notes: "Overall, to maximise the return per unit of risk, investors should allocate between 15% and 20% of their portfolio to structured products."*** Furthermore, the study found that structured products' correlation with equities was 0.25, which indicates a modest but positive correlation to equities. Structured products display almost a zero correlation with bonds. Again, these correlations emphasise the benefits of structured products in portfolios.



Investment backdrop

Amongst market commentators there is a general consensus that the next ten years will see significantly lower average returns from risk assets than we saw in the past ten to twenty years. For instance, Vanguard estimate that a 60/40 equity/bond portfolio will on average generate nominal annualised returns of less than 5% over the next ten years. This compares to 11% annualised returns for the same portfolio over the previous 37 years. Investors therefore must brace themselves for considerably lower returns from their portfolios in the future. For advisers too this poses a significant challenge as the traditional asset classes are likely to disappoint clients or perhaps fall short of their long term needs. Assuming these forecasts to be broadly correct then a spike in inflation could see the real value of portfolios suffer. Combine this with clients taking income from their portfolios and increased longevity will make it difficult to deliver portfolios which will stand the test of time.

In our view, portfolios will have to be more than simply bonds and equities going forward and indeed mainstream allocations to alternative assets classes in general are likely to need a serious rethink. An asset class which has genuine expected returns in excess of this estimated 5% expected return therefore deserves serious consideration. Furthermore, if that asset class has the ability to properly diversify a portfolio then it presents a compelling case for inclusion in client portfolios.

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Why invest in the Fund?

There are a number of compelling reasons to invest in a defined returns fund as opposed to investing directly in individual Notes.

- **Diversification:** Generally speaking, in our experience, clients tend to hold a relatively small number of structured products in their portfolios whereas within the Fund we expect to hold 10-15 Notes at any one time.
- **Expert management:** We have many years' experience allocating to structured products for our own clients which leaves us uniquely positioned to both manage and promote the Fund.
- **Track record:** Relatedly, we have a very strong track record in the asset class, achieving returns averaging 15% with an average 15 month hold period for our own clients over a seven year period.
- **Better terms:** As all of the Notes held in the Fund are purchased at 100% – that is with no commissions embedded – the Fund should have vastly better terms on the Notes it purchases than those offered directly to investors. More generally the Fund will benefit from economies of scale when negotiating terms with issuers of product.
- **Fee savings:** In addition to the above the Fund benefits from no direct trading costs which investors may incur in purchasing structured products directly.
- **Tax benefits:** For Irish investors there is an eight-year gross roll-up period where no tax is paid on gains until the eight-year anniversary, assuming no withdrawals are made.

Investment process

Our role in the Fund is that of investment adviser to the investment manager. As such, we conduct research with a view to identifying suitable investment opportunities for the Fund in accordance with its investment objective and stated strategy. Initially, our research looks at the macro economic environment and the general outlook for equity markets. This view then informs our recommendations in respect of the barriers - both call barriers and capital barriers - to be used in underlying Notes to be invested in by the Fund.

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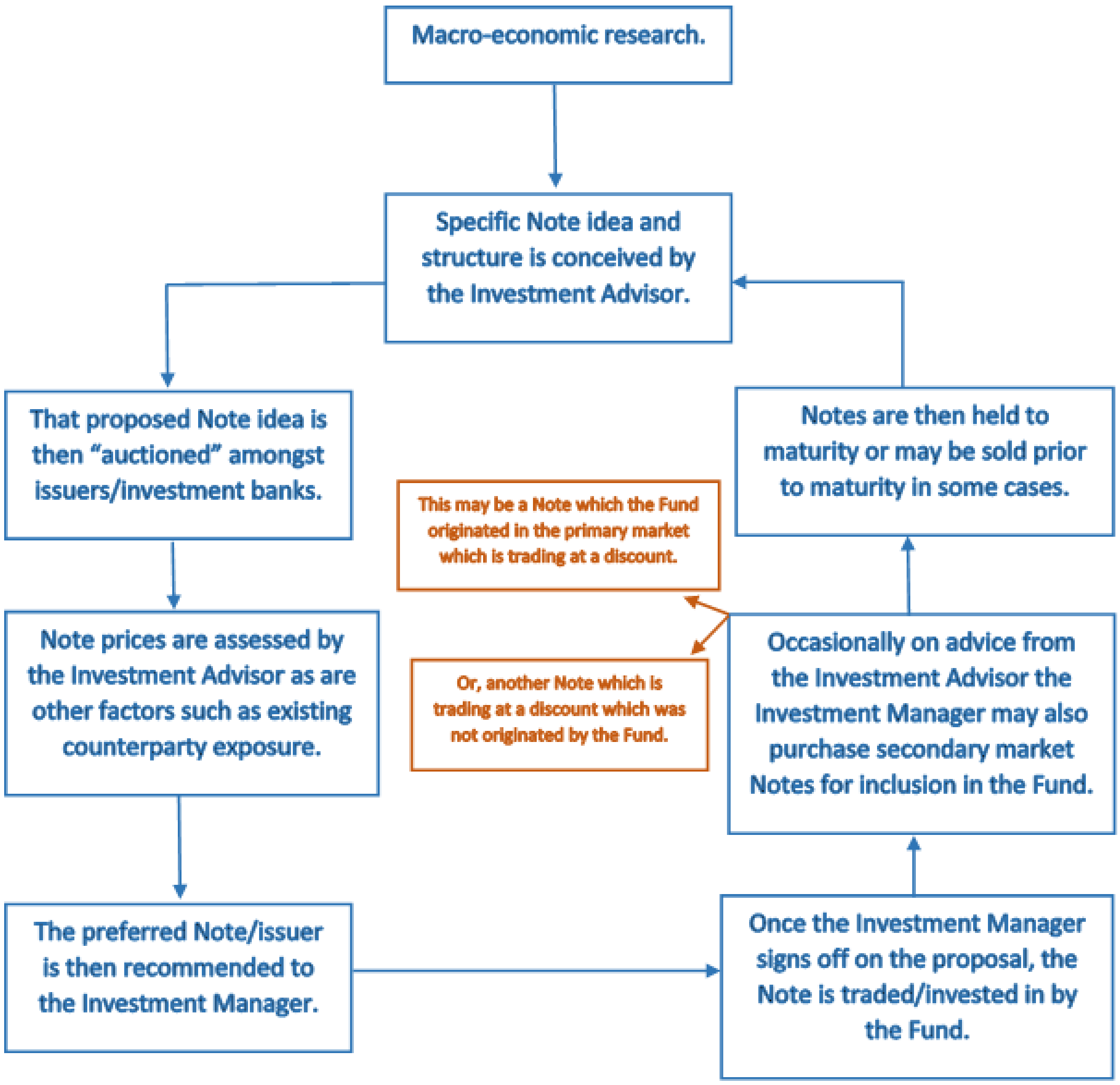
The second stage of the investment process involves applying a volatility screen to equity market indices. Where indices are sufficiently volatile to produce the target returns for the Fund we will seek to build appropriate index based Notes to recommend to the Fund. Where this is not the case we will look to construct a stock-basket Notes again utilising volatility screens as a starting point. We then conduct fundamental research on the short-listed underlyings to assess their suitability for inclusion in a product. As the Fund is permitted to invest in either index-based Notes or stock-based Notes and multiple different structured product types, we will then tailor payoffs according to the economic research and underlying-specific research. We then make recommendations to the investment manager on the basis of this process, which we believe are best suited to deliver to the mandate of the Fund. The Fund may also invest in secondary market Notes, which often present very significant value and are generally no available to direct buyers of Notes.

The Notes the Fund can invest include but are not limited to: Autocallable Notes, Phoenix Notes and twins wins (a payoff structure where the Note can be profitable if the underlying goes up or the goes down (to a point)).

Investment process diagram



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Fund structure: Irish Qualifying Investor Fund

Investment Manager: Ballybunion Capital

Investment Adviser: Insignia Financial

Fund base currency: Euro

Minimum subscription: €100,000

Annual Mgt. Charge: Up to 1.5% depending on share class

Share classes available: Euro, USD, GBP, CHF, SEK

Dealing/Liquidity: Monthly

Administrator: Mainstream Fund Services (Ireland)

Depositary/Custodian: Société Générale Securities Services (Ireland)

What is a "Qualifying Investor"?

To invest in the Fund you must be a Qualifying Investor which is an investor who satisfies the following criteria:

a. An investor who is a professional client within the meaning of Annex II of Directive 2004/39/EC (Markets in Financial Instruments Directive) ("MiFID"); OR

b. An investor who receives an appraisal from an EU credit institution, a MiFID firm or a UCITS management company that the investor has the appropriate expertise, experience and knowledge to adequately understand the investment in the QIAIF; OR

c. An investor who certifies that they are an informed investor by providing the following:

(i) a written confirmation that the investor has such knowledge of and experience in financial and business matters as would enable the investor to properly evaluate the merits and risks of the prospective investment; OR

(ii) a written confirmation that the investor's business involves, whether for its own account or the account of others, the management, acquisition or disposal of property of the same kind as the property of the QIAIF.

Investment risks

This is a brief summary of the risks involved in this Fund. Potential investors should read the Risk Factor section of the Supplement for a full description of the risk involved.

- *Capital Risk* – This is a capital at risk investment. Investors in the Fund must be willing to bear the risk of loss of their full capital investment.

- *Counterparty risk* – A feature of Note investing is that investors are exposed to the creditworthiness of the counterparty issuing the Note.

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- *Equity risk* – The Notes invested in by the Fund will be linked to equity-based underlyings.
- *Liquidity risk* – If the Fund were to sell Notes in times of market stress the value of those Notes may be negatively impacted or it may be difficult to sell Notes in general.

About us

Insignia Financial has been advising some of Ireland's wealthiest families since 2012. We have been a fee-only adviser since inception and pride ourselves on our considered research and the delivery of unbiased advice to our clients. We are a multi-asset class adviser.

The Fund looks to continue the considerable success we have had in structured products for our own clients. For our own clients we have delivered on average a 1% return per month from structured products. This return refers to individual products across individual client accounts over a period of about 7 years. Essentially, the average hold period per product has been 15 approximately months and the average return has been approximately 15%.

Peter Murphy is managing director of Insignia and is responsible for advising the Fund with regard to Note selection and generally in terms of implementing the investment strategy of the Fund. Peter has over 12 years' experience in advising on defined returns products.

Dr. Don Walshe is responsible for global macro-economic research at Insignia and this research informs our advice to the investment manager of the Fund. Don is one of the leading financial economists in Ireland, with a particular research interest in financial crises.

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Questions and answers

What is the recommended investment term?

The recommended hold period of the Fund is at least five years.

How often can I get in and out of the Fund*?*

Investors can subscribe for or redeem shares in the Fund on a monthly basis.

Is the Fund capital protected?

No. Although the underlying Notes that the Fund invests in will generally contain conditional capital protection, the Fund is not a capital protected investment.

Does the Fund pay dividends?

No, the Fund does not pay out income. All gains are rolled up in the Fund.

What fees apply?

This is a brief overview of fees. A full description of the fees and expenses of the Fund are set out in the Supplement. An annual management charge of up to 1.5% applies depending on the share class. Exit fees of up to 5% apply to the Class B Shares and up to 1% for the Class I Shares. No entry or exit fees apply to the Class A Shares. Certain fixed costs apply to the Fund which are set out in the Supplement.

What is the tax position of the Fund?

The Fund falls under the gross roll-up exit tax regime in Ireland.

- Irish resident investors (unless exempt, such as pension funds) will be subject to exit tax, which is currently:
  - Personal investors: 41% on income and gains;
  - Corporate investors: 25% on income and gains;
  - Foreign tax residents may be subject to withholding tax of 20% on income and gains.

<u>The above information does not constitute tax advice and all investors should consult their own tax advisor to confirm the tax treatment applicable to their own circumstances.</u>

WARNING: The above is for illustrative purposes and does not constitute tax advice. Prospective Investors should not place any reliance on the content herein and are advised to consult their tax advisor having regard to their own particular circumstances before participating in this investment.

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Regulatory disclosure and risk warnings

Information and data contained in this document are believed to be correct, accurate and derived from reliable sources as at the date of this document. However, no representation or warranty, expressed or implied is made as to the correctness, accuracy or validity of such information.

If you are in any doubt about the contents of this Brochure you should seek your own personal financial advice immediately from your financial adviser, bank manager, accountant, solicitor, or other independent adviser authorised or exempted under the European Communities (Markets in Financial Instruments) Regulations 2017 or the Investment Intermediaries Act, 1995 who specialises in advising on the acquisition of shares and other securities.

The information provided in this document does not constitute advice it is for information purposes only.

WARNING: The value of your investment may go down as well as up. You may get back less than you invest.

WARNING: Past performance is not a reliable indicator of future results.

This document is intended for qualifying investors only and should be read in conjunction with the Prospectus, Fund Supplement and KID document, copies of which are available from Insignia Financial.

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