

## **SUPPLEMENT 2: JK JAPAN FUND**

**19 October, 2023**

**This Supplement contains information relating specifically to JK Japan Fund (the "Fund"), a sub-fund of JK Funds p.l.c. (the "Company"), an open-ended umbrella fund with segregated liability between sub-funds authorised by the Central Bank on 30 August 2013 as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended). This Supplement forms part of and should be read in conjunction with the Prospectus of the Company dated 21 December 2021. The other sub-fund of the Company is JK Global Opportunities Fund.**

**Shares in the Fund are not deposits and are not guaranteed. Investment in the Fund involves certain investment risks, including the fluctuation of principal. The value of investments may fall as well as rise and investors may get back less than they originally invested. Investors' attention is particularly drawn to the section of the Prospectus entitled "Risk Factors".**

**The Fund may engage in transactions in Financial Derivative Instruments ("FDIs") for share class hedging. The Directors of the Company expect that the Net Asset Value of the Fund will have medium to high volatility. Investors should read the section entitled 'Risk Factors' before investing in the Fund.**

**An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

## Key Terms

<b>Name of Fund:</b>	JK Japan Fund
<b>Investment Objective:</b>	The investment objective of the Fund is to achieve long term capital appreciation.
<b>Investment Policy:</b>	<p>The Fund will seek to achieve its Investment Objective by investing primarily in Japanese equities, which are listed or traded on a Recognised Exchange including, but without limitation, common and preferred stock. The Fund may also hold cash and deposits within the Depositary's sub-custodian network pending investment.</p> <p>The Fund may at any particular time be invested up to 100 per cent of the entire portfolio in Japanese equities. It is expected that the Fund will typically be invested in under 50 Japanese equities.</p> <p>As provided for in the risk management process, the Fund may invest in convertible bonds relating to Japanese companies. Save for the GBP Institutional Shares (unhedged) (I), the Investment Manager will use forward FX contracts to hedge the currency exposure of non-base currency share classes back to the base currency. A forward FX contract is a contract to purchase or sell a specific currency at a future date at a price set at the time of the contract.</p> <p>The currency hedging detailed above is the only form of share class hedging undertaken by the Fund. Further details of the allocation to the relevant Class of the gains/losses on and the costs of the relevant financial instruments relating to class specific hedging are included in the Prospectus under the heading "Currency Hedging at Share Class Level".</p> <p>The Fund is also permitted to concentrate investments in any one industry or market sector subject to the UCITS Requirements, as applicable.</p> <p>The Fund is actively managed. The Investment Manager will measure the performance of the Fund against the TOPIX, also known as the Tokyo Stock Price Index. The TOPIX is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. The index is supplemented by the sub-indices of the 33 industry sectors.</p>

The TOPIX is used for comparison purposes only and the Fund will not replicate the composition of the TOPIX. The assets of the Fund may differ greatly from the constituents of the TOPIX.

The Fund shall be restricted from any investment in units of other UCITS or other collective investment schemes.

## **Investment Strategy**

The Fund will seek to achieve its investment objective by investing in a portfolio of Japanese equities that the Investment Manager believes to be undervalued given their long term growth and business prospects. The Investment Manager uses a variety of measures to determine whether or not a company is undervalued, but the central philosophy is to invest in strong business franchises, that have good long term growth potential, and where the Investment Manager feels that this growth potential is being undervalued by the market.

The Investment Manager will look to invest in a diversified portfolio of listed Japanese equities, holding (typically but not constrained to) between 25 and 35 stocks in normal stock market environments. The Investment Manager will employ a combination of fundamental and quantitative analysis to identify candidates for investment, with technical analysis employed to aid timing decisions. The Investment Manager carries out a fundamental analysis by making a forecast of a business' long term growth potential of earnings and dividends, and from this derives a net present value for the business. Quantitative techniques are used to analyse how the market has chosen to value a business over the business cycle historically, further aiding the Investment Manager's understanding of whether the present value ascribed to the business by the market is appropriate or not. A range of technical indicators are employed to aid the timing decision when buying and selling stocks. Such indicators will include, but are not limited to, moving averages, relative strength indices, and trend analysis.

The focus will be on creating a portfolio of top quality businesses, that have strong medium term growth potential, strong balance sheets and high quality management teams that the Investment Manager knows well and has invested in over many years. Business quality is assessed by measures such as the historical dividend growth, cash flow generation and cash conversion, and balance sheet strength. Management quality is assessed by, but not limited to, its strategic decision making, financial policy, and shareholder engagement.

## **Profile of Typical Investor in the Fund**

Investors in the Fund are likely to be a combination of institutional investors and high net worth individuals who understand and appreciate the risks associated with investing in

Shares of the Fund. The Fund may also be purchased by retail investors, directly or via fund distribution platforms and wealth managers. The Fund is suitable for investors seeking long term capital appreciation and high market volatility and risk in the management of their assets, in particular given the Fund will be invested in one market, namely Japan. Investment in the Fund should be determined by the attitude to risk, wish for income or capital growth, intended investment time horizon and volatility and in the context of the investor's overall portfolio. Investors should seek professional advice before making investment decisions.

### **Distribution Policy**

It is not envisaged that any income or gains will be distributed by the Fund by way of dividend. This does not preclude the Directors from declaring a dividend at any time in the future if they consider it appropriate to do so. In such case, full details will be notified to Shareholders in advance.

### **Borrowing**

In accordance with the investment and borrowing restrictions set out in Appendix 1 to the Prospectus, the Fund may borrow up to 10% of its total Net Asset Value on a temporary basis, including for the purpose of paying redemption proceeds pending the settlement of securities sales or to facilitate the acquisition of securities pending the receipt of subscription monies from a Shareholder following a subscription request.

Where the Fund borrows on a temporary basis for the purpose of facilitating the acquisition of securities pending the receipt of subscription monies, it will be exposed to a risk that the subscription monies will not be settled within the stated settlement period. In such circumstances, the Company may cancel any allotment of Shares or seek recovery (including any relevant credit charges) from investors as set out in more detail under the heading "Subscriptions/Redemptions Account Risk" in the Prospectus.

### **Global Exposure and Leverage**

The Manager will use the commitment approach methodology to accurately measure, monitor and manage the "leverage" effect produced by the use of derivatives. The Manager employs a risk management process on behalf of the Fund which enables it to accurately measure, monitor and manage the various risks associated with FDIs.

The commitment approach is calculated by converting the derivative position into the equivalent position in the underlying asset, based on the market value of the underlying asset or the market value of the contract and allowing for any netting and hedging arrangements, as described in the risk management process of the Company.

Using the commitment approach, the Fund will not be leveraged in excess of 100% of its net assets as a result of the use of derivatives. The Fund's global exposure must not exceed its total Net Asset Value.

**Valuation Point** 11.59 p.m. (Dublin time) on the Business Day immediately preceding the relevant Dealing Day.

**Dealing Day** Daily, Monday to Friday. In the event that a Dealing Day is not a Business Day, as described below, the next Business Day shall become the Dealing Day.

**Business Day** Any day on which banks are open for business in Dublin and London and Japan and/or such other place or places and such other day or days as the Directors may determine and notify to Shareholders.

**Dealing Request Deadline** 12.00 p.m. (Noon) (Dublin time) two Business Days preceding the relevant Dealing Day or such other time as the Directors may determine and notify to Shareholders in advance provided always that the Dealing Request Deadline is no later than the Valuation Point.

In the event of subscriptions, in addition to a duly completed application form being received by the Dealing Request Deadline, cleared funds in respect of the subscription monies must be received by the Administrator within three Business Days after the relevant Dealing Day or such other time as the Directors may from time to time, in their sole discretion, permit in accordance with the requirements of the Central Bank and this may be approved by any one Director. Investors should note that the Directors may exercise their discretion to accept subscriptions received after the Dealing Request Deadline. Subscription monies are generally required to be paid in the currency of the relevant Class, however, subscriptions may be accepted in a currency other than the currency of the relevant Class at the discretion of the Directors and this may be approved by any one Director. All costs of the conversion will be borne by the Investor.

Subscriptions may be made for a specific number of Shares or for a monetary amount.

**Price Publication** The Net Asset Value per Share will be published within one Business Days of each Valuation Point and updated following each calculation of Net Asset Value. Such prices will be up to date as of the time of publication. The latest Net Asset Value per Share will be published on Bloomberg and will be available from

the office of the Administrator. In the event the Company opts to list Shares on the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**"), the Net Asset Value for any listed Shares will be notified immediately upon calculation to Euronext Dublin and will be published on [www.ise.ie](http://www.ise.ie).

**Share Classes and types of Shares**

Only Accumulation Shares are currently offered

**Institutional Shares (I)**

- GBP Institutional Shares
- GBP Institutional Shares (unhedged)
- US Dollar Institutional Shares
- Yen Institutional Shares
- Euro Institutional Shares
- JKFDS US Dollar Shares

**Ordinary Shares (O)**

- GBP Ordinary Shares
- US Dollar Ordinary Shares
- Yen Ordinary Shares
- Euro Ordinary Shares

**Base currency**

Japanese Yen

**Initial Offer Period**

The initial offer period for the JKFDS US Dollar Class, the YEN Institutional Class, the GBP Institutional Class, the EUR Institutional Class, the US Dollar Institutional Class and the GBP Institutional Class (unhedged) have now closed. The initial offer period for all other Classes of Shares will continue until 5.00pm (Irish time) on 19 April, 2024 or such other dates as any one Director may determine in accordance with the requirements of the Central Bank.

**Initial Offer Price**

The initial offer price per Share during the initial offer period will be as follows:

US Dollar Ordinary Shares (O)	100
GBP Ordinary Shares (O)	100
Euro Ordinary Shares (O)	100
Yen Ordinary Shares (O)	100

**Subsequent Offer of Shares**

Following the close of the initial offer period of the relevant Class of Shares, Shares will be available for subscription at the Subscription Price on each Dealing Day on a forward pricing basis. The Subscription Price is equal to the Net Asset Value per Share as at the relevant Valuation Point. The Directors may also

charge an initial fee (as set out under below) which will be payable to the Investment Manager.

#### Share Classes

<b>Institutional</b>	<b>USD Institutional Shares (I)</b>	<b>GBP Institutional Shares (I)</b>	<b>YEN Institutional Shares (I)</b>	<b>EUR Institutional Shares (I)</b>	<b>GBP Institutional Shares (unhedged) (I)</b>	<b>JKFDS US Dollar Shares</b>
Minimum Subscription	USD 1,250,000	GBP 1,000,000	YEN 130,000,000	EUR 1,150,000	GBP 1,000,000	USD 1,250,000
Minimum Additional Subscription	USD 125,000	GBP 100,000	YEN 13,000,000	EUR 115,000	GBP 100,000	USD 125,000
Minimum Holding	USD 1,250,000	GBP 1,000,000	YEN 130,000,000	EUR 1,150,000	GBP 1,000,000	USD 1,250,000
<b>Ordinary</b>	<b>USD Ordinary Shares (O)</b>	<b>GBP Ordinary Shares (O)</b>	<b>YEN Ordinary Shares (O)</b>	<b>EUR Ordinary Shares (O)</b>		
Minimum Subscription	USD 125,000	GBP 100,000	YEN 13,000,000	EUR 115,000		
Minimum Additional Subscription	USD 12,500	GBP 10,000	YEN 1,300,000	EUR 11,500		
Minimum Holding	USD 125,000	GBP 100,000	YEN 13,000,000	EUR 115,000		

(Investors should refer to the section of the Prospectus headed “Important Information” which may refer to an alternative minimum subscription requirement for investors from a particular country)

Once the Minimum Subscription has been subscribed for, Shareholders are required to maintain the relevant Minimum Holding in the Fund, which shall be the same amount as the Minimum Subscription (ignoring any fluctuation in the Net Asset Value of Shares as a result of market movement).

The Directors may reduce or waive the Minimum Holding, the Minimum Subscription and the Minimum Additional Subscription at their sole discretion and this may be approved by any one Director, provided that all Shareholders will be treated fairly and Shareholders in the same Class shall be treated equally.

## **Fees and Expenses**

### **Establishment Expenses**

The fees and expenses incurred in connection with the establishment of the Fund were paid out of the assets of the Fund and were amortised over the first three years.

### **Initial Fee**

The Directors are permitted to impose an initial fee on the sale of Shares (other than the JKFDS US Dollar Shares) to an investor of up to 5 per cent of the amount subscribed and have discretion to waive this fee in whole or in part provided that all Shareholders will be treated fairly and Shareholders in the same Class shall be treated equally.

The Initial Fee, where charged, will be payable to the Investment Manager.

**The difference at any one time between the subscription price and redemption price of Shares means that the investment should be viewed as medium to long term.**

### **Exchange Fee**

An exchange fee of up to 5 per cent of the redemption proceeds of the Class of Shares which is being exchanged may be payable. The redemption proceeds of the Class of Shares which is being exchanged will be reduced by the amount of the exchange fee (if any) and the net amount applied in subscribing for the Shares of the other Class. The Directors may waive payment of the exchange fee in whole or in part at their discretion provided that all Shareholders will be treated fairly and Shareholders in the same Class shall be treated equally. The exchange fee will be retained by the Fund.

### **Redemption Fee**

It is not the Directors' current intention that any redemption fee be imposed.

### **Management Fee**

The Manager shall be entitled to receive out of the assets of the Fund, an annual fee, accrued on each Dealing Day and payable monthly in arrears, at an annual rate of up to 0.03% per annum of the Net Asset Value of the Fund. The management fee is based on a sliding scale applied to the aggregate assets across all Funds, subject to an annual minimum fee of €50,000 based on a single Fund and an annual minimum fee of €15,000 for each additional Fund.

The management fee shall be subject to the imposition of VAT, if required.

The Manager shall be entitled to be reimbursed by the Company out of the assets of the relevant Fund for reasonable out of pocket expenses properly incurred and any VAT on all fees and expenses payable to or by it.

### **Investment Management Fee**

The Investment Manager receives from the Company an annual investment management fee which is payable monthly in arrears in respect of all Share Classes other than JKFDS US Dollar Shares and is accrued and calculated



daily as at each Valuation Point. The amount of such investment management fee is 0.5 per cent of the Net Asset Value of the Institutional Classes of Shares and 0.5 per cent of the Net Asset Value of the Ordinary Share Classes (before deduction of that week's investment management fees). The JKFDS US Dollar Shares will not be subject to an annual investment management fee on the basis that JKFDS US Dollar Shares may only be purchased by other sub-funds of the Company (each an "Investing Fund") and, accordingly, holders of shares in an Investing Fund are already subject to an investment management fee which is payable to the Investment Manager at the level of the Investing Fund.

The Investment Manager may from time to time, and at its sole discretion, and out of its own resources decide to return to intermediaries, distributors, Shareholders, the Fund and/or other persons part or all of the investment management fee. Any such payments may be applied in paying up additional Shares to be issued to the Shareholder, or may be paid in cash.

There is no performance fee imposed on any share class.

### Administration Fee

The Administrator will be entitled to receive out of the assets of the Fund a fee in respect of fund and portfolio accounting and investor servicing at a minimum fee of €4,398 per month (€52,777 per annum) or the below annual fee as set out in the table below, whichever is greater. The minimum fee will increase each year at a rate of 3% per annum with the next such increase taking place on 1 January 2024.

Aggregate Fund Value	Fee
Up to EUR 100 million	0.10% of the Net Asset Value
EUR 100 million – EUR 200 million	0.08% of the Net Asset Value
Greater than EUR 200 million	0.04% of the Net Asset Value

In addition, the Company shall reimburse the Administrator out of the assets of the Fund for all properly vouched disbursements reasonably incurred by it in the performance of its duties in respect of the Fund under the Administration Agreement.

All such sums shall be accrued and calculated as at each Dealing Day and payable monthly in arrears.

The Administrator will prepare draft financial statements for the Fund for a fee of €7,500 per annum.

### Depositary Fee

The Depositary will be entitled to receive out of the assets of the Fund a maximum annual depositary fee (plus VAT, if any), as set out in the table below, subject to a minimum monthly fee of US\$2,000 per calendar month (US\$24,000 per annum) (plus VAT if any).

Aggregate Fund Value	Fee
Up to USD 100 million	0.03% of the Net Asset Value
USD 100 million – USD 200 million	0.02% of the Net Asset Value
Greater than USD 200 million	0.015% of the Net Asset Value

The Depositary shall perform due diligence reviews on underlying funds into which the Fund may invest and, where applicable, subject to the terms of the Depositary Agreement, will be entitled to receive a fee of US\$2,000

per underlying fund (excluding in respect of any such underlying fund to which the Depositary has been appointed to act).

The Depositary shall also be entitled to be reimbursed out of the assets of the Fund for all reasonable properly vouched out-of-pocket expenses incurred for the benefit of the Fund. The Fund shall bear the cost of all relevant sub-custodian transaction fees and charges incurred by the Depositary, or any sub-custodian (which will be charged at normal commercial rates).

The Depositary will be entitled to additional fees to be agreed between the parties in circumstances including, but not limited to: required additional work; amendments to the Prospectus or the Articles; change of other service providers to the Fund; changes to the infrastructure of other service providers to the Fund which necessitate changes to the infrastructure of the Depositary; change to the structure of the Fund which necessitate changes to documents or the operations of the Depositary or termination of the Fund up to a maximum of €10,000 per annum (plus VAT if any).

All such sums shall be accrued and calculated as at each Dealing Day and payable monthly in arrears.

Details on other fees and expenses to be incurred by the Company are detailed in the main body Prospectus under the heading entitled "Fees and Expenses".

## **Risk Factors**

Investors' attention is drawn to the section entitled "Risk Factors" in the Prospectus. In particular, your attention is drawn to the following risks:

### *Equity Market Risk*

Investment in equity securities or equity-linked securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors. When economic growth slows, or interest or inflation rates increase, equity securities and equity-linked securities tend to decline in value.

Even if general economic conditions do not change, the value of investments could decline if the particular industries, companies or sectors in which the Fund invests do not perform well.

### *Concentration Risk*

The Fund is predominantly invested in a single country (Japan). Such country concentration may result in the Fund being more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting Japan. Accordingly, the value of the Fund is heavily dependent on the performance of the Japanese economy and its performance may be more volatile than that of a fund having a more diverse portfolio of investments.

### *Political and/or Regulatory Risks*

The value of the Fund's assets may be affected by uncertainties such as political developments, changes in government policies, changes in taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of Japan.

### *Convertible Bonds*

Convertible bonds are a hybrid between debt and equity, which embed an option permitting holders to convert into shares in the company issuing the bond at a specified future date. As such, investments in convertible bonds may be exposed to equity movement and greater volatility than traditional bond investments. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable traditional bond investments. In addition, the global bond markets have from time to time experienced extreme price and volume fluctuations. Any such broad market fluctuations may adversely affect the trading price of convertible bonds.

### *Hedged Class Risk*

The adoption of a currency hedging strategy for a Class may substantially limit the holders of such Class from benefiting if the designated currency of such Class depreciates against the currencies in which the assets of the Fund are denominated or its base currency.

### **Reporting Fund Status**

The following table sets out the Classes of Shares in respect of which, subject to discussion with the United Kingdom HM Revenue & Customs, reporting fund status is expected to apply. The dates set out in the table reflect the dates from which reporting fund status was obtained in relation to the relevant Classes of Share prior to the Company's continuation in Ireland.

<b>Class</b>	<b>Reporting Fund status with effect from Launch</b>
GBP Institutional Shares	Reporting
GBP Institutional Shares (unhedged)	Reporting
Yen Institutional Shares	Reporting
Euro Institutional Shares	Reporting
US Dollar Institutional Shares	Reporting
JKFDS US Dollar Shares	Reporting
GBP Ordinary Shares	Reporting
Yen Ordinary Shares	Reporting
Euro Ordinary Shares	Reporting
US Dollar Ordinary Shares	Reporting

