

# Supplement dated 7 August 2019 to the Prospectus dated 23 June 2017 for Northern Trust Investment Funds p.l.c.

## The NT Global High Yield ESG Bond Index Fund

*This Supplement contains specific information in relation to The NT Global High Yield ESG Bond Index Fund (the **Fund**), a Fund of Northern Trust Investment Funds p.l.c. (the **Company**) an open-ended investment company with variable capital established as an umbrella fund with segregated liability between Funds governed by the laws of Ireland and authorised by the Central Bank of Ireland (the **Central Bank**).*

**This Supplement forms part of and should be read in conjunction with the Prospectus.**

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

*Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.*

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

**The Fund may invest in financial derivative instruments (FDI) for efficient portfolio management purposes (as detailed below). See section titled “Leverage” for details of the leverage effect of investing in FDI.**

**A Repurchase Charge of up to 1% of the repurchase price may be charged by the Directors in their discretion on the repurchase of Shares. The difference at any one time between the sale and repurchase price of Shares means that the investment should be viewed as medium to long term.**

Dated: 7 August 2019

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## INVESTMENT OBJECTIVE AND POLICIES

### Investment Objective

The investment objective of the Fund is to track the risk and return characteristics of the ICE BofAML Global High Yield Index (the **Index**) subject to certain environmental, social and governance (**ESG**) exclusions and ESG weightings.

Any change of Index shall only be made with the prior approval of the Shareholders.

### Investment Policies

The Fund seeks to achieve its investment objectives through investment primarily in freely transferable Debt and Debt Related Securities and below investment grade bonds that are constituents of the Index as described further below in the section entitled **Index Description**. The Fund may invest more than 30% in below investment grade bonds. The Fund may also invest in either investment grade or below investment grade bonds issued by corporates that is not included in the Index that are deemed by the Investment Manager to exhibit similar characteristics to securities in the Index and that have a similar risk profile, examples include: recently issued securities that are expected to be included in the Index; securities that have previously been included in the Index and have been deleted due to maturity falling below one year; and, securities that have previously been included in the Index and have been deleted due to an increase in the par amount eligibility threshold of the Index. Investment in such securities will, in all cases, be consistent with the investment objective of the Fund. The bonds which may be fixed or floating rate in which the Fund invests will be of either investment grade or below investment grade credit quality at the time of purchase and, although in practice they may be purchased or sold by the Investment Manager on the secondary market, they and all other securities, including exchange traded FDI, in which the Fund may invest (other than permitted unlisted securities) will be listed or traded on a Market within the list in Appendix I of the Prospectus. The average credit rating of the Fund's assets will therefore be approximate to the average credit rating of the Index. However, it is noted that any securities held by the Fund that are subject to an upgrade to investment grade may be retained by the Investment Manager provided this is consistent with the Fund's investment objective and the interests of the Shareholders.

The Fund will exclude securities that do not meet certain ESG criteria, such as weapons producers, tobacco producers, thermal coal producers and companies that are in breach of the UN's Global Compact Ten Principles. In addition, securities issued by companies with deteriorating ESG ratings and those involved in any notable ESG controversies may be excluded from investment. The Fund will employ an optimisation methodology proprietary to the Investment Manager to overweight securities issued by companies that are leaders in implementing ESG principles, thereby maximising exposure to securities with higher ESG ratings while aligning key risks relative to the Index, including duration, yield, option adjusted spread, and credit quality. The optimisation will also seek to maintain country weights, sector weights, and issuer weights which approximate to those of the Index.

The Fund may invest in FDI for efficient portfolio management purposes (**EPM**). The Fund may be fully or partially hedged back to the Base Currency in accordance with the powers and restrictions set out by the Central Bank

in relation to techniques for EPM purposes. See section below entitled **Use of Efficient Portfolio Management Techniques and Financial Derivative Instruments** for further details.

The Fund will act in accordance with rules regarding cluster munitions laid down in the relevant national legislation adopting the Convention on Cluster Munitions. Consequently, the Fund will take adequate measures to restrict it from: (i) acquiring bonds issued by a company involved in the production, sale or distribution of cluster munition (**Cluster Munition Companies**); or (ii) acquiring bonds in Cluster Munition Companies. In addition, the Fund is restricted from: (i) acquiring bonds issued by a company which holds more than fifty (50) per cent of the share capital of Cluster Munition Companies; or (ii) acquiring bonds in such parent companies.

However, the Fund is not restricted from investing in specifically described projects of Cluster Munition Companies, provided that the invested funds will not be used for the production, sale or distribution of cluster munition. For the definition of "cluster munition", please see to article 2(2) of the Convention on Cluster Munitions which was adopted on 30 May 2008 in Dublin, Ireland and entered into force on 1 August 2010.

### Index Tracking Strategy

The Fund operates an index tracking strategy whereby it seeks to track the risk and return characteristics of the Index through the investment directly in assets that are Index constituents (i.e. a physical replication model). However, the Fund does not seek to fully replicate the Index but instead seeks to match the Fund's investments with Index constituents on a sample based physical replication model within the scope of the general UCITS investment restrictions and the specific investment restrictions set out below. Therefore the weighting of a constituent of the Index held by the Fund cannot exceed the permitted investment restrictions. Accordingly, investment in the Fund should not be considered to provide a direct exposure to the Index. In normal market conditions the Fund can be expected to closely match the performance of the Index. However, in normal market conditions, since the Fund does not seek to fully replicate the Index, an annualised tracking error of 0.25% - 0.50% should be anticipated due to transaction costs and the liquidity impact of the Fund's sampling approach. Employing an optimisation approach (rather than full replication approach) necessarily results in individual security overweights and underweights relative to the Index, as the Fund will not hold every Index constituent but will strive to achieve representative exposure to the more liquid securities and sectors of the Index which are available for purchase.

As the Fund does not pursue a synthetic index replication strategy, there is no corresponding counterparty risk related to the index replication strategy

### Index Description

The Index is provided by Intercontinental Exchange Bank of America Merrill Lynch.

The Index tracks the performance of USD, CAD, GBP and EUR denominated below investment grade corporate bonds publicly issued in the major domestic or eurobond markets. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the

time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of USD 250 million, EUR 250 million, GBP 100 million, or CAD 100 million.

Index constituents are market capitalization weighted. Information concerning constituent bond prices, timing and conventions is provided in the ICE BofAML Bond Index Guide, which can be accessed via (<https://indices.theice.com>), or by sending a request to [iceindices@theice.com](mailto:iceindices@theice.com). The Index is rebalanced on the last calendar day of the month, based on information available up to and including the third business day before the last business day of the month. New issues must settle on or before the calendar month end rebalancing date in order to qualify for the coming month. No changes are made to constituent holdings other than on month end rebalancing dates. The rebalancing frequency will have minimal impact on the strategy of the Fund or on transaction costs associated with the Fund.

Further details on the Index, including constituents and weightings can be navigated to from the following link by establishing a user profile: <https://indices.theice.com> and the methodology from the following: <https://indices.theice.com/publications/showPublications>. Any member of the public may establish a user profile on a free of charge basis.

In accordance with Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the **EU Benchmarks Regulation**) the Investment Manager has, on behalf of the Manager, put in place written plans which would enable the Fund to reference an alternative index, should the Index cease to be provided.

The Index used by the Fund in accordance with Article 3(1)(7)(e) of the EU Benchmarks Regulation is to be provided by an administrator either included in the register referred to in Article 36 of the EU Benchmarks Regulation or availing of the transitional arrangements pursuant to Article 51 of the EU Benchmark Regulation.

## PROFILE OF A TYPICAL INVESTOR

The Fund is designed for institutional investors including, but not limited to: national and multi-national corporations, pension funds, insurance companies, sovereign wealth funds, charities and fiduciary managers. A typical investor is a sophisticated investor prepared to accept a degree of low volatility. A typical investor will be seeking to achieve exposure to below investment grade corporate debt and will be seeking to achieve a return on investment in the medium to long term.

## RESPONSIBLE INVESTMENT – CORPORATE ENGAGEMENT

The Investment Manager has appointed Hermes Equity Ownership Services ("**Hermes EOS**") to act as the Manager's agent in carrying out corporate engagement with carefully selected companies held within the Fund (each an "**Engaged Company**"). Engaged Companies will be selected for engagement and engagement will be carried out in accordance with an Engagement Policy, a copy of which is available from the Investment Manager on request.

Corporate engagement complements the ESG considerations underpinning the investment policy of the Fund. The engagement process neither informs investment or divestment decisions nor the construction of the Index, and Hermes EOS will exercise no discretion over Fund assets. An engagement by Hermes EOS with an Engaged Company will involve a process of dialogue with that Engaged Company with the long-term objective of that Engaged Company improving on its social, ethical and environmental practices in the belief that such factors can have an impact on financial performance. Hermes EOS typically conducts engagement with Engaged Companies in confidence and will not disclose the Manager's involvement in such engagements, unless specifically agreed in advance. In addition to engaging with individual Engaged Companies, Hermes EOS has a broad international public policy engagement program through which it engages with governments and regulators on behalf of its client base (including the Manager) to promote the interests of long-term institutional investors. The Fund will follow the Northern Trust Proxy Voting Policy, a copy of which is available via the following website: <https://www.northerntrust.com/assetmanagement/europe/uk-stewardship-proxy-voting>

Engagement activities conducted on behalf of the Fund may not always be complemented by this policy.

## INVESTMENT RESTRICTIONS

The general investment restrictions set out under the heading **Investment Objective and Policies of the Funds – Investment Restrictions** in the Prospectus shall apply.

The Fund will not invest in other collective investment schemes.

## USE OF EFFICIENT PORTFOLIO MANAGEMENT TECHNIQUES AND FINANCIAL DERIVATIVE INSTRUMENTS

The purpose of efficient portfolio management should be in line with the best interests of Shareholders and is to achieve one or more of the following: the reduction of risk, the reduction of costs, and the generation of additional capital or income for the Fund with no, or with an acceptably low level of risk.

The Fund may use the following Financial Derivative Instruments (**FDI**)

### *Forwards*

Forward currency contracts may be used to hedge against currency risk that has resulted from assets held by the Fund that are not in the base currency of the Fund. The Fund, may, for example, use forward currency contracts by selling forward a foreign currency against the base currency of the Fund to protect the Fund from foreign exchange rate risk that has risen from holding assets in that currency.

### *Exchange Traded Futures*

Futures are contracts to receive or pay cash based on the performance of an underlying bond at a pre-determined future date and at a price agreed through a transaction undertaken on an exchange. Exchange traded futures are used to "equitise" cash contributions into the Fund by investing such cash in exchange traded futures so as to gain exposure to the underlying assets in which the Fund

may invest pending its direct investment. Exchange-traded futures positions are typically unwound simultaneously with the direct investment in the underlying assets.

Further details of the techniques and instruments that the Fund may employ for efficient portfolio management purposes are set out in the **Efficient Portfolio Management, Financial Derivative Instruments and Securities Financing Transactions** section of the Prospectus.

Collateral or margin may be passed by the Fund to a counterparty or broker in respect of Efficient Portfolio Management Techniques. Please refer to the section of the Prospectus entitled **Collateral Policy** for further details.

The use of **FDI** for the purposes outlined above may expose the Fund to the risks disclosed under the section of the Prospectus titled **Risk Factors**.

## LEVERAGE

Global exposure and leverage as a result of its investment in FDI as described above shall not exceed 100% of the Net Asset Value of the Fund. Global exposure will be measured using the commitment approach.

## BORROWINGS

In accordance with the general provisions set out in the Prospectus under the heading **Investment Objective and Policies of the Funds – Borrowing and Lending Powers** the Fund may borrow up to 10% of its Net Asset Value on a temporary basis.

## RISK FACTORS

In addition to the general risk factors set out in the **Risk Factors** section of the Prospectus, the following additional risk factor applies specifically to the Fund:

### Liquidity Risk

Liquidity risk exists when particular investments are difficult to purchase or sell for example below investment grade bonds.

A Fund's investments in such securities may reduce the returns of the Fund because it may be unable to sell the illiquid securities at an advantageous time or price which could prevent the Fund from taking advantage of other investment opportunities.

### Reinvestment of Cash Collateral Risk

As the Fund may reinvest cash collateral received, subject to the conditions and within the limits laid down by the Central Bank, reinvesting cash collateral will be exposed to the risk associated with such investments, such as failure or default of the issuer of the relevant security or the relevant counterparty on its obligations under the relevant contract.

## RISK MANAGEMENT PROCESS

The Manager on behalf of the Fund has filed with the Central Bank its risk management process which enables it to accurately measure, monitor and manage the various risks associated with the use of FDI. Any FDI not included in the risk management process will not be utilised until the risk management process has been updated, in accordance with the Central Bank requirements. The Manager will, on request, provide supplementary information to Shareholders

relating to the risk management methods employed, including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments.

## DIVIDEND POLICY

### Accumulating Shares

In respect of the Accumulating Shares, the Directors intend to declare all net income of the Fund attributable to each relevant class annually as a dividend to the Shareholders of each relevant class of Shares on the register of members as at the close of business on the relevant Dealing Day. The Shareholders shall reinvest all dividends in the following manner: any dividends on each relevant class of Accumulating Shares shall be paid by the Company into an account in the name of the Depositary for the account of the relevant Shareholders. The amount standing to the credit of this account shall not be an asset of the Fund and will be immediately transferred, pursuant to a standing instruction, from the aforementioned account to the Subscriptions/Redemptions Account. The Net Asset Value per Share will not change as a result of the above reinvestment process and no additional Shares will be issued.

### Distributing Shares

In respect of the Distributing Shares, the Directors intend to declare and pay all net income of the Fund attributable to each class annually as a dividend to the Shareholders of each relevant class of Shares on the register of members as at the close of business on the relevant Dealing Day. Any such dividend shall be paid to Shareholders in the form of cash on the last Business Day of the month. The Shareholders shall reinvest all dividends unless the Shareholder elects in writing to receive the dividends in the form of cash payable annually. In the case of a reinvestment of dividends, any dividends on each relevant class of Distributing Shares shall be paid by the Company into an account in the name of the Depositary for the account of the relevant Shareholders. The amount standing to the credit of this account shall not be an asset of the Fund and will be immediately transferred, pursuant to a standing instruction, from the aforementioned account to the Subscriptions/Redemptions Account.

Further details on the distribution policy are set out in Prospectus under the heading **Dividend Policy**.

## KEY INFORMATION FOR BUYING AND SELLING

### Share Classes

Shares may be issued as Accumulating Shares or (where specifically identified as such) Distributing Shares.

**Accumulating Shares** means Shares in the Fund in respect of which the net income and net capital gains arising will be reinvested.

**Distributing Shares** means Shares in the Fund in respect of which the net income shall be distributed.

### Base Currency

Euro

### Business Day

Any day (except Saturday or Sunday) on which the banks in both Dublin, Ireland and London, England are open

generally for business, or such other day as the Directors may, with the consent of the Depositary, determine and notify to Shareholders.

#### **Dealing Day**

The Dealing Day for the Fund will be every Business Day or such other day or days as the Directors may determine and notify in advance to Shareholders, provided that there shall be at least one Dealing Day per fortnight.

#### **Dealing Deadline**

In respect of a Dealing Day, the Dealing Deadline is 12.00 p.m. (Irish time) on that Dealing Day.

#### **Initial Offer Period**

The Initial Offer Period in respect of all of the Share Classes shall commence at 9am (Irish time) on 8 August 2019 and will continue until 5.00 p.m. (Irish time) on 7 February 2020 or such earlier or later date as the Directors may determine.

After the Initial Offer Period, the Fund will be continuously open for subscriptions on each Dealing Day.

#### **Settlement Date**

In the case of applications, proceeds must be received no later than two Business Days after the relevant Dealing Day or as otherwise determined by the Manager.

In the case of repurchases, proceeds must be remitted to investors no later than two Business Days after the relevant Dealing Day (assuming the receipt of the relevant duly signed repurchase documentation) or as otherwise determined by the Manager provided that in all cases proceeds are paid within ten Business Days.

An exchange of Shares will in effect be represented by a redemption of Shares in the Original Class and a simultaneous subscription for Shares in the New Class on the relevant Dealing Day. In such cases, the settlement of the transaction shall be effected on a timely basis (not to exceed five Business Days), subject to receipt of the relevant duly signed exchange request documentation.

#### **Preliminary Charge**

There will be no Preliminary Charge for this Fund.

#### **Repurchase Charge**

Up to 1% of the repurchase price.

#### **Anti-Dilution Levy**

An Anti-Dilution Levy will be charged at the discretion of the Directors. The Anti-Dilution Levy is designed to cover the costs of dealing in the various markets and preserve the value of the underlying assets of the Fund. The Anti-Dilution Levy will typically be applied where the Fund receives net subscriptions or net redemptions on any Dealing Day and will result in an dilution adjustment being applied to the Net Asset Value per Share in order to determine a subscription price, if there is a net inflow, or a repurchase price, if there is net outflow, on the relevant Dealing Day. Please see the Prospectus for further details.

#### **Valuation Point**

Close of business of the relevant market that closes last on each Dealing Day which in all cases shall be after the Dealing Deadline.

#### **Initial Issue Price**

For Euro denominated share classes €100 per Share, for US Dollar denominated share classes \$100 per Share, for Sterling denominated share classes, £100 per Share.

#### **Classes of Shares Available**

A, B, C, D, E, F, G, H,

Each of the above referenced Share Classes are available as Accumulating Shares and Distributing Shares.

#### **Currencies Available**

Each of the Share Classes are available in Euro, Sterling and U.S. Dollar.

#### **Minimum Shareholding**

€100,000 (or its equivalent in the relevant Share Class currency) subject to the discretion of the Directors to allow lesser amounts.

#### **Minimum Initial Investment Amount**

€100,000 (or its equivalent in the relevant Share Class currency) subject to the discretion of the Directors to allow lesser amounts.

### **FEES AND EXPENSES**

#### **Fees of the Manager, the Investment Manager, the Depositary, any sub-custodian and the Administrator**

The Manager will be entitled to receive out of the assets of the Fund an annual fee of up to 1% (plus VAT thereon, if any).

Such fee shall accrue and be calculated on each Dealing Day and be payable monthly in arrears. The Manager shall be entitled to be reimbursed out of the assets of the Fund for the reasonable out-of-pocket expenses incurred by the Manager in the performance of its duties.

The Manager will pay out of the above fee (and not out of the assets of the Fund), the fees of the Investment Manager. The Investment Manager shall also be entitled to be reimbursed out of the assets of the Fund for the reasonable out-of-pocket expenses incurred by the Investment Manager in the performance of its duties.

The Administrator shall be entitled to receive out of the Net Asset Value of the Fund an annual fee, accrued and calculated on each Dealing Day and payable monthly in arrears at an annual rate which will not exceed 0.08% of the Net Asset Value of the Fund (plus VAT, if any). The Administrator is entitled to be repaid out of the assets of the Fund all of its reasonable agreed upon transaction and other charges (which will be at normal commercial rates) and other out-of-pocket expenses (plus VAT thereon, if any).

The Depositary shall be entitled to receive out of the Net Asset Value of the Fund an annual fee, accrued and calculated on each Dealing Day and payable monthly in arrears, at an annual rate which will not exceed 0.2% of the Net Asset Value of the Fund (plus VAT thereon, if any).

The Depositary is also entitled to be repaid out of the assets of the Fund sub-custodian's fees (which will be charged at normal commercial rates) as well as agreed upon transaction charges (which will be at normal commercial rates) and other out-of-pocket expenses (plus VAT thereon, if any).

In addition to the fees outlined above, the Fund will also be responsible for the fees of Hermes EOS (for its services in respect of the Fund, as described in this Supplement), up to 0.02% of the Net Asset Value of the Fund per annum. Such fee shall accrue and be calculated on each Dealing Day and be payable quarterly in arrears. These fees will be discharged by the Investment Manager who will then be reimbursed by the Fund the corresponding amount, out of the assets of the Fund.

This section should be read in conjunction with the section entitled **Expenses of the Funds** in the Prospectus.

#### **Establishment costs**

The organisational and establishment expenses relating to the creation of the Fund are estimated not to exceed €20,000 and will be borne by the Fund and will be amortised by the Fund over the first five accounting periods of its operation (or such other period as may be determined by the Directors at their discretion) and shall be subject to such adjustment following the establishment of new Funds as the Directors may determine. The Manager may create additional Funds from time to time subject to obtaining prior approval from the Central Bank.

#### **MATERIAL CONTRACTS**

In addition to those detailed in the Prospectus, the following contracts have been entered into otherwise than in the ordinary course of the business intended to be carried on by the Fund and are or may be material:

The Agreement for the Provision of Responsible Investment Services dated 22 June 2015, as amended, between the Investment Manager and Hermes EOS (with its registered office at Lloyds Chambers, 1 Portsoken Street, London E1 8HZ, United Kingdom). Hermes EOS, authorised and regulated by the Financial Conduct Authority, provides for carrying out corporate engagement with carefully selected companies held within various sub-funds managed by the Investment Manager, including the Fund. This agreement provides that the appointment of Hermes EOS will continue unless and until terminated by either party giving to the other not less than 9 months' written notice (such notice may only be served on or after the first anniversary of the agreement), although in certain circumstances the agreement may be terminated forthwith by notice in writing by either party to the other; the agreement provides that Hermes EOS will accept responsibility for loss to the Investment Manager and/or the Fund to the extent that such loss is due to the negligence, wilful default, fraud or any breach of the agreement by Hermes EOS. See Fees and Expenses section above for details of the fees of Hermes EOS as paid out of the assets of the Fund.

#### **MISCELLANEOUS**

##### **Reporting**

Some Shareholders may receive additional information and/or reports in relation to the Fund on a frequent basis. Any such information will be available to all investors in the Fund on request. Any such information will only be provided

on a historical basis and after the relevant Dealing Day to which the information relates. Please contact your relationship manager to discuss any reporting needs.

**There are 20 other Funds of the Company currently in existence, namely:**

- **The NT Europe (ex-UK) Equity Index Fund**
- **The NT Euro Government Bond Index Fund**
- **The NT Index Linked Bond Index Fund**
- **The NT Japan Equity Index Fund**
- **The NT Pacific (ex-Japan) Equity Index Fund**
- **The NT UK Equity Index Fund**
- **The NT North America Equity Index Fund**
- **The NT Euro Government Inflation Linked Index Fund**
- **The NT Emerging Markets Index Fund**
- **The NT Frontier Markets Index Fund**
- **The NT All Country Asia ex Japan Custom ESG Equity Index Fund**
- **The NT Emerging Markets Custom ESG Equity Index Fund**
- **The NT Emerging Markets Quality Low Carbon Fund**
- **The NT Emerging Markets Multifactor ESG Fund**
- **The NT US High Yield Fixed Income Fund**
- **The NT Emerging Markets Custom ESG Feeder Fund**
- **The NT Emerging Markets ESG Leaders Equity Index Fund**
- **The NT EM Local Currency Government Bond Index Fund**
- **The NT World Equity Index Feeder Fund**
- **The NT High Quality Euro Government Bond Index Fund**
- **The NT Euro Investment Grade Corporate ESG Bond Index Fund**