



PROSPECTUS

for the following Authorised Unit Trust

KES Income and Growth Fund

This document constitutes the Prospectus for KES Income and Growth Fund and has been prepared in accordance with COLL.

This Prospectus is dated, and valid as at 4 July 2024. This document replaces any previous prospectuses issued by the Scheme.

Copies of this Prospectus have been sent to the Financial Conduct Authority and the Trustee.

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KES INCOME AND GROWTH FUND PROSPECTUS

If you are in any doubt about the contents of this Prospectus you should consult your professional adviser authorised under the Financial Services and Markets Act 2000.

The Scheme is a UK UCITS established in the UK and will be marketed to the public in the UK. It is not intended that the Scheme will be marketed outside the UK.

The Manager, Thesis Unit Trust Management Limited, is responsible for the information contained in this Prospectus. To the best of the Manager's knowledge and belief, (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus does not contain any untrue or misleading statement or omit any matters required by COLL to be included in it. The Manager accepts responsibility accordingly.

The Trustee is not responsible for the information contained in this Prospectus and, accordingly does not accept any responsibility for it under COLL or otherwise.

The distribution of this Prospectus and the offering or purchase of Units in the Scheme may be restricted in certain jurisdictions. No persons receiving a copy of this Prospectus in any such jurisdiction may treat the Scheme Particulars as constituting an invitation to them to subscribe for Units unless, in the relevant jurisdiction, such an invitation could lawfully be made to them.

Accordingly this Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this Prospectus and any persons wishing to apply for Units in the Scheme to inform themselves of and to observe all applicable laws and COLL of any relevant jurisdiction. Prospective applicants for Units in the Scheme should inform themselves as to the legal requirements of applying for Units and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile.

The Units in the Scheme which are described in this Prospectus have not been and will not be registered under the United States Securities Act of 1933 as may be amended or re-enacted (the "1933 Act"), the United States Investment Company Act of 1940 (as may be amended or re-enacted (the "1940 Act") or the securities laws of any of the states of the United States of America and may not be directly or indirectly offered or sold in the United States of America to or for the account or benefit of any U.S. Person (as defined below), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States Securities Act of 1933, the United States Investment Company Act of 1940 and similar requirements of such state securities laws. Any re-offer or resale of the Scheme in the United States or to US Persons may constitute a violation of US law.

The Units have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of these offering materials. Any representation to the contrary is unlawful. The Units are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under the 1933 Act and applicable state securities laws, pursuant to registration or exemption therefrom.

In order to ensure compliance with the restrictions referred to above, the Scheme is, accordingly, not open for investment by any US Persons or ERISA Plans except in exceptional circumstances and then only with the prior consent of the Manager. A prospective investor may be required at the time of acquiring Units to represent that such investor is a qualified holder and not a US Person or acquiring Units for the account or benefit, directly or indirectly, of a US Person or with the assets of an ERISA Plan. The granting of prior consent by the Manager to an investment does not confer on the investor a right to acquire Units in respect of any future or subsequent application.

This Prospectus does not constitute an offer or solicitation to anyone in any country in which such offer or solicitation is not lawful or authorised, or to any person to whom it is unlawful to make such offer or solicitation.

Purchases must be made on the basis of the information contained in the most recently published Prospectus and supplementary documentation, including the latest reports when issued, which are available from the registered office of the Manager. Investors should check with the Manager that this is the most recently published version of the Prospectus.

Obligations have been imposed on financial sector professionals to prevent the use of funds such as KES Income and Growth Fund for money-laundering purposes. Within this context a procedure for the identification of subscribers is required. That is, the application form of a subscriber must be accompanied, in the case of individuals, by a copy of a passport or identification card and/or in the case of legal entities, a copy of its statutes and an extract from its commercial register (in the case of a non-UK entity any such copy must be certified to be a true copy by one of the following authorities: ambassador, consulate, notary, local police). Any such information provided is collected for money-laundering compliance purposes only. These specific requirements may be waived by the Manager where other suitable evidence is available which in its sole judgement allows the Manager to cover its obligations under money-laundering legislation.

Neither the Manager nor any of its officers, representatives or advisers, shall be regarded as giving any advice, representation or warranty (express or implied) to any person in connection with the proposals contained in this Prospectus.

No part of this Prospectus may, be reproduced, stored in a retrieval system or transmitted in any form or any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of the Manager.

Data Protection

The personal details of each applicant for Units and each Unitholder will be held by the Manager and/or the Administrator as its agent in accordance with Data Protection Laws for the purposes of carrying out the Manager's agreement with each Unitholder. This may include the transfer of such data to other members of the Manager's group and to other businesses providing services to the Manager (including their offices outside the UK), where the transfer is necessary for the provision of services in relation to the Manager's role as operator of the Scheme. The data protection laws and other laws of these countries may not be as comprehensive as those that apply within the UK. In these instances the Manager will take steps to ensure that your privacy rights are respected.

Unitholders have the right to access their personal data processed by the Manager together with the right (in certain circumstances) to object to the processing of such data for legitimate reasons. A copy of the Manager's Privacy Notice relating to investors is available at www.tutman.co.uk or on request from compliance@tutman.co.uk.

Electronic Verification

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, The Proceeds of Crime Act 2002, the FCA Senior Management Arrangements, Systems & Controls Source book and Joint Money Laundering Steering Group guidance notes (which are updated from time to time) state that the Manager must check your identity and the source of the money invested. The Manager may also request verification documents from parties associated with you. In some cases, documentation may be required for officers performing duties on behalf of bodies corporate. The checks may include an electronic search of information held about you (or your associated party) on the electoral roll and using credit reference agencies. The credit reference agency may check the details you (or your associated party) supply against any particulars on any database (public or otherwise) to which they have access and may retain a record of that information although this is only to verify identity and will not affect your (or your associated party's) credit rating. They may also use your (or your associated party's) details in the future to assist other companies for verification purposes.

If you apply for Units you are giving the Manager permission to ask for this information in line with Data Protection Laws. If you invest through a financial adviser they must fill an identity verification certificate on your behalf and send it to the Manager with your application.

1 INTRODUCTION

1.1 This document is the Prospectus of the **KES Income and Growth Fund** (the 'Scheme'). In this Prospectus the following words and expressions shall have the following meanings:

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| "ACS" | as defined in the FCA Glossary; |
| "Act" | the Financial Services and Markets Act 2000; |
| "Administrator" | Northern Trust Global Services SE, UK branch and its successor or successors as administrator; |
| "Approved Bank" | (in relation to a bank account opened for the Scheme): (a) if the account is opened at a branch in the United Kingdom: (i) the Bank of England; or (ii) the central bank of a member state of OECD; or (iii) a bank; or (iv) a building society; or (v) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or (b) if the account is opened elsewhere; (i) a bank in (a); or (ii) a bank which is regulated in the Isle of Man or the Channel Islands; or (c) a bank supervised by the South African Reserve Bank; or (d) a credit institution established in an EEA state and duly authorised by the relevant Home State regulator, as such definition may be updated in the FCA Glossary from time to time; |
| "Business Day" | a weekday being Monday to Friday (excluding any public or bank holiday in England); |
| "CASS" | the requirements relating to holding client assets and client money published by the FCA as part of the FCA Handbook as amended or replaced from time to time; |
| "CCP" | as defined in the FCA Glossary; |
| "COLL" | |

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| | the Collective Investment Schemes Sourcebook published by the FCA as part of their Handbook made under the Act as may be updated or amended from time to time; |
| "Custodian" | the person who provides custodian services to the Scheme, being The Northern Trust Company, and its successor or successors as custodian; |
| "Data Protection Laws" | all applicable laws relating to the processing, privacy and/or use of personal data including the following laws to the extent applicable in the circumstances: <ul style="list-style-type: none"> a) the UK GDPR; b) the Data Protection Act 2018; c) any laws which implement any such laws; and d) any laws which replace, extend, re-enact, consolidate or amend any of the foregoing (whether or not before or after the date of this Prospectus); and e) all final and binding guidance, guidelines and codes of practice issued by any relevant supervisory authority relating to such Data Protection Laws; |
| "Depositary Agreement" | the agreement between the Manager and the Trustee regarding the appointment of the Trustee as depositary; |
| "EEA" | the European Economic Area; |
| "EEA State" | as defined in the FCA Glossary; |
| "Efficient Portfolio Management" | techniques and instruments which relate to transferable securities and approved money-market instruments and which fulfil the following criteria: <ul style="list-style-type: none"> (a) they are economically appropriate in that they are realised in a cost effective way; (b) they are entered into for one or more of the following specific aims: <ul style="list-style-type: none"> (i) reduction of risk; (ii) reduction of cost; or (iii) generation of additional capital or income for the Scheme with a risk level which is consistent with the risk profile of the Scheme and the risk diversification rules laid down in COLL; |
| "Eligible Institution" | as defined in the FCA Glossary; |
| "EMIR" | as defined in the FCA Glossary; |

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| "ERISA Plan" | any retirement plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"); (ii) any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended; or (iii) an entity whose assets include plan assets by reason of a plan's investment in the entity (generally because 25% or more of a class of equity interests in the entity is owned by plans); |
| "EUWA" | The European Union (Withdrawal) Act 2018; |
| "FATCA" | the Foreign Account Tax Compliance Act (US); |
| "FCA" | the Financial Conduct Authority (or any successor regulatory body). The address for the Financial Conduct Authority is set out in Appendix E; |
| "FCA Glossary" | the glossary giving the meanings of the defined expressions used in the FCA Handbook as amended from time to time; |
| "FCA Handbook" | the FCA's Handbook of rules and guidance as amended from time to time; |
| "FCA Rules" | the rules contained in COLL but, for the avoidance of doubt, not including guidance or evidential requirements contained in COLL; |
| "Financial Instruments" | as defined in the FCA Glossary; |
| "Fund Accountant" | the person who provides fund accounting services, being Northern Trust Global Services SE, UK branch and its successor or successors as fund accountant; |
| "Home State" | as defined in the FCA Glossary; |
| "International Tax Compliance Regulations" | the International Tax Compliance Regulations 2015 (SI 2015/878), as amended or re-enacted from time to time; |
| "Investment Manager" | each of the investment managers retained by the Manager pursuant to the FCA Rules, being Schroder & Co. Limited (trading as Cazenove Capital) and Ruffer LLP and their successor or successors as investment managers to the Scheme; |
| "Non-UCITS retail scheme" | an authorised fund which is not a UK UCITS, a qualified investor scheme or a long-term asset fund; |
| "OECD" | the Organisation for Economic Co-operation and Development; |
| "PRA" | the Prudential Regulation Authority whose registered office is at 20 Moorgate, London, United Kingdom, EC2R 6DA (or any successor regulatory body); |
| "Register" | the register of Unitholders for the Scheme; |

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| "Registrar" | the person who maintains the Register being Northern Trust Global Services SE, UK branch and its successor or successors as registrar; |
| "Scheme Property" | as defined in the FCA Glossary; |
| "SYSC" | the Senior Management Arrangements, Systems and Controls sourcebook issued by the FCA pursuant to the Act, as amended or replaced from time to time; |
| "Trust Deed" | the deed constituting the Scheme, made between the Manager and Trustee, as may be amended, varied, restated or supplemental from time to time, as agreed between the Manager and the Trustee; |
| "Trustee" | the person to whom is entrusted the safekeeping of all of the property of the Scheme (other than certain property designated by the FCA Rules), being NatWest Trustee and Depositary Services Limited and its successor or successors as trustee; |
| "UCITS" | an Undertaking for Collective Investment in Transferable Securities. This will include a UCITS scheme or an EEA UCITS scheme, as defined in the FCA Glossary; |
| "UCITS Directive" | the European Parliament and Council Directive of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferrable securities (UCITS) (No. 2009/65/EC), as amended; |
| "United Kingdom" or "UK" | the United Kingdom of Great Britain and Northern Ireland; |
| "UK AIF" | as defined in the FCA Glossary; |
| "UK GDPR" | Regulation 2016/679 of the European Parliament and of the Council of 27 th April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation) as it forms part of the law of England and Wales, Scotland and Northern Ireland by virtue of section 3 of the EUWA, and any statutory instruments that the UK government makes to amend deficiencies in retained European Union law by virtue of section 8 of the EUWA (as may be amended from time to time) following the UK's withdrawal from the European Union; |
| "UK UCITS" | as defined in the FCA Glossary; |
| "UK UCITS Regulations" | the Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019 SI 2019/325 incorporating European directives or other European legislation relating to undertakings for collective investment in transferable securities into UK domestic law following the UK's withdrawal from the European Union; |
| "Unit" or "Units" | a Unit in the Scheme; |

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| "Unitholder" or "Unitholders" | holder(s) of registered Units in the Scheme; |
| "United States or US" | the United States of America, its territories and possessions, any state of the United States, and the District of Columbia; |
| "US Person" | means a person who is in either of the following paragraphs: (a) a person included in the definition of "U.S. person" under Rule 902 of Regulation S under the 1933 Act; or (b) a person excluded from the definition of a "Non-United States person" as used in Commodity Future Trading Commission ("CFTC") Rule 4.7. |

For the avoidance of doubt, a person is excluded from this definition of U.S. person only if they are outside both the definition of "U.S. person" in Rule 902 and the definition of "Non-United States person" under CFTC Rule 4.7;

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| "VAT" | value added tax; |
| "1933 Act" | the United States Securities Act of 1933 (as may be amended or re-enacted); and |
| "1940 Act" | the United States Investment Company Act of 1940 (as may be amended or re-enacted). |

- 1.2 Headings used in this Prospectus are for convenience only and shall not affect their meaning or legal effect.
- 1.3 References in the main body of this Prospectus to paragraphs mean paragraphs in the main body of this Prospectus unless otherwise stated. Similarly, references in an Appendix to paragraphs mean paragraphs in the relevant Appendix unless otherwise stated.
- 1.4 References to the plural shall include the singular and vice versa.
- 1.5 Unless otherwise defined in paragraph 1.1, or elsewhere in this Prospectus, words or expressions defined in, or for the purposes of, the Act or the FCA Handbook shall bear the same meanings in this Prospectus.
- 1.6 References to statutes, statutory provisions or regulations (including any provision of the FCA Handbook) shall include those statutes, provisions, regulations or provisions of the FCA Handbook as amended, extended, consolidated, substituted or re-enacted from time to time and, in particular, references to Regulations and/or Directives of the European Union shall, where appropriate, include all domestic law and regulation enacted (or re-enacted) for the purpose of bringing such European Union law and regulation into domestic law and regulation.

2 THE SCHEME

- 2.1 The name of the Scheme is the KES Income and Growth Fund and it is marketable to all retail investors. The Scheme is an authorised unit trust scheme and a UK UCITS for the purpose of COLL. It has received certification as complying with the conditions necessary to enjoy the rights conferred by the UCITS Directive.
- 2.2 The Scheme became effective from 21 August 1997 and was established by a trust deed. This trust deed, together with all supplemental trust deeds to it are referred to in this Prospectus as the "Trust Deed". The FCA product reference number of the Scheme is 184341.
- 2.3 Units in the Scheme may be marketed to the public in the UK. The Scheme will not be able to apply to the regulatory authorities in member states in the European Union to market Units under the UCITS Directive in those states. It is not intended that the Scheme will be marketed outside the UK.
- 2.4 The Scheme is a collective investment scheme in which each investor's funds are pooled with all other investors' funds. The Manager takes reasonable steps to ensure that each investment transaction carried out within the Scheme is suitable for the Scheme, having regard to the investment objective and policy of the Scheme. This Prospectus is intended to provide information to potential investors about the Scheme.
- 2.5 Unitholders are not liable for the debts of the Scheme.
- 2.6 The base currency of the Scheme is the pound sterling.
- 2.7 The circumstances in which the Scheme may be wound up, and the procedures that apply, are set out below. The Trustee shall proceed to wind-up the Scheme:
 - 2.7.1 if the authorisation order of the Scheme is revoked;
 - 2.7.2 if the passing of an extraordinary resolution winding up the Scheme has the FCA's prior consent to the resolution obtained by the Manager or the Trustee;
 - 2.7.3 if the Manager or the Trustee requests the FCA to revoke the authorisation order and FCA has agreed (provided there being no material change in any relevant factor occurs) that on the conclusion of the winding-up of the Scheme, it will agree to that request;
 - 2.7.4 on the effective date of a duly approved scheme of arrangement which results in the Scheme subject to the scheme of arrangement being left with no property;
 - 2.7.5 on the expiry of any period specified in the Trust Deed as the period at the end of which the Scheme is to be wound up.
- 2.8 If any of the events set out in 2.7 above occurs, the sections of COLL, concerning pricing and dealing and investment and borrowing powers will cease to apply, the Trustee shall cease the issue and cancellation of Units and the Manager will cease issuing, redeeming, buying and selling Units in respect of the Scheme.
- 2.9 In the case of an scheme of arrangement referred to in paragraph 2.7.4 above the Trustee shall wind-up the Scheme in accordance with the approved scheme of arrangement.
- 2.10 In any other case, the Trustee shall, as soon as practicable after the Scheme falls to be wound-up, realise the property of the Scheme and, after paying all liabilities

properly payable and retaining provision for the costs of the winding-up, distribute the proceeds to the Unitholders and the Manager proportionately to the size of their holdings.

- 2.11 Any unclaimed net proceeds or other cash held by the Trustee after twelve months from the date the proceeds became payable, shall be paid by the Trustee into court, although the Trustee will have the right to retain any expenses incurred in making that payment. On completion of the winding-up, the Trustee shall notify FCA in writing of that fact and the Trustee or the Manager shall request FCA to revoke the authorisation order.
- 2.12 Historical performance figures for the Scheme are given in Appendix D.

3 INVESTMENT OBJECTIVE AND POLICY

3.1 Investment Objective

The objective of the Scheme is to provide income and capital growth, net of fees, over a rolling 5 year period.

There is no guarantee that a return will be achieved over this 5 year period, or any other period. Capital is at risk.

3.2 Investment Policy

The Investment Managers adopt a flexible investment strategy and may invest in some or all sectors, in some or all world markets, in order to best take advantage of economic opportunities worldwide.

The Scheme will typically comprise of between 50%-100% in equities, up to 50% in fixed income assets (which may include bonds, government and public securities), alternative asset classes (e.g. gold, commodities and property) and cash. The composition of the Scheme Property as between equities and fixed income assets and other alternative assets, will vary over time within the above parameters, in response to the Investment Managers' views of the economic and market environment. In addition, the exposure to equities may fall below 50% during difficult markets.

The Scheme may also invest in other transferable securities including money market instruments and warrants.

Investments may be held either directly or indirectly through collective investment vehicles (including those managed by the Manager or its associates or the Investment Managers or their associates). Alternative assets (e.g. gold, commodities and property) may be held but only via permitted instruments such as collective investment vehicles, including investment trusts.

Derivatives may be used for the purpose of Efficient Portfolio Management (including hedging) and for investment purposes. The Scheme's use of derivatives is expected to be limited.

The investment policy of the Scheme may mean that at times, where it is considered appropriate, the Scheme Property will not be fully invested and that prudent levels of liquidity will be maintained in order to reduce risk and preserve capital. The Scheme will hold cash and cash equivalents to maintain liquidity.

The Investment Managers will actively manage the Scheme. This means the Investment Managers actively make decisions about how to invest the Scheme

Property (and which investments to buy and sell) instead of simply following a market index.

The Scheme appoints multiple Investment Managers with different investment styles to achieve its objective. Allocations to Investment Managers are subject to change in order to meet the Scheme's objective and further details regarding the allocations are available upon request from the Manager.

Performance Comparator

- 3.3 The Scheme uses the Investment Association Mixed Investment 40-85% Shares peer group for performance comparison purposes only. This peer group is not a target benchmark and the Scheme is not constrained by it. The peer group has been selected as a comparator for performance because the parameters for this peer group of between 40 and 85% exposure to equities are closely aligned with the policy of the Scheme.

The Manager reserves the right to change the benchmark following consultation with the Trustee and in accordance with the rules of COLL. A change could arise, for example, where the Manager determines that an alternative may be more appropriate. Unitholders in the Scheme will be notified of such a change in accordance with the rules in COLL and the change noted in the subsequent annual and half yearly reports.

4 INVESTOR PROFILE

- 4.1 The Scheme is available for investment by the general public. Investors should be willing to accept capital and income risk, which may vary greatly. The Scheme is not suitable for short term investment and should therefore generally be regarded as a long-term investment. The price of Units in the Scheme, and any income from them, can go down as well as up and is not guaranteed.

5 LIMITATIONS ON TYPES OF INVESTMENTS

- 5.1 The investment objective and policy set out in paragraph 3 above is subject to the limits on investment under COLL. These limits are summarised in paragraphs 6 to 20 below.
- 5.1.1 Subject to these limits, the whole of the property of the Scheme may be invested in any of the permitted classes of assets described below.
- 5.1.2 The Manager will ensure that, taking into account the investment objective and policy of the Scheme that the Scheme aims to provide a prudent spread of risk.
- 5.1.3 However, from time to time and in particular during periods of uncertain or volatile markets, the Manager may choose to hold a substantial proportion of the property of the Scheme in approved money market instruments and/or cash deposits. The Manager may also hold cash or near cash to the extent this is reasonably necessary to enable pursuit of the Scheme's investment objectives, the redemption of Units, the efficient management of the Scheme or other purposes ancillary to the Scheme's investment objectives.

5.2 Investment and Borrowing Restrictions

The following restrictions under COLL and (where relevant) determined by the Manager currently apply to the Scheme. Investments for the Scheme shall consist of one or more of the following:

- 5.2.1 Transferable securities and approved money market instruments admitted to or dealt in a regulated market (as defined by the FCA).
- 5.2.2 Transferable securities and approved money market instruments dealt in on other markets in the United Kingdom or an EEA State, that are operating regularly, are recognised and are open to the public.
- 5.2.3 Approved money market instruments referred to in paragraphs 5.2.1 and 5.2.2 above and paragraph 8 below may only be included in the Scheme where consistent with the investment objective and policy of the Scheme.
- 5.2.4 Transferable securities and approved money market instruments admitted to official listings on or dealt in on other eligible markets and approved money market instruments which are not admitted to, or dealt in, on an eligible market but which satisfy the requirement for investment by a UK UCITS scheme.
- 5.2.5 The Scheme may invest no more than 10% of its Scheme Property in approved securities and money market instruments other than those referred to in this paragraph 5.2.

6 APPROVED SECURITIES

- 6.1 The Scheme Property may be invested in approved securities with no maximum limit. In order to qualify as an approved security, the market upon which the security is traded must meet certain criteria as laid down in COLL.
- 6.2 Eligible markets include any market established in the United Kingdom or an EEA State on which transferable securities admitted to official listing in the UK or member state are dealt in or traded.
- 6.3 In the case of all other markets, in order to qualify as an eligible securities market, the Manager, after consultation with the Trustee, must be satisfied that the relevant market:
 - 6.3.1 is regulated;
 - 6.3.2 operates regularly;
 - 6.3.3 is recognised as a market or exchange or as a self-regulating organisation by an overseas regulator;
 - 6.3.4 is open to the public;
 - 6.3.5 is adequately liquid; and
 - 6.3.6 has adequate arrangements for unimpeded transmission of income and capital to, or to, the orders of investors.
- 6.4 The eligible securities and derivatives markets for the Scheme are set out in Appendix A to this Prospectus.

- 6.5 Recently issued transferable securities may also be treated as approved securities provided that:
- 6.5.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and
 - 6.5.2 such admission is secured within a year of issue.

7 TRANSFERABLE SECURITIES

- 7.1 Transferable securities are, in general terms, shares, debentures, government and public securities, or certificates representing certain securities (as such terms are defined in the FCA Glossary). Not more than 10% in value of the Scheme Property can be invested transferable securities which are not approved securities.
- 7.2 The Scheme Property may be invested in transferable securities on which any sum is unpaid only if it is reasonable to believe that the amount of any existing and potential call for any sum unpaid could be paid by the Scheme, at the time when payment is required, without contravening the requirements of COLL.
- 7.3 The Scheme may invest in transferable security only to the extent that the security fulfils the following criteria:
- 7.3.1 the potential loss which the Scheme may incur with respect to holding the security is limited to the amount paid for it;
 - 7.3.2 its liquidity does not compromise the Manager's ability to comply with its obligation to redeem Units at the request of any qualifying Unitholder;
 - 7.3.3 reliable valuation is available for it as specified in COLL;
 - 7.3.4 appropriate information is available for it as set out in COLL;
 - 7.3.5 it is negotiable; and
 - 7.3.6 its risks are adequately captured by the Manager's risk management process (please refer to paragraph 55) for details).
- 7.4 Unless there is information available to the Manager that would lead to a different determination, a security which is admitted to or dealt in on an eligible market shall be presumed to satisfy criteria 7.3.2 and 7.3.5 in paragraph 7.3 above.
- 7.5 A unit in a closed ended fund shall be taken to be a transferable security for the purposes of investment by the Scheme provided it fulfils criteria 7.3.1 to 7.3.6 in paragraph 7.3 above, and either:
- 7.5.1 where the closed ended fund is constituted as an investment company or a unit trust:
 - (a) it is subject to corporate governance mechanisms applied to companies; and
 - (b) where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
 - (c) where the closed ended fund is constituted under the law of contract.

- (i) it is subject to corporate governance mechanisms equivalent to those applied to companies; and
- (ii) it is managed by a person who is subject to national regulation for the purpose of investor protection.

- 7.6 The Scheme may invest in an investment which shall be taken to be a transferable security provided it:
- 7.6.1 fulfils the criteria for transferable securities set out in paragraphs 7.3.1 to 7.3.6 in paragraph 7.3 above; and
 - 7.6.2 is backed by or linked to the performance of other assets, which may differ from those in which the Scheme can invest.

However, where such an investment contains an embedded derivative component, the requirements of COLL with respect to derivatives and forwards will apply to that component.

- 7.7 The Scheme may not acquire transferable securities (other than debt securities) which do not carry a right to vote on any matter at a general meeting of the body corporate that issued them, and represent more than 10% of those securities issued by that body corporate.
- 7.8 The Scheme may not acquire more than 10% of the debt securities issued by any single body.

8 MONEY MARKET INSTRUMENTS

- 8.1 The Scheme may invest in approved money-market instruments.
- 8.2 An approved money-market instrument is a money-market instrument which is normally dealt in on the money market, is liquid and has a value which can be accurately determined at any time.
- 8.3 A money-market instrument is regarded as normally dealt in on the money market if it:
- 8.3.1 has a maturity at issuance of up to and including 397 days;
 - 8.3.2 has a residual maturity of up to and including 397 days;
 - 8.3.3 undergoes regular yield adjustments in line with money market conditions at least every 397 days; or
 - 8.3.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 8.3.1 or 8.3.2 above or is subject to yield adjustments as set out in 8.3.3 above.
- 8.4 A money-market instrument is regarded as liquid if it can be sold at limited cost in an adequately short timeframe, taking into account the obligation of the Manager to redeem Units at the request of any qualifying Unitholder.
- 8.5 A money-market instrument is regarded as having a value which can be accurately determined at any time if accurate and reliable valuation systems, fulfilling criteria set out in COLL, are available.

- 8.6 A money-market instrument that is normally dealt in on the money market and is admitted to or dealt in on an eligible market is presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the Manager which would lead to a different determination.
- 8.7 Not more than 10% in value of the Scheme Property is to consist of approved money market instruments which do not fulfil the following criteria:
- 8.7.1 the instrument listed or normally dealt on an eligible market; or
- 8.7.2 the issue or the issuer is regulated for the purpose of protecting investors and savings, and the instrument is:
- 8.7.3
- (a) issued or guaranteed by a central authority of the United Kingdom or an EEA State or, if the EEA State is a federal state, one of the members making up the federation; a regional or local authority of the United Kingdom or an EEA State, the Bank of England, the European Central Bank or a central bank of an EEA State, the European Union or the European Investment Bank, a non-EEA State or, in the case of a federal state, one of the members making up the federation, a public international body to which the United Kingdom or one or more EEA States belong; or
 - (b) issued by a body, any securities of which are dealt on an eligible market; or
 - (c) issued or guaranteed by (i) an establishment subject to prudential supervision in accordance with criteria defined by the UK or EU law or (ii) an establishment which is subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by UK or EU law.
- 8.8 An establishment shall be considered to satisfy the requirements in paragraph 8.7.3(c)(ii) above if it is subject to and complied with prudential rules, and fulfils one or more of the following criteria:
- 8.8.1 it is located in the European Economic Area;
- 8.8.2 it is located in an OECD country belonging to the Group of Ten;
- 8.8.3 it has at least investment grade rating;
- 8.8.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by UK or EU law.

9 DERIVATIVES AND FORWARD TRANSACTIONS

- 9.1 A transaction in derivatives or a forward transaction must not be effected for the Scheme unless:
- 9.1.1 the transaction is of a kind specified in COLL, as summarised below;
- 9.1.2 the transaction is covered, as required by COLL 5.3.3AR.

- 9.2 Where the Scheme invests in derivatives, the exposure to the underlying assets must not exceed the limits specified under the heading "Spread" below.
- 9.3 Where a transferable security or approved money market instrument embeds a derivative, this must be taken into account for the purposes of complying with these requirements.
- 9.4 Where the Scheme invests in an index-based derivative, provided the relevant index falls within the relevant requirements of COLL 5.2.20AR, the underlying constituents of the index do not have to be taken into account for the purposes of restrictions spread, subject to the Manager taking account of the requirements of COLL 5.2.3 in relation to prudent spread of risk.
- 9.5 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market or comply with the requirements for transactions in OTC derivatives described below.
- 9.6 A transaction in a derivative must not cause the Scheme to diverge from its investment objectives as stated in this Prospectus and Trust Deed or to cause it to materially alter its risk profile. **The Manager will use derivatives for the purposes of Efficient Portfolio Management (including hedging) and for general investment purposes.**
- 9.7 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money market instruments, units in collective investment schemes, or derivatives provided that a sale is not to be considered as uncovered if the conditions in COLL 5.2.22R(1), as read in accordance with the guidance at COLL 5.2.22AG, are satisfied.
- 9.8 Any forward transaction must be with an approved counterparty under COLL.
- 9.9 The Manager may make use of a variety of derivative instruments in accordance with COLL and specifically COLL 5.3.11(G).
- 9.10 A transaction in a derivative must have the underlying consisting of any or all of the following to which the Scheme is dedicated, i.e. transferable securities, approved money market instruments permitted under paragraph 8.7, permitted deposits, permitted derivatives, permitted collective investment scheme units, financial indices, interest rates, foreign exchange rates, and currencies.
- 9.11 No agreement by or on behalf of the Scheme to dispose of property or rights (except for a deposit) may be made:
- 9.11.1 unless the obligation to make the disposal and any other similar obligations could immediately be honoured by the Scheme by delivery of property or the assignment of rights; and
 - 9.11.2 the property and rights at paragraph 9.11.1 are owned by the Scheme at the time of the agreement.
- 9.12 The transaction alone or in combination must be reasonably believed by the Manager to diminish a risk of a kind or level which it is sensible to reduce.
- 9.13 A transaction in an OTC derivative must be:
- 9.13.1 with an approved counterparty. A counterparty to a transaction in derivatives is approved only if the counterparty is:

- 9.13.2 an Eligible Institution or an Approved Bank; or
- 9.13.3 a person whose permission (including any requirements or limitations), as published in the Financial Services Register provided by the FCA, permits it to enter into the transaction as principal off-exchange;
- 9.13.4 a CCP that is authorised in that capacity for the purposes of EMIR;
- 9.13.5 a CCP that is recognised in that capacity in accordance with the process set out in article 25 of EMIR; or
- 9.13.6 to the extent not already covered above, a CCP supervised in a jurisdiction that:
 - (a) has implemented the relevant G20 reforms on over-the-counter derivatives to at least the same extent as the UK; and
 - (b) is identified as having done so by the Financial Stability Board in its summary report on progress in implementation of G20 financial regulatory reforms dated 25 June 2019.
- 9.13.7 on approved terms; the terms of the transaction in derivatives are approved only if the Manager:
 - (a) carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely on market quotations by the counterparty; and
 - (b) can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value;
- 9.13.8 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the Manager having taken reasonable care determines that, throughout the life of the derivative, (if the transaction is entered into) it will be able to value the investment concerned with reasonable accuracy;
- 9.13.9 on the basis of an up to date market value which the Manager and the Trustee have agreed is reliable; or
- 9.13.10 if the value referred to in 9.13.7(A) above is not available on the basis of a pricing model which the Manager and the Trustee have agreed uses an adequate recognised methodology; and
- 9.13.11 subject to verifiable valuation; a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:
 - (a) an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the Manager is able to check it; or
 - (b) a department within the Manager which is independent from the department in charge of managing the Scheme Property and which is adequately equipped for such a purpose.

- 9.14 For the purposes of paragraph 9.13.7 above 'fair value' is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.
- 9.15 The jurisdictions that fall within paragraph 9.13.6 above are Australia, France, Germany, Hong Kong, Italy, Japan, the Netherlands, Singapore, Spain, Switzerland, and the United States of America.
- 9.16 The Trustee must take reasonable care to ensure that the Manager has systems and controls that are adequate to ensure compliance with paragraphs 9.13.1 to 9.13.11 above.
- 9.17 The following additional provisions apply:
- The Manager must:
- 9.17.1 establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposure of the Scheme to OTC derivatives; and
- 9.17.2 ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.
- 9.18 Where the arrangements and procedures referred to in paragraph 9.17 above involve the performance of certain activities by third parties the Manager must comply with the requirements of SYSC 8.1.13R (Additional requirements for a management company) and COLL 6.6A4R (4) to (6) (Due diligence requirements for Managers of UK UCITS).
- 9.19 The arrangements and procedures referred to in paragraph 9.17 above must be:
- 9.19.1 adequate and proportionate to the nature and complexity of the OTC derivative concerned; and
- 9.19.2 adequately documented.
- 9.20 The Scheme may invest in derivatives and forward transactions as part of its investment policy provided:
- 9.20.1 its global exposure relating to derivatives and forward transactions held in the Scheme do not exceed the net value of the Scheme Property; and
- 9.20.2 its global exposure to the underlying assets do not exceed in aggregate the investment limits laid down in the 'Spread' section set out below.
- 9.21 The Manager must calculate the Scheme's global exposure on, at least, a daily basis in accordance with the methods described in COLL 5.3.7R to COLL 5.3.10R.
- 9.22 For the purposes of this section, exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and time available to liquidate the positions.
- 9.23 Cash not yet received into the Scheme Property, but due to be received within one month, is available as cover for these purposes.
- 9.24 Property which is subject to a stock lending transaction (as described in paragraph 17 below) is available for cover if the Manager has taken reasonable care to determine

that it is obtainable (by return, or re-acquisition) in time to meet the obligations for which cover is required.

- 9.25 The Manager must calculate the global exposure of the Scheme either as:
 - 9.25.1 the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in COLL 5.2.19(R)(3A), which may not exceed 100% of the net value of the Scheme Property of the Scheme by way of the commitment approach; or
 - 9.25.2 the market risk of the Scheme Property by way of the value at risk approach.
- 9.26 The Manager must ensure that the method selected above is appropriate, taking into account:
 - 9.26.1 the investment strategy pursued by the Scheme;
 - 9.26.2 the types and complexities of the derivatives and forward transactions used; and
 - 9.26.3 the proportion of the Scheme Property comprising derivatives and forward transactions.
- 9.27 Where the Scheme employs techniques and instruments including repo contracts or stock lending transactions in order to generate additional leverage or exposure to market risk, the Manager must take those transactions into consideration when calculating global exposure.
- 9.28 For the purposes of this section, value at risk means a measure of the maximum expected loss at a given confidence level over the specific time period.
- 9.29 Where the Manager uses the commitment approach for the calculation of global exposure, it must:
 - 9.29.1 ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives as referred to in COLL5.2.19(R)(3A), whether used as part of the Scheme's general investment policy, for the purposes of risk reduction or for the purposes of Efficient Portfolio Management; and
 - 9.29.2 convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward (standard commitment approach).
- 9.30 The Manager may apply other calculation methods which are equivalent to the standard commitment approach.
- 9.31 For the commitment approach the Manager may take account of netting and hedging arrangements when calculating global exposure of the Scheme, where these arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure.
- 9.32 Where the use of derivatives or forward transactions does not generate incremental exposure for the Scheme, the underlying exposure need not be included in the commitment calculation.

- 9.33 Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of the Scheme need not form part of the global exposure calculation.
- 9.34 The eligible derivatives markets are set out in Appendix A to this Prospectus.

Approved derivatives transactions are for the purpose of Efficient Portfolio Management (including hedging) and may be used for the purpose of meeting the Scheme's investment objective.

The Scheme may use derivatives to meet its investment objectives as well as to hedge market and currency risk. The Manager anticipates that such investments would primarily be used in circumstances such as currency hedging, managing short term inflows and making changes to portfolio exposure more cost effective. It is, therefore, anticipated that the outcome of the use of derivatives would be principally to hedge against market and currency risk and to reduce, rather than increase, the risk profile of the Scheme. Movements in currencies may, however, render currency hedging ineffective.

If and to the extent that derivatives are used for investment purposes, this use of derivatives may expose the Scheme to a higher degree of risk. In particular, derivative contracts can be highly volatile, and the amount of initial margin is generally small relative to the size of the contract so that transactions are geared. A relatively small market movement may have a potentially larger impact on derivatives than on standard bonds or equities.

10 COLLECTIVE INVESTMENT SCHEMES

- 10.1 The Scheme may not invest in units in a collective investment scheme (the '**second scheme**') unless the second scheme satisfies all of the following conditions, and provided that no more than 30% of the value of the Scheme Property is invested in second schemes within paragraphs 10.1.2 to 10.1.5:
- 10.1.1 it is a UK UCITS or a scheme that satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directive as implemented in the EEA; or
 - 10.1.2 it is a recognised scheme that is authorised by the supervisory authorities of Guernsey, Jersey or the Isle of Man (provided the requirements of COLL 5.2.13AR, as set out in paragraph 10.6 are met); or
 - 10.1.3 it is authorised as a Non-UCITS retail scheme (provided the requirements of COLL 5.2.13AR(1)(a), (3) and (4) are met); or
 - 10.1.4 it is authorised in an EEA State (provided the requirements of COLL 5.2.13AR are met); or
 - 10.1.5 it is authorised by the competent authority of an OECD member country (other than an EEA State) which has:
 - (a) signed the IOSCO Multilateral Memorandum of Understanding; and
 - (b) approved the scheme's management company, rules and depositary/custody arrangements;(provided the requirements COLL 5.2.13AR are met).

- 10.1.6 it complies, where relevant, with COLL 5.2.15R (Investment in associated collective investment schemes) and COLL 5.2.16R (Investment in other group schemes);
 - 10.1.7 it has terms which prohibit more than 10% in value of the Scheme Property consisting of units in collective investment schemes; and
 - 10.1.8 where the second scheme is an umbrella, the provisions in paragraphs 10.1.2 and 10.1.7 above and COLL 5.2.11R (Spread: general) apply to each sub-fund as if it were a separate scheme.
- 10.2 In addition to the conditions set out above, not more than 30% of the value of the Scheme will be invested in second schemes within paragraphs 10.1.2 to 10.1.5 above.
- 10.3 Subject to the restrictions above, the Scheme may invest in units of other UCITS and/or other collective investment schemes managed by the Manager or an associate of the Manager subject to the rules in COLL. No subscription or redemption fees may be charged to the Scheme on its investment in the units of such other collective investment schemes in accordance with COLL.
- 10.4 The Scheme may not acquire more than 25% of a single collective investment scheme. In the case of an umbrella collective investment schemes this limit is taken at the level of the umbrella.
- 10.5 Where a substantial proportion of the Scheme's assets are invested in other collective investment schemes the maximum level of management fees that may be charged to the Scheme, and to the other collective investment schemes in which it invests, should not exceed 2% per annum plus VAT (if applicable).
- 10.6 The requirements of COLL 5.2.13AR are that:
- 10.6.1 the second scheme is an undertaking:
 - (a) with the sole objective of collective investment in transferable securities or in other liquid financial assets, as referred to in Section 5 of COLL, of capital raised from the public and which operate on the principle of risk spreading; and
 - (b) with units which are, at the request of holders, repurchased or redeemed, directly or indirectly, out of those undertakings' assets (action taken by a scheme to ensure that the price of its units on an investment exchange does not significantly vary from their net asset value shall be regarded as equivalent to such repurchase or redemption).
 - 10.6.2 the second scheme is authorised under laws which provide that they are subject to supervision considered by the FCA to be equivalent to that laid down in the law of the UK, and that cooperation between the FCA and the supervisory authorities of the second scheme is sufficiently ensured;
 - 10.6.3 the level of protection for unitholders in the second scheme is equivalent to that provided for unitholders in a UK UCITS, and in particular that the rules asset segregation, borrowing, lending and uncovered sales of transferable securities and approved money market instruments are equivalent to the requirements of Section 5 of COLL; and

- 10.6.4 the business of the second scheme is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period.
- 10.7 The second scheme must comply, where relevant, with COLL 5.2.15R (Investment in associated collective investment schemes) and COLL 5.2.16R (Investment in other group schemes).
- 10.8 Where the Scheme makes an investment in, or disposal of, units or shares of a second scheme detailed in paragraph 10.3, and there is a charge in respect of such investment or disposal, the Manager must pay the Scheme the amount referred to in either paragraph 10.8 or paragraph 10.9 within four Business Days following the date of the agreement to invest or dispose.
- 10.9 When an investment is made, the amount referred to in paragraph 10.7 is either:
- 10.9.1 any amount by which the consideration paid by the Scheme for the units or shares in the second scheme exceeds the price that would have been paid for the benefit of the second scheme had the units or shares been newly issued or sold by it; or
- 10.9.2 if such price cannot be ascertained by the Manager, the maximum amount of any charge permitted to be made by the seller of units or shares in the second scheme.
- 10.10 When a disposal is made, the amount referred to in paragraph 10.7 is any charge made for the account of the authorised fund manager or operator of the second scheme or an Associate of any of them in respect of the disposal.
- 10.11 In paragraphs 10.8 or 10.9 above:
- 10.11.1 any addition to or deduction from the consideration paid on the acquisition or disposal of units in the second scheme, which is applied for the benefit of the second scheme and is, or is like, a dilution levy or dilution adjustment, is to be treated as part of the price of the units and not as part of any charge; and
- 10.11.2 any switching charge made in respect of an exchange of units in one sub-fund or separate part of the second scheme for units in another sub-fund or separate part of that scheme is to be included as part of the consideration paid for the units.

11 SPREAD: GENERAL

- 11.1 This paragraph does not apply in respect of a transferable security or an approved money-market instrument to which paragraph 12.1 applies.
- 11.2 For the purposes of this paragraph 11.2, companies included in the same group for the purposes of consolidated accounts as defined in accordance with section 399 of the Companies Act 2006, Directive 2013/34/EU, or in the same group in accordance with international accounting standards, are regarded as a single body.
- 11.3 The specific limits are set out as follows:
- 11.3.1 not more than 5% of the value of the Scheme Property is to consist of transferable securities or money market instruments issued by any single body (in application of which certificates representing certain securities are

treated as equivalent to the underlying security) but the limit of 5% may be increased to 10% in respect of up to 40% in value of the Scheme Property. Covered bonds need not be taken into account for the purpose of applying the limit of 40%;

- 11.3.2 The limit of 5% in paragraph 11.3.1 is raised to 25% in value of the Scheme Property in respect of covered bonds, provided that when the Scheme invests more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the Scheme Property;
- 11.3.3 not more than 20% in value of the Scheme Property is to consist of deposits with a single body;
- 11.3.4 the exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property (or 10% where the counterparty is an approved bank);
- 11.3.5 not more than 20% in value of the Scheme Property is to consist of transferable securities or money market instruments issued by the same group;
- 11.3.6 Not more than 20% in value of the Scheme Property is to consist of the Units of any one collective investment scheme;
- 11.3.7 in applying the limits in paragraphs 11.3.1, 11.3.3 and subject to 11.3.2, not more than 20% in value of the Scheme Property is to consist of any combination of two or more of the following:
 - (a) transferable securities or money market instruments issued by a single body; or
 - (b) deposits made with a single body; or
 - (c) exposure from OTC derivatives transactions made with a single body;
- 11.3.8 the Manager must ensure that counterparty risk arising from an OTC derivative transaction is subject to the limits set out in paragraphs 11.3.4 and 11.3.6 above;
- 11.3.9 where calculating the exposure of the Scheme to a counterparty in accordance with the limits set out in paragraph 11.3.4, the Manager must use the positive mark-to-market value of the OTC derivative contract with that counterparty;
- 11.3.10 the Manager may net the OTC derivative positions for the Scheme with the same counterparty; provided:
 - (a) it is able, legally, to enforce netting arrangements with the counterparty on behalf of the Scheme; and;
 - (b) the netting agreements referred to above do not apply to any other exposures the Scheme may have with that same counterparty;
- 11.3.11 the Manager may reduce the exposure of the Scheme Property to a counterparty to an OTC derivative transaction through the receipt of

collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation;

- 11.3.12 the Manager must take collateral into account in calculating exposure to counterparty risk in accordance with the limits set out in paragraph 11.3.6 when it passes collateral to the counterparty to an OTC derivative transaction on behalf of the Scheme;
- 11.3.13 collateral passed in accordance with paragraph 11.3.12 above may be taken into account on a net basis only if the Manager is able, legally, to enforce netting arrangements with this counterparty on behalf of the Scheme;
- 11.3.14 the Manager must calculate the issuer concentration limits referred to in the paragraphs above on the basis of the underlying exposure created through the use of OTC derivatives in accordance with the commitment approach; and
- 11.3.15 in relation to exposures arising from OTC derivative transactions, as referred to paragraph 11.3.12, the Manager must include in the calculation any counterparty risk relating to the OTC derivatives transactions.

12 SPREAD: GOVERNMENT AND PUBLIC SECURITIES

- 12.1 The following applies in respect of transferable securities or approved money-market instruments ("such securities") that are issued or guaranteed by:
 - 12.1.1 the UK or an EEA State;
 - 12.1.2 a local authority of the UK or an EEA State;
 - 12.1.3 a non-EEA State; or
 - 12.1.4 a public international body to which the UK or one or more EEA States belong.
- 12.2 Where no more than 35% in value of the Scheme Property is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
- 12.3 **The Scheme may invest more than 35% in value of the Scheme Property in such securities issued by any one body, provided that:**
 - 12.3.1 **the Manager has before any such investment is made consulted with the Trustee and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objective of the Scheme;**
 - 12.3.2 **no more than 30% in value of the Scheme Property consists of such securities of any one issue;**
 - 12.3.3 **the Scheme Property includes such securities issued by that or another issuer, of at least six different issues; and**
 - 12.3.4 **the disclosures in COLL 3.2.6R(8) and COLL 4.2.5R(3)(i) have been made.**
- 12.4 **In relation to such securities:**

- 12.4.1 **issue, issued and issuer include guarantee, guaranteed and guarantor; and**
- 12.4.2 **an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.**
- 12.5 **Notwithstanding paragraph 11.1 and subject to paragraphs 11.3.2 and 11.2 above, in applying the 20% limit in paragraph 11.3.2 with respect to a single body, such securities issued by that body shall be taken into account.**
- 12.6 **More than 35% (and up to 100%) in value of the Scheme Property may be invested in such securities issued by:**
 - 12.6.1 **the Government of the United Kingdom (including the Scottish Administration, the Executive Committee of the Northern Ireland Assembly and the National Assembly of Wales);**
 - 12.6.2 **the Government of any EEA State including the Governments of Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden;**
 - 12.6.3 **the Governments of Australia, Canada, Japan, New Zealand, and the United States of America; and**
 - 12.6.4 **The World Bank, The Inter-American Development Bank, The European Investment Bank and The European Bank for Reconstruction and Development.**

13 SIGNIFICANT INFLUENCE

- 13.1 In addition to any constraint contained above, the Scheme may not acquire or hold:
 - 13.1.1 transferable securities issued by a body corporate carrying in aggregate 20% or more of the votes which may be cast at a general meeting of that body corporate;
 - 13.1.2 non-voting shares representing more than 10% of the issued share capital of the issuing body corporate;
 - 13.1.3 more than 25% of the units in a single collective investment scheme;
 - 13.1.4 more than 10% of the debt securities issued by any single issuing body; or
 - 13.1.5 more than 10% of the money market instruments issued by a single body.
- 13.2 The Manager must not acquire, or cause to be acquired for the Scheme, transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:
 - 13.2.1 immediately before the acquisition, the aggregate of any such securities held for the Scheme, taken together with any such securities already held for other AUTs or ACSs of which the Manager is also the authorised fund manager, gives the Manager power significantly to influence the conduct of business of that body corporate; or

13.2.2 the acquisition gives the Manager that power.

- 13.3 For the purposes of the paragraph 13.2 above, the Manager is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held for all the AUTs or ACSs of which it is the authorised fund manager, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

14 GENERAL

- 14.1 The Scheme may not acquire any investment which has an actual contingent liability attached unless the maximum amount of such liability is ascertainable at the time of acquisition.

15 BORROWING

- 15.1 The Trustee of the Scheme may, in accordance with this paragraph and COLL and with the instructions of the Manager, borrow sums of money for the use of the Scheme on terms that the borrowing is repayable out of the property of the Scheme.
- 15.2 The power to borrow is subject to the obligation of the Scheme to comply with any restriction in the Trust Deed.
- 15.3 Such borrowings must be made from Eligible Institutions or an Approved Bank. The Manager must ensure that the period of such borrowings must be on a temporary basis, and that borrowings are not persistent. For this purpose the Manager must have regard, in particular, to the duration of any period of borrowing and the number of occasions on which resort is had to borrowing in any period. In addition, the Manager must ensure that no period of borrowing exceeds three months, whether in respect of any specific sum or at all, without the prior consent of the Trustee. The Trustee's consent may be given only on such conditions as appear to the Trustee appropriate to ensure that the borrowing does not cease to be on a temporary basis only.
- 15.4 The Manager must ensure that the Scheme's borrowing does not, on any Business Day, exceed 10% of the value of the Scheme Property.
- 15.5 "Borrowing" includes, as well as borrowing in a conventional manner, any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into the property in the expectation that the sum will be repaid.
- 15.6 None of the money in the property of the Scheme may be lent and, for the purposes of this prohibition, money is lent by the Scheme if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee. Acquiring a debenture is not lending; nor is the placing of money on deposit or in a current account.
- 15.7 The property of the Scheme, other than money, must not be lent by way of deposit or otherwise except for the purposes of stock lending as described in this Prospectus.
- 15.8 Transactions permitted for the purposes of stock lending are not lending for these purposes.
- 15.9 The property of the Scheme must not be mortgaged. Nothing in these restrictions prevent the Trustee, at the request of the Manager, from lending, depositing, pledging or charging property for margin requirements where transactions in derivatives or

forward transactions are used for the account of the Scheme in accordance with any other of the rules in COLL 5.

- 15.10 The Scheme may not grant credit facilities nor act as guarantor on behalf of third parties, provided that for the purpose of this restriction (i) the acquisition of transferable securities, approved money market instruments or other financial investments referred to in paragraph 9 above, in fully or partly paid form and (ii) the permitted lending of portfolio securities shall be deemed not to constitute the making of a loan.
- 15.11 The Scheme's assets may not include precious metals or certificates representing them, commodities, commodities contracts, or certificates representing commodities.
- 15.12 The Scheme may not purchase or sell real estate or any option, right or interest therein, provided that the Scheme may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein.

The Manager shall take the risks that it deems reasonable to reach the assigned objective set for the Scheme; however, it cannot guarantee that it shall reach its goals given stock exchange fluctuations and other risks inherent in investments in transferable securities.

16 EFFICIENT PORTFOLIO MANAGEMENT

- 16.1 The Manager may utilise the property of the Scheme to enter into transactions for the purposes of hedging and Efficient Portfolio Management. There is no limit on the amount of the property of the Scheme which may be used for these purposes, but there are three broadly based requirements which the Manager has adopted:
- 16.1.1 The transactions must be economically appropriate for the purposes of Efficient Portfolio Management.
- 16.1.2 The exposure must be fully covered by cash or other property sufficient to meet any obligation to pay or deliver that could arise.
- 16.1.3 The transactions must be entered into for one or more of three specific aims, namely:-
- (a) the reduction of risk;
 - (b) the reduction of cost; or
 - (c) the generation of additional capital or income for the Scheme with a risk level which is consistent with the risk profile of the scheme and the risk diversification rules laid down in COLL.
- 16.1.4 The first two aims, together or separately, allow for tactical asset allocation; that is a switch in exposure through the use of derivatives rather than through the sale and purchase of underlying property.
- 16.1.5 Similarly, the aim of reduction of risk allows for the use of derivatives with a view to switching the currency exposure of all or part of the underlying Scheme Property away from a currency which the Manager considers to be unduly prone to risk.

16.2 Economically Appropriate

- 16.3 The guidelines adopted by the Manager, under which the Scheme will operate, are:
- 16.3.1 Any transaction must be one which (alone or in combination with one or more others) is reasonably believed by the Manager to be economically appropriate to the Efficient Portfolio Management of the Scheme.
- 16.3.2 This means that the Manager reasonably believes that:-
- (a) for transactions undertaken to reduce risk or cost (or both), the transaction (alone or in combination) will diminish a risk or cost of a kind or level which it is sensible to reduce; and
 - (b) for transactions undertaken to generate additional capital or income, the Scheme is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit from the transaction.
- 16.3.3 A transaction may not be entered into if its purpose could reasonably be regarded as speculative.
- 16.3.4 Where:
- (a) the Scheme fulfils the conditions imposed by the UCITS Directive; and
 - (b) the transaction relates to the actual or potential acquisition of transferable securities,
 - (c) the Manager must intend that the Scheme should invest in transferable securities within a reasonable time and must ensure thereafter that, unless the position has itself been closed out, that intention is realised within that reasonable time.

17 STOCK LENDING

- 17.1 As an element of Efficient Portfolio Management the Manager may request the Trustee to enter into stock lending transactions in respect of the Scheme. However, the purpose of the stock lending transaction must be for the generation of capital or income. The Scheme may only enter a stock lending transaction in accordance with the rules in COLL 5.4 and if the arrangement or contract is:
- 17.1.1 for the account of and for the benefit of the Scheme; and
 - 17.1.2 in the interests of the unitholders of the Scheme.
- 17.2 Such arrangement or contract will not be in the interests of the unitholders unless it reasonably appears to the Manager to be appropriate with a view to generating additional income for the Scheme with no, or an acceptably low degree of risk.
- 17.3 Briefly, such transactions are those where the Trustee delivers the securities which are the subject of the transaction, in return for which it is agreed that securities of the same kind and amount should be re-delivered at a later date. The Trustee, at the time of delivery of the securities, receives assets as collateral to cover the risk that the securities are not returned. Such transactions must always comply with the relevant requirements of the Taxation of Chargeable Gains Act 1992 and the specific rules in COLL but only if:

- 17.3.1 all the terms of the agreement under which securities are to be re-acquired by the Trustee for the account of the Scheme are in a form which is acceptable to the Trustee and are in accordance with good market practice;
- 17.3.2 the counterparty is:
- (a) an authorised person; or
 - (b) a person authorised by a Home State regulator; or
 - (c) a person registered as a broker-dealer with the Securities and Exchange Commission of the United States of America; or
 - (d) a bank, or a branch of a bank, supervised and authorised to deal in investments as principal, with respect to OTC derivatives by at least one of the following federal banking supervisory authorities of the United States of America: the Office of the Comptroller of the Currency; the Federal Deposit Insurance Corporation; the Board of Governors of the Federal Reserve System; and the Office of Thrift Supervision; and
 - (e) high quality and liquid collateral is obtained to secure the obligation of the counterparty under the terms referred to in paragraph 17.3.1 and the collateral is:
 - (i) acceptable to the Trustee;
 - (ii) adequate (within the meaning of COLL 5.4.6R); and
 - (iii) sufficiently immediate.
- 17.3.3 The counterparty for the purpose of paragraph 17.3.2 is the person who is obliged under the agreement referred to in paragraph 17.3.1 to transfer to the Trustee the securities transferred by the Trustee under the stock lending arrangement or securities of the same kind.
- 17.3.4 Paragraph 17.3.2(e) does not apply to a stock lending transaction made through Euroclear Bank S.A./N.V.'s Securities Lending and Borrowing Programme.
- 17.4 Collateral must be acceptable to the Trustee, adequate and sufficiently immediate as described in COLL.
- 17.5 The Trustee must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Trustee. This duty may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Trustee takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.
- 17.6 Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) may be regarded, for the purposes of valuation, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of the Scheme.
- 17.7 There is no limit on the value of the property of the Scheme which may be the subject of stock lending transactions.

- 17.8 Any net income (net of any fees to which stock lending agents appointed by the Trustee are entitled) derived from stock lending to which the Scheme is entitled will be re-invested in the Scheme. The stock lending agents' fees currently represent between 0% and 30% of the total income generated by the stock lending agents. The stock lending agents may be affiliates of the Manager.

18 FINANCIAL TECHNIQUES AND INSTRUMENTS

- 18.1 The Manager uses a risk management process, as reviewed by the Trustee, enabling it to monitor and measure as frequently as appropriate the risk of the Scheme's derivative and forward positions and their contribution to the overall risk profile of the Scheme.
- 18.2 The Manager is authorised to employ techniques and instruments relating to transferable securities and to approved money market instruments under the conditions and within the limits laid down in COLL provided that such techniques and instruments are used for the purpose of Efficient Portfolio Management or for hedging purposes.
- 18.3 Further details of the risk management process are set out at paragraph 55.

19 GENERAL POWER TO ACCEPT, OR UNDERWRITE PLACINGS

- 19.1 Any power in COLL to invest in transferable securities may be used for the purpose of entering into any agreement or understanding: which is an underwriting or sub-underwriting agreement, or which contemplates that securities will or may be issued or subscribed for or acquired for the account of the Scheme.
- 19.2 This ability does not apply to an option, or a purchase of a transferable security which confers a right to subscribe for or acquire a transferable security, or to convert one transferable security into another.
- 19.3 The exposure of the Scheme to agreements and understandings as set out above, on any Business Day be covered and be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any of the investment limits set out elsewhere in this Prospectus.

20 GUARANTEES AND INDEMNITIES

- 20.1 The Trustee, for the account of the Scheme, must not provide any guarantee or indemnity in respect of the obligation of any person.
- 20.2 None of the property of the Scheme may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.
- 20.3 These requirements do not apply to any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with the requirements of COLL and as set out in this Prospectus.

21 REPORTING, DISTRIBUTION AND ACCOUNTING

- 21.1 The Scheme's annual accounting reference and half yearly accounting dates are

Annual Accounting Reference Date: 31 August

Half-Yearly Accounting Date: last day of February

Income Allocation Dates: 31 October, 31 January, 30 April and 31 July

- 21.2 Distributions of income for the Scheme are made on or before the income allocation dates above in each year.
- 21.3 Each holder of income Units is entitled, on the relevant income allocation dates, to the net income attributable to their holding.
- 21.4 The income available for distribution is determined in accordance with the Trust Deed and COLL. It comprises all income received or receivable for the account of the Scheme in respect of the accounting period concerned, after deducting net charges and expenses paid or payable out of such income and after making such adjustments as the Manager considers appropriate, after consulting with the Scheme's Auditors, in accordance with COLL, in relation to taxation and other matters.
- 21.5 Distributions shall be paid in pounds sterling unless the Unitholder has requested in writing to the Manager that distributions shall be paid in another currency.
- 21.6 The Manager reserves the right to change or create additional accounting and income distribution dates, usually as a result of accounting or taxation changes.
- 21.7 Any distribution that remains unclaimed for a period of six years after the distribution became due for payment will be forfeited and shall revert to the Scheme.
- 21.8 On the income allocation dates, an amount, determined by the Manager, as described above, is paid to those Unitholders who are entitled to the distribution by reference to their holdings on the Register at the previous accounting date. Payments will be made by means of direct credit to the Unitholder's nominated bank account. If the income allocation date is a non-Business Day, payment will be made on the next Business Day.
- 21.9 Copies of the annual long reports will be made available, and published, within four months from the end of each annual accounting period. The half-yearly reports will be published within two months of each interim accounting period.

22 THE CHARACTERISTICS OF UNITS IN THE SCHEME

- 22.1 The Trust Deed permits the issue of both income and accumulation Units. Both types of Units are available.
- 22.2 Currently Class A income and Class A accumulation Units are issued.
- 22.3 The Trust Deed permits further classes to be made available other than Class A income Units and Class A accumulation Units. Any such class may vary according to whether it accumulates or distributes income or attracts different fees and expenses, and as a result of this, monies may be deducted from classes in unequal proportions. In these circumstances, the proportionate interests of the classes within the Scheme will be adjusted in accordance with the provisions of the Trust Deed relating to proportion accounts.
- 22.4 The Trustee may create one or more classes of Units, as instructed from time to time by the Manager. The creation of additional Unit classes will not result in any material prejudice to the interests of holders of Units in existing Unit classes.
- 22.5 Net income receivable in respect of income Units is distributed to Unitholders. Holders of accumulation Units are not entitled to be paid the income attributable to such Units,

but that income is automatically transferred to (and retained as part of) the capital assets of the Scheme at the end of the relevant distribution period and is reflected in the price of an accumulation Unit. A Unit represents one undivided share in the capital property of the Scheme. Each undivided Unit ranks pari passu with the other undivided Units in the Scheme.

- 22.6 The nature of the right represented by Units is that of a beneficial interest under a trust.
- 22.7 Units in the Scheme are not listed, or dealt in, on any investment exchange.
- 22.8 No certificates are issued to Unitholders. Should a Unitholder, for any reason, require evidence of title to their Units, the Manager shall, upon provision to it by the investor of such proof of identity as it shall reasonably require, supply the investor with a certified copy of the relevant entry in the Register relating to the investor's holding of Units. The Manager will send the investor an initial acknowledgement, followed by half-yearly statements.

23 DEALING IN UNITS

23.1 Buying Units

- 23.1.1 The dealing office of the Manager is open from 9.00 a.m. until 5.30 p.m. ("normal business hours") on any Business Day during which the Manager may receive requests for the buying and selling of Units. The time and price at which a deal takes place depends on COLL affecting the pricing of Units.
- 23.1.2 Units may be purchased by sending a completed application form, through the means of electronic communications (please refer to paragraph 29), by clear written instructions to Thesis Unit Trust Management Limited at the dealing office of the Administrator, or by obtaining an application form by telephoning the Manager's Customer Enquiry Line on 0333 300 0375.
- 23.1.3 In giving instructions for the purchase of Units, a Unitholder or prospective Unitholder shall elect whether to pay for Units in pounds sterling.
- 23.1.4 A contract note giving details of the Units purchased will be sent on the next Business Day after the valuation point applicable to the deal. The contract note will show the price of the Units and the total cost, rounded up or down to the nearest penny. If you have not already paid, you must ensure that the Manager receives payment by close of business on the fourth Business Day after the contract date. The Manager may however, subject to notifying you prior to accepting your purchase request, require earlier payment. If the subscription monies are not received or are received after the required payment date, the Manager reserves the right to make an administration charge to cover its costs and/ or at its sole discretion to cancel the subscription of Units. Payment for the subscription of Units can be by cheque or (when approved by the Manager) by debit card.
- 23.1.5 The minimum initial investment and holding must be £100,000 and the Manager will not accept a lump sum application for Units to the value less than £100,000. The minimum value of subsequent investment must be £100,000, with the minimum value of £100,000 on withdrawals. The Manager reserves the right to reduce or waive minimum investment levels.
- 23.1.6 The Manager reserves the right to reject, on reasonable grounds, any application for Units in whole or in part, in which event, the Manager will

return by post, any money sent, or the balance, for the purchase of Units which are the subject of the application, at the risk of the applicant.

- 23.1.7 Investors buy and redeem Units through the Manager who nets them to reduce the number of Units issued or cancelled by the Scheme. When carrying out deals in Units the Manager acts as principal but does not profit from this activity.

23.2 Selling Units

- 23.2.1 At any time during a dealing day when the Manager is willing to issue Units it must also be prepared to redeem Units. The Manager may refuse to redeem a certain number of Units if the redemption will mean the Unitholder is left holding Units with a value of less than the minimum of £100,000.

- 23.2.2 Subject to the policy on pricing, Units in the Scheme may normally be sold back to the Manager during normal business hours on any Business Day either by application in writing to it, by telephone or by way of electronic communication, as set out in the paragraph below headed 'Electronic communications'.

- 23.2.3 When redeeming Units over the telephone, telephone calls will be recorded by the Manager (please refer to paragraph 52.1). Redeeming Unitholders must complete, and sign a renunciation form which is available from the Manager on request, send an electronic communication (as set out in the paragraph 29) or write a letter confirming the redemption. The Manager will send a repurchase contract note by close of business on the Business Day after the valuation point applicable to the deal. A cheque for the proceeds will be sent by the close of business on the fourth Business Day after the later of the following times:

- (a) the valuation point next following the receipt of the repurchase instruction; and
- (b) receipt of written instructions or document of renunciation.

23.3 Client Money Rules

- 23.3.1 The FCA Handbook contains provisions (known as the "Client Money Rules") designed to safeguard client money in the hands of authorised persons. However, the CASS rules also provide that money need not be treated as client money in respect of a delivery versus payment transaction, for the purpose of settling a transaction in relation to Units in a regulated collective investment scheme such as the Scheme, provided that:

- (a) the Manager receives the money from a client in relation to the Manager's obligation to issue Units in the fund in accordance with COLL; or
- (b) the money is held in the course of redeeming Units, where the proceeds are paid to the client within the timeframe specified in COLL.

- 23.3.2 Where money is received in either of the circumstances set out in 23.3.1(a) or 23.3.1(b) above, the Manager must cease to operate the exemption if, by close of business on the Business Day following receipt of the money, it has not paid it over to the Trustee or the client as applicable.

- 23.3.3 In order to facilitate management of the Scheme, the Manager makes use of the delivery versus payment exemption on the issue of Units in respect of money received other than in the form of cheques. Money received in other payment forms for the issue of Units is, therefore, not protected under the Client Money Rules until the delivery versus payment exemption period has expired. Money received by the Manager in the form of redemptions, cheques or other remittances is paid directly into a client money account maintained by the Manager with an Approved Bank, as defined in the FCA Rules, and protected in line with the Client Money Rules. No interest is payable by the Manager on monies credited to this account.
- 23.3.4 Money deposited into an account with a third party may have a security interest, lien or right of set-off in relation to the money, to the extent permitted by the Client Money Rules.
- 23.3.5 In certain circumstances, if the Manager has lost touch with an investor, the Manager will be permitted to pay the investor's client money balance to a registered charity after six years. The Manager will not do so until reasonable efforts have been made to contact the investor. The investor will still be entitled to recover this money from the Manager at a later date irrespective of whether the Manager has paid the money to charity. This is subject to the rules in COLL, which require the Manager to transfer any distribution payment which remains unclaimed after a period of six years from the date of payment to the Scheme's capital property.

24 MARKET TIMING

- 24.1 The Manager may refuse to accept a new subscription in the Scheme if, in the opinion of the Manager, it has reasonable grounds for refusing to accept a subscription. In particular, the Manager may exercise this discretion if it believes that the Unitholder has been, or intends to, engage in market timing.
- 24.2 For these purposes, market timing activities include investment techniques which involve short term trading in and out of Units generally to take advantage of variation in the price of Units between the daily valuation points in the Scheme. Short term trading of this nature may often be detrimental to long term Unitholders, in particular, the frequency of dealing may lead to additional dealing costs which can affect long term performance.

25 ISSUE OF UNITS IN EXCHANGE FOR IN SPECIE ASSETS

- 25.1 The Manager may arrange for the Scheme to issue Units in exchange for assets other than cash, but will only do so where the Trustee has taken reasonable care to determine that the Scheme's acquiring of those assets in exchange for the Units concerned is not likely to result in any material prejudice to the interests of Unitholders, or potential Unitholders.
- 25.2 The Manager will ensure that the beneficial interest in the assets is transferred to the Scheme with effect from the issue of the Units.
- 25.3 The Manager will not issue Units in the Scheme in exchange for assets the holding of which would be inconsistent with the Scheme's investment objective.

26 IN SPECIE REDEMPTIONS AND CANCELLATIONS OF UNITS

- 26.1 Where a Unitholder requests redemption or cancellation of Units in the Scheme representing 5% of the value of the Scheme the Manager can elect not to give the

proceeds of the sale of the investor's Units but instead transfer to the Unitholder property (i.e. underlying securities) of the Scheme (an "in-specie transfer").

- 26.2 The Manager does not require the Unitholder's consent to this but will ensure that the Trustee is satisfied there will be no material prejudice to remaining Unitholders.
- 26.3 Where the Manager does so elect it must notify the Unitholder of this in writing no later than the close of business on the second Business Day after the day on which selling instructions are received from the Unitholder.
- 26.4 Where the in-specie transfer proceeds, the Trustee will, in accordance with the rules of COLL, cancel the Units and transfer to the Unitholder the proportionate share of the assets of the Scheme or such selection from the property of the Scheme as the Trustee, after consultation with the Manager, decides is reasonable, in either case having regard to the need to be fair both to the outgoing Unitholder and to continuing Unitholders.
- 26.5 Irrespective of the value of the Units the Unitholder wishes to redeem, where the Manager has elected to provide an in-specie transfer, the Unitholder is entitled to instruct the Manager not to transfer assets to the Unitholder, but to sell those assets for the Unitholder (other than those in cash in the relevant currency) and pay the Unitholder the net proceeds of sale (and cash). The instruction, however, must be given in writing to the Manager by the close of business on the fourth Business Day after the Unitholder receives the Manager's notice of election to provide the Unitholder with an in-specie transfer. The value raised will not necessarily correspond with the applicable published bid price.
- 26.6 The Manager may, in its sole discretion, agree to a request from the Unitholder for an in-specie transfer where it receives such request in advance of the redemption request. Where the Manager does agree, the Trustee will transfer to the Unitholder assets of the Scheme in the manner set out above.

27 DEFERRED REDEMPTION

- 27.1 At times of high redemption the Manager may decide to defer redemptions at any valuation point to the next valuation point where the requested redemptions exceed 10% of the Scheme's value. This will allow the Manager to protect the interests of continuing Unitholders by allowing it to match the sale of Scheme Property to the level of redemptions. This should reduce the impact of dilution on the Scheme. All Unitholders who have sought to redeem Units at any valuation point at which redemptions are deferred will be treated in the same way and the Manager will ensure that all deals relating to an earlier valuation point are completed before those relating to a later valuation point are considered.

28 SUSPENSION, MANDATORY CANCELLATION, REDEMPTION AND CONVERSION

- 28.1 The Manager may if the Trustee agrees, or shall if the Trustee so requires, at any time, temporarily suspend the sale and redemption of Units if the Manager or Trustee (in the case of any requirement by the Trustee), believes that, due to exceptional circumstances, it is in the interests of Unitholders or potential Unitholders.
- 28.2 On suspension, the Manager, or the Trustee if the Trustee has required the Manager to suspend dealing, must immediately inform the FCA, giving written confirmation of the suspension and state the reasons for its actions.
- 28.3 The Manager and the Trustee must formally review any such suspension at least every 28 days and inform the FCA of the results of their review. Any such suspension may

only continue for so long as it is justified having regard to the interest of Unitholders and must cease as soon as practicable after the exceptional circumstances that have caused the suspension have ceased.

- 28.4 The Manager must ensure that a notification of the suspension is made to Unitholders as soon as practicable after the suspension commences. On notification to Unitholders the Manager must ensure that Unitholders' attention is drawn to the exceptional circumstances resulting in the suspension and ensure that the notification is clear, fair and not misleading. Unitholders will be kept informed about the suspension and, if possible, advised of its duration (if known) by written updates by the Manager.
- 28.5 Re-calculation of issue and cancellation prices will commence on the Business Day immediately following the end of the suspension, at the relevant valuation point.
- 28.6 If it comes to the notice of the Manager that any units ('affected units') are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or by virtue of which the holder or holders in question is/are not qualified and entitled to hold such units or if it reasonably believes this to be the case, the Manager may give notice to the holder(s) of the affected units requiring either transfer of such units to a person who is qualified or entitled to own them or that a request in writing be given for the redemption or cancellation of such units in accordance with COLL. If any person upon whom such a notice is served does not within thirty days after the date of such notice transfer their affected units to a person qualified to hold them or establish to the satisfaction of the Manager (whose judgement is final and binding) that they or the beneficial owner is qualified and entitled to own the affected units, they shall be deemed upon the expiration of that thirty day period to have given a request in writing for the redemption of all the affected units pursuant to COLL.
- 28.7 A person who becomes aware that they have acquired or is holding affected units in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory, or by virtue of which they are not qualified to hold such affected units, shall forthwith, unless they have already received a notice as aforesaid, either transfer or procure the transfer of all their affected units to a person qualified to own them or give a request in writing to procure that such a request for the redemption or cancellation of all their affected units pursuant to COLL.
- 28.8 Where the Manager considers it in the best interests of Unitholders, the Manager may convert a Unitholder's holding in one class of Units to another class of Units. The Manager shall give at least 60 days prior written notice to the Unitholders concerned of the proposed conversion, including details of the new class of Units and reminding Unitholders of their rights to redeem.

29 ELECTRONIC COMMUNICATIONS

- 29.1 The Manager will accept instructions to transfer or renunciation of title to Units on the basis of an authority communicated by electronic means and sent by the Unitholder, or delivered on their behalf by a person that is authorised by the FCA or regulated in another jurisdiction by an equivalent supervisory authority, subject to:
- 29.1.1 prior agreement between the Manager and the person making the communication as to:
- (a) the electronic media by which such communications may be delivered;
and

- (b) how such communications will be identified as conveying the necessary authority; and
- 29.1.2 assurance from any person who may give such authority on behalf of the investor that they will have obtained the required appointment in writing from the Unitholder.

30 EXCESSIVE TRADING POLICY

- 30.1 The Manager does not knowingly allow investments that are associated with excessive trading practices as such practices may adversely affect the interests of all Unitholders. Excessive trading includes individuals or groups of individuals whose securities transactions seem to follow a timing pattern or are characterised by excessively frequent or large trades.
- 30.2 Unitholders should, however, be aware that the Scheme may be utilised by certain investors for asset allocation purposes or by structured product providers, which may require the periodic re-allocation of assets. This activity will not normally be classed as excessive trading unless the activity becomes, in the opinion of the Manager, too frequent or appears to follow a timing pattern.
- 30.3 As well as the general power of the Manager to refuse subscriptions or conversions at their discretion, powers exist in other sections of this Prospectus to ensure that Unitholder interests are protected against excessive trading.
- 30.4 In addition, where excessive trading is suspected, the Scheme may combine Units that are under common ownership or control for the purposes of ascertaining whether an individual or a group of individuals can be deemed to be involved in excessive trading practices. Accordingly, the Manager reserves the right to reject any application for switching and/or subscription of Units from investors whom they consider to be excessive traders.

31 STATEMENTS

- 31.1 An annual statement made up to 5 April will be issued to Unitholders. This will detail the Unitholder's current holding, transactions during the year and income paid. Interim statements are available on request.

32 RISK FACTORS

32.1 General Risks

- 32.1.1 Collective investment schemes should be regarded as long-term investments.
- 32.1.2 The value of the Units in the Scheme is based upon the value of the underlying investments.
- 32.1.3 The value of those investments and the income from them and consequently the value of the units and the income from them, can go down as well as up and are not guaranteed.
- 32.1.4 Past performance is not necessarily a guide to future performance.
- 32.1.5 The Scheme may invest in currencies other than pounds sterling. As a result, exchange rate changes may cause the value of overseas investments to rise or fall, and the value of the Units in any currency other than pounds

sterling may go up or down. The value of distributions in any currency other than pounds sterling will be affected by exchange rate fluctuations which may be upwards or downwards.

- 32.1.6 Investors may not get back the amount originally invested.
- 32.1.7 Investors should always bear in mind that the price of Units in the Scheme, and the income from them, can go down as well as up and are not guaranteed. The Scheme may invest in currencies other than sterling. As a result, changes in the rates of exchange between currencies may cause the value of units in the Scheme to go up or down. Accordingly, investors may not receive back the amount invested.
- 32.1.8 The Scheme may invest in initial public offerings or new debt issues. The prices of securities involved in initial public offerings or new debt issues are often subject to greater and more unpredictable price changes than more established securities.
- 32.1.9 Where cancellation rights apply to a contract any investor exercising such cancellation rights will not obtain a full refund of the money paid on the making of the contract if the value of the investment falls before the cancellation notice is received by the Manager as an amount equal to that fall will be deducted from any refund made to the investor.
- 32.1.10 The Scheme may be invested in derivatives or a forward transaction to hedge market and currency risk, and for the purposes of efficient management. Such use would be for the purposes of hedging with the aim of reducing the risk profile of the Scheme, or reducing costs. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions nor prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, moderating the decline in the positions' value. Such hedge transactions also limit the opportunity for gain if the value of the portfolio position should increase. Additionally, it may not be possible for the Scheme to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated if it is not able to enter into a hedging transaction at a price sufficient to protect the Scheme from the decline in value of the portfolio position anticipated as a result of such a fluctuation.
- 32.1.11 Where derivative instruments are utilised for hedging purposes, the risk of loss to the Scheme may be increased where the value of the derivative instrument and the value of the security or position which it is hedging are insufficiently correlated. Such imperfect correlation may prevent the Scheme from achieving the intended hedge or expose the Scheme to risk of loss. While the Scheme may enter into such transactions to seek to reduce exchange rate and interest rate risks, unanticipated changes in currency, interest rates and equity markets may result in a poorer overall performance of the Scheme. Movements in currencies may render hedging ineffective. For a variety of reasons, the Manager may not seek to establish (or may not otherwise obtain) a perfect correlation between such hedging instruments and the portfolio holdings being hedged.

32.2 **Legal and Regulatory Risks**

- 32.2.1 Legal and regulatory (including taxation) changes could adversely affect the Scheme. Regulation (including taxation) of investment vehicles (such as the

Scheme) are subject to change. The effect of any future legal or regulatory (including taxation) change on the Scheme is impossible to predict but could be substantial and have adverse consequences on the rights and returns of Unitholders.

32.3 **Conflicts Policy**

32.3.1 Transactions may be effected in which the Manager has, either directly or indirectly, an interest that may potentially involve a conflict of its obligations to the Scheme. Where a conflict cannot be avoided, the Manager will have regard to its fiduciary responsibility to act in the best interests of the Scheme and its investors. The Manager will ensure that investors are treated fairly and that such transactions are effected on terms which are not less favourable to the Scheme than if the potential conflict had not existed.

32.4 **Exchange-Traded Funds**

32.4.1 Exchange Traded Funds (or ETFs) are usually open-ended collective investment schemes, the units of which track an index, a commodity or a basket of assets like an index, but are traded like a stock on regulated markets and investment exchanges.

32.4.2 An investment by the Scheme in ETFs generally presents the same primary risks as an investment in a collective investment fund. The Scheme investing in ETFs are exposed not only to movements in the value of the underlying asset but also to the risk that the issuer or counterparty gets into financial problems. In addition, an ETF may be subject to the following risks:

- (a) a discount of the ETF's shares to its net asset value;
- (b) failure to develop an active or liquid trading market for the ETF's shares. The lack of a liquid secondary market, in particular, may make it very difficult for the Scheme to sell the ETFs it holds and there can be no guarantee that a secondary trading market will develop;
- (c) the listing / relevant exchange halting trading of the ETF's shares;
- (d) failure of the ETF's shares to track the quoted reference index;
- (e) the re-weighting of and
- (f) the holding of troubled or illiquid securities in the quoted reference index.

32.4.3 Certain of the ETFs in which the Scheme may invest are leveraged and this can cause their prices to be more volatile and their value to fall below the value of the underlying asset. The more the Scheme invests in leveraged ETFs, the more this leverage will increase any losses on those investments.

32.4.4 ETFs may involve duplication of management fees and certain other expenses, as the Scheme indirectly bears their proportionate share of any expenses paid by the ETFs in which it invests and whilst most ETFs quote an on-going charge figure or a total expense ratio, swap-based ETFs and currency hedged ETFs may have additional costs which are not included in these figures.

32.5 Exchange Traded Notes

- 32.5.1 Exchange Traded Notes (or ETNs) are a type of unsecured, unsubordinated debt security, the returns of which are based on the performance of a market index minus applicable fees, combining both the aspects of bonds and exchange traded funds and traded on a major exchange(s).
- 32.5.2 ETNs are subject to credit risk, including the credit risk of the issuer, and the value of the ETN may drop due to a downgrade in the issuer's credit rating, despite the underlying market benchmark of strategy remaining unchanged. The general credit market environment can also affect the creditworthiness of the issuer, causing the value of the ETN to fluctuate significantly. Changes in interest rate conditions can also affect the value of the ETN. Generally, if interest rates fall, the value of these investments rises. Conversely, if interest rates rise, their value falls.
- 32.5.3 The value of an ETN may also be influenced by time to maturity, level of supply and demand for the ETN, volatility and lack of liquidity in tracked assets, and economic, legal, political, or geographic events that affect the underlying asset that is tracked (or referenced) in the ETN.
- 32.5.4 Although most ETNs will quote an annual management charge ratio, this may not include all of the costs involved in running the investment and they do not always quote a total expense ratio figure.

32.6 Specific Risks

32.6.1 *Derivatives for investment purposes*

- (a) The Scheme may use derivatives to meet its investment objectives as well as to hedge market and currency risk. The Manager anticipates such investments would primarily be used in circumstances such as currency hedging, managing short term inflows and making changes to portfolio exposure more cost effective. It is, therefore, anticipated that the outcome of the use of derivatives would be principally to hedge against market and currency risk and to reduce, rather than increase, the risk profile of the Scheme. Movements in currencies may, however, render currency hedging ineffective.
- (b) If, and to the extent, that derivatives are used for investment purposes, this use of derivatives may expose the Scheme to a higher degree of risk. In particular, derivative contracts can be highly volatile, and the amount of initial margin is generally small relative to the size of the contract so that transactions are geared. A relatively small market movement may have a potentially larger impact on derivatives than on standard bonds or equities.

32.6.2 *Emerging Markets*

- (a) The following considerations, which apply to some extent to all international investment, are of particular significance in certain smaller and emerging markets. The Scheme investing in equities may include investments in certain smaller and emerging markets, which are typically those of poorer or less developed countries which exhibit lower levels of economic and/or capital market development, and higher levels of share price and currency volatility. The prospects for economic growth in a number of these markets are considerable and

equity returns have the potential to exceed those in mature markets as growth is achieved. However, share price and currency volatility are generally higher in emerging markets.

- (b) Some governments exercise substantial influence over the private economic sector and the political and social uncertainties that exist for many developing countries are particularly significant. Another risk common to most such countries is that the economy is heavily export oriented and, accordingly, is dependent upon international trade. The existence of overburdened infrastructures and obsolete financial systems also presents risks in certain countries, as do environmental problems. Certain economies also depend to a significant degree upon exports of primary commodities and, therefore, are vulnerable to changes in commodity prices which, in turn, may be affected by a variety of factors.
- (c) In adverse social and political circumstances, governments have been involved in policies of expropriation, confiscatory taxation, nationalisation, intervention in the securities market and trade settlement, and imposition of foreign investment restrictions and exchange controls, and these could be repeated in the future. In addition to withholding taxes on investment income, some emerging markets may impose different capital gains taxes on foreign investors.
- (d) Generally accepted accounting, auditing and financial reporting practices in emerging markets may be significantly different from those in developed markets. Compared to mature markets, some emerging markets may have a low level of regulation, enforcement of regulations and monitoring of investors' activities. Those activities may include practices such as trading on material non-public information by certain categories of investor.
- (e) The securities markets of developing countries are not as large as the more established securities markets and have substantially less trading volume, resulting in a lack of liquidity and high price volatility. There may be a high concentration of market capitalisation and trading volume in a small number of issuers representing a limited number of industries as well as a high concentration of investors and financial intermediaries. These factors may adversely affect the timing and pricing of the Scheme's acquisition or disposal of securities.
- (f) Practices in relation to settlement of securities transactions in emerging markets involve higher risks than those in developed markets, in part because the Scheme will need to use brokers and counterparties which are less well capitalised, and custody and registration of assets in some countries may be unreliable. Delays in settlement could result in investment opportunities being missed if the Scheme is unable to acquire or dispose of a security. The Custodian is responsible for the proper selection and supervision of its correspondent banks in all relevant markets in accordance with UK law and regulation.
- (g) In certain emerging markets, registrars are not subject to effective government supervision nor are they always independent from issuers. The possibility of fraud, negligence, undue influence being exerted by the issuer or refusal to recognise ownership exists, which, along with other factors, could result in the registration of a shareholding being

completely lost. Investors should therefore be aware that the Scheme could suffer loss arising from these registration problems, and as a result of archaic legal systems the Scheme may be unable to make a successful claim for compensation.

- (h) While the factors described above may result in a generally higher level of risk with respect to the individual smaller and emerging markets, these may be reduced when there is a low correlation between the activities of those markets and/or by the diversification of investments within the Scheme.

Fixed Income Transferable Securities

- (i) Debt securities are subject to both actual and perceived measures of creditworthiness. The “downgrading” of a rated debt security or adverse publicity and investor perception, which may not be based on fundamental analysis, could decrease the value and liquidity of the security, particularly in a thinly traded market.
- (j) Non-investment grade debt may be highly leveraged and carry a greater risk of default.
- (k) The Scheme may be affected by changes in prevailing interest rates and by credit quality considerations. Changes in market rates of interest will generally affect the Scheme’s asset values as the prices of fixed rate securities generally increase when interest rates decline and decrease when interest rates rise. Prices of shorter-term securities generally fluctuate less in response to interest rate changes than do longer-term securities. An economic recession may adversely affect an issuer’s financial condition and the market value of high yield debt securities issued by such entity. The issuer’s ability to service its debt obligations may be adversely affected by specific issuer developments, or the issuer’s inability to meet specific projected business forecasts, or the unavailability of additional financing. In the event of bankruptcy of an issuer, the Scheme may experience losses and incur costs. In addition, non-investment grade securities tend to be more volatile than higher rated fixed-income securities, so that adverse economic events may have a greater impact on the prices of non-investment grade debt securities than on higher rated fixed-income securities.

32.6.3 *Distressed Securities*

- (a) Investment in a security issued by a company that is either in default or in high risk of default (“Distressed Securities”) involves significant risk. Such investments will only be made when the Investment Manager believes it is reasonably likely that the issuer of the securities will make an exchange offer or will be the subject of a plan of reorganisation; however, there can be no assurance that such an exchange offer will be made or that such a plan of reorganisation will be adopted or that any securities or other assets received in connection with such an exchange offer or plan of reorganisation will not have a lower value or income potential than anticipated when the investment was made.
- (b) In addition, a significant period of time may pass between the time at which the investment in Distressed Securities is made and the time that any such exchange offers or plan of reorganisation is completed.

During this period, it is unlikely that any interest payments on the Distressed Securities will be received, there will be significant uncertainty as to whether or not the exchange offer or plan of reorganisation will be completed, and there may be a requirement to bear certain expenses to protect the investing Scheme's interest in the course of negotiations surrounding any potential exchange or plan of reorganisation.

- (c) In addition, as a result of participation in negotiations with respect to any exchange offer or plan of reorganisation with respect to an issuer of Distressed Securities, the investing Scheme may be precluded from disposing of such securities. Furthermore, constraints on investment decisions and actions with respect to Distressed Securities due to tax considerations may affect the return realised on the Distressed Securities.
- (d) The Scheme may invest in securities of issuers that are encountering a variety of financial or earnings problems and represent distinct types of risks. The Scheme's investments in equity or fixed income transferable securities of companies or institutions in weak financial condition may include issuers with substantial capital needs or negative net worth or issuers that are, have been or may become, involved in bankruptcy or reorganisation proceedings.

32.6.4 *Custody Risk*

The Trustee may delegate the function of safekeeping of Financial Instruments to the Custodian, who may in turn appoint custody agents. The Trustee or Custodian or custody agents may hold Financial Instruments in fungible accounts (meaning the assets are interchangeable) or omnibus accounts (resulting in accounts being combined). The use of omnibus accounts gives rise to a potential risk that there could be a shortfall in the Financial Instruments held in such an account should the total of the Financial Instruments be less than the aggregate entitlement of the Scheme. It is expected that such risks will be mitigated by the Custodian's trade matching and reconciliation processes, however in the event of an irreconcilable shortfall, the affected clients would bear the risk of any shortfall on a pro-rata basis and the Scheme may not recover all of its Financial Instruments.

32.6.5 *Infectious Diseases*

Infectious diseases that pose significant threats to human health may be highly disruptive to global economies and markets. The economic and market disruptions caused by infectious diseases could significantly impact the value of the Scheme Property and the value of distributions paid to investors.

33 MEETINGS OF UNITHOLDERS AND VOTING RIGHTS

- 33.1 A meeting of Unitholders duly convened and held may, by extraordinary resolution, effect certain matters including:
 - 33.1.1 authorise any modification, alteration or addition to the provisions of the Trust Deed relating to the Scheme which have been properly put forward;

- 33.1.2 authorise the departure by the Manager from a policy statement or set of investment objectives included in the Scheme particulars;
 - 33.1.3 remove the Manager (or determine that the Manager be removed as soon as this is permitted by law); and
 - 33.1.4 approve a proposed scheme of arrangement put forward by the Manager.
- 33.2 A meeting of Unitholders has no powers other than those contemplated by COLL.
- 33.3 Unitholders must receive at least 14 days-notice of any meeting of Unitholders and are entitled to be counted in the quorum and vote at any such meeting either in person or by proxy. The quorum at a meeting of Unitholders shall be two Unitholders present in person or by proxy. At any meeting of Unitholders, on a show of hands every Unitholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, shall have one vote.
- 33.4 On a poll the voting right for each Unit must be the proportion of the voting rights attached to all of the Units in issue that the value of the Unit bears to the aggregate value of all the Units in issue. A person entitled to more than one vote need not use all their votes or cast all the votes they use in the same way.
- 33.5 Except where an extraordinary resolution is specifically required or permitted, any resolution of Unitholders is passed by a simple majority of the votes validly cast at a general meeting of Unitholders.
- 33.6 In the context of despatch of notice, "Unitholders" means the persons who were entered in the Register seven days before the notice of meeting was given but excluding persons who are known not to be entered on the Register at the date of despatch of the notice.
- 33.7 In the context of voting, "Unitholders" means the persons who were entered on the Register days before the notice of meeting was given but excluding any persons who are known not to be entered on the Register at the date of the meeting.
- 33.8 A corporation being a Unitholder may authorise such a person as it thinks fit to act as its representative at any meeting of Unitholders and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which they represent as the corporation could exercise if it were an individual Unitholder.
- 33.9 The Manager is not entitled to vote at or be counted in a quorum at a meeting of Unitholders in respect of Units held or deemed to be held by the Manager, except where the Manager holds Units on behalf of, or jointly with, a person who, if himself the sole registered Unitholder would be entitled to vote, and from whom the Manager has received voting instructions. Associates of the Manager are entitled to be counted in a quorum and, if they hold Units on behalf of a person who would have been entitled to vote if they had been a registered Unitholder and they have received voting instructions from that person, may vote in respect of such Units pursuant to such instructions.

34 THE MANAGER

- 34.1 The Manager is Thesis Unit Trust Management Limited, a private company limited by shares, incorporated in England and Wales under the Companies Act 1985 with company number 3508646.

Registered Office and: Exchange Building

Head Office
St John's Street
Chichester
West Sussex
PO19 1UP

Share Capital: Issued and paid up £5,673,167

Directors:

| | |
|--------------|------------------------------------|
| D W Tyerman | Chief Executive Officer |
| S R Mugford | Finance Director |
| S E Noone | Client Service Director |
| D K Mytnik | Non-executive Director |
| V R Smith | Non-executive Director |
| C A E Lawson | Independent Non-Executive Director |
| C J Willson | Independent Non-Executive Director |
| N C Palios | Non-Executive Chair |

- 34.2 All directors are also directors of ConBrio Fund Partners Limited and members of the governing body of TUTMAN LLP, both authorised fund managers within the same group as the Manager. D W Tyerman, S R Mugford and S E Noone perform senior management functions within those entities. D W Tyerman and S R Mugford also hold directorships of other companies within the Thesis group and perform senior management functions within Thesis Asset Management Limited, which acts as an investment manager for some authorised funds operated by the Manager.
- 34.3 D K Mytnik, V R Smith and N C Palios also hold non-executive directorships of other companies within the Thesis group. They and C J Willson and C A E Lawson are not engaged in other business activities that are of significance to the Scheme.
- 34.4 The Manager, for the purposes of COLL, is an authorised fund manager.
- 34.5 The Manager is authorised to carry on investment business in the United Kingdom and to market Unit trust products by virtue of its authorisation and regulation by the Financial Conduct Authority.
- 34.6 The Manager has delegated the following functions to the parties listed below:
- 34.6.1 Investment management to the Investment Managers; and
 - 34.6.2 Registration fund accounting and specific administration functions of the Scheme to the Registrar, Fund Accountant and Administrator respectively.
- 34.7 The Manager acts as authorised fund manager to other regulated collective schemes. Details of these schemes, as at the date of this Prospectus, are set out in Appendix C.

35 THE TRUSTEE

- 35.1 The Trustee and Depositary of the Scheme is NatWest Trustee and Depositary Services Limited, a private limited company registered in England and Wales with company number 11194605.
- 35.2 The ultimate holding company of the Trustee is NatWest Group plc, which is incorporated in Scotland.
- 35.3 The Trustee is established in the UK and is authorised and regulated by the FCA to act as a depositary of a UK UCITS or a UK AIF.
- 35.4 The Trustee's registered and head office address is 250 Bishopsgate, London EC2M 4AA. The address of its office which handles matters relating to the Scheme is set out in Appendix E in this Prospectus.
- 35.5 The Trustee's principal activity is the provision of trustee and depositary services.
- 35.6 The Trustee is established in the UK and is authorised and regulated by the FCA to act as a depositary of a UK UCITS or a UK AIF.
- 35.7 **Duties of the Trustee**

The Trustee is responsible for the safekeeping of Scheme Property, monitoring the cash flows of the Scheme, and must ensure that certain processes carried out by the Manager are performed in accordance with the applicable rules and Scheme documents.

35.8 **Terms of Appointment**

- 35.8.1 The appointment of the Trustee as trustee has been made under the terms of the Trust Deed between the Manager and the Trustee. The Trustee has also been appointed as the depositary of the Scheme pursuant to the Depositary Agreement.
- 35.8.2 The Depositary Agreement provides that the Trustee be engaged to maintain the safe custody of the Scheme Property and to fulfil other duties required in COLL.
- 35.8.3 The powers, duties, rights and obligations of the Trustee, the Scheme and the Manager under the Depositary Agreement shall, to the extent of any conflict, be overridden by the FCA Rules.
- 35.8.4 Under the Depositary Agreement the Trustee has the power to appoint sub-custodians and may include in such appointment powers to sub-delegate. The Trustee has delegated custody of the Scheme Property to The Northern Trust Company (the Custodian). Contact details for the Custodian are set out in Appendix E. The Custodian has, in turn, sub-delegated the custody of assets in certain markets in which the Scheme may invest to various sub-delegates (sub-custodians).
- 35.8.5 A list of sub-custodians is set out in Appendix B. Investors should note that the list of sub-custodians is updated only at each Prospectus review.
- 35.8.6 To the extent permitted by applicable law and the UK UCITS Regulations, the Trustee will not be held liable for any loss incurred by it, or through any of its agents in carrying out its obligations or functions, unless such loss arises as a direct result of the fraud, wilful default, negligence or intentional

failure of the Trustee to properly fulfil its obligations under the Depositary Agreement.

- 35.8.7 The Depositary Agreement provides that the Trustee will be indemnified from the net assets of the Scheme for any liabilities suffered or incurred by the Trustee in the proper performance of its obligations and duties under the Depositary Agreement except in the case of fraud or negligent breach of the Depositary Agreement or of any applicable laws.
- 35.8.8 The Depositary Agreement may be terminated on six months' notice by the Trustee or the Manager or earlier on certain breaches or the insolvency of a party. However, termination of the Depositary Agreement will not take effect, nor may the Trustee retire voluntarily, until the appointment of a new Trustee has taken place.
- 35.8.9 Details of the fees payable to the Trustee are set out in the paragraph titled "Trustee's fees and expenses".

35.9 **Conflicts of Interest**

The Trustee may act as the depositary of other authorised unit trusts or open-ended investment companies and as trustee or custodian of other collective investment schemes.

It is possible that the Trustee and/or its delegates and sub-delegates may in the course of its or their business be involved in other financial and professional activities which may on occasion have potential conflicts of interest with the Scheme, one or more Unitholders, the Manager and/or other funds for which the Trustee acts as the depositary, trustee or custodian. The Trustee will, however, have regard in such event to its obligations under the Depositary Agreement and the FCA Rules and, in particular, will use reasonable endeavours to ensure that the performance of its duties will not be impaired by any such involvement it may have and that any conflicts which may arise will be resolved fairly and in the best interests of Unitholders collectively so far as practicable, having regard to its obligations to other clients.

As the Trustee operates independently from the Scheme, Unitholders, the Manager and the Custodian, the Trustee does not anticipate any conflicts of interest with any of the aforementioned parties.

The Trustee is under no obligation to account to the Manager, the Scheme or Unitholders for any profits or benefits it makes or receives that are made or derived from or in connection with its role as depositary.

35.10 **Updated Information**

Up-to-date information regarding the Trustee, its duties, its conflicts of interest and the delegation of its safekeeping functions will be made available to Unitholders on request.

36 **INVESTMENT MANAGERS**

- 36.1 The Manager is responsible for the overall investment management and administration of the Scheme. The Manager has delegated its day-to-day responsibility for investment management to the following Investment Managers; (a) Ruffer LLP and (b) Schroder & Co. Limited (trading as Cazenove Capital).

36.2 The registration status of each of these Investment Manager is listed in paragraphs 36.2.1 and 36.2.2 below. The address, for each Investment Manager's respective registered office, is set out in Appendix E to this Prospectus.

36.2.1 Ruffer LLP

(a) Ruffer LLP is authorised and regulated by the FCA to carry on investment business in the United Kingdom.

36.2.2 Schroder & Co. Limited (trading as Cazenove Capital)

(a) Schroder & Co. Limited (trading as Cazenove Capital) is authorised by the PRA and regulated by the FCA and the PRA.

(b) Schroder & Co. Limited (trading as Cazenove Capital) are registered as a private limited company and Ruffer LLP are registered as a limited liability partnership.

36.3 The Investment Managers' principal activity, governed by an agreement between the Manager and each Investment Manager (the 'Investment Management Agreement') is providing discretionary management services and is granted the authority to manage and make purchases and sales of investments for the Scheme on the Manager's behalf, and as the Manager's agent, within the investment policy of the Scheme.

36.4 Each of the Investment Managers is required to comply with its own execution policy. A copy of each Investment Manager's execution policy may be available on each Investment Manager's website (listed in Appendix E) or is available on request from the Manager.

36.5 The Investment Manager will be liable for certain losses suffered by the Manager, or the Scheme, subject, in the absence of fraud, to certain limitations on the Investment Manager's liability.

36.6 The Investment Managers may delegate any of their functions to an associate and shall give the Manager written notice of any such delegation which involves the exercise of its discretionary investment management powers. The Investment Managers have discretion, under their respective agreements with the Manager to buy, sell, retain, exchange or otherwise deal in investments, subscribe for new issues, and accept placings underwritings or sub-underwritings for the Scheme.

36.7 The Investment Managers report to the board of the Manager on the performance of and future policy for Scheme. The Manager may terminate its Investment Management Agreement with an Investment Manager without notice and each Investment Manager may terminate their respective agreements on giving three months' notice to the Manager. The Investment Management Agreements may be terminated immediately by the ACD if it is in the interests of investors.

37 ADMINISTRATOR AND FUND ACCOUNTANT

37.1 The Manager has delegated specific functions to Northern Trust Global Services SE, UK branch: the function of certain administrative and fund accountancy functions as administrator to the Scheme (as 'Administrator and Fund Accountant').

37.2 The address for the Administrator and Fund Accountant is set out in Appendix E.

38 THE AUDITORS

- 38.1 The Auditors of the Scheme are Ernst & Young LLP whose address is set out in Appendix E to this Prospectus.

39 THE REGISTER

- 39.1 The Manager has delegated the function of registrar to Northern Trust Global Services SE, UK branch (the 'Registrar').
- 39.2 The Registrar keeps the Register at its office located at 50 Bank Street, Canary Wharf, London E14 5NT and Unitholders may inspect the Register on a Business Day.

40 CHARGES AND EXPENSES OF THE SCHEME

40.1 Management charges

40.1.1 Manager's preliminary charge

The Manager is permitted by the Trust Deed to make a preliminary charge on the sale of a Unit. The Manager's preliminary charge, which is included in the sale price of the Units, is currently 6% of the issue price of the Units.

40.1.2 Manager's periodic charge

The Manager is also entitled, under the Trust Deed, to make a periodic charge. The period charge accrues monthly, in advance, and based on the closing mid-market value at the pricing point on the last day of the preceding month. The charge is paid no earlier than the last Business Day of the accrual period and not later than five Business Days thereafter.

The current rate of the periodic charge (per annum) is 1.5%. Some, or all, may be taken from capital. **It should be noted that this policy may constrain or erode capital growth.**

- 40.1.3 Any increase of the preliminary or the periodic charge may be made by the Manager only after giving 60 days' written notice to the Unitholders and making available, for 60 days, the Scheme particulars amended to reflect the proposed increase.

40.2 Redemption charge

- 40.2.1 The Trust Deed contains a provision for the Manager to make a redemption charge but, at present, there are no plans to impose such a charge. The Manager must not introduce a redemption charge, or change the rate or method of calculation of a current redemption charge, unless at least 60 days before the introduction or change, the Manager:

- (a) gave notice in writing of that introduction or change and of the date of its commencement, to the Trustee and to all the persons who ought reasonably to be known to the Manager to have made an arrangement for the purchase of Units at regular intervals; and
- (b) has revised the Prospectus to reflect the introduction or change and the date of its commencement and has made the revised prospectus available.

40.3 Trustee's fees and expenses

40.3.1 Periodic fee

The Trustee is paid a monthly periodic fee (plus VAT) in remuneration for its services from the property of the Scheme.

The periodic fee which will accrue, and is due monthly, is payable within seven days of accrual.

For the purpose of the periodic charge the value of the property of the Scheme is taken as the arithmetic average of the valuations of the Scheme carried out on a bid and offer basis. The rate of the periodic fee is agreed between the Manager and the Trustee and is calculated on a sliding scale at the rate of:

| | |
|--------------------------|---|
| 0.02% | on the first £200m in value of the property of the Scheme; |
| 0.0175% | on the next £300m in value of the property of the Scheme; and |
| 0.015% | thereafter, |
| (plus VAT as applicable) | |

These rates can be varied from time to time in accordance with COLL.

40.3.2 Transaction and custody charges

In addition to the periodic fee referred to above, the Trustee shall also be entitled to be paid transaction and custody charges in relation to transaction handling and safekeeping of the Scheme Property as follows:

| Item | Range |
|---------------------|---|
| Transaction Charges | up to £7.50 to £180.000 |
| Custody Charges | up to 0.9% of the value of the holding involved subject to a minimum aggregate custody charge of £7,500 per annum |

These charges vary from country to country depending on the markets and the type of transaction involved. Transaction charges accrue at the time the transactions are effected and are payable as soon as is reasonably practicable, and in any event not later than the last Business Day of the month when such charges arose or as otherwise agreed between the Trustee and the Manager. Custody charges accrue and are payable as agreed from time to time by the Manager and the Trustee.

Where relevant, the Trustee may make a charge for (or otherwise benefit from) providing its services in relation to: distributions, the provision of banking services, holding money on deposit, lending money, or engaging in stock lending transactions, in relation to the Scheme and may purchase or sell or deal in the purchase or sale of Scheme Property, provided always that

the services concerned and any such dealing are in accordance with the provisions of COLL.

The Trustee will also be entitled to payment and reimbursement of all costs, liabilities and expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Trust Deed, COLL or by the general law.

On a winding up of the Scheme or the redemption of a class of Units (if applicable), the Trustee will be entitled to its pro rata fees, charges and expenses to the date of winding up, the termination, or the redemption (as appropriate) and any additional expenses necessarily realised in settling or receiving any outstanding obligations.

Any value added tax on any fees, charges or expenses payable to the Trustee will be added to such fees, charges or expenses.

In each such case such payments, expenses and disbursements may be payable to any person (including the Manager or any associate or nominee of the Trustee or of the Manager) who has had the relevant duty delegated to it pursuant to COLL by the Trustee.

40.4 Registrar's Charges

40.4.1 Northern Trust Global Services SE, UK branch is appointed to act as registrar to the Scheme (as 'Registrar'). Its annual fees are £12.00 (plus VAT, if any) per holder, paid by the Scheme. The disbursements as listed in the "Other Expenses" section below will also be paid by the Scheme.

40.5 Administrator's fees

40.5.1 The Manager pays the fees for the Administrator from the periodic charge.

40.6 Investment Managers' fees

40.6.1 The Investment Managers' fees, for acting as investment manager of the Scheme, are paid by the Manager. Research costs will be paid for by the Investment Manager out of this fee and shall not be borne by the Scheme.

40.7 Other Expenses

40.7.1 The following other expenses will be reimbursed out of the property of the Scheme:

- (a) costs of dealing in the property of the Scheme (excluding costs for research);
- (b) interest on borrowings permitted by the Scheme and related charges;
- (c) taxation and duties payable in respect of the property of the Scheme, the Trust Deed the issue, surrender or transfer of Units;
- (d) any costs incurred in modifying the Trust Deed, including costs incurred in respect of meetings of Unitholders convened for purposes which include the purpose of modifying the Trust Deed, where the modification is necessary or expedient by reason of changes in the law or to remove obsolete provisions.

- (e) any costs incurred in respect of meetings of Unitholders convened on a requisition by Unitholders not including the Manager or an associate of the Manager;
- (f) unanticipated liabilities on unitisation, scheme of arrangement or reconstruction where the property of a body corporate or of another collective investment scheme is transferred to the Trustee in consideration of the issue of Units in the Scheme to Unitholders in that body or to participants in that other scheme;
- (g) the costs of preparation and distribution of reports, accounts, any prospectuses, key investor information documents or equivalent documents (in the case of the key investor information documents only preparation and not distribution may be charged), the trust deed and any costs incurred as a result of changes to any prospectus or trust deed, key investor information documents or equivalent documents, periodic updates of any other administrative documents, as well as the cost of maintaining other documentation required to be maintained in respect of the Scheme;
- (h) such other expenses properly incurred by the Trustee in performing duties imposed upon it or exercising powers conferred upon it by COLL;
- (i) the audit fee of the Auditor and value added tax thereon and any expenses of the Auditor as well as the fees of and expenses of third party tax, legal and other professional advisers;
- (j) the fees of the FCA under Schedule 1 Part III of the Act and the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Units of a Fund are or may be marketed;
- (k) any reasonable general disbursements relating to postage and communication costs incurred in the proper performance of the transfer agent's duties relating to the Scheme, which are currently carried on by the Registrar; and
- (l) any fees or costs associated with any CASS related support activity incurred by the Registrar.

40.8 Allocation of Payments

40.8.1 The Manager and the Trustee have agreed that normally the fees payable to the Manager and the Trustee will be treated as a charge against income of the Scheme (except those charges and expenses relating directly to the purchase and sale of investments). If there is insufficient income to meet the fees then all or part of those fees may be treated, at the request of the Manager, as a charge against the capital of the Scheme.

40.8.2 **It should be noted that where fees are charged to capital this policy may result in capital erosion or constrain capital growth.**

41 VALUATION AND PRICING OF SCHEME PROPERTY

41.1 The valuation of the Scheme will normally take place at 12.00 noon (the valuation point) on every Business Day. The Scheme is dual priced. The Manager's policy, in relation to large deals, is set out in paragraph 44.3 below.

- 41.2 The Manager calculates prices at which investors buy and sell Units in accordance with the below procedure and the provisions in COLL.
- 41.3 The basis of the calculation is the value of the underlying assets of the Scheme. The Scheme is valued either on a bid basis or on an offer basis, as appropriate. The maximum permitted spread is wider than the spread the Manager normally quotes for dealing, but the Manager may deal at any prices calculated in accordance with the procedure set out below and notified to the Trustee.
- 41.4 The maximum offer price may not exceed the total of the issue price and the preliminary charge. The minimum bid price may not be less than the cancellation price. The Manager may, at its discretion, implement fair value pricing policies in respect of the Scheme. Fair value pricing will only apply where the Manager has reasonable grounds to believe that no reliable price exists for a particular security at a valuation point or the most recent price available does not reflect the Manager's best estimate of the value of a security at the valuation point. In these circumstances the Manager will value an investment at a price which, in its opinion, reflects a fair and reasonable price for that investment. Circumstances which may give rise to a fair value price being used may arise where there is no recent trade in the security concerned; or the occurrence of a significant event since the most recent closure of the market where the price of the security is taken. A significant event is one that means the most recent price of a security or a basket of securities is materially different to the price that it is reasonably believed would exist at the valuation point had the relevant market been open. The Manager's decision to use fair value pricing will also depend on the type of authorised fund concerned, the securities involved and the basis and reliability of the alternative price used.
- 41.5 The Manager may suspend dealing in the Scheme if it cannot obtain prices on which to base a valuation. The Manager may, with the Trustee's prior agreement or if the Trustee requires it, temporarily suspend the repurchase of Units if either the Manager or the Trustee consider that it is in the best interests of Unitholders. Further details of suspension of dealing are set out in paragraph 28.
- 41.6 The Manager's periodic charge (which is taken into account in valuations) is based upon values midway between offer and bid basis.
- 41.7 Valuations are normally taken at a valuation point of 12.00 noon on the appropriate Business Day. A valuation is also taken at 5.00 p.m. on the last Business Day in each month and on the last Business Day of each tax year ending 5 April.
- 41.8 The Manager may also declare additional valuation points for the Scheme at its discretion with the Trustee's agreement. At this time the Manager starts calculating Unit prices, using the most recent prices of the underlying securities that it can reasonably obtain. The objective is to give an accurate value of the Scheme as at the valuation point.

42 DETERMINATION OF NET ASSET VALUE

- 42.1 The value of the Scheme Property of the Scheme shall be determined in accordance with the following provisions.
- 42.2 All the scheme capital and income property (including receivables) is to be included, subject to the following provisions.
- 42.3 The valuation shall be prepared on an issue basis and on a cancellation basis in accordance with this Prospectus.

42.4 The valuation of the Scheme Property of the Scheme which is not cash or a contingent liability transaction shall be valued using the most recent prices which it is practicable to obtain:

42.4.1 Units or shares in a collective investment scheme

- (a) if separate buying and selling prices are quoted, at the most recent maximum sale price reduced by any expected discount plus any dealing costs (issue basis)¹ or the most recent minimum redemption price less any dealing costs (cancellation basis)²;
- (b) if a single price for buying and selling Units or shares is quoted, at that price (plus any dealing costs when valuing on an issue basis¹ or less any dealing costs when valuing on a cancellation basis²; or
- (c) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a buyer's price which, in the opinion of the Manager, is fair and reasonable (plus any dealing costs when valuing on an issue basis¹ or less any dealing costs when valuing on a cancellation basis²).

42.4.2 any other investment:

- (a) the best available market dealing offer price (issue basis) or the most current dealing bid price (cancellation basis) on the most appropriate market in a standard size plus dealing costs³; or (b) the last traded price of the market²; or
- (b) at the price which would be paid by a buyer (issue basis) or received by a seller (cancellation basis) for an immediate transfer or assignment (or, in Scotland, assignation) to them at arm's length;

together with the Manager's reasonable estimate in respect of dealing costs³, which may be accounted for separately within the valuation;

42.4.3 property valued other than as described in 42.4.1 or 42.4.2 above:

- (a) if no recent price(s) exist or in the opinion of the Manager the price obtained is unreliable, then by some other reliable means, which may be based on the Manager's reasonable estimate or calculated by some other means deemed by the Manager and Trustee to be appropriate

¹ "Dealing costs" include any SDRT provision which may be added in the event of a purchase by the Scheme of the units or shares in question, and where a single price is quoted, any dilution levy. If the Manager is also the manager or an associate of the manager of the relevant underlying collective investment scheme, in the case of valuing on an issue basis, dealing costs do not include payment of a preliminary charge on purchase of units in the underlying collective investment scheme.

² "Dealing costs" include any SDRT provision which may be added in the event of a purchase by the Scheme of the units or shares in question, and where a single price is quoted, any dilution levy. If the Manager is also the manager or an associate of the manager of the relevant underlying collective investment scheme, in the case of valuing on a cancellation basis, dealing costs do not include payment of a preliminary charge on purchase of units in the underlying collective investment scheme.

³ "Dealing costs" include any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) would which be payable by the Scheme are the least that could be reasonably expected to be paid in order to carry out the transaction.

(together with the Manager's reasonable estimate in respect of dealing costs³ which may be accounted for separately within the valuation.

In accordance with this Prospectus the Manager may at its discretion implement fair value pricing policies in respect of the Scheme;

- 42.5 Cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values.
- 42.6 Property which is a derivative constituting a contingent liability transaction shall be treated as follows:
 - 42.6.1 if a written option (and the premium for writing the option has become part of the Scheme Property) include an amount equivalent to the value net of premium on closing out the contract (whether as a positive or negative value). On expiry, where the contract remains unexercised and is "out-of-the-money", no value will be attributable to the contract, other by way of the premium received or receivable.
 - 42.6.2 if a purchased option (and the premium for purchasing the option has been paid from the Scheme Property) an amount equivalent to the value net of premium on closing out the contract (estimated on the basis of writing an option of the same series on the best terms then available on the most appropriate market on which such options are traded.) On expiry, where the contract remains unexercised and is "out-of the money", no value will be attributable to the contract, other than by way of the premium paid or payable.
 - 42.6.3 if an exchange-traded future or any other form of contingent liability transaction, include at the value net of margin on closing out the contract (estimated on the basis of the amount of variation margin (whether receivable or payable by the Scheme on closing out the contract) on the best terms then available on the most appropriate market on which such contracts are traded.
 - 42.6.4 if an off-exchange future or contract for differences ("OTC derivatives") or forward foreign exchange contract, include at the net value of closing out the contract (estimated on the basis of the amount of profit or loss receivable or payable by the Scheme on closing out the contract in accordance with the valuation methods in COLL 5.2.23R.)
- 42.7 In determining the value of the Scheme Property, all instructions given to the Trustee to issue or cancel Units or any outstanding consequential action required in respect of an issue or cancellation of Units shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
- 42.8 Subject to paragraphs 42.9 and 42.10 of this section, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the Manager, their omission shall not materially affect the final net asset amount.
- 42.9 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 42.8 of this section.

- 42.10 All agreements are to be included under paragraph 42.8 of this section, which are, or could reasonably be expected to have been, known to the person valuing the property assuming that all other persons in the Manager's employment take all reasonable steps to inform it immediately of the making of any agreement.
- 42.11 Deductions will be made for any liabilities payable out of the Scheme Property and any tax thereon, as follows:
- 42.11.1 liabilities accrued on unrealised capital gains which is payable out of the Scheme Property
 - 42.11.2 liabilities accrued on realised capital gains in respect of previously completed and current accounting periods which is payable out of the Scheme Property
 - 42.11.3 liabilities accrued in respect of income received or receivable
 - 42.11.4 liabilities accrued in respect of stamp duty reserve tax or any other fiscal charge not covered under this deduction.
 - 42.11.5 the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings.
- 42.12 The following items will be added:
- 42.12.1 any amount in respect of accrued claims for tax of whatever nature which may be recoverable; and
 - 42.12.2 any other credits or amounts due to be paid into the Scheme Property;
 - 42.12.3 any stamp duty reserve tax provision anticipated to be received; and
 - 42.12.4 sums representing any interest or any income accrued due or deemed to have accrued but not received and any stamp duty reserve tax provision anticipated to be received.
- 42.13 Currencies or values in currencies other than base currency shall be converted at the relevant valuation point at the prevailing rate of exchange on the market on which the Manager would normally deal if it wished to make such a conversion.

43 DETERMINATION OF UNIT PRICE

Prices at which Units may be issued or cancelled will be calculated by valuing the Scheme's underlying property attributable to the class of Units in question (in accordance with paragraph 42 above) and then dividing the value of the Scheme's underlying property by the number of Units in issue. It is this computation which determines the maximum issue price and the minimum cancellation price for the Units in the Scheme.

The Manager will determine the Unit price in accordance with the following calculations:

- 43.1 In order to calculate the maximum issue price, the following shall apply:
- 43.1.1 take the proportion, attributable to the Units in the class in question, of the value of the issue basis of the Scheme Property by reference to the most recent valuation of the Scheme Property on an issue basis;

- 43.1.2 compute the number of Units of the relevant class in issue immediately prior to the valuation in paragraph 43.1.1;
- 43.1.3 divide the total at paragraph 43.1.1 by the number of Units in paragraph 43.1.2; and
- 43.1.4 express the price in a form that is accurate to at least four significant figures.

This process determines the full cost of creating a Unit and results in the minimum price at which Unitholders can buy a Unit in the Scheme, and excludes any preliminary charge due to the Manager, in accordance with this Prospectus.

43.2 In order to calculate the minimum cancellation price, the following shall apply:

- 43.2.1 take the proportion, attributable to the Units in the class in question, of the value of the cancellation basis of the Scheme Property by reference to the most recent valuation of the Scheme Property on a cancellation basis;
- 43.2.2 compute the number of Units of the relevant class in issue immediately prior to the valuation in paragraph 42.8;
- 43.2.3 divide the total at paragraph 43.2.1 by the number of Units in paragraph 43.2.2; and
- 43.2.4 express the price in a form that is accurate to at least four significant figures.

This process determines the full cost of cancelling a Unit and determines the level at which the minimum 'bid price' can be fixed. This is the minimum price at which Unitholders can sell back their Units in the Scheme. The actual 'bid price' at which Unitholders can sell their Units will either be the same or higher than the cancellation price.

44 PRICING BASIS

- 44.1 The Manager currently elects to deal on a forward pricing basis at the offer price calculated at the next valuation point after receipt of instructions.
- 44.2 When investors sell Units back to the Manager this will be redeemed on a forward pricing basis at the bid price calculated at the next valuation point following receipt of instructions.
- 44.3 If purchase or sale orders are for a total amount of £15,000 or more, this is a "large deal" and the Manager reserves the right to execute orders at a price higher than the published offer price or lower than the published bid price (as applicable). Should this prove to be the case, the price investors pay if they are buying Units will not be higher than the maximum offer price, or if investors are redeeming Units, less than the cancellation price.

45 PUBLICATION OF PRICES

- 45.1 The most recent prices will appear daily on the Trustnet website at www.trustnet.com. Prices can also be obtained by telephone on 01483 783 900.
- 45.2 For reasons beyond the control of the Manager, these may not necessarily be the current prices.

- 45.3 The cancellation price last notified to the Trustee is available from the Manager upon request.

46 PRICES OF UNITS

- 46.1 The Manager will, on the completion of each valuation, advise the Trustee of the issue and cancellation prices. These are the prices which the Manager has to pay to the Trustee for the issue of Units or which the Manager will receive from the Trustee upon the cancellation of Units. The cancellation price last notified to the Trustee is available from us on request.

47 COMMISSION AND REBATES

- 47.1 Commission is not payable to intermediaries on any purchase of Units or switch of an investment from the Scheme to another fund managed by the Manager. Annual commission is not payable to intermediaries.
- 47.2 The Manager may, at its discretion, and subject to the requirements of the FCA Handbook, pay rebates to Unitholders out of the preliminary charge in respect of any application for Units, or the periodic charge in respect of any holding of Units.

48 INCOME EQUALISATION

- 48.1 Included in the issue price of Units (on an offer basis) and in the cancellation price of Units (on a bid basis) and so reflected as a capital sum in the offer and bid prices will be an income equalisation amount representing the value of income attributable to the Unit accrued since the record date for the last income allocation. Being capital, it is not liable to income tax but must be deducted from the cost of Units for capital gains tax purposes.
- 48.2 The Trust Deed of the Scheme permits grouping of Units for equalisation, which arises in respect of those Units purchased during an income allocation period. Such Units carry an entitlement to equalisation which is the amount arrived at on an average basis of the accrued net income per Unit included in the issue price of Units purchased during the income allocation period.

48.3 Grouping

Grouping periods are consecutive periods within each annual accounting period, being the interim accounting periods (including the period from the end of the last interim accounting period in an annual accounting period to the end of that annual accounting period) as specified in section 21 above. If there are no interim accounting periods the periods for grouping of Units will be annual accounting periods. Grouping is permitted by the Trust Deed for the purposes of equalisation.

49 TAXATION

- 49.1 **The following summary is based on current UK law and HM Revenue & Customs practice. It summarises the UK position of Authorised Unit Trusts (AUTs) and Unitholders who are UK tax resident. However, it should not be regarded as exhaustive and investors are advised to obtain specific advice from their professional tax adviser. Levels and bases of, and reliefs from, taxation are subject to change in the future. Taxation of the Scheme**

The Scheme is an AUT and is treated as an Authorised Investment Fund for tax purposes. Income of the Scheme is deemed to be distributed for tax purposes, even when it is accumulated. References to distributions include deemed distributions of accumulated income.

The Scheme will make dividend distributions except where over 60% of the Scheme's property has been invested at all times throughout the distribution period in interest paying and related investments, in which case it will make interest distributions. A fund that makes interest distributions is referred to as a Bond Fund and a fund that makes dividend distributions is referred to as an Equity Fund.

49.1.1 Income

The Scheme is liable to corporation tax on most sources of its income after relief for management expenses (which include fees payable to the Manager and to the Trustee) at the basic rate of income tax. The rate of corporation tax applicable to the Scheme is equal to the basic rate of income tax.

Where the Scheme is a Bond Fund, the gross amount of any interest distributions is an allowable expense for corporation tax purposes and no tax should actually be paid on that part of the income funding the interest distributions.

Dividend income received by the Scheme from investments in UK resident and overseas companies should fall within an exemption from corporation tax. Dividend income received from foreign companies may be subject to withholding tax or other taxation in the foreign jurisdiction. Any foreign tax suffered by a fund may normally be deducted from the UK tax due on that income or treated as an expense in calculating the amount of that income subject to corporation tax.

49.1.2 Capital gains

Capital gains realised by the Scheme on a disposal of its investments are exempt from corporation tax on chargeable gains. In the unlikely event that the Scheme should be considered to be trading in securities for tax purposes, any gains made by it would be treated as income and taxed accordingly.

49.2 **Stamp Duty Reserve Tax**

Stamp duty reserve tax (**SDRT**) is generally charged on any agreements to transfer units in an AUT (other than transactions handled by the fund manager) to third parties at a rate of 0.5% of the consideration.

No SDRT charge arises on the issue or surrender of units in an AUT. However, investors may be subject to an SDRT charge where Units in the Scheme are surrendered and the investors receive assets from the Scheme (rather than cash) which are not in proportion to each investor's share of the total assets held by the Scheme.

49.3 **Taxation of Unitholder**

49.3.1 Income

For tax purposes, an AUT is treated as distributing the whole of the income available for distribution in each of its distribution periods, whether actually

distributed or accumulated by it. Distributions may be made as interest distributions or dividend distributions as set out below.

The distribution accounts of the Scheme for any of its distribution periods may show income available for distribution as either (a) an interest distribution or (b) a dividend distribution. The type of distribution that either actually takes or is deemed to take place depends on the source and composition of the income within the Scheme.

Where more than 60% of the Scheme is invested in "qualifying investments" (broadly speaking interest paying investments, see further below) the Scheme will make an interest distribution. Where this is not the case, distributions made by the Scheme will be dividend distributions.

All Unitholders will be sent tax vouchers stating the make-up of their distributions and showing their taxable income.

49.4 Interest Distributions

49.4.1 UK resident individuals

Interest distributions paid by the Scheme (save in respect of distributions to certain qualifying Unitholders) are treated as yearly interest and, as such, are subject to income tax.

No income tax has been required to be deducted at source from interest distributions, with the result that Unitholders will receive interest distributions gross of any tax.

Basic rate taxpayers are entitled to a personal savings allowance, higher rate taxpayers are entitled to a reduced personal savings allowance and additional rate taxpayers have no personal savings allowance.

Basic rate, higher rate and additional rate taxpayers are liable to income tax (in the case of basic rate and higher rate taxpayers, on the amount in excess of the applicable personal savings allowance) on any income distributions at the basic rate, the higher rate or the additional rate (as applicable).

49.4.2 UK corporate Unitholders

If, at any point in an accounting period of a UK corporate Unitholder, the Scheme] fails to satisfy the "qualifying investment" test, Units held by the UK corporate Unitholder in respect of the Scheme are treated as if the Units in respect of such a corporate's accounting period (including gains, profits and losses) are rights under a creditor loan relationship and will be taxed or relieved as an income receipt or expense on a "fair value accounting" basis. Accordingly, such a corporate Unitholder may, depending on its own circumstances, incur a charge to corporation tax on an unrealised increase in the value of its holding of Units (and, likewise, obtain relief against corporation tax for an unrealised reduction in the value of its holding of Units).

The Scheme will fail to satisfy the "qualifying investments" test at any time when more than 60% of its assets by market value comprise government and corporate debt securities or cash on deposit or certain derivative contracts or holdings in other collective investment schemes which at any

time in the relevant accounting period do not themselves satisfy the "qualifying investments" test, or other interest-bearing securities.

Interest distributions paid to UK corporate Unitholders may be paid without deduction of income tax at source.

49.5 **Dividend Distributions**

49.5.1 Dividend distributions paid by the Scheme are treated as if they are dividends.

(a) UK resident individuals

UK resident individuals liable to income tax at the basic, higher or additional rate will be taxed at the appropriate dividend rate on the receipt of dividend distributions subject to the availability of allowances and reliefs including the annual dividend allowance.

(b) UK corporate Unitholders

UK resident corporate Unitholders must split their dividend distributions into franked and unfranked income portions according to the percentage split given on the tax voucher. The unfranked portion is, to the extent it comprises UK source income, generally treated as an annual payment received after deduction of income tax at the basic rate, whereas the balance is treated as franked income – i.e. a dividend. Both annual payments and dividends are liable to corporation tax in the hands of UK corporate Unitholders although the franked dividend portion should fall within an exemption from corporation tax.

(c) Chargeable gains

(i) UK resident individuals

Unitholders who are resident in the UK may be liable to UK taxation on capital gains arising from the sale or other disposal, including a redemption, of Units in the Scheme. Gains will be tax-free if after deduction of allowable losses they fall within an individual's annual capital gains exemption.

Gains in excess of the annual exemption amount are taxed at the lower rate of capital gains tax to the extent that together with an individual's taxable income they do not exceed the upper limit of the basic rate income tax band and at the higher rate to the extent that they exceed that limit.

(ii) UK corporate Unitholders

UK corporate Unitholders (whose Units are not treated as creditor loan relationships) will be charged to corporation tax on any gains realised after the deduction of allowable losses (if any). **The Manager reserves the right to redeem the Units of any Unitholder who jeopardises the tax status of the Scheme.**

49.6 **Income equalisation – tax implications**

The price of a Unit of a particular Class is based on the value of that Class' entitlement in the Scheme, including the income of the Scheme since the previous distribution or,

in the case of Accumulation Units, deemed distribution. In the case of the first distribution received or accumulation made in respect of a Unit, part of the amount, namely the equalisation payment, is treated as a return of capital and is not taxable as income in the hands of the Unitholder. This amount is, however, in the case of income Units, deducted from the cost of the Unit in computing any capital gains. Equalisation applies only to Units purchased during the relevant accounting period. It is calculated as the average amount of income included in the issue price of all Units of the relevant Class issued during the period.

49.7 **UK information reporting regime**

AUTs are required to report details of interest distributions paid to UK, and many non-UK investors. Dividend distributions and payments made to ISA investors are not within the scope of these rules but see the paragraphs dealing with the “International tax compliance” below.

49.8 **Tax Elected Fund (TEF) regime**

The Manager may, in the future, seek to elect the Scheme into the TEF regime if it considers that it would be advantageous for the majority of investors in the Scheme to do so. If the Scheme is elected into the TEF regime, the UK tax treatment of the Scheme and its investors would be different to that set out above.

49.9 **International tax compliance**

The Scheme is required to comply with the International Tax Compliance Regulations.

The International Tax Compliance Regulations transpose into UK law rules and obligations derived from international standards and inter-governmental agreements entered into by the UK which are aimed at increasing transparency and reducing tax evasion. The regulations include rules derived from the US Foreign Account Tax Compliance Act (**FATCA**) and the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (**CRS**).

To be compliant with the International Tax Compliance Regulations the Scheme must collect information about each Unitholder’s tax residence and, in certain circumstances, provide information about Unitholders’ holdings in Units to HMRC. HMRC may in turn share this information with overseas tax authorities. Such tasks may be delegated to the Administrator.

Unitholders should note that:

- **they may be asked to provide additional information (including information regarding their tax residence) to the Manager or the Administrator to enable the Scheme to satisfy these obligations;**
- **the Manager or Administrator may report these details, along with information about a Unitholder’s holding, to HMRC; and**
- **HMRC may subsequently exchange this information with other governments or tax authorities in other jurisdictions.**

If a Unitholder fails to provide the information required by the Scheme to comply with its obligations to HMRC this may result in the Manager taking appropriate action against the Unitholder, including invoking the compulsory transfer and redemption provisions set out in this Prospectus. The Unitholder may also be liable for any

penalties suffered by the Manager. The Manager may deduct the amount of any penalty from the Unitholder's account.

50 GENERAL INFORMATION

50.1 Telephone calls

Telephone calls may be recorded for regulatory, training or monitoring purposes.

Recordings will be provided on request for a period of at least five years from the date of such recording or, where requested by a competent regulatory authority, for a period of seven years where the Manager can identify the call.

If an investor asks the Manager to send a recording of a particular call the Manager may ask for further information to help identify the exact call to which the request relates to.

50.2 Service of Notices

50.2.1 Any notice or document to be served upon a Unitholder will be duly served if it is:

- (a) delivered to the Unitholder's address as appearing in the Register; or
- (b) delivered by using an electronic medium in accordance with following provisions of paragraph 29.

50.2.2 Any notice or document served by post is deemed to have been served on the second Business Day following the day on which it is posted. Any document left at a registered address or delivered other than by post is deemed to have been served on that day. Any document or notice to be served on or information to be given to a Unitholder, must be in legible form. For this purpose, any form is legible form which:

- (a) is consistent with the Manager's knowledge of how the recipient of the document wishes or expects to receive the document;
- (b) is capable of being provided in hard copy by the Manager;
- (c) enables the recipient to know or record the time of receipt; and
- (d) is reasonable in the context.

50.3 Complaints

50.3.1 Complaints concerning the operation or marketing of the Scheme should be referred in the first instance to the Manager (at its head office address shown in Appendix E). If a complaint cannot be resolved satisfactorily with the Manager, it may be referred to the Financial Ombudsman Service, Exchange Tower, London E14 9SR.

50.3.2 A copy of the complaints handling procedure is available from the Manager on request.

50.4 Annual and Interim Reports

50.4.1 Paragraph 21.9 sets out details when annual and half-yearly reports will be available.

50.4.2 Copies of the most recent annual and half-yearly reports may be inspected at the Manager's registered office and may also be obtained from the Manager free of charge. The Manager's registered office address is set out in Appendix E.

50.5 **Prospectus and Trust Deed**

50.5.1 Copies of the most recent Prospectus and the Scheme's Trust Deed (including any supplemental deeds of the Scheme) may be inspected at the Manager's registered office. A copy of the most recent Prospectus is available from the Manager free of charge upon request.

50.6 **Supplementary Information**

50.6.1 Each Unitholder may obtain on request from the Manager information supplementary to this Prospectus relating to:

- (a) the quantitative limits applying in the risk management of the Scheme;
- (b) the methods used in relation to a); and
- (c) any recent development of the risk and yield of the main categories of investment.

50.7 **Money Laundering**

50.7.1 As a result of legislation in force in the UK to prevent money laundering, firms conducting investment business are required to maintain procedures to combat money laundering. In order to implement these procedures, in certain circumstances Unitholders may be asked to provide some proof of identity when buying or selling Units.

50.7.2 Please refer to the paragraph "Electronic Verification" on page 2 of this Prospectus for details of the resources the Manager may access to verify information on you.

50.8 **Buying and selling Units through the Manager**

50.8.1 Investors buy and redeem Units through the Manager who nets them to reduce the number of Units issues or cancelled by the Trust. When carrying out deals in Units the Manager acts as principal but does not profit from this act.

50.9 **Summary of the Manager's haircut policy**

50.9.1 The Manager may have to provide, or receive, collateral in entering into certain derivative transactions for the Scheme. In doing so, the Manager may apply a haircut to that collateral. A "haircut" is a percentage that is subtracted from the market value of an asset that is being used as collateral.

50.9.2 The Manager will judge, on a case-by-case basis, the extent and type of collateral to use when negotiating with counterparties and clearing houses and the haircut policy which it will apply.

50.9.3 Where cash is received as collateral it will not be invested in anything other than cash or short-term deposit accounts.

50.9.4 Cash and any form of security, guarantee or indemnity provided by way of security in accordance with COLL requirements and as agreed between the Investment Managers and the Manager for the discharge of any liability arising from a transaction will be deemed to be permitted for the purposes of the Scheme's collateral policy.

51 CHANGES TO THE SCHEME

51.1 Changes to the Scheme may be made in accordance with the following method of classification:

51.2 A fundamental change is a change or event which:

- (a) changes the purpose or nature of the Scheme; or
- (b) may materially prejudice a Unitholder; or
- (c) alters the risk profile of the Scheme;
- (d) introduces any new type of payment out of Scheme Property. The Manager will obtain prior approval from Unitholders to any fundamental change by way of an extraordinary resolution of the Unitholders of the Scheme. Details of the procedure for calling a meeting of Unitholders are set out in Section 34.

51.3 A significant change is a change or event which the Manager has determined is not a fundamental change but is a change which:

- (a) affects a Unitholder's ability to exercise their rights in relation to their investment; or
- (b) would reasonably be expected to cause a Unitholder to reconsider their participation in the Scheme; or
- (c) results in any increased payments out of the Scheme Property the Manager or any of its associate companies; or
- (d) materially increases other types of payment out of Scheme Property.

51.4 The Manager will give investors notice at least 60 days in advance before implementing any significant change.

51.5 A notifiable change is a change or event, other than a fundamental change or a significant change, as described above.

51.6 The Manager will write to Unitholders at the registered postal or e-mail address to give Unitholders notice of any fundamental change or significant change. Unitholders who have requested notices to be given electronically will receive notice by e-mail to the e-mail address notified to the Manager. Depending on the nature of the change the Manager will inform Unitholders of notifiable events either by:

- (a) sending of an immediate notification to Unitholders;
- (b) publishing information about the change on its website; or

- (c) including it in the next report for the Scheme.

52 REMUNERATION

- 52.1 The Manager has established and applies a remuneration policy, procedure and practice (together, the "Remuneration Policy") which is consistent with, and promotes, sound and effective risk management, and does not encourage risk-taking that is inconsistent with the risk profile or the Trust Deed. The Remuneration Policy applies to staff whose professional activities have a material impact on the risk profile of the Manager or the Scheme. The Remuneration Policy does not impair compliance with the Manager's duty to act in the best interests of the Scheme.
- 52.2 Details of the up-to-date Remuneration Policy including, but not limited to, a description of how remuneration and benefits are calculated and the identity of persons responsible for awarding the remuneration and benefits, including the composition of the remuneration committee, are available on www.tutman.co.uk and a copy of such information can be obtained, free of charge, upon request at the offices of the Manager.

53 NON-ACCOUNTABILITY FOR PROFITS

- 53.1 Neither the Manager, the Trustee, the Investment Managers (or any Associate of the same) or the Auditors is liable to account to either each other or to Unitholders for any profits or benefits it makes or receives that are made or derived from or in connection with:
 - (a) dealings in the Units of the Scheme; or
 - (b) any transaction in the Scheme Property; or
 - (c) the supply of services to the Scheme.

54 RISK MANAGEMENT PROCESS

- 54.1 The Manager uses a risk management process (including a risk management policy) enabling it to monitor and measure at any time the risk of the Scheme's positions and their contribution to the overall risk profile of the Scheme.
- 54.2 The following details of the risk management process must be regularly notified to the FCA and at least on an annual basis:
 - 54.2.1 a true and fair view of the types of derivatives and forward transactions to be used within the Scheme together with their underlying risks and any relevant quantitative limits;
 - 54.2.2 the methods for estimating risks in derivative and forward transactions.
- 54.3 The Manager must assess, monitor and periodically review:
 - 54.3.1 the adequacy and effectiveness of the risk management policy and of the arrangements, processes and techniques referred to in COLL 6.12.5 R;
 - 54.3.2 the level of compliance by the Manager with the risk management policy and with those arrangements, processes and techniques referred to in COLL 6.12.5 R; and

- 54.3.3 the adequacy and effectiveness of measures taken to address any deficiencies in the performance of the risk management process.
- 54.4 The Manager must notify the FCA of any material changes to the risk management process.

APPENDIX A

Eligible Markets

The Scheme may deal through securities markets as follows.

A market that is an "eligible market" if it is:

- a) a regulated market (as defined in the FCA Glossary);
- b) an established market in the UK or an EEA State which is regulated, operates regularly and is open to the public;
- c) a market which the Manager (after consultation with, and notification to, the Trustee) determines is appropriate for the purpose of investment of, or dealing in the Scheme Property. In accordance with the relevant criteria in COLL, such a market must be regulated; operate regularly; be recognised as a market or exchange or as a self-regulating organisation by an overseas regulator; open to the public; be adequately liquid; and have adequate arrangements for unimpeded transmission of income and capital to, or to the order, of investors.

Detailed below are the additional eligible markets on which the Scheme is currently permitted to deal:

Eligible Securities Markets

A: Europe

| | |
|-----------------|--|
| Austria: | Wiener Borse - Vienna Stock Exchange |
| Belgium: | Eurolist Brussels |
| Czech Republic: | Prague Stock Exchange |
| Denmark: | NASDAQ Nordic |
| Europe: | Eurex and those markets established in a member state on which transferable securities admitted to official listing in a member state are dealt in or traded |
| Finland: | NASDAQ Nordic |
| France: | Euronext Paris |
| Germany: | Borse Berlin Hamburger Börse Munich Exchange (Börse München) Stuttgart Exchange (Boerse Stuttgart) Frankfurt: Deutsche Borse |
| Greece: | Athens Stock Exchange |
| Holland: | Euronext Amsterdam |
| Hungary | Budapest Stock Exchange |
| Ireland: | Irish Stock Exchange |
| Israel: | Tel Aviv SE (TASE) |
| Italy: | Italiana Borse |
| Luxembourg: | Luxembourg Stock Exchange (Bourse de Luxembourg) |
| Norway: | Oslo Stock Exchange |
| Poland: | Warsaw Stock Exchange (WSE) |

| | |
|--------------|---|
| Portugal: | Euronext Lisbon |
| Spain: | Spanish Exchanges BME |
| Sweden: | NASDAQ Nordic |
| Hong Kong: | Hong Kong Stock Exchange |
| Indonesia: | Indonesia Stock Exchange (IDX) |
| Switzerland: | SIX Swiss Exchange AG |
| Turkey: | Istanbul SE (ISE) |
| UK: | Alternative Investment Market of the London Stock Exchange (AIM) London Stock Exchange |

B: Americas

| | |
|--------|--|
| Brazil | BM&FBOVESPA |
| Canada | Toronto Stock Exchange TSX Venture Exchange Montreal Exchange |
| Mexico | Bolsa Mexicana de Valores (BMV) |
| Peru | Bolsa de Valores de Lima |
| USA | NYSE Euronext National Stock Exchange NASDAQ OMX BX The Chicago Stock Exchange NASDAQ and the Over-the-Counter Markets regulated by the National Association of Securities Dealers Inc. |

C: Africa

| | |
|---------------|-------------|
| South Africa: | JSE Limited |
|---------------|-------------|

D: Far East and Australasia

| | |
|--------------|---|
| Australia | ASX Group |
| Hong Kong | Hong Kong Stock Exchange |
| India | Bombay Stock Exchange (BSE) National Stock Exchange of India |
| Indonesia | Indonesia Stock Exchange |
| Japan: | Nagoya Stock Exchange Osaka Securities Exchange Tokyo Stock Exchange JASDAQ Securities Exchange Sapporo Securities Exchange |
| Korea: | Korea Composite Stock Price Index |
| Malaysia: | Bursa Malaysia Securities |
| New Zealand: | New Zealand Stock Exchange |
| Philippines: | Philippines Stock Exchange |
| Singapore: | Singapore Exchange |

| | |
|-----------|----------------------------|
| Taiwan: | Taiwan Stock Exchange |
| Thailand: | Stock Exchange of Thailand |

Eligible Derivatives Markets

A market is an “Eligible Market” if it is:

- a) a regulated market (as defined in the FCA Glossary);
- b) a market in the United Kingdom or an EEA State which is regulated, operates regularly and is open to the public; or
- c) market which the Manager, after consultation with, and notification to, the Trustee, determines is appropriate for the purpose of investment of, or dealing in, the Scheme Property. In accordance with the relevant criteria in COLL, such a market must be regulated; operate regularly; be recognised as a market or exchange or as a self-regulating organisation by an overseas regulator; be open to the public; be adequately liquid; and have adequate arrangements for unimpeded transmission of income and capital to, or to the order of, investors.

Detailed below are the additional eligible markets on which the Scheme is currently permitted to deal:

CME Group
Chicago Board Options Exchange
Chicago Mercantile Exchange
EUREX
Euronext Brussels
Euronext Amsterdam
Euronext LIFFE
Euronext Paris
Hong Kong Stock Exchange
Italiana Borsa
MEFF (Renta Variable & Fija)
Montreal Exchange
CME Group
EDX London (part of LSE)
Osaka Securities Exchange
Singapore Exchange
Sydney Futures Exchange
Tokyo Financial Exchange Inc.

APPENDIX B

LIST OF SUB-CUSTODIANS

As appropriate in line with the Eligible Markets

| Jurisdiction | Sub-custodian | Sub-custodian Delegate |
|--|---|--|
| Argentina | Citibank N.A., Buenos Aires Branch | Not applicable |
| Australia | The Hongkong and Shanghai Banking Corporation Limited | HSBC Bank Australia Limited |
| Austria | UniCredit Bank Austria AG | Not applicable |
| Bahrain | The Hongkong and Shanghai Banking Corporation Limited | HSBC Bank Middle East Limited |
| Bangladesh | Standard Chartered Bank | Not applicable |
| Belgium | The Northern Trust Company | Not applicable |
| Bosnia and Herzegovina (Federation of Bosnia-Herzegovina) | Raiffeisen Bank International AG | Raiffeisen Bank Bosnia DD BiH |
| Bosnia and Herzegovina (Republic of Srpska) | Raiffeisen Bank International AG | Raiffeisen Bank Bosnia DD BiH |
| Botswana | Standard Chartered Bank Botswana Limited | Not applicable |
| Brazil | Citibank N.A., Brazilian Branch | Citibank Distribuidora de Titulos e Valores Mobiliarios S.A ("DTVM") |
| Bulgaria | Citibank Europe plc, Bulgaria Branch | Not applicable |

| | | |
|-----------------------|---|-----------------------------------|
| CD's - USD | Deutsche Bank AG, London Branch | Not applicable |
| CD's - USD | The Northern Trust Company, Canada | Not applicable |
| Canada | Royal Bank of Canada | Not applicable |
| Chile | Citibank N.A. | Banco de Chile |
| China A Share | The Hongkong and Shanghai Banking Corporation Limited | HSBC Bank (China) Company Limited |
| China B Share | The Hongkong and Shanghai Banking Corporation Limited | HSBC Bank (China) Company Limited |
| Colombia | Cititrust Columbia S.A. Sociedad Fiduciaria | Not applicable |
| Costa Rica | Banco Nacional de Costa Rica | Not applicable |
| Croatia | UniCredit Bank Austria AG | Zagrebacka Banka d.d. |
| Cyprus | Citibank Europe PLC | Not applicable |
| Czech Republic | UniCredit Bank Czech Republic and Slovenia, a.s. | Not applicable |
| Denmark | Skandinaviska Enskilda Banken AB (publ) | Not applicable |
| Egypt | Citibank N.A., Cairo Branch | Not applicable |
| Estonia | Swedbank AS | Not applicable |
| Finland | Skandinaviska Enskilda Banken AB (publ) | Not applicable |

| | | |
|---|---|----------------|
| France | The Northern Trust Company | Not applicable |
| Germany | The Northern Trust Company | Not applicable |
| Ghana | Standard Chartered Bank Ghana Limited | Not applicable |
| Greece | Citibank Europe PLC | Not applicable |
| Hong Kong | The Hongkong and Shanghai Banking Corporation Limited | Not applicable |
| Hong Kong (Stock and Bond Connect) | The Hongkong and Shanghai Banking Corporation Limited | Not applicable |
| Hungary | Citibank Europe plc | Not applicable |
| Iceland | Landsbankinn hf | Not applicable |
| India | Citibank N.A. | Not applicable |
| India | The Hongkong and Shanghai Banking Corporation Limited | Not applicable |
| Indonesia | Standard Chartered Bank | Not applicable |
| Ireland | The Northern Trust Company, London | Not applicable |
| Israel | Citibank, N.A., Israel Branch | Not applicable |
| Italy | Citibank Europe plc | Not applicable |
| Japan | The Hongkong and Shanghai Banking Corporation Limited | Not applicable |

| | | |
|--------------------|---|-------------------------------|
| Jordan | Bank of Jordan Plc | Not applicable |
| Kazakhstan | Citibank Kazakhstan JSC | Not applicable |
| Kenya | Standard Chartered Bank Kenya Limited | Not applicable |
| Kuwait | The Hongkong and Shanghai Banking Corporation Limited | HSBC Bank Middle East Limited |
| Latvia | Swedbank AS | Not applicable |
| Lithuania | AB SEB bankas | Not applicable |
| Luxembourg | Euroclear Bank S.A./N.V. | Not applicable |
| Malaysia | The Hongkong and Shanghai Banking Corporation Limited | HSBC Bank Malaysia Berhad |
| Mauritius | The Hongkong and Shanghai Banking Corporation Limited | Not applicable |
| Mexico | Banco Nacional de Mexico S.A. integrante del Grupo Financiero Banamex | Not applicable |
| Morocco | Société Générale Marocaine de Banques | Not applicable |
| Namibia | Standard Bank Namibia Ltd | Not applicable |
| Netherlands | The Northern Trust Company | Not applicable |
| New Zealand | The Hongkong and Shanghai Banking Corporation Limited | Not applicable |
| Nigeria | Stanbic IBTC Bank Plc | Not applicable |

| | | |
|---------------------|---|-------------------------------|
| Norway | Skandinaviska Enskilda Banken AB (publ) | Not applicable |
| Oman | First Abu Dhabi PJSC, Oman Branch | |
| Pakistan | Citibank N.A., Karachi Branch | Not applicable |
| Panama | Citibank N.A., Panama Branch | Not applicable |
| Peru | Citibank del Peru S.A. | Not applicable |
| Philippines | The Hongkong and Shanghai Banking Corporation Limited | Not applicable |
| Poland | Bank Handlowy w Warszawie S.A. | Not applicable |
| Portugal | BNP Paribas SA | Not applicable |
| Qatar | The Hongkong and Shanghai Banking Corporation Limited | HSBC Bank Middle East Limited |
| Romania | Citibank Europe PLC | Not applicable |
| Russia | AO Citibank | Not applicable |
| Saudi Arabia | The Northern Trust Company of Saudi Arabia | Not applicable |
| Serbia | UniCredit Bank Austria A.G. | UniCredit Bank Serbia JSC |
| Singapore | The Hongkong and Shanghai Banking Corporation Limited | Not applicable |
| Slovakia | Citibank Europe PLC | Not applicable |

| | | |
|-----------------------------------|---|--|
| Slovenia | UniCredit Banka Slovenija d.d. | Not applicable |
| South Africa | The Standard Bank of South Africa Limited | Not applicable |
| South Korea | The Hongkong and Shanghai Banking Corporation Limited | Not applicable |
| Spain | Citibank Europe plc | Not applicable |
| Sri Lanka | Standard Chartered Bank | Not applicable |
| Sweden | Skandinaviska Enskilda Banken AB (publ) | Not applicable |
| Switzerland | Credit Suisse (Switzerland) Ltd | Not applicable |
| Taiwan | The Hongkong and Shanghai Banking Corporation Limited | HSBC Bank (Taiwan) Limited |
| Taiwan | Citibank Taiwan Limited | Not applicable |
| Tanzania | Standard Chartered Bank (Mauritius) Limited | Standard Chartered Bank Tanzania Limited |
| Thailand | Citibank N.A., Bangkok Branch | Not applicable |
| Tunisia | Union Internationale de Banques | Not applicable |
| Turkey | Citibank A.S. | Not applicable |
| Uganda | Standard Chartered Bank Uganda Limited | Not applicable |
| Ukraine (Market Suspended) | JSC "Citibank" | Not applicable |

| | | |
|--------------------------------------|--|---|
| United Arab Emirates (ADX) | The Hongkong and Shanghai Banking Corporation Limited | HSBC Bank Middle East Limited (DIFC) Branch |
| United Arab Emirates (DFM) | The Hongkong and Shanghai Banking Corporation Limited | HSBC Bank Middle East Limited (DIFC) Branch |
| United Arab Emirates (NASDAQ) | The Hongkong and Shanghai Banking Corporation Limited | HSBC Bank Middle East Limited (DIFC) Branch |
| United Kingdom | Euroclear UK and Ireland Limited (Northern Trust self-custody) | Not applicable |
| United States | The Northern Trust Company | Not applicable |
| Uruguay | Banco Itau Uruguay S.A. | Not applicable |
| Vietnam | The Hongkong and Shanghai Banking Corporation Limited | HSBC Bank (Vietnam) Ltd |
| West Africa (UEMOA) | Standard Chartered Bank (Mauritius) Limited | Standard Chartered Bank Cote d'Ivoire SA |
| Zambia | Standard Chartered Bank Zambia PLC | Not applicable |
| Zimbabwe | The Standard Bank of South Africa Limited | Stanbic Bank Zimbabwe Limited |

APPENDIX C

Other ICVCs or Authorised Unit Trusts under management

| Authorised Schemes | Contractual | Authorised Companies with Variable Capital | Investment with Variable Capital | Authorised Unit Trusts |
|--------------------|-------------|--|--|---|
| TM Partnership | Brunel ACS | Pension | Abaco Fund ICVC Arch House Fund Ariel Fund Bryth ICVC Canterbury Investment Fund CP Investment Funds Destiny Fund ICVC Harroway Capital ICVC Hawarwatza Fund Libero Portfolio Fund Lime Grove Fund Meadowgate Funds Moulsoe Fund Scarp Fund Skiwi Fund The Ambrose Fund The Astral Fund The Capital Link Growth Fund The Contact Fund The Diversification Fund ICVC The Dunnottar Fund The Global Multi Asset Fund The Gulland Fund The Hector Fund The Juniper Fund The Lockerley Fund The Mazener Fund The MCMLXIII Fund The Motim Fund The Northern Funds The Oenoke Fund The Ord Fund ICVC The Overstone Fund The Penare Fund The Saint Martins Fund The Staderas Fund The Stratford Fund The Sun Portfolio Fund The TBL Fund The TM Lancewood Fund The TM Mitcham Fund The Torridon Growth Fund The Vinings Fund The Wharton Fund Thesis JDS Fund | BPM Trust Eden Investment Fund Elfynn International Trust Glenhuntley Portfolio Trust Hawthorn Portfolio Trust KES Diversified Trust KES Ivy Fund KES Growth Fund Fund KES Strategic Investment Fund Latour Growth Fund Lavaud Fund Mossylea Fund Pippin Return Fund The Castor Fund The Darin Fund The Delta Growth Fund The Deribee Funds The Eldon Fund The Endeavour II Fund The Hall Fund The HoundStar Fund The Iceberg Trust The Maiden Fund The Millau Fund The Norfolk Trust The Notts Trust The Palfrey Fund The TM Stockwell Fund The White Hill Fund Thesis Headway Fund Thesis Lion Growth Fund Thesis PM A Fund Thesis PM B Fund Thesis Thameside Managed Fund TM Balanced Fund TM Chainpoint Fund TM Growth Fund TM Hearthstone UK Residential Feeder Fund TM Managed Fund TM Masonic Charitable Foundation Investment Fund TM Merlin Fund TM New Court Fund |

| | |
|---|--|
| TM Acer Fund | TM New Court Growth Fund |
| TM Balanced Growth Fund | TM New Court Return Assets Fund |
| TM Brown Advisory Funds | TM New Institutional World Fund |
| TM Brunsdon OEIC | TM Preservation Fund |
| TM Cerno Investment Funds | TM Private Portfolio Trust |
| TM Cresswell Fund | TM Stonehage Fleming Global Equities Fund |
| TM CRUX Funds ICVC | TM Stonehage Fleming Global Equities Fund II |
| TM First Arrow Investment Funds | TM Stonehage Fleming Global Equities Umbrella Fund |
| TM Hearthstone ICVC | |
| TM Investment Exposures Fund | |
| TM Investment Funds | |
| TM Lime Fund | |
| TM Natixis Investment Funds U.K. ICVC | |
| TM Neuberger Berman Investment Funds | |
| TM Oak Fund | |
| TM OEIC | |
| TM Optimal Funds | |
| TM P1 Investment Funds | |
| TM Redwheel Funds | |
| TM Ruffer Portfolio | |
| TM Stonehage Fleming Global Multi-Asset Umbrella Fund | |
| TM Stonehage Fleming Investments Funds | |
| TM Tellworth Investments Funds | |
| TM Total Return Fund | |
| TM UBS (UK) Fund | |
| TM Veritas Investment ICVC | |
| Trowbridge Investment Funds | |

APPENDIX D

Historical Performance Figures

The below comparisons are representative of **accumulation Units** for the Scheme over a five year period.

The performance table shows the total annual return up (as a percentage) to 31 December in each year listed.

This performance information is net of subscription and redemption fees but does not include the effect of any preliminary charge that may be paid on the purchase of an investment.

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| | (%) | (%) | (%) | (%) | (%) |
| KES Income and Growth Fund | 12.62 | 9.19 | 7.46 | -8.86 | 2.82 |

Source of performance data - Morningstar.

These performance figures are presented as a matter of record and should be regarded as such. Performance is determined by many factors including the general direction and volatility of markets and may not be repeatable.

Investors should note that these figures refer to the past and past performance is not a reliable indicator of future results, growth or rates of return.

APPENDIX E

Directory of Contact Details

| | |
|--|---|
| Manager | Thesis Unit Trust Management Limited Exchange Building, St John's Street Chichester, West Sussex, PO19 1UP |
| Registrar, Administrator and Fund Accountant | Northern Trust Global Services SE, UK branch 50 Bank Street, Canary Wharf, London E14 5NT |
| Dealing Office | Thesis Unit Trust Management Limited Sunderland SR43 4AZ Telephone number: 0333 300 0375 |
| Auditors | Ernst & Young LLP 1 More Place, London SE1 2AF |
| Custodian <i>Principal place of business:</i> <i>Who may also act under this power through its London branch:</i> | The Northern Trust Company 50 South LaSalle Street, Chicago, Illinois, USA 50 Bank Street, Canary Wharf, London E14 5NT |
| Trustee | NatWest Trustee and Depositary Services Limited House A, Floor 0 Gogarburn 175 Glasgow Road, Edinburgh EH12 1HQ |
| Investment Managers | Schroder & Co. Limited (trading as Cazenove Capital) 1 London Wall Place, London EC2Y 5AU www.schroders.com Ruffer LLP 80 Victoria Street, London SW1E 5JL www.ruffer.co.uk |
| Financial Conduct Authority (FCA) | 12 Endeavour Square, London E20 1JN |