Atlantic House
Dynamic Duration Fund

ATLANTIC HOUSE

Fund Launch August 2023

The Atlantic House Dynamic Duration Fund offers investors exposure to global fixed income and inflation with a systematic approach to managing the risk and opportunity created by the ever-changing interest rate environment.

What is the Dynamic Duration Fund?

Designed for an ever-changing inflationary environment

The duration of a portfolio of bonds can create substantial risks for investors when the interest rate environment changes; it is notoriously difficult for fund managers to identify these shifting currents.

The systematic approach adopted by this fund offers the potential for performance in both an inflationary and deflationary environment. This offers the opportunity to increase the reliability of a portfolio's bond exposure as a diversifier to equities. It gives the fund the flexibility to act to protect the portfolio against large bond drawdowns during inflationary environments.

During periods where the fund's key signals suggest rising inflation is expected the portfolio will tilt towards assets positioned to benefit from this, whilst during deflationary periods it tilts towards conventional fixed income exposure.

Why consider the Dynamic Duration Fund?

Recent years have demonstrated how profoundly the management of duration risk can affect the outcomes of all investors. The inherent instability of the global inflationary environment has meant that the future path of interest rates has shifted rapidly in response to the actions of central banks, the stability of the financial system and external shocks.

This instability has created a devilishly difficult environment for investors to determine the appropriate duration of a portfolio. Choosing the correct duration for a bond portfolio based upon the forward-looking real-world economic indicators available to asset allocators has been shown to be as hard a challenge as stock picking.

The Atlantic House Dynamic Duration Fund takes a systematic approach built upon a range of complementary market signals which allow the portfolio to rapidly adapt as the inflationary environment changes. This offers investors the potential to deliver strong returns from their fixed income allocation even in an inflationary environment.

A systematic complement to active strategies

Bottom-up and macro analysis-led fixed income strategies seek to anticipate the inherently unpredictable path of interest rates. Our tested systematic approach adjusts rapidly in response to real-world changes as they occur.

Improved diversification benefits to conventional bonds

Bonds can be an unreliable diversifier to a portfolio of equities, particularly in a higher inflation environment. Dynamic Duration can offer exposure to inflation alongside conventional fixed income exposure, providing improved diversification in such conditions.

A broader tool kit

Atlantic House Investments' broad derivatives experience enables us to harness powerful market signals to adjust our portfolio whilst also allowing us access to highly-efficient, liquid instruments that can remove the idiosyncrasy of individual bond positions and position investors for the prevailing economic environment. In particular, our wide range of available instruments means we can protect against emerging inflation risk without introducing the sensitivity to interest rates that exists in more conventional asset classes such as inflation-linked bonds

CERTIFIED CARBON NEUTRAL Global Standard

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How is the fund constructed?

The fund utilises just three instruments: government bonds, interest rate swaps and inflation swaps.

These liquid instruments are equally applied between two markets: the UK and US.

What role could the fund play in a diversified portfolio?

When the fund is positioned for increases in inflation, it offers exposure to inflation with minimal interest rates duration risk. The fund therefore provides a way to reduce the left tail risk of fixed income investments which are exposed to duration, that of higher interest rates and inflation. By removing this risk, the aim is for the fund to perform well through both inflationary and deflationary periods, thus providing investors with an effective long-term diversifier to equities. Overall, we expect a portfolio holding this fund should be less prone to large drawdowns than conventional fixed income offerings, and offer greater diversification across a wider range of inflationary environments.

Breaking down the key market signals

The fund makes use of three market signals to take positions in the investments most suited to the prevailing inflation and rates environment:

1 Inflation trend

A strong downward trend in headline inflation favours investment in fixed income over inflation protection (and vice-versa). This can be interpreted as an inflation momentum signal.

2 Market inflation credibility

The Fisher equation states that the difference between nominal and real interest rates is a measure of market inflation expectations. Accordingly, signal 2 implies a higher exposure to interest rate duration when real rates are higher than the usual range. For a given level of nominal yields on 10-year bonds, a higher real yield implies a lower market implied inflation and so a better environment for owning conventional bonds. Conversely a lower real yield suggests directing investment to inflation swaps.

3 Central bank credibility

The further inflation is above inflation target, the lower the exposure is to interest rates duration. This is motivated by the Taylor rule, which states that the optimal central bank policy rate is based on the gap between the desired (targeted) inflation rate and the actual inflation rate.

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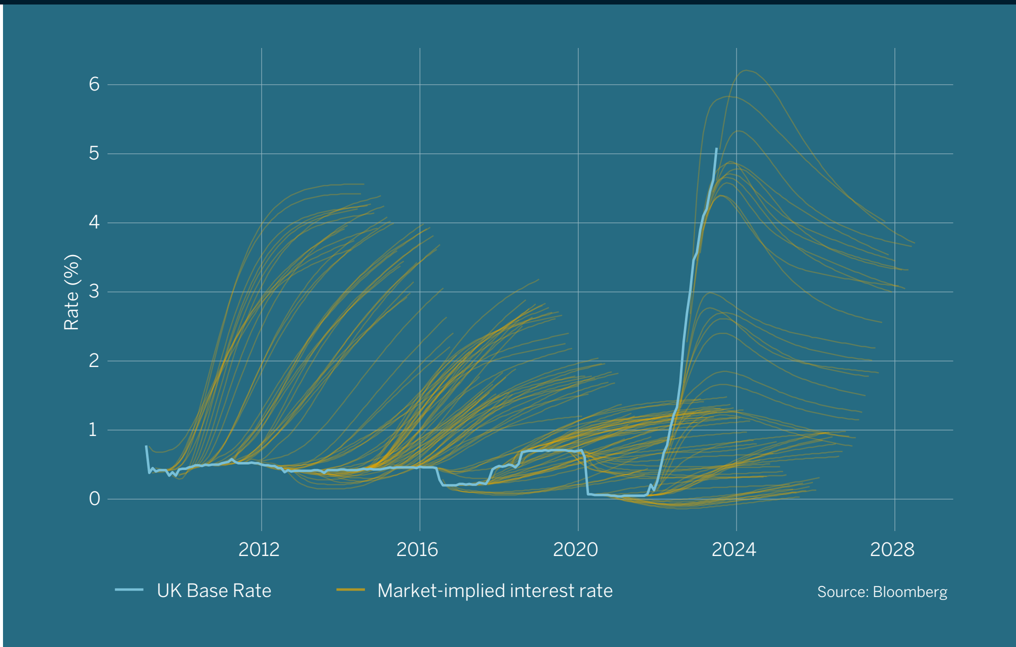
Choosing portfolio duration: The challenge of predicting interest rates

Market-implied expectations of UK interest rates over time

The future path of interest rates if the primary driver of the relative performance of short and long duration bonds. However, history shows us that the market's predictions of the path of interest rates are rarely right.



How is the risk associated with owning derivative instruments managed?

The liquidity of a derivative is related to the underlying asset. Where the underlying asset is liquid, the associated derivative also tends to be liquid. The derivatives the fund uses focus on the 10-year point of the yield curve, in both the UK and the US. As 10-year UK and US rates are highly liquid, we expect the derivatives to also be highly liquid. This expectation has been confirmed, as we have implemented the fund as an allocation within our Total Return Fund since early March.

The fund will use UK and US interest rate swaps and inflation swaps to implement its exposures. Swaps are transactions that involve 2 counterparties. At inception, the swaps have zero value, but as time passes and interest and inflation rates change, so does the value of each swap. To minimise the credit risk arising from counterparty exposures, the value of each swap is collateralised daily.

The fund is GBP based but has a 50% exposure to US rates, this creates some US dollar currency risk. One benefit of using derivatives to implement the fund is that the currency risk is only based on the change in the value of the swaps. If the fund was implemented using cash exposure to US Treasuries, the currency risk would be far larger. The fund will use forward currency contracts to hedge any currency exposures that develop, but we expect such exposures to be relatively small.

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Key Risks

This is a marketing communication. The price of shares and income from them can go down as well as up and past performance is not a guide to future performance. Investors may not get back the full amount originally invested. The level and basis of tax is subject to change and will depend on individual circumstances. There is no guarantee that the Fund will achieve its objective.

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A comprehensive list of risk factors is detailed in the Risk Factors Section of the Prospectus and the Supplement of the Fund and in the relevant key investor information document (KIID). A copy of the English version of the Supplement, the Prospectus, and any other offering document and the KIID can be viewed at www.atlantichousegroup.com and www.geminicapital.ie. A summary of investor rights associated with an investment in the Fund is available in English at www.gemincapital.ie.

The Fund is entitled to use derivative instruments for investment purposes and for efficient portfolio management and/ or to protect against exchange risks. Derivatives may not achieve their intended purpose. Their prices may move up or down significantly over relatively short periods of time which may result in losses greater than the amount paid. This could adversely impact the value of the Fund. The Fund may enter into various financial contracts (derivatives) with another party. Where the Fund uses futures or forward foreign currency contracts (derivatives), it may become exposed to certain investment risks including leverage, market, mismatching of exposure and/or counterparty risk, liquidity, interest rate, credit and management risks and the risk of improper valuation. Any movement in the price of these investments can have a significant impact on the value of the Fund and the Fund could lose more than the amount invested.

The Fund invests in government bonds. All bonds will be investment grade (i.e. at or above S&P rating BBB- or deemed equivalent). If any of the bonds the Fund owns suffer credit events the performance of the Fund could be adversely affected In certain market conditions some assets in the Fund may become less liquid than at other times so selling at their true value and in a timely manner could become more difficult.

Other risks the Fund is exposed to include but are not limited to are possible changes in interest rates, changing expectations of future market volatility. Future legal or regulatory change could have a significant effect on the Fund.

Important Information

Source for all data is Atlantic House Investments as of 31/05/2023 unless stated otherwise.

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The Atlantic House Dynamic Duration Fund is a sub-fund of GemCap Investment Funds (Ireland) plc, an umbrella type open-ended investment company with variable capital, incorporated on 1 June 2010 with limited liability under the laws of Ireland with segregated liability between sub-funds. The fund will launch on 4th August 2023.

GemCap Investment Funds (Ireland) plc is authorised in Ireland by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011) (the "UCITS Regulations"), as amended. Gemini Capital Management (Ireland) Limited, trading as GemCap, is a limited liability company registered under the registered number 579677 under Irish law pursuant to the Companies Act 2014 which is regulated by the Central Bank of Ireland. Its principal office is at Ground Floor, 118 Rock Road, Booterstown, A94 V0Y, Co. Dublin and its registered office is at 7th Floor, Block A, One Park Place, Upper Hatch Street, Dublin 2 D02 E762. GemCap acts as both management company and global distributor to GemCap Investment Funds (Ireland) plc. GemCap UK Limited (FRN 924419) is an appointed representative of Connexion Capital LLP (FRN 480006), which is authorised and regulated by the Financial Conduct Authority and provides distribution oversight services to GemCap acting as global distributor and is responsible for the oversight of all distribution arrangements for the sub-fund.

020 7043 0100

info@atlantichousegroup.com

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