

SMART DEFENCE PROGRESSION 2025 FINECO AM FUND III
SUPPLEMENT DATED 08 DECEMBER 2023

This Supplement contains specific information in relation to **SMART DEFENCE PROGRESSION 2025 FINECO AM FUND III** (the “**Fund**”), a sub-fund of **FAM SERIES UCITS ICAV** (the “**ICAV**”), an open-ended umbrella type Irish collective asset-management vehicle with variable capital with segregated liability between its sub-funds and authorised by the Central Bank on 1 August 2018 pursuant to the UCITS Regulations.

This Supplement forms part of and should be read in conjunction with the Prospectus for the ICAV dated 1 December 2022 and the addendum thereto (together the “Prospectus”).

Shares of the Fund are not deposits or obligations of, or guaranteed or endorsed by, any bank and the amount invested in Shares may fluctuate up and/or down.

The Fund may, at any one time, be principally invested in FDI for investment purposes, risk reduction and/or hedging purposes. The attention of investors is drawn to the section headed “Risk Factors” in the Prospectus.

Interpretation and Definitions

Defined terms used in this Supplement will bear the meaning given to them in the Prospectus or shall have the meaning given to them in this Supplement. In the event of any inconsistency between the Prospectus and this Supplement, the terms of this Supplement will prevail.

- Business Day:*** means every week day on which retail banks and securities markets in Europe and Luxembourg are normally open for business;
- Coupon:*** means 0.1% of the Net Asset Value per Share published as at the last Day of the Subscription Period, being the minimum coupon which will be paid by the Fund at the Maturity Date.
- Dealing Day:*** means every Valuation Day or such other day or days as may be determined by the Directors and notified in advance to Shareholders provided that there shall be at least one Dealing Day per fortnight.
- Dealing Deadline:*** means 11.59am (Irish time) one Business Day before the relevant Dealing Day, provided always that the Dealing Deadline shall not be later than the Valuation Point.

Debt Instruments: includes but is not limited to Investment Grade and/or non-Investment Grade fixed and/or floating rate transferable debt securities of all types (including corporate debt securities, bonds and notes, zero-coupon and discount bonds, debentures, inflation linked bonds, subordinated debt securities) denominated in any currency and issued, owned or guaranteed by sovereign or government agencies, supranational entities and/or corporate issuers located anywhere in the world (including emerging markets), mainly listed or traded on a Recognised Markets listed in Schedule I of the Prospectus.

Equity Instruments: means equity and/or equity related securities such as convertible stocks or preferred stock listed (or about to be listed) or traded on any Recognised Markets listed in Schedule I of the Prospectus of (i) issuers listed or traded on developed market stock exchanges or (ii) companies considered by the Manager to be developed market companies and which are listed or traded on other Recognised Exchanges. These instruments will be denominated in any currency.

Initial Offer Period: The Initial Offer Period for the Fund will start at 9:00 AM (Irish time) on 11 December 2023 and will close at 5:00 PM (Irish time) on 11 December 2023. The Initial Offer Period may be shortened or extended by the Directors, and the Central Bank will be notified of any such shortening or extension. During the Initial Offer Period, Shares will be available for subscription at an initial offer price of €100.00 per Share ("Initial Offer Price").

Maturity Date: 9 July 2025.

Money Market/Short Term Instruments: includes but is not limited to investments in cash, treasury bills, commercial paper, certificates of deposit, short term fixed- and/or any kind of floating rate transferable debt securities of all types (including corporate debt securities, bonds and notes, zero-coupon and discount bonds, debentures) denominated in any currency issued by sovereign, government agencies, supranational entities and/or corporate issuers and/or investment in other Collective Investment Schemes which provide exposure to the above instruments.

Subscription Period: means from 12 December 2023 to 02 January 2024 or such longer (up to a maximum period of 6 months from the end of the Initial Offer Period) or shorter period as may be determined by the Directors in accordance with the requirements of the Central Bank. After the close of the Subscription Period, the Fund will not accept any new subscriptions.

Valuation Day: means every Wednesday or if a particular Wednesday is not a Business Day, the Valuation Day shall be the next following Business Day, or such other day or days as may be determined by the Directors and notified in advance to Shareholders.

Valuation Point: Means 11:59pm (Irish time) on the relevant Dealing Day.

Investment Objective

The investment objective of the Fund is to (i) aim to provide Shareholders with the Coupon at the Maturity Date and (ii) seek to protect the Fund's Net Asset Value per Share at 100% of the Initial Offer Price

There can be no guarantee that the investment objective will actually be attained and investors are explicitly warned that the Fund is not a capital guaranteed product. In seeking to achieve its investment objective, the Fund will, as described in greater detail below, invest directly in a diversified portfolio of Funding Instruments and enter into one or more financial derivative transactions. However, Shareholders must understand that the Fund may bear credit risk in respect of its portfolio of Funding Instruments so that if one or more of the issuers of any of those Funding Instruments default, the investment objective may not be achieved. Similarly, the Fund bears credit risk in respect of OTC

counterparties to its financial derivative transactions, default by any of which on its contractual obligations may mean that the investment objective may not be achieved.

Investment Policy

The Fund will aim to achieve its investment objective by investing in line with the investment parameters set out below. The Fund is actively managed.

Invest up to 100% of its assets in Equity and/or Debt Instruments (“Funding Instruments”).

Once the Fund purchases the Funding Instruments it will then enter into a total return swap (“TRS”) on the Funding Instruments in which it will swap out the performance and the income of the Funding Instruments in return for the payment by a counterparty of a fixed rate or a floating rate on the notional amount of the TRS (i.e. on the face value of the TRS). The TRS will be unfunded.

The Fund will buy the Funding Instruments and will subsequently enter the TRS in order to fix the rate of return the Fund is seeking to achieve throughout its life, subject to the non-default of the OTC counterparty to the TRS, without being exposed to the performance and income volatility of holding the Funding Instruments directly. The TRS will contain a provision which will allow the Manager aim to return the Initial Offer Price per Share (subject to any anti-dilution levy that may be applied as set out in the Prospectus on page 60) to Shareholders during the life of the Fund, up to the Maturity Date.

The breakdown between Equity Instruments and Debt Instruments which make up the Funding Instruments will depend on the Manager’s view of the market at the time of purchase or in respect of their ongoing assessment of the holding of the particular investments. In particular, the Manager will be cognisant of the risk adjusted return of the particular investment prior to deciding the percentage to allocate to either a Debt Instrument or Equity Instrument. Below we have outlined the considerations given to selecting either Debt or Equity Instruments.

Equity Instrument Selection

The Manager will use its own proprietary quantitative investment process and a qualitative analysis for the purpose of determining which Equity Instruments to acquire or gain exposure to. The Manager will consider the following criteria as part of its qualitative and quantitative analysis:

Quantitative analysis

- a) **Quality:** Quality companies are characterized as companies with durable business models (meaning companies with stable production/manufacturing capabilities and recurring revenues) and sustainable competitive advantages. Quality companies tend to have high return of equity, stable earnings that are less correlated with the broad business cycle, and strong balance sheets with low financial leverage.
- b) **Value:** Value companies are characterized as companies with attractive fundamental ratios such as forward price to earnings ratio, free cash flow yield and price to book value.
- c) **Momentum:** Momentum companies are characterised as companies which show a continuing positive stock price trend over certain time horizons.
- d) **Minimum Volatility:** Minimum Volatility companies are characterised by low historical volatility of the stock price.

Qualitative analysis

The Manager will look to the current macroeconomic situation, as it relates to the sectors and countries in the investable region. Macroeconomic analysis involves research of the ratios of individual countries' economies with particular attention regarding growth, country risk profile, price and consumer indices.

Debt Instrument Selection

In respect of the selection of Debt Instruments, the Manager will give preference to investments in Investment Grade government bonds and/or Investment Grade Debt Instruments issued by developed market governments and/or companies. The Manager will select the Debt Instruments based on an analysis which includes assessment of Debt Instruments particular yield levels (i.e. the level of return given by a bond up to its maturity date), yield curve slopes (i.e. different levels of return for different maturity dates) and country spreads (i.e. the difference in yield between certain government bonds having the same maturity date).

The Debt Instruments in which the Fund invests will be either non-Investment Grade or Investment Grade at the time of purchase or, if unrated, which are in the opinion of the Manager, of comparable quality. At the time of purchase of the Debt Instruments, the Fund may only purchase, in aggregate, up to 20% of its Net Asset Value in either non-Investment Grade and/or subordinated debt. Where a Debt Instrument ceases to be rated or its rating is reduced to below Investment Grade following its purchase, the Manager will consider such event in determining whether the Fund should continue to hold the security. The Manager may invest substantially or fully in government bonds issued by any Member State.

In order to obtain the desired return that can be achieved by investing directly in the Debt Instruments but at a lower cost than buying the Debt Instruments directly, the Fund may sell credit default swaps ("CDS") on the Debt Instruments through which the Fund will receive from the buyer of the CDS a fixed rate of income throughout the term of the CDS, provided there is no default event in respect of the underlying Debt Instrument. **If there is a default event in respect of the underlying Debt Instrument, the investment objective of the Fund may not be achieved.** The aim of selling CDS on Debt Instruments is to allow the Fund reduce cost and gain additional income for the Fund, in an economically appropriate manner, with the same level of risk as buying the Debt Instruments directly. Any counterparty risk arising to the Fund as seller of the CDS is managed via a daily exchange of collateral in order to minimise any impact arising to the Fund in the case of a default of the buyer of the CDS. The use of CDS in this manner can be classified as efficient portfolio management. See the section below titled "*Use of Financial Derivative Instruments ("FDI") and efficient portfolio management techniques*" for information on the use by the Fund of efficient portfolio management techniques.

During the Subscription Period, approaching the Maturity Date and after the Maturity Date, the Fund may invest principally in Debt Instruments and/or Money Market/Short Term Instruments.

At any time the Fund may invest up to 30% of its Net Asset Value in deposits and hold cash for ancillary purposes provided that no more than 10% of the Net Asset Value of the Fund (or up to 20% booked on account with the Depositary subject to and in accordance with Schedule II of the Prospectus) may be held by a single credit institution. The Fund may also invest up to 10% of its Net Asset Value in units or shares of collective investment schemes within the meaning of Regulation 68(1)(e) of the UCITS Regulations.

SFDR Classification: Article 6 Fund.

SFDR Disclosure

The investments underlying the Fund do not take into account the EU criteria for environmentally sustainable

economic activities. The classification of the Fund as an Article 6 Fund means that the Fund does not promote environmental or social characteristics in a way that meets the specific criteria contained in Article 8 of SFDR or have Sustainable Investment as its objective in a way that meets the specific criteria contained in Article 9 of SFDR.

When assessing the Sustainability Risk associated with the Fund's underlying investments, the Manager is attempting to understand the likelihood of the risk that the value of such underlying investments could be materially negatively impacted by an environmental, social or governance event or condition (see definition of Sustainability Risk in the main body of the Prospectus). **While the Manager integrates Sustainability Risk into the Fund's investment decision making process as described below, the output of such Sustainability Risk integration is not the determining factor, nor potentially even among the most prominent factors, considered in the investment decisions of the Manager in respect of the assets which the Fund may buy and/or hold. Accordingly, the Manager may buy and/or hold assets which may expose the Fund to high or low levels of Sustainability Risk.**

The Fund integrates Sustainability Risk into its investment decision making process using both quantitative and qualitative processes as summarised below:

- (i) Prior to acquiring investments on behalf of the Fund, the Manager uses Sustainability Risk metrics of a third party data service provider and/or Sustainability Risk metrics based on internal research, in order to assess the relevant investment against Sustainability Risk factors and to identify how vulnerable the investment is to such risks; and
- (ii) The Manager also applies its basic exclusion policy whereby potential investments are removed from the prospective investment universe on the basis that they pose a too great Sustainability Risk.

It has been determined that the Fund may have a higher prospect of being impacted by Sustainability Risk given that the Fund does not promote environmental or social characteristics nor does it have Sustainable Investment as its investment objective. To the extent that a Sustainability Risk occurs, there may be a sudden, material negative impact on the value of an investment, and hence there may be a material negative impact on the Net Asset Value of the Fund. Such negative impacts may result in an entire loss of value of an investment. The Manager acknowledges that the Fund's exposure to Sustainability Risks is changeable and shall keep the Fund's exposure to these risks under periodic review. Where the Manager considers, as a result of such a review, that the Fund's approach to the management of sustainability risks is to materially change, these disclosures will be updated accordingly.

It is possible that an assessment of Sustainability Risk may influence a decision by the Manager to not make an investment or dispose of an existing investment that would otherwise be considered as attractive to invest in or retain when confining the factors considered to financial-related elements such as financial position, revenue, capital structure etc.

Please refer to the section of the Prospectus entitled "Sustainable Finance Disclosures" for further information.

Use of Financial Derivative Instruments ("FDI") and efficient portfolio management techniques

In addition to the use of FDI described in detail in the Investment Policy section above, the Fund may engage in securities lending for efficient portfolio management purposes and in FDI transactions for investment purposes to generate returns, for the purposes of hedging and risk reduction. The types of FDI that the Fund may use are currency forwards, forwards, futures, interest rate swaps, cross-currency swaps, total return swaps ("TRS"), CDS and options. The underlying assets of FDIs will be limited to those investments that the Fund may acquire in accordance with its investment policy and/or with this section. Transactions in FDIs will be used for the purpose of meeting the Fund's investment objective and to hedge against currency risk. The expected effect of the use of FDI will be to enhance returns and/or reduce inherent risks affecting the Fund's investments. For information in relation to the risks associated with the use of FDIs, please refer to the "Risk Factors" section of the Prospectus. In respect of the direct/indirect costs and fees arising from the use of efficient portfolio management techniques (e.g securities lending) and the use of TRS, please see the section in the main body of the Prospectus entitled "Securities Financing Transactions".

Currency Forwards: The Fund may use currency forwards for the purpose of hedging currency exchange risk resulting from investments of the Fund being denominated in currencies other than the Fund's Base Currency.

The expected effect of the use of currency forwards will be to reduce inherent risks affecting the Fund's investments. For the avoidance of any doubt, the Fund may only use Currency Forwards for hedging purposes. The Fund's use of currency forwards for hedging, may mean it takes short positions.

Cross-Currency Swaps: For hedging purposes, the Fund may use cross-currency swaps in order to exchange fixed or floating cash flow streams calculated on notional amounts in different currencies, at specified dates during the life of the swap. There may be a final, interim or initial exchange of the notional amounts. For example in order to hedge cash flows from a bond which is denominated in, for example, US Dollar and not in the Fund's Base Currency, the Manager may choose to enter into a cross-currency swap, whereby the Fund receives payments in its Base Currency against paying the US Dollar cash flows from the bond. For the avoidance of any doubt, the Fund may only use Cross-Currency Swaps for hedging purposes. The Fund's use of Cross-Currency Swaps for hedging, may mean it takes short positions.

Forwards and Futures: The Fund, in addition to the use of FDI disclosed in the Investment Objectives and policy section above, may use forwards and futures contracts to hedge against downward movements in the value of the Fund's portfolio of investments (i.e. the Fund may enter into forwards and futures to sell or buy investments at a fixed price thereby establishing a floor on the price at which investments may in the future be purchased or disposed), either by reference to investments or markets to which the Fund may be exposed to. This allows the Fund to mitigate the risk of price fluctuation of assets the Fund may hold or the Fund may wish to buy. The Fund's use of Futures and Forwards for hedging, may mean it takes short positions.

Total Return Swaps ("TRS"): The Fund may use TRS on instruments held pursuant to the investment policy of the Fund in order to hedge the Fund's portfolio, reduce the risk of the portfolio, or for investment purposes. A TRS is a derivative contract between two parties where they agree to exchange the investment return and income on an underlying asset or a basket of assets for the investment return and income on a different underlying asset or a basket of assets which is agreed between the parties. Up to 100% of the Fund's assets may be subject to TRS on the financial instruments outlined in the Fund's investment objective and policy and it is expected that, in general, 0%-100% of the Fund's assets may be subject to TRS. Counterparties to a TRS will comply with Regulation 8 of the Central Bank UCITS Regulations and will have no discretion over the composition of the underlying of the TRS.

CDS: The Fund may buy or sell CDS on issuers/basket of issuers, on indices or on a basket of indices in order to hedge or to reduce the credit risk of the portfolio, or to manage the Fund's credit exposures of certain instruments and/or to obtain or preserve a desired return or spread at a lower cost than by direct investment. Buying a CDS allows the Fund to protect itself against the default of an underlying instrument by transferring

credit risk to a counterparty. As a CDS seller a Fund receives a fixed rate of income throughout the term of the contract, provided that there is no default event of the underlying reference issuer. If the Fund sells a CDS in this way and there is a default event in respect of the underlying reference issuer, the Fund would have to pay the buyer of the CDS the difference between the notional amount (i.e. the full face value) of the CDS contract and the underlying reference asset's market value in the aftermath of the default (i.e. €100 minus the recovery value of the underlying reference asset). The Fund's use of CDS for hedging, may mean it takes short positions.

Options: The Fund may buy or sell options on fixed income and/or equity securities and/or basket of equity securities and/or equity indices and/or basket of equity indices. Options may be used in order to manage market risk, to reflect a view on the future direction of the market, to achieve a desired risk/reward position or for yield enhancement and/or to modify the portfolio without incurring large transaction costs.

Exposure to Indices: The Fund may take exposure to one or more indices as described in this section and also as described above in the Investment Policy section, provided that any such exposure/index will comply with the conditions and limits set down in the Central Bank's guidance titled "UCITS Financial Indices". It is not possible to identify all of the specific indices that the Fund may take exposure to (which may change from time-to-time), however, the exposure provided by such indices will be in line with the exposure that the Fund may acquire in accordance with its investment policy and/or as set out in this section. The Manager does not intend to use indices that rebalance more frequently than monthly, such rebalancing is not expected to have a material effect on the costs incurred within the index, and will be in accordance with the Central Bank UCITS Regulations. When indices to which the Fund obtains an exposure do not comply with the diversification requirements established by the UCITS Regulations, the Fund will apply a "look-through" approach which allows the Manager to analyse the Fund's exposure to the particular indices by looking through the derivative position which gives the Fund the relevant indirect exposure to the underlying indices. This allows the Fund to ensure that it meets the risk spreading requirements of the UCITS Regulations. Following this "look through" analysis, if the Fund's consolidated exposure does not meet the risk spreading requirements of the UCITS Regulations, the Fund will have to address this by reducing the said exposure. The indices, if any, that the Fund takes exposure to will be included in the financial statements of the ICAV and details of the indices, including details of websites where additional information can be obtained, will be available upon request from the Manager.

Short Positions: The expected maximum level of long derivative positions which the Fund may hold is 150% of its Net Asset Value, measured on a gross basis using the sum of notionals of the derivatives held by the Fund. The expected maximum level of short derivative positions which the Fund may hold is 150% of its Net Asset Value, measured on a gross basis using the sum of notionals of the derivatives held by the Fund.

Securities Lending Agreements: Securities lending is the temporary transfer of securities by a lender to a borrower, with agreement by the borrower to return equivalent securities to the lender at a pre-agreed time. These agreements will only be used for efficient portfolio management to enhance overall returns to the Fund through the receipt of finance charges for the lending by the Fund of investments that it may acquire in accordance with its investment policy and are subject to the conditions and limits set out in the Central Bank UCITS Regulations. Counterparties to any securities lending activity will comply with Regulation 8 of the Central Bank UCITS Regulations. The Fund will only act as a lender under securities lending transactions and up to 100% of the Fund's Net Asset Value may be subject to securities lending on the financial instruments outlined in the Fund's investment objective and policy, and it is expected that, in general, 0%-70% of the Fund's Net Asset Value may be subject to securities lending.

Collateral Management: All assets received by the Fund as collateral in the context of the use of FDI and/or efficient portfolio management will comply with the criteria for the receipt of such collateral set down by the Central Bank as further detailed under the section of the Prospectus headed "Collateral Policy". In addition, the Fund may be fully collateralised in different transferable securities and money market instruments issued,

owned or guaranteed by a Member State, one or more of its local authorities, a third country, or a public international body to which one or more Member States belong provided that the relevant securities are from at least six different issues and no single issue shall make up more than 30% of the Fund's Net Asset Value.

Risk Measurement - Global Exposure and Leverage

Market risk created through the use of derivatives will be measured daily using the absolute value-at-risk (VaR) approach. VaR is a risk measurement technique designed to estimate the potential loss in the Fund's portfolio over a set period at a certain confidence level, and is based on statistical analysis of historical price trends and volatilities. The VaR of the Fund shall not exceed 20% of the Net Asset Value of the Fund based on a one-tailed confidence interval of 99%, a holding period of one month (20 Business Days) and a confidence interval using an historical observation period of at least one year (250 Business Days).

The level of gross leverage, calculated based on the sum of the absolute value of notionals of the derivatives used, in accordance with the requirements of the Central Bank, is expected to be 250% of the Fund's Net Asset Value. There is a possibility of higher leverage levels than this expected level. The expected level of leverage is calculated based on the sum of the absolute value of notionals of the derivatives used, does not take into account any netting and hedging arrangements and therefore is not a risk-adjusted method of measuring leverage.

Investor Profile

The Fund is suitable for all investors who are able to identify a specific target date when they need to withdraw their investment and who wish to protect the value of their initial investment and obtain income at the Maturity Date. Investment in the Fund is intended to be kept up to the Maturity Date (as defined in section entitled "Definitions" above). The Fund may therefore be suitable for investors who are able to forego their invested capital for the duration of their investment in the Fund and who can accept a medium investment risk.

Base Currency: Euro.

Offer of Shares

The following Classes of Shares are available for subscription:

Share Class	Initial Offer Price	Initial Offer Period	Currency Denomination and Hedged Class		Minimum Initial Subscription	Sale Charge	Minimum Subsequent Subscription	Distribution Type
Class C Acc*	€100	From 11 December 2023 to 11 December 2023	Euro	No	€1,000	Up to 2%	€100	Accumulating
Class A Acc	€100	From 11 December 2023 to 11 December 2023	Euro	No	€100	N/A	€100	Accumulating

*Class C Shares in the Fund shall only be made available for subscription to current investors in such Solutions Funds as the Manager may determine from time to time in its discretion.

All of the above Share Classes are offered during the Initial Offer Period. Following the Subscription Period the Fund will be closed for subscriptions.

Application for Shares

Full details on how to purchase Shares are described in the Prospectus under the section titled “Application for Shares”. Investors should note the definitions of Business Day, Dealing Day, Dealing Deadline and Valuation Point in the Definitions section above that shall apply in respect of applications for Shares of the Fund.

Applications for Shares may be made to the Paying Agent or the Administrator (whose details are set out in the Application Form). Applications received by the Paying Agent or 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, in exceptional circumstances, otherwise determine to accept one or more applications received after the Dealing Deadline for processing on that Dealing Day, provided that such application(s) have been received prior to the Valuation Point for the particular Dealing Day. After the close of the Subscription Period, the Fund will not accept any new subscriptions.

Fees and Expenses

The following fees and expenses are payable out of the assets of the Fund, and details of how Fees are accrued and paid, and details of other general management and fund charges, are set out in the Prospectus under the heading “Fees and Expenses”.

Manager’s Fee

A fee based on the Net Asset Value of each Share Class will be payable to the Manager in the manner set out in the below table:

Manager’s Fee	All Share Classes
During the Subscription Period	up to 1.20% per annum of the Net Asset Value of each class of Shares
After the Subscription Period	up to 2.30% per annum of the Net Asset Value of each class of Shares
After the Maturity Date	up to 2.30% per annum of the Net Asset Value of each class of Shares

Administrator’s Fee

Up to 0.3% per annum (plus VAT, if any) of the Net Asset Value of each class of Shares.

Depositary’s Fee

Up to 0.2% per annum (plus VAT, if any) of the Net Asset Value of each class of Shares.

Sales Charge

Up to 2% of the value of the gross subscription. **If a sales charge is incurred, Shareholders should view their investment as medium to long-term.**

Establishment Costs

The costs of establishing the Fund, obtaining approval from any authority, filing fees, the preparation and printing of this Supplement, marketing costs and the fees of all professionals relating to it, which are estimated not to exceed €25,000 will be borne by the Fund and amortised over the first five years of the Fund’s operation (or such other period as may be determined by the Directors in their discretion).

Risk Factors

The attention of investors is drawn to the section headed “Risk Factors” in the Prospectus. In particular, we draw Shareholders attention to the Risk Factors entitled, “Derivatives Risk” and “Securities Financing Transactions Risk” in respect of the investments the Fund may hold.

Subordinated Debt Risk

As described above the Fund may invest in subordinated Debt Instruments which are often more attractive investments than senior debt securities in respect of the yield these investments may provide. Subordinated Debt Instruments may however involve a greater credit risk as they rank below senior debt securities with regard to the repayment of the principal in the case of issuer default i.e. subordinated debt holders are not repaid until after senior debtholders have been fully paid.