

**7 Olney Grove,
Terenure,
Dublin 6W.**

Central Bank UCITS Regulations Consultation
Markets Policy Division
Central Bank of Ireland
PO Box 559
Dublin 1

29 June 2018

Re: CP119 – Feedback

Dear Sirs / Madams,

I wish to submit feedback in reponse to Consultation Paper CP119. I do so in my capacity as an independent director of Diversification Strategy Fund (“DSF”) plc, a UCITS fund authorised by the Central Bank of Ireland.

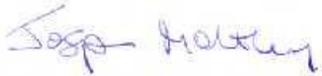
There are two issues of primary concern to me:

1. The proposed amendments to regulations (i.e. Regulation 12 of the draft S.I.) on the maximum exposure to individual credit institutions will reduce the effective limit to 10% of fund NAV from the current 20% allowed in respect of EEA institutions as specified in the current Regulation 70.1(b) of S.I. 352/2011.

As a fund which employees derivative-based strategies in all three of its sub-funds, DSF holds most of its net assets at any point in time in the form of cash. In the current environment it is difficult to identify acceptable credit institutions who are willing to take wholesale deposits, and the interest rate applied is for the most part negative. If the move to a 10% limit applies, the fund will be forced to use more deposit-takers offering even less favourable interest rates. I am advised by the Investment Manager that this could result in a material extra cost to be borne by shareholders. In my view the existing effective limit of 20% is a prudent trade-off between the management of counterparty risk and the optimisation of investor returns, and I do not believe the change to a 10% limit would serve the best interests of our shareholders. I suggest that the same is true for all derivative-based funds who are large holders of cash.

2. The proposed Regulation 41 (4) on performance fees should be amended to explicitly allow for the crystallisation of accrued performance fees on the redemption of shares, even if such redemption occurs within 12 months of the last point at which the performance fee was crystallised. I believe this would be a fair treatment of both investors and the Investment Manager.

Yours sincerely

A handwritten signature in blue ink that reads "Joe Mottley". The signature is written in a cursive style with a horizontal line underlining the name.

Joe Mottley