CHEYNE EUROPEAN REAL ESTATE BOND FUND

Second Supplement dated 9 June 2015

to the Prospectus for Cheyne Select UCITS Fund plc

This Supplement contains information relating specifically to the **Cheyne European Real Estate Bond Fund** (the "**Fund**"), a Fund of Cheyne Select UCITS Fund plc (the "**Company**"), an open-ended umbrella type investment company, with segregated liability between Funds, authorised by the Central Bank on 3 September 2009 as a UCITS pursuant to the UCITS Regulations.

This Supplement forms part of and should be read in the context of and in conjunction with the Prospectus for the Company dated 9 June 2015 (the "Prospectus") which immediately precedes this Supplement and is incorporated herein.

The Directors of the Company whose names appear under the heading "Management and Administration" in the Prospectus accept responsibility for the information contained in this Supplement and the Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement and in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Fund may use derivative instruments solely for the purposes of hedging. Investors should read the section entitled “Risk Factors” before investing in the Fund.

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1. Interpretation

In this Supplement, the following words and phrases have the meanings set forth below, except where the context otherwise requires:

“Business Day”	means any day (except Saturday or Sunday) on which banks in London are open for business and/or such other day or days as may be determined by the Directors and notified to Shareholders.
“CMBS”	means commercial mortgage-backed securities, which evidence interests in, or are secured by, pools of commercial mortgage loans.
“Dealing Day”	means each Friday (provided that such day is a Business Day, failing which the following Business Day) and the last Business Day of every month and/or such other day or days as may be determined by the Directors and notified to Shareholders in advance provided that there shall be at least two Dealing Days at regular intervals every month.

"Dealing Deadline"	means 4 p.m. Irish time on a Business Day one (1) Business Day before the relevant Dealing Day in the case of subscriptions, and four (4) Business Days before the relevant Dealing Day in the case of redemptions, or such other time as the Directors may determine and notify to Shareholders in advance, provided always that the Dealing Deadline is no later than the Valuation Point.
"Europe"	means any member state of the European Union, Andorra, Gibraltar, Guernsey, Iceland, Isle of Man, Jersey, Liechtenstein, Monaco, Norway, San Marino and Switzerland.
"Fitch"	means Fitch, Inc.
"Investment Grade"	means a bond or security with a rating of at least BBB- from Fitch or Baa3 from Moody's or BBB- from S&P.
"LIBOR"	means the London Interbank Offered Rate.
"Moody's"	means Moody's Investors Service, Inc.
"RMBS"	means residential mortgage-backed securities, which evidence interests in, or are secured by, pools of residential mortgage loans.
"S&P"	means Standard & Poor's Financial Services LLC.
"Valuation Point"	means the close of business in the relevant market on the relevant Dealing Day (or such other time as the Directors may determine).

All other defined terms used in this Supplement shall have the same meaning as in the Prospectus.

2. Base Currency

The Base Currency shall be Euro. The Net Asset Value per Share will be published and settlement and dealing will be effected in the relevant currency of the specific Share Class.

3. Investment Objective

The Fund's investment objective is to maximise total rates of return, meaning capital appreciation plus income of its investments, over the medium term from investments in bonds backed by real estate, with prudent selection of bonds and generally moderate levels of volatility.

4. Investment Policy

The Fund will seek to achieve its investment objective primarily through investment in Investment Grade bonds collateralised by commercial and residential real estate in the United Kingdom and Europe (i.e. CMBS and RMBS). The Fund may purchase either fixed or floating rate RMBS and CMBS. The Fund will not use leverage in the purchase of its bonds. However, the use of Financial Derivative Instruments to hedge the Fund's exposures may introduce potential liabilities. See "Risk Management," below.

Following the default of Lehman Brothers in September 2008, the European real estate bond markets have remained highly dislocated as a result of a continuing supply and demand imbalance. The vast majority of bonds that were issued prior to 2008, have been transferred to realisation or run-off vehicles creating a substantial supply overhang and thereby keeping prices depressed. The Fund aims to purchase bonds, backed by high quality real estate with sound tenants or occupiers and good cash flows, that are currently trading below par where it is expected that the ultimate repayment of the bonds will be at par.

Investments are analysed based on a rigorous analysis of the underlying physical real estate, the loans secured against these assets and the securitization documentation. The value of the underlying real estate is assessed based on a consideration of the type of buildings, the tenants, lease terms, location and the broader macro-economic environment for CMBS and housing quality and borrower quality for RMBS. The likelihood of ultimate repayment of the bonds at par is then assessed against the value of the physical real estate. The timing of the repayment, bond covenants, and trading conditions are used to determine the price at which a bond is purchased. Using this methodology, the Investment Manager is able to assess which bonds, in their view, offer an attractive return potential with low risk of default even under extremely pessimistic scenarios.

The balance of investments between RMBS and CMBS will be based on the relative price and investment yields of bonds in these sectors, and may change over time. For example, from time to time RMBS bonds may offer a higher yield than CMBS bonds for what the Investment Manager perceives as a similar level of risk. The majority of investor's return will be through capital appreciation, with interest coupons providing positive cash flows.

The Fund will purchase only Investment Grade RMBS and CMBS. It is possible that an RMBS or CMBS could be down-graded to below Investment Grade after purchase by the Fund, and will not be sold unless, in the opinion of the Investment Manager, this is in the best interests of Shareholders.

Under normal market conditions, the Fund will invest in a diversified portfolio of Investment Grade RMBS and CMBS, backed by underlying real-estate in the United Kingdom and Europe. However, if the Investment Manager deems it appropriate, the Fund may take a defensive investment strategy and may invest in ancillary liquid assets such as short-term fixed income securities including commercial paper (i.e. investment grade short-term obligations issued by credit institutions) and money market obligations such as short and medium-term treasury bills and treasury notes (both fixed and floating rate), certificates of deposit, bankers' acceptances and time deposits. For example, a defensive investment strategy may be warranted in exceptional market conditions, such as a market crash or major crisis which in the opinion of the Investment Manager would be likely to have a significant detrimental effect on the performance of the Fund.

The Fund's investments are subject to the investment restrictions as set out in Appendix I of the Prospectus.

A list of the stock exchanges and markets in which the Fund is permitted to invest, in accordance with the requirements of the Central Bank, is contained in Appendix I to the Prospectus and should be read in conjunction with, and subject to, the Fund's investment objective and investment policy. The Central Bank does not issue a list of approved markets. With the exception of permitted investments in unlisted securities, investment will be restricted to those stock exchanges and markets listed in Appendix I to the Prospectus.

Further Detail on the Use of Financial Derivative Instruments

The Investment Manager may use currency forwards, options and/or credit default swaps, which may be exchange traded or traded over the counter, to hedge risks in the Fund. A description of each instrument is set out below. The Fund will not be leveraged as a result of engaging in financial derivative instruments.

Currency Forwards (including forward rate agreements)

In forward foreign exchange contracts, the contract holders are obligated to buy or sell from another a specified amount of one currency at a specified price with another currency on a specified future date. Forward contracts cannot be transferred but they can be 'closed out' by entering into a reverse contract. Foreign currency forwards may be used for the purpose of hedging foreign exchange risk arising when investments are denominated in a currency other than the Fund's Base Currency or to hedge the value of certain classes of Shares in the Fund against changes in the exchange rate between the currency of denomination of the class of Shares and the Base Currency of the Fund.

Options

Options are contracts whereby the holder has the right but not the obligation to either purchase (call option) or sell (put option) to the counterparty (or to the exchange for exchange traded options) the underlying for a specified price (the strike price) on a specified date or during a period to expire on a specified date. Once the option has been purchased, no further payments are required. Options may also be purchased to hedge against currency and interest rate risk.

Credit Default Swaps

A credit default swap is a credit derivative contract in which one party (protection buyer) pays a periodic fee to another party (protection seller) in return for compensation if a default (or similar credit event) occurs by a reference entity (such as the issuer of a bond held by the Fund or a bond of similar characteristics). The reference entity is not a party to the credit default swap. When using credit default swaps, the Fund achieves a short credit exposure (which acts as a hedge against a long position) by being the "protection buyer."

Risk Management

The Investment Manager operates a risk management process on behalf of the Fund in relation to its bond holdings and use of financial derivative instruments which allows it to accurately measure, monitor and manage the various risks associated with its portfolio and which is intended to ensure that the Fund's exposures, including from derivatives, remains within the limits described below.

The risk management process is described in a statement, a copy of which has been filed with the Central Bank, and which will be updated from time to time to include any additional financial derivative instruments which the Investment Manager proposes to employ on behalf of the Fund ("Risk Management Process"). Until such time as the Risk Management Process has been updated, however, the Investment Manager will not use any financial derivative instrument which is not for the time being included in the Risk Management Process. As per the Risk Management Process, the global exposure in the Fund will be calculated based on the commitment approach.

Information on financial derivatives used by the Fund will be included in the Company's semi-annual and annual reports and accounts. The Company will also provide information to Shareholders on request on the risk management process employed by the Investment Manager on the Fund's behalf, including details of the quantitative limits applied and information on the risk and yield characteristics of the main categories of investments held on behalf of the Fund.

Profile of a Typical Investor

The Fund may be suitable for investors looking for a moderately risky alternative investment strategy to complement an existing core portfolio, or diversified investors looking for exposure to real estate credit and who are prepared to accept moderate levels of volatility. The Fund seeks to achieve both capital appreciation and yield in its investments through exposure to high-grade real-estate debt backed by properties in the United Kingdom and Europe. The Fund is not capital protected and is suitable for investors who are prepared to put their investment at risk. The Investment Manager believes that investment grade real estate-related credit exposures can provide attractive yield with a low risk of losses and as such, the Fund's expected returns should compare favourably to other funds which invest in debt securities of similar ratings.

The Fund is best suited to investors who have a two to four year investment horizon.

5. Share Classes

Shares will be issued to investors as Shares of a Class in the Fund. The Directors may, whether on the establishment of the Fund or from time to time, with prior notification to, and clearance by the Central Bank, create more than one Class of Shares in this Fund.

The Directors may in their absolute discretion differentiate between Classes of Shares, without limitation, as to currency denomination of a particular Class, dividend policy, hedging strategies if any applied to the designated currency of a particular Class, fees and expenses or the Minimum Initial Subscription or Minimum Holding applicable. The Directors may in their absolute discretion waive the Minimum Initial Subscription or Minimum Holding requirement.

At the date of this Supplement, there are eight Classes of Shares in the Fund, all of which are available for subscription and details of which are set out below:-

Class of Share	Currency	Minimum Initial Subscription	Investment Management and Advisory Fee	Minimum Holding
Class HGRE - I1 (€)	€	€100,000	0.60%	€50,000
Class HGRE - I2 ($)	$	$100,000	0.60%	$50,000
Class HGRE- I3 (£)	£	£100,000	0.60%	£50,000
Class of Share	**Currency**	**Minimum Initial Subscription**	**Investment Management and Advisory Fee**	**Minimum Holding**
Class HGRE – I4 (CHF)	CHF	CHF100,000	0.60%	CHF50,000
Class HGRE - D1 (€)	€	€50,000	0.90%	€25,000

Class HGRE - D2 ($)	$	$50,000	0.90%	$25,000
Class HGRE- D3 (£)	£	£50,000	0.90%	£25,000
Class HGRE- D4 (CHF)	CHF	CHF50,000	0.90%	CHF25,000

Shares are issued and redeemed in Euro, US Dollars, Pounds Sterling or Swiss Francs, depending on the Share Class. The underlying instruments held by the Fund may be denominated in those or other currencies. Accordingly, the value of an investment may be affected favourably or unfavourably by fluctuations in exchange rates, notwithstanding any efforts made to hedge such fluctuations. The Fund may enter into back to back currency borrowing or utilise derivatives such as forwards, futures, options and other derivatives to hedge against currency fluctuations between the Base Currency and currencies the Fund's investments are designated and to hedge against currency fluctuations between the Base Currency and the currency denomination of the relevant Share Class, but there can be no assurance that such hedging transactions will be undertaken or if undertaken will be effective or beneficial or that there will be a hedge in place at any given time. For further information, please review the section entitled "Hedging" in the Prospectus.

Class HGRE - I3 (£) Shares and Class HGRE – D3 (£) Shares have reporting fund status. Prospective investors are referred to the "United Kingdom Taxation" section in the main body of the Prospectus.

6. Initial Offer

Class HGRE - I1 (€) Shares, Class HGRE - I2 ($) Shares, Class HGRE - I3 (£) Shares, Class HGRE - D1 (€) Shares, Class HGRE – D2 ($) Shares, Class HGRE – D3 (£) Shares and Class HGRE – I4 (GHF) Shares are currently in issue and are available for subscription at prices calculated with reference to the Net Asset Value per Share.

The HGRE – D4 (CHF) Shares are being offered to investors at an initial price of CHF100 per Share during the initial offer period which has commenced and will conclude on the earlier of (i) the first investment by a Shareholder in that Class or (ii) on 23 November 2015.

7. Application for Shares

Applications for Shares may be made to the Administrator (whose details are set out in the Application Form).

Following the relevant initial offer period, applications received by the Administrator prior to the Dealing Deadline for any Dealing Day will be processed on that Dealing Day. Any applications received after the Dealing Deadline for a particular Dealing Day will be processed on the following Dealing Day unless the Directors in their absolute discretion otherwise determine to accept one or more applications received after the Dealing Deadline for processing on that Dealing Day, provided that such applications have been received prior to the Valuation Point for the particular Dealing Day.

Initial applications should be made using the Application Form but may, if the Directors so determine, be made by facsimile subject to prompt transmission to the Administrator of the original signed Application Form and such other papers (such as documentation relating to money laundering prevention checks) as may be required by the Directors or their delegate. Subsequent applications to purchase Shares following the initial subscription may be made to the Administrator by facsimile without a requirement to submit original documentation and such applications should contain such information as may be specified from time to time by the Directors or their delegate. Amendments to a Shareholder's registration details and payment instructions will only be made following receipt of original written instructions from the relevant Shareholder.

Fractions

Subscription monies representing less than the subscription price for a Share will not be returned to the investor. Fractions of Shares will be issued where any part of the subscription monies for Shares represents less than the subscription price for one Share, provided however, that fractions shall not be less than ·01 of a Share.

Subscription monies, representing less than ·01 of a Share will not be returned to the investor but will be retained by the Company in order to cover administration costs.

Method and Timing of Payment

Payment in respect of subscriptions for all Classes of Shares must be received by the Administrator no later than one Business Day 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.

Subscription payments net of all bank charges should be paid by CHAPS, SWIFT or telegraphic or electronic transfer to the bank account specified in the Application Form. No interest will be paid in respect of payments received in circumstances where the application is held over until a subsequent Dealing Day.

If payment in respect of a subscription has not been received by the relevant time, the Directors or their delegate may cancel the allotment and/or charge the investor interest at the 7 day London Interbank Offer Rate as fixed by the British Banking Association (LIBOR) + 2% to be reimbursed to the Administrator together with an administration fee of €100, which is payable to the Fund. The Directors may waive such administration fee of €100 in whole or in part. In addition, the Directors have the right to sell all or part of the investor's holding of Shares in the Fund or any other Fund of the Company in order to meet such charges.

Currency of Payment

Subscription monies are payable in the currency of the relevant Share Class. If an application is made in a currency other than the currency of the relevant Share Class a foreign exchange deal will, at the risk and expense of the investor, be placed by the Administrator on behalf of the investor to convert such currency to the currency of the relevant Share Class at the then prevailing exchange rate available to the Administrator. Only the net proceeds (after deduction of the conversion expenses) will be applied towards payment of the subscription monies and neither the Investment Manager nor Administrator will be responsible for the exchange rate that applies upon such currency conversion. Foreign exchange deals may be aggregated. Settlement must be made in the currency in which the order was placed.

At the discretion of the directors, subscriptions may be accepted on an "in specie" basis in accordance with the requirements of the Company as specified in the section entitled "*In Specie Subscriptions*" in the Prospectus.

Confirmation of Ownership

Title to Shares will be evidenced by the entering of the investor's name on the Company's register of Shareholders and no certificates will be issued, however, written confirmation of entry on the register in respect of each purchase of Shares will be sent to Shareholders within 48 hours of the allotment of Shares being made.

8. Redemption of Shares

Requests for the redemption of Shares should be made to the Administrator (whose details are set out in the Application Form) on behalf of the Company by facsimile or written communication and should include such information as may be specified from time to time by the Directors or their delegate.

Requests for redemption received prior to the Dealing Deadline for any Dealing Day will be processed on that Dealing Day. Any requests for redemption received after the Dealing Deadline for a Dealing Day will be processed on the next Dealing Day unless the Directors in their absolute discretion determine otherwise provided that such redemption request(s) have been received prior to the Valuation Point for the particular Dealing Day. Redemption requests will only be accepted for processing where cleared funds and completed documents including documentation relating to money laundering prevention checks are in place from original subscriptions. No redemption payment will be made from an investor holding until the original Application Form and all documentation required by or on behalf of the Company (including any documents in connection with anti-money laundering procedures) has been received from the investor and the anti-money laundering procedures have been completed.

The minimum value of Shares which a Shareholder may redeem in any one redemption transaction is €2,000 (or its US$/£ equivalent). In the event of a Shareholder requesting a redemption which would, if carried out, leave the Shareholder holding Shares of a Class having a Net Asset Value less than the relevant Minimum Holding, the Company may, if it thinks fit, redeem the whole of the Shareholder's holding.

It is not the current intention of the Directors to charge a redemption fee. However, the Directors are empowered to charge a redemption fee of up to 3% of the redemption monies and may exercise their discretion in this respect. The Directors may differentiate between Shareholders of the Fund by waiving or reducing the redemption fee chargeable to certain Shareholders. The Directors will give not less than one month's notice to Shareholders of their intention to introduce a redemption fee generally. In the event of a redemption fee being charged, Shareholders should view their investment as medium to long term.

Method of Payment

Redemption payments will be made to the bank account detailed on the Application Form or as subsequently notified in writing to the Administrator (provided any such account is in the name of the Shareholder). Redemption payments will only be made to the account of record of a registered Shareholder.

Currency of Payment

Shareholders will be repaid in the currency of the relevant Share Class. Where settlement is to be made in a currency other than the currency of the relevant Share Class a foreign exchange deal will be placed by the Administrator on behalf of the Shareholder to convert the currency of the relevant Share Class to such other currency at the then prevailing exchange rate available to the Administrator. Only the net proceeds (after deduction of the conversion expenses) will be applied towards payment of the redemption proceeds.

Timing of Payment

Redemption proceeds in respect of Shares will be paid within 10 Business Days of the Dealing Deadline for the relevant Dealing Day provided that all the required documentation has been furnished to and received by the Administrator.

Withdrawal of Redemption Requests

Requests for redemption may not be withdrawn save with the written consent of the Company or its authorised agent or in the event of a suspension of calculation of the Net Asset Value of the Fund.

Compulsory/Total Redemption

Shares of the Fund may be compulsorily redeemed and all the Shares may be redeemed in the circumstances described in the Prospectus under the sub-headings “Compulsory Redemption of Shares” and “Total Redemption of Shares”.

9. Single Swinging Price

Shares will be issued and redeemed at a single price (the “Price”) (excluding subscription or redemption charges, if any) which will be the Net Asset Value per Share, which may, in exceptional circumstances at the Directors’ discretion, be adjusted on any Dealing Day in the manner set out below, depending on whether the Directors consider it appropriate and whether or not the Fund is in a Net Subscription Position or in a Net Redemption Position on such Dealing Day, to arrive at the Price. Where there is no dealing on the Fund or Share Class of the Fund on any Dealing Day, the Price will be the unadjusted Net Asset Value per Share rounded to four decimal places. The basis on which the assets of the Fund are valued for the purposes of calculating the Net Asset Value per Share is set out in the Prospectus under the heading “Calculation of Net Asset Value”. This provides that listed investments will be valued based on the closing mid-market price of such investment. However, the actual cost of purchasing or selling assets and investments for the Fund may deviate from the mid-market price used in calculating the Net Asset Value per Share due to dealing charges, taxes and other similar costs (“Duties and Charges”) and the difference between buying and selling prices of the underlying investments (“Spreads”). These costs have an adverse effect on the value of the Fund and are known as "dilution".

The dilution adjustment, if applied at the discretion of the directors, will involve adding to, when the Fund is in a Net Subscription Position, and deducting from, when the Fund is in a Net Redemption Position, the Net Asset Value per Share such figure as the Directors consider represents an appropriate figure to meet Duties and Charges and Spreads in order to preserve the value of underlying investments for Shareholders. The resultant amount will be the Price rounded to four decimal places. Where a dilution adjustment is made, it will increase the Price when the Fund is in a Net Subscription Position and decrease the Price when the Fund is in a Net Redemption Position. The Price of each Class in the Fund will be calculated separately but any dilution adjustment will in percentage terms affect the Price of each Class in an identical manner.

10. Conversion of Shares

Subject to the Minimum Initial Subscription and Minimum Holding of the relevant Fund or Classes, Shareholders may convert some or all of their Shares in one Fund or Class to Shares in another Fund or Class or another Class in the same Fund in accordance with the procedures specified in the Prospectus under the heading "Conversion of Shares".

11. Suspension of Dealing

Shares may not be issued, redeemed or converted during any period when the calculation of the Net Asset Value of the relevant Fund is suspended in the manner described in the Prospectus under the heading "Suspension of Valuation of Assets". Applicants for Shares and Shareholders requesting redemption and/or conversion of Shares will be notified of such suspension and, unless withdrawn, applications for Shares will be considered and requests for redemption and/or conversion will be processed as at the next Dealing Day following the ending of such suspension.

12. Fees and Expenses

The fees and operating expenses of the Company are set out in detail under the heading "Fees and Expenses" in the Prospectus.

The fees payable by the Fund to the Investment Manager and the Investment Adviser in respect of each Class of Shares in the Fund are set out under Section 5 of this Supplement under the heading "Share Classes." The total Management Fees for the Investment Manager and the Investment Adviser is 0.60% for Class I Shares and 0.90% for Class D Shares which total will be allocated between the Investment Manager and the Investment Adviser in the manner set out below. The Management Fees may be subject to adjustment between the Investment Manager and Investment Adviser on the basis of the assistance they provided in marketing and securing investors for the Fund.

Investment Manager's and Investment Adviser's Management Fees

The Investment Manager shall be entitled to receive out of the assets of the Fund an annual Investment Management Fee, accrued at each Valuation Point and payable monthly in arrears at a rate of 0.36% per annum of the Net Asset Value of the Fund allocable to Class HGRE - I Shares and Class HGRE – D Shares. The Investment Manager is also entitled to be reimbursed by the Fund for all of its out-of-pocket expenses and vouched internal legal costs reasonably incurred on behalf of the Fund.

The Investment Adviser shall be entitled to receive, out of the assets of the Fund, an annual fee, accrued at each Valuation Point and payable monthly in arrears at a rate of 0.24% per annum of the Net Asset Value of the Fund allocable to Class HGRE - I Shares and at a rate of 0.54% per annum of the Net Asset Value of the Fund allocable to Class HGRE – D Shares. The Investment Adviser is also entitled to be reimbursed by the Fund for all of its out-of-pocket expenses reasonably incurred on behalf of the Fund.

Portfolio Support Fees

The Investment Manager shall be entitled to receive an annual Portfolio Support Fee out of the assets of the Fund, accrued at each Valuation Point and payable monthly in arrears at a rate of 0.08% per annum of the first €200 million of the Net Asset Value of the Fund, 0.06% per annum of the Net Asset Value of the Fund between €200 million and €400 million; 0.04% per annum of the Net Asset Value of the Fund between €400 million and €650 million; and 0.02% per annum of the Net Asset Value of the Fund in excess of €650 million.

Commission rates

The Investment Manager on behalf of the Fund may use execution-only or full service brokerage. When using full service brokerage, in addition to order execution, commission-sharing arrangements will be used to accumulate balances to be used solely for the purchase, on behalf of the Fund, of substantive research in compliance with FCA Rules.

The Fund will also reimburse the Investment Manager for monies spent by the Investment Manager to obtain other research, market data, corporate access, analysis and/or other similar services for the Fund, up to a maximum of 0.10 per cent. per annum of the average net asset value of the Fund.

Administrator's Fees

The Administrator shall be entitled to receive out of the assets of the Fund an annual fee, accrued at each Valuation Point and payable monthly in arrears, based on the Net Asset Value of the Fund, of up to a maximum of 0.12%, subject to a minimum annual administration fee of €58,000 for the first year of the Fund's operation and €77,000 in subsequent years (in both cases plus VAT, if any, thereon), and an additional fee of €1,150 per month for weekly valuations and an additional fee of €1,750 per month for indicative daily valuations (plus VAT, if any thereon). The minimum fee may be fully or partially waived by the Administrator for such period or periods of time as may be agreed between the Company and the Administrator from time to time.

In addition to such remuneration, the Administrator shall also be entitled to charge the Fund fees relating to any additional services required in relation to corporate secretarial, audit support, tax assistance or investor rebate services, as may be agreed with the Company and which shall be charged at normal commercial rates.

The Administrator is also entitled to be reimbursed by the Fund for all of its out-of-pocket expenses reasonably incurred on behalf of the Fund.

Distribution Fees

The Company may appoint one or more Distributors to distribute and sell Class HGRE-D Shares of the Fund. Any such Distributor will be paid by the Investment Adviser or the Investment Manager out of their own fees and not out of the assets of the Fund with respect to the Shares they distribute and sell. The Investment Adviser anticipates paying Distributors at a rate of 0.30% per annum of the Net Asset Value attributable to Class D Shares distributed and sold by the Distributor.

Custodian's Fees

The Custodian shall be entitled to receive out of the assets of the Fund an annual fee, accrued at each Valuation Point and payable monthly in arrears, based on the number of transactions and the Net Asset Value of the Fund subject to a minimum annual fee of €15,500. In addition, annual trustee services fees are payable up to a maximum fee of 0.02% of the Net Asset Value of the Fund (plus VAT, if any thereon), subject to a minimum annual trustee services fee of €12,000 when an entity within Citigroup is the sub-custodian and €18,500 when any other sub-custodian is used.

The Custodian shall also be entitled to charge the Fund fees relating to any custody or transactional services, as may be agreed with the Company and which shall be charged at standard commercial rates. In addition to such remuneration, the Custodian is entitled to be repaid for all of its out-of-pocket expenses reasonably incurred on behalf of the Fund, including the fees and expenses of any sub-custodian (which shall be at normal commercial rates) and transaction charges (which shall also be at normal commercial rates) levied by the Custodian and which are payable by the Fund.

Establishment Expenses

The costs of establishing the Fund did not exceed €30,000 and are being amortised over the first five years of the Fund's operation or such shorter period as may be determined by the Directors at their discretion.

Redemption Fee

A redemption fee not exceeding 3% of the redemption monies may be imposed on the redemption of Shares which shall be retained by the Company for its sole use and benefit or as it may determine. The Directors may differentiate between Shareholders of the Fund by waiving or reducing the redemption fee chargeable to certain Shareholders. The Directors do not currently intend to charge any redemption fee and will give one month's notice to Shareholders of any intention to charge such a fee.

Conversion Fee

A conversion fee not exceeding 5% of the Net Asset Value of Shares in the original Fund may be imposed on the conversion of Shares in any Fund to Shares in another Fund and payable into the assets of the original Fund. The Directors may differentiate between Shareholders of the Fund by waiving or reducing the conversion fee chargeable to certain Shareholders.

13. Dividends and Distributions

It is not the current intention of the Directors to pay dividends. The income and earnings and gains of the Fund will be accumulated and reinvested on behalf of the Shareholders. Any change to this dividend policy shall be set out in an updated Supplement and notified to Shareholders in advance.

14. Risk Factors

Investors are referred to the section headed "Risk Factors" in the Prospectus.

Risks Relating to CMBS

The Fund's portfolio is expected to include exposure to CMBS. CMBS are, generally, securities backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional shopping malls, other retail space, office buildings, industrial or warehouse properties, hotels and nursing homes. The value of the Fund's commercial mortgage-backed securities will be influenced by the historical rate of delinquencies and defaults experienced on the relevant commercial mortgage loans and by the severity of loss incurred as a result of such defaults. Factors influencing delinquencies, defaults and loss severity include (a) economic and real estate market conditions by industry sectors (e.g., multifamily, retail office, etc.); (b) the terms and structure of the mortgage loans; and (c) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan.

Special risks are presented by loans to hospitals, nursing homes, hospitality properties and certain other property types. Commercial property values and net operating income are subject to volatility, which may result in net operating income becoming insufficient to cover debt service on the related mortgage loan. Furthermore, the net operating income from and value of any commercial property is subject to various risks, including changes in general or local economic conditions and/or specific industry segments; the solvency of the related tenants; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; acts of God; terrorist threats and attacks and social unrest and civil disturbances.

Commercial mortgage loans are generally viewed as exposing a lender to a greater risk of loss through delinquency and enforcement than lending on the security of single family residences. The ability of a borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property (i.e., the ability of tenants to make lease payments, the ability of a property to attract and retain tenants, and the ability of the owner to maintain the property, minimise operating expenses, and comply with applicable planning and other laws) rather than upon the existence of independent income or assets of the borrower. Most commercial mortgage loans provide recourse only to specific assets, such as the property and not against the borrower's other assets or personal guarantees.

Risks Relating to Mortgage Loans Underlying RMBS

The RMBS in which the Fund invests are subject to all of the risks of the underlying mortgage loans. Residential mortgage loans are secured by single-family residential property and are subject to risks of delinquency and enforcement, and risks of loss. The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. In addition, a number of general factors, including a general economic downturn, depreciation of housing prices, acts of God, social unrest and civil disturbances, may impair borrowers' abilities to repay their loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies and bankruptcy filings by mortgage borrowers, which may lead to a reduction in payments by such borrowers on their mortgage loans and thereby impact the amount of interest paid on and ultimate repayment of the investments.

The underlying mortgage loans may include interest only and "part and part" loans (which are part interest-only). There is no scheduled amortisation of interest only loans or that part of a loan which is interest only. Consequently, upon the maturity of an interest only loan or a part and part loan, the relevant borrower will be required to make a single large ("bullet") payment that will represent the entirety of the principal amount then outstanding. The ability of such a Borrower to repay an interest only loan or a part and part loan at maturity frequently depends on such Borrower's ability to refinance the Property or obtain funds from another source, such as pension policies, personal equity plans or endowment policies. The ability of the Borrower to refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower's equity in the Property, the financial condition of the Borrower, tax laws and general economic conditions at the time. Because of the greater risk regarding refinancing, a significant downturn in the property markets, or the economy in general, could lead to a greater increase in defaults or loss of principal with respect to interest only loans, and to a lesser extent, part and part loans, than on repayment loans. This higher risk associated with the higher defaults or repayment of interest only and part and part loans increases the risk of a failure to pay interest or loss of principal in the Fund's RMBS investments.

The underlying mortgage loans may include loans secured by non-owner occupied properties. The

Borrower's ability to service payment obligations in respect of a loan secured on such a property is likely to depend on the Borrower's ability to lease or let the properties on appropriate terms. This dependency on leasing or letting income increases the likelihood that, during difficult market conditions, the rate of delinquencies and losses on loans secured by such non-owner occupied properties will be higher than for loans secured on the primary residence of a borrower.

The underlying mortgage loans may contain mortgage loans to borrowers who (a) may have an adverse credit history; (b) are self-employed or self-certifying; and/or (c) are otherwise considered by bank and building society lenders to be non-conforming borrowers (collectively "Non-Conforming Borrowers"). Mortgage loans made to Non-Conforming Borrowers are generally likely to experience higher rates of delinquency, write-offs, enforcement and bankruptcy than have historically been experienced by mortgage loans made to standard borrowers and therefore carry a higher degree of risk. This higher risk associated with greater defaults or losses of loans secured by non-owner occupied properties increases the risk of a failure to pay interest or loss of principal in the Fund's RMBS investments.

High-Grade Real Estate Debt Securities

Investments in securities which are not traded on an exchange or which are based on complex financial structuring, such as CMBS and RMBS, present a risk of loss of capital. The Fund's investment policy and risk controls moderates this risk by limiting the investments that may be made to only Investment Grade securities and limiting investments in unlisted securities, and through a careful selection and monitoring of securities and other financial instruments.

Below Investment Grade Securities

Investments purchased by the Fund may be downgraded to below Investment Grade ratings. Although such investments may be sold upon such a downgrade, they may be retained if the Investment Manager continues to believe that such investments provide attractive returns for the level of risk. Such below-investment grade securities are generally riskier than Investment Grade securities, having a higher likelihood of failing to pay either periodic payments or the full face amount on maturity.

Losses Arising from the Fund's Investments in Subordinated Securities

The Fund may invest in limited recourse RMBS or CMBS that are subordinated in right of payment and ranked junior to other securities that are secured by, or represent ownership in, the same pool of mortgage loans. In the event of default by an issuer of such investments, holders of the issuer's more senior securities will be entitled to payments in priority to the Fund. Some of the Fund's investments may also have structural features that divert payments of interest and/or principal to more senior classes when the delinquency or loss experience of the underlying loan pool exceeds certain levels. This may lead to interruptions in the income stream that the Fund anticipates receiving from its investments. Although holders of asset-backed securities generally have the benefit of first ranking security (or other exclusive priority rights) over any collateral, control of the timing and manner of the disposal of such collateral upon a default will generally devolve to the holders of the senior class of securities outstanding. There can be no assurance that the proceeds of any such sale of collateral will be adequate to repay in full the Fund's investments in the case of a default.

Sourcing Suitable Investments

The ability of the Fund to implement its investment policy effectively and achieve its desired investment returns may be limited by its ability to source appropriate investments in which to invest. Until such time as the Fund is able to invest in suitable investments the Fund may not be fully invested. Also, a substantial proportion of the Fund's investments may amortise or be subject to repayment over time, such that their expected weighted average lives generally range from six months to ten years, giving rise to re-investment risk. There can be no assurance that, upon receiving the full or partial repayment of a given investment, the Fund will be able to make a further investment with an expected rate of return equal to that of the investment repaid. If the expected rate of return of the new investment is less than that of the investment repaid, this may reduce the returns earned by the Fund.

Risks of Losses in Asset-Backed Securities Associated with Declining Property Values

The security for the asset-backed securities consists of, inter alia, the securitisation vehicle's interest in the underlying mortgage loans. The value of the security may be affected by, among other things, a decline in property values. No assurance can be given that values of the properties have remained or will remain at the level at which they were at on the dates of origination of the related securities.

If the residential or commercial property market in the United Kingdom or Europe should experience an overall decline in property values, such a decline could in certain circumstances result in the value of the security created by the mortgage loans being significantly reduced and, ultimately, may result in losses to the Fund if that security is required to be enforced.

Potential Illiquidity of the Fund's Investments

The market for asset-backed securities and other financial instruments of the type in which the Fund may invest or be exposed to may, from time to time, become illiquid. As a result of this illiquidity, the Fund's ability to raise cash or to vary its portfolio in a timely fashion and to receive a fair price in response to changes in economic and other conditions may become more limited. Furthermore, if the Fund acquires investments for which there is not a readily available market, the Fund's ability to deal in any such investment or obtain reliable information about the value of such investment or risks to which such investment is exposed may be limited.

Borrower Fraud

Investing in debt securities involves the possibility of material misrepresentation or omission on the part of underlying borrowers. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the debt securities. The quality of the Fund's investments in CMBS and RMBS are subject to the accuracy of representations made by the underlying borrowers. Accordingly, the Fund is subject to the risk that the systems used by the originators of CMBS and RMBS to control for such accuracy are inadequate.

Risks Relating to Prepayments and Repayment

The yield to maturity of the investments will depend on, inter alia, the amount and timing of payments of principal on the mortgage loans and the price paid for the investments. Such yield may be adversely affected by higher or lower than anticipated rates of prepayments on the mortgages. Prepayments on mortgage loans may result from refinancings, voluntary sales of properties by borrowers, or as a result of enforcement proceedings under the relevant mortgage loans. The rate of prepayment of the mortgage loans cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and with respect to residential mortgage loans homeowner mobility. Therefore, no assurance can be given as to the level of prepayments that a mortgage pool underlying any security will experience. If refinancing is not available and/or properties cannot be sold, the ultimate repayment of bonds may be deferred and in some instances the maturity may be extended. This may negatively affect the return on such bonds and ultimately the performance of the Fund.

Defaults on Investments May Have a Negative Impact on the Value of the Fund's Investments

A default on a loan underlying an investment will reduce the value of the investment and, consequently, the value of the Fund. To the extent that actual defaults on any assets underlying an investment exceed the level of defaults factored into the purchase price of the relevant investment, the value of the anticipated return from the investment may be reduced. The more deeply subordinated the tranche of securities in which the Fund invests or is exposed to, the greater the risk of loss.

Income Derived from Payments from Investments

The Fund may invest in or be exposed to limited recourse securities that are subordinated in right of payment and ranked junior to other securities that are secured by or represent ownership in the same pool of assets. In asset backed transactions, the issuer of the securities relies upon the receipt of payments from underlying obligors in order to make the interest payments. A wide range of factors could adversely affect the ability of the issuers of the securities to make interest or other payments. These factors include adverse changes in the financial condition of the issuers of the securities, the underlying obligors, or the industries or regions in which they operate, the issuer's exposure to counterparty risks, systemic risk in the financial system and settlement, changes in law and taxation, a downturn in general economic conditions, changes in governmental regulations or other policies; natural disasters, terrorism, social unrest and civil disturbances.

Dependence upon the Performance of the Servicer of the Underlying Asset Portfolio

The Fund will not control the portfolio of assets underlying the asset-backed securities in which it invests or is exposed to, and will rely on servicer and special servicer (to get the servicers) of the asset-backed securities to administer and review the portfolio. The servicer will also structure work-outs of non-performing assets contained in the portfolio. The actions or defaults of the servicer, including its ability to identify and report on issues affecting the portfolio on a timely basis, may affect the Fund's return on its investments, in some cases significantly. In addition, concentration of a significant number of the Fund's investments with one servicer could affect the Fund adversely in the event that the servicer ceased or became unable to act as such.

Risks Related to Third Parties

The structure of asset-backed securities rely on a number of agreements with a number of third parties that have agreed to perform services for the securitisation. In addition, the securitisation will enter into a number of financial agreements including but not limited to swaps, liquidity facilities and cash management. The value of the asset-backed securities may be affected by the performance of these third parties.

Concentration Risk

While the Fund will regularly monitor the concentration of its portfolio and its exposure to any given servicer of underlying assets, concentration in any one industry, region or country may arise from time to time. For example, at any given time, certain geographic areas or sectors may provide more attractive investment opportunities than others and, as a result, the Fund's investments may be concentrated in those countries or regions or specific sectors in those countries or regions. The risk that payments on the Fund's investments could be adversely affected by defaults on debt obligations or the general deterioration of underlying portfolios of assets is likely to be increased to the extent that the Fund's portfolio is concentrated in such a way, as a result of downturns relating generally to such industry, region or country, and this could reduce the amount of payments the Fund receives on its investments and, consequently, could have an adverse impact on the value of the Fund's investments.

Unexpected Prepayments

While the Fund's valuations and projections take into account certain expected levels of prepayment, investments may be prepaid more quickly than expected. For a securitisation originator there is often a strong incentive to refinance well-performing portfolios once the senior tranches amortise, and an originator will typically have the right to redeem outstanding bonds once 90 per cent. of the original principal amount outstanding has been repaid in a "clean-up call". Prepayment rates are also influenced by changes in interest rates and a variety of economic, geographic and other factors beyond the Fund's control and consequently cannot be predicted with certainty.

Risk Factors Not Exhaustive

The investment risks set out in this Supplement do not purport to be exhaustive and potential investors should be aware that an investment in the Fund may be exposed to risks of an exceptional nature from time to time.