



THEISIS UNIT TRUST MANAGEMENT LIMITED

PROSPECTUS

TM MERLIN FUND

This document constitutes the Prospectus for the TM Merlin Fund (the "Fund") and has been prepared in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL).

This Prospectus is dated and valid as at 22 August 2023. This document replaces any previous prospectuses issued by the Fund.

Copies of this Prospectus have been sent to the *FCA* and the Trustee.

IMPORTANT: If you are in any doubt about the contents of this Prospectus you should consult your professional adviser.

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

No person has been authorised by the Manager to issue any advertisement or to give any information, or to make any representations in connection with the offering, placing, subscription or sale of a Unit or Units in the Fund other than those contained in this Prospectus and, if issued, given or made, such advertisement, information or representations must not be relied upon as having been made by the Manager.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised, or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this Prospectus and the offering of Units in certain jurisdictions may be restricted and accordingly, persons into whose possession this Prospectus comes are required to inform themselves about and to observe any such restrictions.

Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Units.

Prospective investors should inform themselves as to (a) the legal requirements within their own countries of residence or domicile for the purchase or holding of Units; (b) any foreign exchange restrictions which may affect them; and (c) the income and other tax consequences which may apply in their own countries of residence or domicile relevant to the purchase, holding or disposal of Units. Units in the Fund are not listed on any investment exchange.

The Prospectus is based on information, law and practice at the date hereof. The Fund is not bound by any out of date Prospectus when it has issued a new Prospectus and potential investors should check that they have the most recently published Prospectus. Neither the delivery of this Prospectus nor the offer, placement, allotment or issue of any of the Units shall under any circumstances create any implication or constitute a representation that the information given in this Prospectus is correct as of any time subsequent to the date hereof.

The provisions of the Trust Deed are binding on each of the Unitholders and a copy of the Trust Deed is available on written request from Thesis Unit Trust Management Limited.

This Prospectus has been issued for the purpose of section 21 of the Act by Thesis Unit Trust Management Limited.

The distribution of this Prospectus in certain jurisdictions may require that this Prospectus is translated into the official language of those countries. Should any inconsistency arise between the translated version and the English version, the English version shall prevail.

Investors should note that not all of the protections provided under their relevant regulatory regime may apply and there may be no right to compensation under such regulatory regime, if such scheme exists.

United States and restrictions on US Persons

The Units have not been and will not be registered in the United States under the Securities Act of 1933, as amended (the "1933 Act"), or any US state securities laws, and the Fund has neither been nor will be registered in the United States under the Investment Company Act of 1940, as amended (the "1940 Act"), and Unitholders will not be entitled to the benefits of such registration. Accordingly, except as provided below, no Units may be offered or sold, directly or indirectly, in the United States, any state thereof or its territories or possessions or to any US Person. The Manager may authorise the offer and sale of Units in the United States or to a limited number or category of US Persons provided that, if so authorised, Units will be offered and sold only to such persons and in such manner as will not require registration of the Fund or the Units under the securities laws of the United States or any state thereof. The Units have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission or other regulatory authority in the United States, nor has any such authority passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Prospectus as may be amended or supplemented from time to time. Any representation to the contrary is a criminal offence. Certain restrictions also apply to subsequent transfers of Units in the United States or to US Persons (please see the compulsory redemption provisions under section 21) entitled "Restrictions and Compulsory Transfer and Redemption" of the Prospectus). Should a Unitholder become a US Person they may be subject to adverse tax consequences including without limitation US withholding taxes and tax reporting.

Applicants will be required to certify that they are not US Persons precluded from purchasing, acquiring or holding Units.

US Foreign Account Tax Compliance

Due to US tax legislation, the Foreign Account Tax Compliance Act ("FATCA"), which can affect financial institutions such as the Fund, the Fund may need to disclose the name,

address, taxpayer identification number and investment information relating to certain US investors who fall within the definition of Specified US Person in FATCA that own, directly or indirectly, an interest in certain entities, as well as certain other information relating to such interest, to HM Revenue & Customs, who will in turn exchange this information with the Internal Revenue Service of the United States of America. The UK has entered into an inter-governmental agreement ("IGA") with the US to facilitate FATCA Compliance. Under this IGA, FATCA Compliance will be enforced under UK tax legislation and reporting.

While the Manager shall use reasonable endeavours to cause the Manager to avoid the imposition of US federal withholding tax under FATCA, the extent to which the Manager is able to do so and report to HM Revenue & Customs will depend on each affected Unitholder in the Fund providing the Fund or its delegate with any information that the Fund determines is necessary to satisfy such obligations. The 30% withholding tax regime could apply if there is a failure by Unitholder to provide certain required information.

By signing the application form to subscribe for Units in the Fund, each affected Unitholder is agreeing to provide such information upon request from the Fund or its delegate. If the required information is not provided to us, information about investor's shareholding may be passed to HM Revenue & Customs in order to be passed to other tax authorities including the IRS. The Fund may exercise its right to completely redeem the holding of an affected Unitholder (at any time upon any or no notice) if he fails to provide the Fund with the information the Fund requests to satisfy its obligations under FATCA.

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 Fund. The data protection law 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 (in certain circumstances) the right to object to the processing of such data for legitimate reasons. A copy of the Manager's Privacy Notice relating to investors is available in the application form, 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, SYSC 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 the 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.

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DEFINITIONS

Term	Definition
Accounting Period	A period ending on an accounting date and commencing (in the case of the first such period) on the date of the first issue of Units or (in any other case) from the end of the last accounting period.
Act	The Financial Services and Markets Act 2000.
Approved Bank	<p>(In relation to a bank account opened for the Fund):</p> <p>(a) if the account is opened at a branch in the UK:</p> <ul style="list-style-type: none"> (i) the Bank of England; (ii) the central bank of a member state of the 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 <p>(b) if the account is opened elsewhere:</p> <ul style="list-style-type: none"> (i) a bank in (a); or (ii) a bank which is regulated in the Isle of Man or the Channel Islands; or <p>(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;</p> <p>as such definition may be updated in the FCA Glossary from time to time.</p>
average	When used in the context of a group of funds with different returns, "average" is calculated by adding together all the returns and then dividing by the number of funds.
Benchmarks Regulation	As defined in the FCA Glossary.

Bond/s	An investment taking the form of a loan, usually to a company or government that pays interest. There are many different types of bonds with specific characteristics; examples include inflation-linked, convertible, asset-backed and Mortgage-Backed.
cash	Readily available non-invested assets held at a bank or other financial institution.
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.
COLL	Refers to the appropriate chapter or rule in the COLL Sourcebook.
COLL Sourcebook	The Collective Investment Schemes Sourcebook issued by the FCA, as amended from time to time.
commodity	A raw material or product that can be traded on various exchanges such as gold, silver or oil.
creditworthiness	An assessment of the ability of a borrower to repay debt. Typically refers to the perceived riskiness of Bonds issued by companies or governments.
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 Law (in each case whether or not legally binding).
Dealing Day	Any day on which banks in London are open for business other than days (as determined by the Manager in its discretion) where, in respect of any exchange or market on which a substantial portion of the Trust's portfolio is traded, such exchange or market is closed. The days on which banks in London are open for business which are not dealing days will

	be available at the registered office of the Manager and on the website at www.tutman.co.uk .
Depository Agreement	The agreement between the Manager and the Trustee regarding the appointment of the Trustee.
derivative	Financial Instruments whose value depends in some way on the value of other, more basic, underlying financial assets or indices. They may commonly relate to the value of particular equities or markets more broadly, commodities like oil or grain, but also Interest Rates, inflation and volatility. There are many types of derivatives, with the most common being Swaps, Futures and Options.
diversification/diversified	Holding a variety of investments that typically perform differently from one another with the intention of smoothing the fund's performance profile.
duration	A measure of sensitivity to the effect of changes in Interest Rates on the value of Bonds. Individual Bonds or Bond funds with high duration are more sensitive than those with low duration.
EEA	European Economic Area.
EEA State	As defined in the FCA Glossary.
Efficient Portfolio Management or EPM	The use of techniques and instruments to reduce risk or cost to the Fund or to generate additional capital or income with a level of risk which is consistent with the risk profile of the Fund and with the risk diversification rules laid down in the COLL Sourcebook.
Eligible Institution	One of the eligible institutions as defined in the FCA Glossary.
Emerging Markets	Countries that are progressing towards becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body.
EUWA	The European Union (Withdrawal) Act 2018.
exposure	Direct or indirect investment in a particular asset or asset type, currency or market which may be expressed as a percentage of a fund.
FCA	The Financial Conduct Authority or any other regulatory body which may assume its regulator responsibilities from time to time.

FCA Glossary	The glossary giving the meanings of the defined expressions used in the FCA Handbook.
FCA Handbook	The FCA's Handbook of rules and guidance, as amended, updated or replaced 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 the COLL Sourcebook.
Financial Instrument	As defined in the FCA Glossary.
Fixed Rate	An interest rate that will remain the same throughout the asset lifecycle.
Futures	Futures are financial contracts obligating the buyer to purchase an asset or the seller to sell an asset, such as a physical commodity or a Financial Instrument, at a predetermined future date and price.
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	James Hambro & Partners LLP
interest rate	An interest rate is a percentage charged/earned on the total amount you borrow/save.
Investment Grade / High Yield	Refers to the credit quality of a Bond (a loan to a company or government). Investment grade Bonds have a higher rating as judged by a Rating Agency than high yield Bonds and are thus judged to be less likely to default on their obligations to repay the loan and the interest on it. To compensate for the higher risk, high yield Bonds pay a higher rate of interest than investment grade Bonds.
leverage	An increase in exposure within a fund either through borrowing cash to fund asset purchases or the use of derivatives. In the case of the latter, leverage occurs because the exposure obtained by purchasing derivatives exceeds the cash cost of the derivative itself.
liquidity	The degree to which an investment can be quickly bought or sold on a market without it materially affecting its price.
long term	Five or more years.
Manager	Thesis Unit Trust Management Limited.

Money Market Instruments	Investments usually issued by banks or governments that are a short term loan to the issuer by the buyer. The buyer receives interest and the return of the original amount at the end of a certain period.
Mortgage-Backed Bond	A mortgage-backed bond is a Bond secured by a mortgage on one or more assets, typically backed by real estate holdings and real property such as equipment.
Net Asset Value or NAV	The value of the Scheme Property of the Fund less the liabilities of the Fund as calculated in accordance with the COLL Sourcebook.
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.
Options	Options are similar to Futures; however instead of being obliged to buy/sell something at a pre-determined date, the Fund is buying the option to buy/sell something during a period of time or on a specific date.
Performance Target	Refers to a level of performance which the management team has in mind when managing a particular fund. Usually expressed by reference to an index or as a particular value. Although the management team aims to achieve the performance target, there is no certainty this will be achieved.
Prospectus	The prospectus of the Fund and any addenda thereto issued in accordance with the requirements of the FCA.
Rating Agency	A rating agency is a company that assesses the financial strength of companies and government regarding their ability to make interest payments and ultimately repay debts, particularly Bonds, they have issued.
Register of Unitholders	The register of Unitholders of the Fund.
Registrar	Northern Trust Global Services SE, UK Branch or such other entity as is appointed to act as registrar to the Company from time to time.
Repo /Reverse Repo	An agreement between two parties, one of which is the Fund, to sell or buy an asset and later reverse the trade at a pre-agreed date and price.

rolling	Refers to periods of time which are of a consistent length and which continually move (or "roll") forward as time elapses. So "rolling three year periods" refers to a period of time going back three years from a given date, where the given date moves forward by 1 day every day.
Scheme Property	As defined in the FCA Glossary.
SDRT	Stamp duty reserve tax.
Short Position	A short position refers to transactions in assets which are expected to benefit from a fall in the value of the asset.
short term	Less than three years.
SRRRI	Synthetic Risk and Reward Indicator; as used in Key Investor Information Documents, this is a measure of fund risk represented by a 1 to 7 scale where "1" represents the lowest and "7" the highest risk, based on historic fund price volatility.
supranational	A supranational Bond is one issued by a body which is composed of representatives of more than one nation. Such bodies include, for example, the European Central Bank or the World Bank.
Swaps	A swap is a derivative contract through which two parties exchange the cash flows or liabilities from two different Financial Instruments.
SYSC	The Senior Management Arrangement Systems and Controls sourcebook issued by the FCA pursuant to the Act, as amended or replaced from time to time.
Trust Deed	The trust deed of the Fund dated 17 May 1999 as amended by subsequent supplemental trust deeds from time to time.
Trustee	The trustee and depositary of the Fund, NatWest Trustee and Depositary Services Limited.
UCI	Unregulated collective investment scheme.
UCITS	Undertaking for Collective Investment in Transferable Securities. This will include a UCITS or an EEA UCITS, as defined in the FCA Glossary.
UCITS Directive	The European Parliament and Council Directive of 13 July 2009 (UCITS) (No 2009/65/EC) as amended, including any implementing measures, on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective

	investment in transferable securities, as it applies in the UK from time to time.
UK or United Kingdom	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 or units in the Fund.
Unitholder	A holder of registered Units in the Fund.
US or United States	The United States of America (including the States and the District of Columbia) and any of its territories, possessions and other areas subject to its jurisdiction.
US Persons	<p>A person who is in either of the following two categories:</p> <p>(a) a person included in the definition of "US person" under Rule 902 of Regulation S under the 1933 Act; or</p> <p>(b) a person excluded from the definition of a "Non-United States person" as used in Commodity Futures Trading Commission ("CFTC") Rule 4.7.</p> <p>For the avoidance of doubt, a person is excluded from this definition of US Person only if he or it is outside both the definition of "US person" in Rule</p>

	902 and the definition of "Non-United States person" under CFTC Rule 4.7.
Valuation Point	12 noon on each Dealing Day.
VAT	Value Added Tax.
volatility	A measure of the size of changes in the value of an investment. Commonly, the higher the volatility, the higher the risk.
yield	The income from an investment usually stated as a percentage of the value of the investment.

Headings used in this Prospectus are for convenience only and shall not affect their meaning or legal effect.

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.

References to the plural shall include the singular and vice versa.

Unless otherwise defined in the "Definitions" above 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.

References to statutes, statutory provisions or regulations (including any provision of the FCA Handbook) shall include those statutes, provisions, regulations, or provision 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.

1. THE FUND

- 1.1. The Fund is an authorised unit trust, established under a Trust Deed dated 17 May 1999, as amended and is authorised and regulated by the FCA. The effective date of the authorisation order for the Fund made by the Financial Services Authority (the predecessor of the FCA) was 18 May 1999. The Fund's FCA Product Reference Number is 189078.
- 1.2. The head office of the Manager is at Exchange Building, St John's Street, Chichester, PO19 1UP, which is also the address in the United Kingdom for service on the Fund, of notices or other documents required or authorised to be served on it.
- 1.3. The base currency of the Fund is Pounds Sterling. Investors should note that if the United Kingdom participates in the third stage of European Monetary Union and Sterling ceases to exist, the Manager may convert the base currency of the Fund from Sterling to Euro. The Manager, in consultation with the Trustee, shall determine the best means to effect this conversion.
- 1.4. Unitholders in the Fund are not liable for the debts of the Fund. Unitholders are not liable to make any further payment after they have paid the price on the purchase of Units.
- 1.5. The Fund has been established as a UK UCITS. At the present time there is no intention to market the Fund in a member state of the European Union.
- 1.6. Where any changes are proposed to be made to the Fund the Manager will assess whether the change is fundamental, significant or notifiable in accordance with rule 4.3 of the COLL Sourcebook. If the change is regarded as fundamental, Unitholder approval will be required. If the change is regarded as significant, 60 days' prior written notice will be given to Unitholders. If the change is regarded as notifiable, Unitholders will receive suitable notice of the change.

2. INVESTMENT OBJECTIVE AND POLICY OF THE FUND

2.1. Investment Objective

- 2.1.1 To generate growth over the long term (5 years or more) by investing in a diversified portfolio of equities (company shares) and Bonds (loans to governments or companies).
- 2.1.2 Performance Target: To exceed the Asset Risk Consulting Private Client Indices (PCI) Steady Growth Net Return Index per annum on average after charges over rolling 5 year periods. The Performance Target is the level of performance the management team hopes to achieve for the Fund. There is however no certainty or promise that they will achieve the Performance Target.
- 2.1.3 The Manager believes the Asset Risk Consulting Steady Growth PCI peer group is an appropriate target for the Fund because the relative risk to equity markets is 60-80 which aligns with the investment policy of the Fund.

2.2. Investment Policy

2.2.1 Portfolio Securities

- (a) The Fund invests at least 70% in global equities, corporate Investment Grade Bonds and government Bonds issued anywhere in the world.
- (b) The Fund may hold other securities and asset classes (e.g. supranational and other types of Bonds and listed real estate) issued anywhere in the world.
- (c) The Fund may also invest in other funds (including those managed by the Manager, or its associates, or the investment manager or their associates), Money-Market Instruments and cash.

2.2.2 Management Process

- (a) The management team use their discretion (active management – which means the Investment Manager will actively make decisions about how to invest the Scheme Property and which investments to buy and sell instead of simply following a market index) to identify holdings based on an analysis of global economic and market conditions (for example, Interest Rates and inflation) and analysis of a company's prospects and creditworthiness compared to that of the market.
- (b) They focus on selecting companies and Bonds and ensuring that the allocation of assets meets the Fund's objectives.

2.2.3 Derivatives and Techniques

- (a) The Fund may use derivatives to reduce risk, to reduce cost and/or generate additional income or growth consistent with the risk profile of the Fund (often referred to as Efficient Portfolio Management).
- (b) Derivative usage in the Fund is expected to be very limited. Where derivatives are used, this would mainly be to manage expected changes in Interest Rates, companies share prices, currencies or creditworthiness of corporations or governments.
- (c) The Fund may also invest in other funds which may use derivatives extensively although these investments shall be in line with the Fund's overall risk profile.

2.2.4 Specific Risks (for more detail see Section 16)

All general investment risks apply however for this fund investors should specifically be aware of the following:

- (a) Equity risk
- (b) Credit risk
- (c) Interest rate risk

- (d) Emerging Markets risk
- (e) China A/Stock Connect risk
- (f) Derivatives risk
- (g) High Yield credit risk

2.2.5 Target Market

- (a) Investors with basic investment knowledge.
- (b) Investors who can accept large short term losses.
- (c) Investors wanting a return (growth) over the longer term (5 years or more).
- (d) The Fund has specific and generic risks with a risk rating as per the SRRRI number, all detailed on the Key Investor Information Document.
- (e) For general sale to retail and professional investors through all distribution channels with or without professional advice.

2.3. **The Manager**

2.3.1 The Manager is Thesis Unit Trust Management Limited, a private company limited by shares, incorporated in England and Wales under the Companies Act 1985 on 6 February 1998 with company number 3508646.

2.3.2 The Manager may delegate its investment management, administration, Unit pricing, valuation and marketing functions to third parties including associates subject to the rules in the COLL Sourcebook. The Manager has delegated the investment management of the Fund and the preparation of marketing materials to James Hambro & Partners LLP. The Manager has also delegated certain of the registrar's operational duties and administration functions to Northern Trust Global Services SE, UK Branch.

2.4. **The Manager's Remuneration Policy**

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. The policy does not encourage risk-taking that is inconsistent with the risk profile of the Manager or the Fund. The Remuneration Policy does not impair compliance with the Manager's duty to act in the best interests of the Fund. 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.

2.5. **Registered and Head Office**

Exchange Building
St John's Street
Chichester PO19 1UP

2.6. **Share Capital**

Paid up	£ 5,673,167
Issued	£ 5,673,167

2.7. **Terms of Appointment**

- 2.7.1 The Manager acts as such by virtue of the Trust Deed. The Manager is entitled to its pro rata fees and expenses to the date of termination of the Fund and any additional expenses necessarily incurred in settling or realising any outstanding obligations.
- 2.7.2 Investors buy and redeem Units through the Manager who nets them to reduce the number of Units issued/cancelled by the Fund. When carrying out deals in Units, the Manager acts as principal but does not profit from this activity.
- 2.7.3 The main business activities of the Manager are (i) acting as a unit fund manager; and (ii) acting as an authorised corporate director.

2.8. **Directors**

- 2.8.1 The Directors of Thesis Unit Trust Management Limited are:

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

- 2.8.2 D W Tyerman and S R Mugford also hold directorships of other companies within the Thesis group and perform senior management roles within these companies, particularly Thesis Asset Management Limited, which acts as an investment manager for some other authorised funds operated by the Manager.
- 2.8.3 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 G Stewart are not engaged in other business activities that are of significance to the Trust.
- 2.8.4 The Manager may also act as an authorised unit trust manager or authorised corporate director to other funds and companies. As at the date of this Prospectus, the Manager acts as manager or authorised corporate director of the authorised funds as set out in Appendix 7.

3. **THE TRUSTEE**

- 3.1. The Trustee and depositary of the Fund is NatWest Trustee and Depositary Services Limited, a private limited company registered in England and Wales with company number 11194605.

- 3.2. The ultimate holding company of the Trustee is NatWest Group plc, which is incorporated in Scotland.
- 3.3. The Trustee's registered office is 250 Bishopsgate, London EC2M 4AA. The Trustee's head office address is 440 Strand, London WC2R 0QS. The address of its office which handles matters relating to the Fund is set out in the Directory in this Prospectus.
- 3.4. The Trustee's principal activity is the provision of trustee and depositary services.
- 3.5. The Trustee is established in the UK and is authorised and regulated by the FCA to act as a trustee or depositary of a UK UCITS or a UK AIF.

3.6. **Duties of the Trustee**

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

3.7. **Terms of Appointment**

- 3.7.1 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 Fund pursuant to the Depositary Agreement.
- 3.7.2 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.
- 3.7.3 Under the Depositary Agreement the Trustee has the power to appoint a sub-custodian 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 the Directory. The Custodian has, in turn, sub-delegated the custody of assets in certain markets in which the Fund may invest to various sub-delegates ("sub-custodians").
- 3.7.4 A list of sub-custodians is set out in Appendix 6. Investors should note that the list of sub-custodians is updated only at each Prospectus review.
- 3.7.5 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.
- 3.7.6 The Depositary Agreement provides that the Trustee will be indemnified from the net assets of the Fund 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.
- 3.7.7 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.

- 3.7.8 Details of the fees payable to the Trustee are set out in the "Charges and Expenses section of this Prospectus at paragraph 19.

3.8. Conflicts of Interest

- 3.8.1 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.
- 3.8.2 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 Fund, one or more Unitholders, the Manager and/or other funds managed by the Manager 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.
- 3.8.3 As the Trustee operates independently from the Fund, Unitholders, the Manager and the Custodian, the Trustee does not anticipate any conflicts of interest arising between it and any of the aforementioned parties.
- 3.8.4 The Trustee is under no obligation to account to the Manager, the Fund or the Unitholders for any profits or benefits it makes or receives that are made or derived from or in connection with its role as depositary.

3.9. 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.

4. THE INVESTMENT MANAGER

- 4.1. The Investment Manager to the Manager is James Hambro & Partners LLP.

4.2. Registered Office

45 Pall Mall
London
SW1Y 5JG

4.3. Principal Business Activity

The principal business activity of James Hambro & Partners LLP is as a provider of investment management services.

4.4. **Authorisation**

The Investment Manager is authorised and regulated by the FCA.

4.5. **Main Terms of Agreement**

4.5.1 The Investment Manager has been appointed under an investment management agreement (the "Investment Management Agreement") made between the Manager and the Investment Manager, to provide discretionary management services in respect of the Fund.

4.5.2 The Investment Management Agreement will reflect any requirements of the Regulations relating to termination and otherwise can be terminated on not less than three months' notice. The Investment Manager has full authority to make all investment decisions on behalf of the Manager concerning the Scheme Property of the Fund which is managed by it. The Investment Management Agreement gives the Investment Manager the discretion to appoint specialist asset management companies as investment managers in order to benefit from their expertise and experience.

4.5.3 The Manager also employs the Investment Manager to perform certain activities involving valuation, pricing, dealing and other back office functions. The Investment Manager is permitted to sub-delegate these functions to other persons.

5. **AUDITOR**

5.1. The auditor of the Fund is KPMG LLP, St Vincent Plaza, 319 St Vincent Street, Glasgow G2 5AS.

5.2. The fees and expenses incurred by the auditor are payable out of the General Administration Charge as set out below.

6. **THE REGISTRAR, ADMINISTRATOR AND FUND ACCOUNTANT**

6.1. The Manager is responsible for maintaining the Register but has delegated its registrar function as well as the function of Administrator and Fund Accountant to Northern Trust Global Services SE, UK Branch, whose registered office is set out in the Directory.

6.2. The duties of the Registrar, Administrator and Fund Accountant include:

6.2.1 maintaining the Register;

6.2.2 receiving and processing requests for subscriptions for, or redemptions of, Units in the Trust;

6.2.3 administering the payment of distributions to Unitholders in the Trust;

6.2.4 dealing with certain regulatory reporting requirements on behalf of the Fund and the Manager;

6.2.5 maintaining the accounting records of the Trust; and

6.2.6 assisting in calculating the Net Asset Value of the Trust, as well as to provide fund accounting services in respect of the Fund.

- 6.3. In line with the regulations that govern such operational outsourcing, the Manager retains responsibility for all work performed on its behalf and investors' rights are not affected by this delegation.
- 6.4. There are no conflicts of interest through delegation of these functions by the Manager.
- 6.5. The Fund does not currently require the services of a prime broker.

7. REGISTER OF UNITHOLDERS

The Register of Unitholders is maintained by the Registrar and may be inspected by any Unitholder (or any Unitholder's duly authorised agent) at 50 Bank Street, London E14 5NT during normal business hours.

8. WINDING UP

- 8.1. The Fund will not be wound up except in accordance with the COLL Sourcebook.
- 8.2. The Trustee shall proceed to wind-up the Fund:
 - 8.2.1 if the order declaring the Fund to be an authorised unit trust scheme is revoked; or
 - 8.2.2 if the Manager or the Trustee requests the FCA to revoke the order declaring a fund to be an authorised unit trust scheme and the FCA has agreed (provided no material change in any relevant factor occurs) that on the winding-up of a fund, the FCA will accede to that request; or
 - 8.2.3 on the expiration of any period specified in the Trust Deed as the period at the end of which a fund is to be wound up; or
 - 8.2.4 on the effective date of a duly approved scheme of arrangement which is to result in the relevant fund being left with no Scheme Property; or
 - 8.2.5 on the passing of an extraordinary resolution winding up the Fund, provided FCA's prior consent to the resolution has been obtained by the Manager or *Trustee*.
- 8.3. If any of the events set out above occurs the rules in the COLL Sourcebook, concerning Dealing (COLL 6.2), Valuation and pricing (COLL 6.3) and those of the COLL Sourcebook concerning Investment and Borrowing Powers (COLL 5), will cease to apply. The Trustee shall cease to issue and cancel Units and the Manager will stop redeeming and selling Units.
- 8.4. In the case of a scheme of arrangement referred to in paragraph 8.3 above, the *Trustee* shall wind up the Fund in accordance with the approved scheme of arrangement. In any other case, the Trustee shall, as soon as practicable after the Fund falls to be wound-up, realise the assets of the Fund and, after paying, or retaining adequate provision for, 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 their respective interest in the Fund.
- 8.5. Any unclaimed net proceeds or other cash (including unclaimed distribution payments) held by a fund 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 the FCA in writing of that fact and the Trustee or the Manager shall request the FCA to revoke the order of authorisation.

9. CONFLICTS OF INTEREST

- 9.1. The Manager, the Investment Manager and other companies within the Manager's and the Investment Manager's group may, from time to time, act as investment manager or adviser to other funds which follow similar investment objectives to those of the Fund. It is therefore possible that the Manager and/or the Investment Manager may in the course of their business have potential conflicts of interest with the Fund or that a conflict exists between the Fund and other funds managed or advised by the Manager or Investment Manager respectively. Each of the Manager and the Investment Manager will, however, have regard in such event to its obligations under the Manager Agreement and the Investment Management Agreement respectively and, in particular, to its obligation to act in the best interests of the Fund so far as practicable, having regard to its obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise. Where a conflict of interest cannot be avoided, the Manager and the Investment Manager will ensure that the Fund and other collective investment schemes it manages are fairly treated.
- 9.2. The Manager acknowledges that there may be some situations where the organisational or administrative arrangements in place for the management of conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Fund or its Unitholders will be prevented. Should any such situations arise the Manager will disclose these to Unitholders in the report and accounts or such other appropriate format.

10. CHARACTERISTICS OF UNITS IN THE FUND

- 10.1. The Fund is an authorised unit trust under the Act.
- 10.2. The Fund is one in which each investor's funds are pooled with other investors' funds. The Manager takes reasonable steps to ensure that each investment transaction carried out within the Fund is suitable for the Fund, having regard to the investment objective and policy of the Fund. This Prospectus is intended to provide comprehensible and full details to enable investors to make a balanced and informed decision about the merits of participating in the Fund.
- 10.3. The Fund has been established for an unlimited duration.

11. CLASSES OF UNITS

- 11.1. Details of the Fund are set out in Appendix 1.
- 11.2. The Trust Deed permits the issue of both accumulation and income Units. Currently only income Units are issued. An income Unit represents one undivided share in the Scheme Property and an accumulation Unit represents an increasing number of undivided shares in the Scheme Property. Each undivided share ranks pari passu with the other undivided shares in the Fund. Unitholders are entitled to participate in the Scheme Property and the income from that property in proportion to the number of undivided shares in the Fund represented by the Units held by them. The nature of the right represented by Units is that of a beneficial interest under a Fund.

12. EVIDENCE OF TITLE

- 12.1. A contract note giving details of the Units purchased and the price used will be issued by the end of the business day following the Valuation Point by reference to which the purchase price is determined, together with, where appropriate, a notice of the applicant's right to cancel.
- 12.2. Settlement is due on receipt by the purchaser of the contract note.
- 12.3. Certificates will not be issued in respect of Units. Ownership of Units will be evidenced by an entry on the Reregister of Unitholders. Statements in respect of income Units in the Fund will show the number of Units held by the recipient in the Fund in respect of which the distribution is made. Individual statements of a Unitholder's (or, when Units are jointly held, the first named Unitholder's) Units will also be issued at any time on request by the registered Unitholders.

13. BUYING AND SELLING OF UNITS

13.1. General

- 13.1.1 The office of the Manager is open from 9.00 am until 5.00 pm London time on each normal Dealing Day to receive requests for the issue and redemption of Units. The deal will take place at the next Valuation Point following receipt.
- 13.1.2 The Units in the Fund are not listed or dealt in on any investment exchange.
- 13.1.3 Units will be purchased or redeemed at the price calculated at the next Valuation Point following receipt of the request for purchase or redemption in accordance with the COLL Sourcebook. In the case of deals instructed after the relevant Valuation Point on a Dealing Day, Units will normally be purchased or redeemed at the prices calculated in accordance with the COLL Sourcebook by reference to the next Valuation Point ("Forward Prices").
- 13.1.4 The Administrator's telephone number (for dealing) is 0333 300 0375.

13.2. Client Money Rules

- 13.2.1 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 Fund, 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.

- 13.2.2 Where money is received in either of the circumstances set out in (a) or (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 Depositary or the client.
- 13.2.3 In order to facilitate management of the Fund, 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.
- 13.2.4 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.
- 13.2.5 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 Fund's capital property.

13.3. **Buying**

- 13.3.1 Units may be bought by sending a completed application form or clear written instructions to Northern Trust Global Services SE, UK Branch, 50 Bank Street, London E14 5NT.
- 13.3.2 In addition, the Manager may from time to time make arrangements to allow Units to be bought on-line or through other communication media.
- 13.3.3 A contract note giving details of the Units purchased will be issued no later than the next Dealing Day after the day on which an application to purchase Units is effected. Certificates will not be issued.
- 13.3.4 Once Units have been purchased, the Manager will enter the name of the investor on the register. Payment for the Units is due and payable to the manager in settlement of the purchase on the Fund's "Settlement Date" (as detailed below). Until payment has been passed on by the Manager to the Trustee, an investor will not have an irrevocable right of ownership in the Units.
- 13.3.5 The Manager will not accept a lump sum application for Units to the value of less than £500, unless it represents a subsequent investment in which case the minimum amount is £50. These limits may be waived at the Manager's discretion.

- 13.3.6 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 any money sent, or the balance, for the purchase of Units which are the subject of the application, at the risk of the applicant.
- 13.3.7 Where the Manager believes that a reliable price cannot be established as at the Valuation Point, dealing in the Fund may be suspended temporarily. See the "Suspension of Dealing" section on page 42 below for information regarding the possibility of a temporary suspension of dealing.
- 13.3.8 The Manager may at its discretion delay arranging for the issue of Units until payment has been received.
- 13.3.9 If an applicant defaults in making any payment in money or a transfer of property due to the Manager in respect of the sale or issue of Units, the subscription for the purchase of those Units may lapse and be cancelled at the cost of the applicant or its financial intermediary. Northern Trust Global Services SE, UK Branch, is entitled to make any necessary amendment to the register in which case the Manager will become entitled to the Units in place of the applicant, (subject in the case of an issue of Units to the Manager's payment of the purchase price to the Fund).
- 13.3.10 Failure to make good settlement by the Settlement Date may result in the Manager bringing an action against the applicant or its financial intermediary or deducting any costs or losses incurred by the Manager against any existing holding of the applicant in the Fund. In all cases any money returnable to the investor will be held by the Manager without payment of interest pending receipt of the monies due.

13.4. Issue of Units in Exchange for In Specie Assets

- 13.4.1 The Manager may arrange for Units to be issued in exchange for assets but will only do so where the Trustee has taken reasonable care to determine that its acquisition on behalf of the Fund 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.
- 13.4.2 The Manager will not issue Units in the Fund in exchange for assets the holding of which would be inconsistent with the investment objective or policy of the Fund.
- 13.4.3 If subscription monies or assets are not received by the Manager within four Business Days from the Dealing Day, the Units may be cancelled.
- 13.4.4 Monies received by the Manager in the form of cheques or other remittances in respect of applications for Units which are not accepted or rejected by the following Dealing Day, are, pending acceptance or rejection, paid into a client money account maintained by the Manager with an Approved Bank. No interest is payable by the Managers on monies credited to this account.
- 13.4.5 The Manager will send details to Unitholders outlining their right to cancel the transaction within a specified time limit. Unitholders have a right to cancel their investment within 14 days from receipt of that notice of the right to cancel: however if the value of a Unitholder's investment has fallen

when Unitholders exercise this right Unitholders will only receive back this lower value.

13.5. **Selling**

- 13.5.1 The Manager is obliged to sell and redeem Units during any Dealing Day unless the value of the Units which the Unitholder wishes to redeem is less than the entire holding of the Unitholder and is less than £100,000 or the redemption will mean the Unitholder is left holding Units with a value of less than £100,000.
- 13.5.2 Requests to redeem Units in the Fund may be made by telephone, fax or in writing and signed by all Unitholders to which the instructions relate. You must send your instructions to Thesis Unit Trust Management Limited, Exchange Building, St John's Street, Chichester PO19 1UP or by telephone on 0333 300 0375. In addition, the Manager may from time to time make arrangements to allow Units to be redeemed on-line or through other communication media.
- 13.5.3 On the sale of Units, the register will be updated and the relevant holdings removed. The form of renunciation will accompany the repurchase contract note. After the receipt of the form of renunciation (or other sufficient written instructions) duly completed and signed by all the relevant Unitholders, redemption proceeds will be made no later than the Settlement Date.
- 13.5.4 Where payment is made by cheque the Manager will protect the payment under the FCA's client money rules from the Settlement Date until such time as the cheque is encashed. Where redemption proceeds are paid by BACS or by telegraphic transfer, typically cleared funds will be paid to the holder by the Settlement Date. If the Manager still holds redemption proceeds beyond the Settlement Date, the Manager will, from that point, treat the money as client money until it is paid out. Notwithstanding this, the Manager may, for a period of up to one business day from receipt of the money from the Trustee rely on the Delivery versus Payment exemption irrespective of the payment method used.
- 13.5.5 Where a Unitholder requests a redemption of Units representing not less than 5% of the value of the Scheme Property, that Unitholder may receive, in place of payment for the Units in cash, Scheme Property which has either been chosen by the Manager by a notice of election or has been requested by the Unitholder.

13.6. **In Specie Redemptions**

If a Unitholder requests the redemption or cancellation of Units representing a value of more than 3% of the value of the Fund, the Manager may arrange that in lieu of payment of the price for the Units in cash, the Manager shall cancel the Units and transfer property of the Fund. The Manager must give written notice to the Unitholder concerned of its decision to exercise these powers before the cash payment would otherwise be due. The property of the Fund to be transferred (or sold) will be selected in consultation with the Trustee and with a view to achieving no more advantage or disadvantage to the Unitholder requesting redemption or cancellation of his Units than to the continuing Unitholders.

13.7. Settlement Date

- 13.7.1 For the Fund, the Settlement Date is no later than close of business on the fourth business day following the "transaction date". The length of time to settlement will depend on the asset or Unit classes concerned and could potentially range from T+1 to T+4. (This can at times be referred to as "T + [number]" where "T" stands for "transaction date".) The transaction date is the date on which the Manager implements an instruction to buy or sell. The Settlement Date is the date on which ownership of the Units is transferred and when money passes. For the purposes of settlement "business day" shall (notwithstanding any other definition of "business day" within this Prospectus) mean any day that the London Stock Exchange is open other than a weekend day, bank holiday or any other special concessionary holiday or other day that the London Stock Exchange is not operating normal business hours.
- 13.7.2 By way of example, if an investor instructs the Manager in writing to purchase Units at 9.00 am on a Monday, the Units will be purchased at the following Valuation Point (in this case 12 noon on Monday). Monday will be the transaction date, and Thursday, on a T+3 settlement basis, would be the Settlement Date when payment for the Units is due and payable.

13.8. Deferred Redemption

- 13.8.1 The Manager may defer redemptions in times of high redemptions. For this purpose "high redemptions" are redemptions that at a Valuation Point on any given business day exceed 10% of the Fund's Net Asset Value.
- 13.8.2 The ability to defer redemptions is intended to protect the interests of Unitholders remaining in the Fund and will give the Manager, in times of high redemptions, the ability to defer redemptions at a particular Valuation Point on a business day to the Valuation Point on the next business day. This is intended to allow the Manager to match the sale of Scheme Property to the level of redemptions. Subject to the COLL Sourcebook and to sufficient liquidity being raised at the next Valuation Point all deals relating to the earlier Valuation Point will be completed before those relating to the later Valuation Point are considered.

14. VALUATION OF SCHEME PROPERTY

- 14.1. The price of a Unit in the Fund is calculated by reference to the Net Asset Value of the Fund. There is only a single price for any Unit as determined from time to time by reference to a particular Valuation Point. The Net Asset Value per Unit is currently calculated at 12 noon on each Dealing Day.
- 14.2. The Manager may at any time during a Dealing Day carry out an additional valuation if the Manager considers it desirable to do so.

15. CALCULATION OF THE NET ASSET VALUE OF THE FUND

- 15.1. The value of the Scheme Property of the Fund shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions.
- 15.2. All the Scheme Property (including receivables) of the Fund is to be included, subject to the following provisions.

15.3. Scheme Property which is not cash (or sums held in bank accounts) or a contingent liability transaction shall be valued as follows:

15.3.1 Units or shares in a collective investment scheme:

- (a) if a single price for buying and selling Units is quoted, at the most recent such price; or
- (b) if separate buying and selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any preliminary charge included therein and the selling price has been increased by any exit or redemption charge attributable thereto; or
- (c) if no price or no recent price exists, at a price which in the opinion of the *Manager* is fair and reasonable;

15.3.2 any other transferable security:

- (a) if a single price for buying and selling the security is quoted, at that price; or
- (b) if separate buying and selling prices are quoted, the average of those two prices; or
- (c) if, in the opinion of the *Manager*, the price obtained is unreliable or no recent traded price is available or if no price exists, at a value which in the opinion of the *Manager* reflects a fair and reasonable price for that investment;

15.3.3 property other than that described in 16.1.1 and 16.1.2 above:

at a value which, in the opinion of the *Manager*, represents a fair and reasonable mid-market price.

15.4. Cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values.

15.5. Property which is a contingent liability transaction shall be treated as follows:

15.5.1 if it is a written option (and the premium for writing the option has become part of the Scheme Property), the amount of the net valuation of premium receivable shall be deducted;

15.5.2 if it is an off-exchange future, it will be included at the net value of closing out in accordance with a valuation method agreed between the *Manager* and the *Trustee*;

15.5.3 if the property is an off-exchange derivative, it will be included at a valuation method agreed between the *Manager* and *Trustee*;

15.5.4 if it is any other form of contingent liability transaction, it will be included at the net value of margin on closing out (whether as a positive or negative value).

- 15.6. In determining the value of the Scheme Property, all instructions given to issue or cancel Units shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
- 15.7. Subject to paragraphs 16.8 and 16.9 below, 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 will not materially affect the final net asset amount.
- 15.8. 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 16.6.
- 15.9. All agreements are to be included under paragraph 16.6 which are, or ought reasonably to have been, known to the person valuing the property.
- 15.10. An estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax and advance corporation tax and VAT will be deducted.
- 15.11. An estimated amount for any liabilities payable out of the Scheme Property and any tax thereon treating periodic items as accruing from day to day will be deducted.
- 15.12. The principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings will be deducted.
- 15.13. An estimated amount for accrued claims for tax of whatever nature which may be recoverable will be added.
- 15.14. Any other credits or amounts due to be paid into the Scheme Property will be added.
- 15.15. A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.
- 15.16. Currency or values in currencies other than the base currency shall be converted at a rate of exchange that is not likely to result in any material prejudice to the interests of Unitholders or potential Unitholders.
- 15.17. The price at which the Manager issues Units may not exceed the Net Asset Value per Unit and any preliminary charge. The price at which the Manager redeems Units will not be less than the Net Asset Value per Unit.
- 15.18. For the purposes of calculating the Manager's and Trustee's periodic charges the Scheme Property is valued on a mid-market basis; for the purpose of calculating the investment limits the Scheme Property is also valued on a mid-market basis.

16. UNIT PRICE

- 16.1. The price per Unit at which Units are sold is the sum of the Net Asset Value of a Unit and any preliminary charge. The price per Unit at which Units are redeemed is the Net Asset Value per Unit less any applicable redemption charge. In addition, there may, for both purchases and sales, be a dilution adjustment, as described below.

16.2. Pricing Basis

- 16.2.1 The Fund deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after the sale or redemption is agreed. The Trustee, the Manager, the auditors or any investment adviser or any associates of any of them (each an "affected person") will not be liable to account to another affected person or to the unitholders or any of them, for any profit or benefit made or derived in connection with:
- (a) the dealing in units of the fund; or
 - (b) their part in any transaction for the supply of services permitted by the COLL Sourcebook; or
 - (c) their dealing in property equivalent to any owned by (or dealt in for the account of) the Trustee.

16.3. Publication of Prices

- 16.3.1 The most recent prices will appear daily on the Trustnet website at www.trustnet.com and can also be obtained by telephone on 01483 783 900.
- 16.3.2 For reasons beyond the control of the Manager, these may not necessarily be the current prices.
- 16.3.3 The cancellation price last notified to the Depositary is available from the Manager upon request.

17. RISKS

- 17.1. All investments involve risk. "General Risks" mostly apply to all funds; "Specific Risks" are particularly relevant where noted below the Fund's investment objective and policy. The Fund could potentially be affected by risks beyond those listed for it or described here, nor are these risk descriptions themselves intended as exhaustive. Each risk is described as if for an individual fund.
- 17.2. A number of the risks described in this section aren't directly applicable to the securities held by the Fund. However, if the Fund invests into another fund which does hold securities where the risk is applicable then this is highlighted below the Fund's investment objective and policy.
- 17.3. The value of investments and income from them can go down as well as up, and you might get back less than you invested.
- 17.4. Any of these risks could cause a fund to lose money, to perform less well than similar investments or a benchmark, to experience high volatility (ups and downs in NAV), or to fail to meet its objective over any period of time
- 17.5. Statements made in this Prospectus are based on the law and practice in force at the date of this Prospectus.
- 17.6. Charges have the effect of reducing investment returns. Your investment must grow more than the rate of charges before you receive a positive return. A positive return is not guaranteed. Charges may reduce the value of your investment.

17.7. Some of the Fund’s charges may be taken from capital (as set out in the “Charges and Expenses” section), which may limit the growth in value of the Fund. However, when charges are taken from capital, more income is generally available to distribute to Unitholders.

17.8. **General Risks**

17.8.1 Commodity Risk

The value of the securities in which the Fund invests may be influenced by movements in commodity prices which can be very volatile. The price of commodities may be disproportionately affected by political, economic, weather and terrorist-related activities and by changes in energy and transportation costs.

17.8.2 Counterparty Risk

- (a) An entity with which the Fund does business could become unwilling or unable to meet its obligations to the Fund.
- (b) The bankruptcy or insolvency of a counterparty could result in delays in getting back securities or cash of the funds that were in the possession of the counterparty. This could mean the Fund is unable to sell the securities or receive the income from them during the period in which it seeks to enforce its rights, which process itself is likely to create additional costs. Various operational risks could also cause delays even if there is no inability of the counterparty to pay.
- (c) If any collateral the Fund holds as protection against counterparty risk declines in value, it may not fully protect the Fund against losses from counterparty risk, including lost fees and income.

17.8.3 Currency Risk

- (a) Changes in currency exchange rates could reduce investment gains or increase investment losses, in some cases significantly.
- (b) Exchange rates can change rapidly and unpredictably, and it may be difficult for the Fund to unwind its exposure to a given currency in time to avoid losses. Changes in exchange rates can be influenced by such factors as export-import balances, economic and political trends, governmental intervention and investor speculation.
- (c) Intervention by a central bank, such as aggressive buying or selling of currencies, changes in Interest Rates, restrictions on capital movements or a “de-pegging” of one currency to another, could cause abrupt or long term changes in relative currency values.

17.8.4 Inflation Risk

Over time, inflation can erode the real value of investment gains. With investments that produce low returns, inflation can negate any gains in

buying power or even cause investors net buying power to decline over time.

17.8.5 Liquidity Risk

- (a) Any security could become hard to value or to sell at a desired time and price.
- (b) Liquidity risk could affect the Fund's ability to repay repurchase agreement proceeds by the agreed deadline.
- (c) Certain securities may, by their nature, be hard to value or sell quickly, especially in any quantity. This may include securities that are labelled as illiquid as well as a security of any type that represents a small issue, trades infrequently, or is traded on markets that are comparatively small or that have long settlement times.

17.8.6 Management Risk

- (a) The Fund's management team may be wrong in its analysis, assumptions, or projections. This includes projections concerning industry, market, economic, demographic, or other trends.
- (b) During unusual market conditions, investment management practices that have worked well in the past, or are accepted ways of addressing certain conditions, could prove ineffective.

17.8.7 Market Risk

- (a) Prices and *yields* of many securities can change frequently and can fall based on a wide variety of factors. Examples of these factors include:
 - (i) Political and economic news
 - (ii) Government policy
 - (iii) Changes in technology and business practice
 - (iv) Changes in demographics, cultures and populations
 - (v) Natural or human-caused disasters
 - (vi) Weather and climate patterns
 - (vii) Scientific or investigative discoveries
 - (viii) Costs and availability of energy, commodities and natural resources.
- (b) The effects of market risk can be immediate or gradual, short term or long term, narrow or broad.
- (c) This risk can apply to both the design and operation of computer models and can apply whether a model is used to support human decision-making or to directly generate trading

recommendations. Flaws in software programs can go undetected for long periods of time.

17.8.8 Operational Risk

- (a) The operations of the Fund could be subject to human error, faulty processes or governance, or technological failures.
- (b) Operational risks may subject the Fund to errors affecting valuation, pricing, accounting, tax reporting, financial reporting, Custody and trading, among other things. Operational risks may go undetected for long periods of time, and even if they are detected it may prove impractical to recover prompt or adequate compensation from those responsible.

17.8.9 Regulatory and Government policy

The laws that govern the Fund may change in future. Any such changes may not be in the best interest of the Fund and may have a negative impact on the value of your investment.

17.8.10 Custody Risk

The Trustee may delegate the function of safekeeping of Financial Instruments to the Custodian, who may in turn appoint a custody agent. The Trustee or Custodian 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 Fund. 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 Fund may not recover all of its Financial Instruments.

17.8.11 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.

17.8.12 Risk Management

- (a) The Manager uses a risk management process (which includes a risk management policy) enabling it to monitor and measure at any time the risk of the Fund's positions and their contribution to the overall risk profile of the Fund.
- (b) The following details of the risk management process must be regularly notified to the FCA and at least on an annual basis:
 - (i) a true and fair view of the types of derivatives and forward transactions to be used within the Fund together

- with their underlying risks and any relevant quantitative limits;
- (ii) the methods for estimating risks in derivative and forward transactions.
- (c) The Manager must assess, monitor and periodically review:
 - (i) the adequacy and effectiveness of the risk management policy and of the arrangements, processes and techniques referred to in COLL 6.12.5 R;
 - (ii) 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;
 - (iii) the adequacy and effectiveness of measures taken to address any deficiencies in the performance of the risk management process.
- (d) The Manager must notify the FCA of any material changes to the risk management process.

17.8.13 Risks specific to investment in funds

As with any investment fund, investing in the Fund involves certain risks an investor would not face if investing in markets directly:

- (a) The actions of other investors, in particular sudden large outflows of cash, could interfere with orderly management of the Fund and cause its NAV to fall.
- (b) The investor cannot direct or influence how money is invested while it is in the Fund
- (c) The Fund's buying and selling of investments may not be optimal for the tax efficiency of any given investor.
- (d) The Fund is subject to various investment laws and regulations that limit the use of certain securities and investment techniques that might improve performance; to the extent that the Fund decides to register in jurisdictions that impose narrower limits, this decision could further limit its investment activities.
- (e) Because Fund Units are not publicly traded, the only option for liquidation of shares is generally redemption, which could be subject to any redemption policies set by the Fund.
- (f) To the extent that the Fund invests in other EEA and/or UK UCITS / UCIs, it will have less direct knowledge of, and no control over, the decisions of the EEA and/or UK UCITS / UCI's investment managers, it could incur a second layer of investment fees (which will further erode any investment gains), and it could face liquidity risk in trying to unwind its investment in an EEA and/or UK UCITS /UCI.

- (g) The Fund may not be able to hold a service provider fully responsible for any losses or lost opportunities arising from the service provider's misconduct.

17.8.14 Single Swinging Price – Impact on Fund Value and Performance

The Fund has a single swinging price. The single price can be swung up or down in response to inflows or outflows from the Fund, in order to protect investors from the effect of dilution. Dilution occurs where the Fund is forced to incur costs as a result of the investment manager buying or selling assets following inflows or outflows. A change to the pricing basis will result in a movement to the Fund's published price and reported investment performance.

17.8.15 Suspension and Termination

Investors should note that in exceptional circumstances, the Manager may, after consultation with the Depositary, suspend the issue, cancellation, sale and redemption (including switching) of shares in any and all funds and Classes.

17.8.16 Taxation Risks

- (a) A country could change its tax laws or treaties in ways that affect investors.
- (b) Tax changes potentially could be retroactive and could affect investors with no direct investment in the country.

17.8.17 Turnover

When securities are bought and sold they incur transaction costs, which are paid for by the Fund. This is known as turnover. High levels of turnover may have a negative impact on a fund's performance.

17.9. **Specific Risks**

17.9.1 Credit and High Yield Credit Risk

- (a) A Bond or money market security could lose value if the issuer's financial health deteriorates, or in extreme cases could go into default (cease to make timely payments of principal or interest).
- (b) This risk is greater the lower the credit quality of the debt, and the greater the Fund's exposure to below Investment Grade Bonds (also known as "High Yield Bonds"). A decline in creditworthiness may also cause a Bond or money market security to become more volatile and less liquid.
- (c) Bonds that are in default may become illiquid or worthless. Below Investment Grade Bonds are considered speculative. Compared to Investment Grade Bonds, the prices, and yields of below Investment Grade Bonds are more sensitive to economic events and more volatile, and the Bonds are less liquid. In general, lower quality Bonds are more likely to default on obligations, and to be unable to repay principal if they do, particularly if they are unsecured or subordinate to other obligations.

- (d) Debt issued by governments and government-owned or -controlled entities can be subject to many risks, especially in cases where the government is reliant on payments or extensions of credit from external sources, is unable to institute the necessary systemic reforms or control domestic sentiment, or is unusually vulnerable to changes in geopolitical or economic sentiment. Even if a government issuer is financially able to pay off its debt, investors may have little recourse should it decide to delay, discount or cancel its obligations.

17.9.2 Derivatives Risk

Certain derivatives could behave unexpectedly or could expose the Fund to losses that are significantly greater than the cost of the derivative. Derivatives in general are highly volatile and do not carry any voting rights. The pricing and volatility of many derivatives (especially credit default Swaps) may diverge from strictly reflecting the pricing or volatility of their underlying reference(s).

- (a) In difficult market conditions, it may be impossible or unfeasible to place orders that would limit or offset the market exposure or financial losses created by certain derivatives. Using derivatives also involves costs that the Fund would not otherwise incur.
- (b) Regulations may limit the Fund from using derivatives in ways that might have been beneficial to the Fund. Changes in tax, accounting, or securities laws could cause the value of a derivative to fall or could force the Fund to terminate a derivative position under disadvantageous circumstances.
- (c) Certain derivatives, in particular Futures, Options, contracts for difference and some contingent liability contracts, could involve margin borrowing, meaning that the Fund could be forced to choose between liquidating securities to meet a margin call or taking a loss on a position that might, if held longer, have yielded a smaller loss or a gain.
- (d) To the extent that the Fund uses derivatives to increase its net exposure to any market, rate, basket of securities or other financial reference source, fluctuations in the price of the reference source will be amplified at the fund level.
- (e) As many financial derivatives instruments have a leveraged component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the derivative itself. The Fund is managed on a non-leveraged basis unless otherwise specified.

17.9.3 Emerging Markets Risk

- (a) Emerging Markets are less established, and more volatile, than developed markets. They involve higher risks, particularly market, credit, illiquid security, and currency risks, and are more likely to experience risks that in developed markets are associated with unusual market conditions.

- (b) Reasons for this higher level of risk include:
- (i) Political, economic, or social instability
 - (ii) Economies that are heavily reliant on particular industries, commodities, or trading partners
 - (iii) High or capricious tariffs or other forms of protectionism
 - (iv) Quotas, regulations, laws, or practices that place outside investors (such as the Fund) at a disadvantage
 - (v) Failure to enforce laws or regulations, to provide fair or functioning mechanisms for resolving disputes or pursuing recourse, or to otherwise recognise the rights of investors as understood in developed markets
 - (vi) Significant government control of businesses or intervention in markets excessive fees, trading costs, taxation, or outright seizure of assets
 - (vii) Inadequate reserves to cover issuer or counterparty defaults
 - (viii) Incomplete, misleading, or inaccurate information about securities and their issuers
 - (ix) Lack of uniform accounting, auditing and financial reporting standards
 - (x) Manipulation of market prices by large investors
 - (xi) Arbitrary delays and market closures
 - (xii) Market infrastructure that is unable to handle peak trading volumes
 - (xiii) Fraud, corruption and error
- (c) In certain countries, securities markets may also suffer from impaired efficiency and liquidity, which may worsen price volatility and market disruptions.
- (d) To the extent that *Emerging Markets* are in different time zones from the UK the Fund might not be able to react in a timely fashion to price movements that occur during hours when the Fund is not open for business.
- (e) For purposes of risk, the category of Emerging Markets includes markets that are less developed, such as most countries in Asia, Africa, South America and Eastern Europe, as well as countries such as China, Russia and India that have successful economies but may not offer the highest levels of investor protection.

17.9.4 Equity Risk

Equities can lose value rapidly, and typically involve higher (often significantly higher) market risks than Bonds or Money-Market Instruments. If a company goes through bankruptcy or a similar financial restructuring, its equities may lose most or all of their value.

17.9.5 Exchange Traded Derivatives (ETD) Risk

While exchange-traded derivatives are generally considered lower-risk than OTC derivatives, there is still the risk that a suspension of trading in derivatives or in their underlying assets could make it impossible for a fund to realise gains or avoid losses, which in turn could cause a delay in handling redemptions of shares. There is also a risk that settlement of exchange-traded derivatives through a transfer system may not happen when or as expected.

17.9.6 Interest rate Risk

When Interest Rates rise, Bond values generally fall. This risk is generally greater the longer the duration of a Bond investment is.

17.9.7 Over the counter (OTC) derivatives Risk

- (a) Because OTC derivatives are in essence private agreements between a fund and one or more counterparties, they are regulated differently than market-traded securities. They also carry greater counterparty and liquidity risks; in particular, it may be more difficult to force a counterparty to honour its obligations to a fund. A downgrade in the creditworthiness of counterparty can lead to a decline in the value of OTC contracts with that counterparty. If counterparty ceases to offer a derivative that a fund had been planning on using, the Fund may not be able to find a comparable derivative elsewhere and may miss an opportunity for gain or find itself unexpectedly exposed to risks or losses, including losses from a derivative position for which it was unable to buy an offsetting derivative.
- (b) Because it is generally impractical for the Fund to divide its OTC derivative transactions among a wide variety of counterparties, a decline in the financial health of any one counterparty could cause significant losses. Conversely, if any fund experiences any financial weakness or fails to meet an obligation, counterparties could become unwilling to do business with the Fund, which could leave the Fund unable to operate efficiently and competitively.

17.9.8 Short Positions Risk

- (a) Some funds can take Short Positions by using derivatives. A Short Position will reduce in value if the security is linked to increases in value. The opposite also applies, in that the Short Position will rise in value if the underlying security reduces in value.
- (b) There is no limit to the loss on a Short Position, and so they carry higher risk than direct investment in a security. The risk of

holding Short Positions is mitigated by the Manager's Risk Management Policy.

17.9.9 Stock Connect Risk Warning

(a) China A / Stock Connect Risk

- (i) Investing in China A shares involves special considerations and risks, including without limitation greater price volatility, less developed regulatory and legal framework, economic, social and political instability of the stock market in the People's Republic of China ("PRC").
- (ii) There are restrictions on the amount of China A shares which a single foreign investor is permitted to hold and restrictions on the combined holdings of all foreign investors in a single company's China A shares. Where those limits are reached, no further purchase of those shares will be permitted until the holding is reduced below the threshold and if the thresholds are exceeded, the relevant issuer of the China A shares may sell those shares to ensure compliance with Chinese law which may mean that the relevant China A shares are sold at a loss.
- (iii) China A shares are denominated in Renminbi ("RMB") and as RMB is not the base currency of these funds the Manager may have to convert payments from RMB into Sterling when realising China A shares and convert Sterling into RMB when purchasing shares. The exchange rate for RMB may be affected by, amongst other things, any exchange control restrictions imposed by the government in the PRC which may adversely affect the market value of these funds.
- (iv) Trading China A Shares through the Hong Kong – China Stock Connect platform will be primarily traded in the offshore RMB currency, as RMB is the domestic Chinese currency and cannot be traded outside of China.
- (v) China A shares through the Hong Kong – China Stock Connect platform are held by third party securities settlement systems in Hong Kong (Hong Kong Securities Clearing Company ("HKSCC")) and the PRC ("ChinaClear") where they are mixed with other investors' assets and may be subject to lower safekeeping, segregation and record keeping requirements than investments held domestically or in the European Union.
- (vi) It is considered unlikely that ChinaClear will become insolvent but, if it does so, HKSCC is likely to seek to recover any outstanding China A shares from ChinaClear through available legal channels but it is not obligated to do so. If HKSCC does not enforce claims against

ChinaClear these funds may not be able to recover their China A shares.

- (vii) Investors should note "Taxation of Chinese Equities" section under "Taxation".

(b) Stock Connect Risk

- (i) Stock Connect is now an established scheme, however its rules may change at any time in a manner which may adversely impact these funds.
- (ii) Stock Connect will only operate when banks in Hong Kong and the PRC are both open.
- (iii) The ability of these funds to invest through Stock Connect is subject to the performance by HKSCC of its obligations and any failure or delay by HKSCC may result in the failure of settlement, or loss of China A shares.
- (iv) It is not possible to buy and sell shares on the same day on Stock Connect.
- (v) Not all China A shares are eligible for trading through Stock Connect, and if a China A share ceases to be eligible, further purchases of such shares will not be permitted, although these funds will always be able to sell such shares.
- (vi) Stock Connect is currently subject to both daily and aggregate trading caps which if exceeded will lead to suspension of trading for that day or other relevant period which may mean that an order to purchase China A shares cannot be processed. Under the Stock Connect rules these funds will always be able to sell China A shares regardless of whether the daily or aggregate quota has been exceeded. The daily or aggregate quotas can be changed from time to time without prior notice.
- (vii) China A shares traded through Stock Connect are uncertificated and are held in the name of HKSCC or its nominee. PRC law may not recognise the beneficial ownership of the China A shares by these funds and, in the event of a default of ChinaClear, it may not be possible for the China A shares held by these funds to be recovered.
- (viii) Transactions in Stock Connect will not be covered by the Investor Compensation Scheme in Hong Kong nor the equivalent scheme in the PRC.

18. HISTORICAL PERFORMANCE DATA

Historical performance data for the Fund is set out in Appendix IV. Historical performance data should not be seen as an indication of future results.

19. CHARGES AND EXPENSES

19.1. Annual Management Charge

- 19.1.1 The Manager is entitled to receive, out of the Scheme Property of the Fund, an annual management charge as remuneration for the services it provides to the Fund (the "Annual Management Charge"). The Annual Management Charge for each class of Unit is a yearly percentage rate based on the Net Asset Value attributable to that Unit class. It is calculated and accrues on a daily basis and is payable to the Manager monthly in arrears. The value of the Fund (and the value attributable to each Unit class) for the purpose of the calculation is taken as at the Valuation Point on the previous business day, taking into account any subscriptions and/or redemptions on that day. The current Annual Management Charge for each Unit class of the Fund is detailed in Appendix 1 plus VAT if any.
- 19.1.2 The first accrual will be in respect of the day on which the first valuation of the Fund is made. The Annual Management Charge will cease to be payable in relation to the Fund on the date of commencement of its termination, and in relation to the Fund as a whole on the date of the commencement of its winding up or, if earlier, the date of the termination of the Manager's appointment as such.
- 19.1.3 The Manager is also entitled to all reasonable, properly documented, out of pocket expenses incurred in the performance of its duties (plus VAT where applicable).
- 19.1.4 The Annual Management Charge may be taken from the capital of the Fund or the income generated by it. Where the charge is taken from the capital of the Fund, this may result in capital erosion or constrain capital growth. Where the charge is normally taken from income (except those charges and expenses relating directly to the purchase and sale of investments), but there is insufficient income to meet the charge, it will be taken from capital of the Fund. The policy for allocation of these payments for the Fund is set out in Appendix 1.
- 19.1.5 The Annual Management Charge may only be increased by the Manager in accordance with the COLL Sourcebook.

19.2. Trustee's Fees

- 19.2.1 The Trustee's fees and expenses are paid by the Annual Management Charge as set out in paragraph 20.1.
- 19.2.2 The Trustee's fee for the Fund is currently calculated on a sliding scale as follows:

0.0275% per annum	up to and including £50,000,000 in value of the Scheme Property of the Company;
0.025% per annum	on the value of the Scheme Property of the Company above £50,000,000 up to £100,000,000;

0.02% per annum	on the value of the Scheme Property of the Company above £100,000,000 up to £200,000,000; and
0.015% per annum	on the value of the Scheme Property of the Company thereafter

19.2.3 The annual fee is subject to a minimum fee of £7,500 per Fund per annum and VAT at the standard rate is added to these fees.

19.3. Auditor's Fees

The Auditor's fees and expenses are paid by the Annual Management Charge as set out in paragraph 20.1.

19.4. Fund Accounting Fees

19.4.1 The Fund Accounting fees and expenses are paid by the Annual Management Charge as set out in paragraph 20.1.

19.4.2 The administration fees are set percentages applied to the value of the Scheme Property. Subject to a minimum fee of £25,000 per annum, the current administration fee is:

0.05% per annum	on the value of the Scheme Property
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19.5. General Administration Charge

19.5.1 The Manager is entitled to be paid a Fixed Rate charge of 0.08%, out of the Scheme Property of the Fund, to facilitate payment of the ongoing registration and general administration expenses of the Fund (the "General Administration Charge"). This charge is calculated in the same way as the Annual Management Charge. The expenses that are payable by the Manager out of this charge are as follows:

- (a) fees and expenses in respect of establishing and maintaining the Register of Unitholders and related functions including the fees of the Registrar and distribution of income;
- (b) the cost of listing the prices of Units in the Fund in publications and information services selected by the Manager;
- (c) the costs of printing and distributing annual, half yearly and quarterly reports and any other reports or information provided for Unitholders;
- (d) the fees and any proper expenses of any tax, legal or other professional advisers retained by the Fund or by the Manager in relation to the Fund;
- (e) any costs incurred in respect of any meeting of Unitholders (including meetings of Unitholders in the Fund or any particular

Unit class within the Fund) convened on a requisition by holders, not including the Manager or an associate of the Manager;

- (f) any costs incurred in creating or amending documentation relating to the Fund including the Trust Deed, Prospectus and key investor information documents;
- (g) any costs incurred in respect of meetings of Unitholders and/or directors of the Manager;
- (h) the cost of printing, translating and distributing material required for regulatory purposes as permitted by the FCA Regulations in respect of the Fund;
- (i) insurance which the Fund may purchase and/or maintain for the benefit of and against any liability incurred by any Trustees of the Fund in the performance of their duties;
- (j) fees of the FCA and the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which *Units* are or may be marketed; and
- (k) any value added or similar tax applicable to any of the costs, charges, fees and expenses listed above.

19.5.2 It is the intention of the Manager to provide Unitholders with certainty as to the ongoing registration and general expenses paid by the Fund. The General Administration Charge is a single fixed percentage fee that does not vary month on month.

19.5.3 In some periods the General Administration Charge may be less than the costs actually incurred by the Manager. In these circumstances the Manager will pay the difference from its own resources. Conversely, in some periods the General Administration Charge may be more than the costs actually incurred by the Manager. In these circumstances the Manager will retain the difference.

19.5.4 The Manager will regularly review the General Administration Charge. Should the underlying fees and expenses that make up the General Administration Charge reduce or increase, the Manager may increase or decrease the General Administration Charge where it reasonably considers this to be appropriate.

19.5.5 In the event of any changes to the General Administration Charge, the Manager will notify Unitholders in writing in accordance with the FCA's requirements under the FCA Regulations. For example:

- (a) before increasing the General Administration Charge, the Manager will give Unitholders at least 60-days prior notice in writing; or
- (b) when decreasing the General Administration Charge, the Manager will give notice of (which may be before or after the decrease in the General Administration Charge becomes effective) utilising an appropriate method of communication as specified in the FCA Regulations, such as notice on the website and in the next report and accounts of the relevant fund.

- 19.5.6 The Manager may from time to time subsidise costs incurred by the Fund or Unit class to keep the costs of the Fund in line with the published estimated ongoing charges figure or for any other reason as the Manager may in its sole discretion determine. Details of the ongoing charges figure for the previous reporting period can be found in the report and accounts of the Fund or the Key Investor Information Document.
- 19.5.7 The Manager currently pays for all or part of the General Administration Charge for the Fund.
- 19.5.8 The General Administration Charge may be taken from the capital of the Fund or the income generated by it. Where the charge is taken from the capital of the Fund, this may result in capital erosion or constrain capital growth. Where the charge is normally taken from income, but there is insufficient income to meet the charge, it will be taken from capital of the Fund. The policy for allocation of these payments is applied consistently with the allocation policy for the Annual Management Charge and this is set out for the Fund in Appendix 1.

19.6. **Other Fees and Expenses**

- 19.6.1 The Fund may pay out of the Scheme Property, the following charges and expenses:
- (a) fees and expenses incurred by the Custodian (as set out in "Trustee" section);
 - (b) dilution levy/adjustment, broker commission, fiscal charges (including stamp duty, asset spread, other transactional costs) and any other disbursements which are necessarily incurred in effecting transactions;
 - (c) any amount payable by the Fund under any indemnity provisions contained in the Trust Deed or any agreement with any functionary of the Fund;
 - (d) liabilities on transfer of assets arising and payable as specified in 6.7.15 R of the COLL Sourcebook, (if applicable);
 - (e) all charges and expenses incurred in connection with the collection of income and collateral management services;
 - (f) correspondent and other banking charges;
 - (g) litigation expenses, exceptional measures, particularly legal, business or tax expert appraisals or legal proceedings undertaken to protect Unitholders' interests;
 - (h) taxation and other duties payable in respect of the Scheme Property or on the issue or redemption of Units;
 - (i) any fees, dilution levy/adjustment, transactional costs and expenses in relation to, and expenses incurred in the holding of, an investment in another third-party collective investment scheme;
 - (j) interest on and other charges relating to permitted borrowings;

- (k) benchmark licence fees and royalty fees incurred for the use of any index names;
 - (l) any value added or similar tax applicable to any of the other payments in this section; and
 - (m) any other charges or expenses which may be taken out of the Scheme Property in accordance with the *COLL Sourcebook*.
- 19.6.2 Please note it is currently anticipated the above charges and expenses will normally be taken from the income generated by the Fund, unless otherwise stated, and with the exception of fees b), c) and d) which will be taken from the capital of the Fund.
- 19.6.3 In all cases, where there is insufficient income to meet the charge or it would not be appropriate in respect of the type of fee or expense to charge to income, then charge may then be taken from the capital of the Fund. Where the charge is taken from the capital of the Fund, this may result in capital erosion or constrain capital growth.

19.7. Initial Charges

- 19.7.1 The Trust Deed permits the Manager to deduct an initial charge from the total amount of any subscription paid by any investor, as set out in Appendix 1 of that total subscription amount (though this initial charge may be waived wholly or partially at the Manager's discretion). Accordingly where an initial charge is deducted, the amount actually invested into Units in the Fund will be less than the amount subscribed by an investor. The initial charge may be increased only after the Manager has given at least 60 days' written notice to the Trustee and to Unitholders or to all persons who ought reasonably to be known to the Manager to have made arrangement for the purchase of Units at regular intervals and only after the Manager has revised the Prospectus to reflect the proposed increase and its commencement date.
- 19.7.2 Under the terms of the Trust Deed, the *Manager* is entitled to make a charge on the redemption of Units. At present, the Manager does not make such a charge.
- 19.7.3 The Manager cannot levy this charge unless 60 days' written notice of the introduction of the charge and the date of its commencement has been given to the Trustee and to Unitholders and the Prospectus has been amended to reflect the change and the revised Prospectus has been made available for 60 days.

20. DILUTION ADJUSTMENT

- 20.1. When the Manager buys or sells underlying investments in response to a request for subscription or redemption of Units, it will generally incur a cost, made up of dealing costs and any spread between the buying and selling prices of the investment concerned.
- 20.2. The Manager will apply a dilution charge to prevent dilution of the Fund as explained above and in the scenarios listed below. Rather than reduce the effect of dilution by making a separate charge to investors when they buy or sell Units in the Fund, the FCA's regulations permit an Authorised Fund Manager to move the price at which Units are bought or sold on any given day. The single price can

be swung higher or lower at the discretion of the Manager. This price movement from the basic midmarket price is known as a 'Dilution Adjustment'. The amount of the adjustment is paid into the Fund for the protection of existing/continuing Unitholders. Any dilution adjustment applied is included in the price applied to the deal.

- 20.3. The Dilution Adjustment shall make such reasonable allowance as the Manager determines is appropriate for the typical market spread of the value of the assets of the Fund and the related costs of acquisition or disposal of these assets. Where the Fund invests in another fund, Unit fund, an open ended investment company or any other collective investment scheme ('a collective investment vehicle'), the Manager may base the calculation of that part of the Dilution Adjustment relating to that investment on the calculation of the Dilution Adjustment on a look-through to the underlying assets of that collective investment vehicle.
- 20.4. The Manager's policy will be to normally impose a Dilution Adjustment where there are net inflows or outflows on any given day, where the estimated potential cost to the Fund justifies its application.
- 20.5. The Dilution Adjustment may also be charged:
 - 20.5.1 where the Fund is in continual decline;
 - 20.5.2 on the Fund experiencing large levels of net sales relative to its size;
 - 20.5.3 in any other case where the Manager is of the opinion that the interests of Unitholders require imposition of a Dilution Adjustment.
- 20.6. Where a Dilution Adjustment applies to a fund at a Valuation Point:
 - 20.6.1 if there is a net investment in the fund at that *Valuation Point*, the *Unit* price may (but will not always) be increased to allow for the rate of Dilution Adjustment; and
 - 20.6.2 if there is a net divestment in the fund at the Valuation Point, the Unit price may (but will not always) be decreased to allow for the amount of the Dilution Adjustment.
- 20.7. Dilution is related to the inflows and outflows of monies from the Fund and, as such, it is not possible to predict accurately whether dilution will occur at any future point in time.
- 20.8. Consequently it is also not possible to accurately predict how frequently the Manager will need to make such a dilution adjustment. The rate of any dilution adjustment made from time to time will differ for the Fund and be dependent on dealing spreads, commissions and taxes and duties arising on the purchase or sale of the Scheme Property of the Fund. These estimated rates may differ in practice.
- 20.9. For illustrative purposes, the table below shows historic information on dilution adjustments to the Unit price over the period 1 January 2022 to 31 December 2022.

Fund name	Estimated Dilution Adjustment (%) Applicable For Purchases	Estimated Dilution Adjustment (%) Applicable For Sales	Number Of Days On Which A Dilution Adjustment Has Been Applied
TM Merlin Fund	0.23	0.11	0

21. RESTRICTIONS AND COMPULSORY TRANSFER AND REDEMPTION

The Manager may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Units are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory. In this connection, the Manager may, inter alia, reject in its discretion any application for the purchase, sale or transfer of Units.

22. MANDATORY CONVERSION OF UNITS

The Manager may, upon appropriate notice to affected Unitholders, effect a compulsory conversion of Units in one Unit class of the Fund for another Unit class of the Fund. Such compulsory conversion shall be conducted as described above at section 21. A compulsory conversion will only be undertaken where the Manager reasonably considers it is fair and in the best interests of affected Unitholders. By way of example, the Manager may effect a compulsory conversion where the Manager reasonably believes it is fair and in the best interests of Unitholders to reduce the number of available classes. Examples of when this compulsory conversion power will be used, include (but are not limited to): to facilitate switching Unitholders to better value Unit classes or for the consolidation of Unit classes.

23. EQUALISATION AND GROUPING FOR EQUALISATION

- 23.1. Equalisation payments are made to Unitholders on the first distribution date following the purchase of their Units and represent the return of the amount included in the purchase price of those Units in respect of accrued income to the date of purchase which is repaid to the investor as capital.
- 23.2. The Trust Deed permits the Manager to group Units over each interim or annual Accounting Period. The total amount of equalisation included in the price of Units issued during such a grouping period may be averaged, so that investors will receive the same amount of equalisation per Unit for each Unit purchased by them during the relevant grouping period.

24. SUSPENSION OF DEALINGS

- 24.1. The Manager may, with the prior agreement of the Trustee, and must without delay if the Trustee so requires temporarily suspend the issue, cancellation, sale and redemption of Units in the Fund where due to exceptional circumstances it is in the interests of all the Unitholders in the Fund.
- 24.2. The Manager and the Trustee must ensure that the suspension is only allowed to continue for as long as is justified having regard to the interests of Unitholders.

- 24.3. The Manager or the Trustee (as appropriate) will immediately inform the FCA of the suspension and the reasons for it and will follow this up as soon as practicable with written confirmation of the suspension and the reasons for it to the FCA and the regulator in each EEA State where the Fund is offered for sale.
- 24.4. The Manager will notify Unitholders as soon as is practicable after the commencement of the suspension, including details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading way and giving Unitholders details of how to find further information about the suspension.
- 24.5. Where such suspension takes place, the Manager will publish details on its website or other general means, sufficient details to keep Unitholders appropriately informed about the suspension, including, if known, its possible duration.
- 24.6. During the suspension none of the obligations in COLL 6.2 (Dealing) will apply but the Manager will comply with as much of COLL 6.3 (Valuation and Pricing) during the period of suspension as is practicable in light of the suspension.
- 24.7. Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the Manager and the Trustee will formally review the suspension at least every 28 days and will inform the FCA of the review and any change to the information given to Unitholders.
- 24.8. The Manager may agree during the suspension to deal in Units in which case all deals accepted during and outstanding prior to the suspension will be undertaken at a price calculated at the first Valuation Point after the restart of dealings in Units.

25. ALLOCATION AND ACCUMULATION OF INCOME

- 25.1. Allocations of income are made in respect of the income available for allocation in each Accounting Period. The Trustee shall allocate the amount of income available to Units in issue at the end of the relevant Accounting Period.
- 25.2. 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 Fund at the end of the relevant distribution period and is reflected in the price of an accumulation Unit.
- 25.3. **If a distribution remains unclaimed for a period of six years after it has become due it will be forfeited and will revert to the Fund.**
- 25.4. The amount available for distribution in any Accounting Period is calculated by taking the aggregate of the income received or receivable for the account of the Fund in respect of that period, and deducting all properly paid or payable out of the income account in respect of that Accounting Period and adding the Manager's best estimate of any relief from tax on that remuneration and those other payments.
- 25.5. The Manager then makes such other adjustments as it considers appropriate (and after consulting the auditor as appropriate) in relation to taxation and to income equalisation), income unlikely to be received within 12 months following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and any other adjustments which the Manager considers appropriate after consulting the auditor of the Fund.

26. TAXATION OF THE FUND

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 tax resident. However, it should neither be regarded as definitive nor as removing the desirability of taking separate professional advice. Investors are advised to consult their professional tax adviser. Levels and bases of, and reliefs from, taxation are subject to change in the future.

26.1. Taxation of the Fund

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

26.1.2 The Fund will make dividend distributions except where over 60% of the Fund's property has been invested 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.

26.1.3 Income

- (a) The Fund is liable to corporation tax on 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.
- (b) Where the Fund is a Bond Fund, the gross amount of any interest distributions is an allowable expense for corporation tax purposes and no tax will actually be paid on that part of the income funding the interest distributions.
- (c) Dividend income received by the Fund 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. The 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.

26.1.4 Chargeable 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.

26.2. Stamp Duty Reserve Tax

26.2.1 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.

26.2.2 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 Fund are surrendered and the investors receive assets from the Fund (rather than cash) which are not in proportion to each investor's share of the total assets held by the Fund.

26.3. **Taxation of the Unitholders**

26.3.1 Income

- (a) 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.
- (b) The distribution accounts of the Fund 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 Fund.
- (c) Where more than 60% of the Fund is invested in "qualifying investments" (broadly speaking interest paying investments, see further below) the Fund will make an interest distribution. Where this is not the case, distributions made by the Fund will be dividend distributions.
- (d) All Unitholders will be sent tax certificates stating the make-up of their distributions and showing their taxable income.

26.4. **Interest Distributions**

26.4.1 UK resident individuals

- (a) Interest distributions paid by the Fund (save in respect of distributions to certain qualifying Unitholders) are treated as yearly interest and are subject to income tax.
- (b) 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.
- (c) 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.
- (d) Basic rate, higher rate and additional rate taxpayers will pay income tax (in the case of basic rate and higher rate taxpayers, 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).

26.4.2 UK corporate Unitholders

- (a) If, at any point in an accounting period of a UK corporate Unitholder, a fund fails to satisfy the "qualifying investment" test, Units held by UK corporate Unitholders in respect of such fund 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).
- (b) The Fund 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.
- (c) Interest distributions paid to UK corporate Unitholders may be paid without deduction of income tax at source.

26.5. Dividend Distributions

26.5.1 Dividend distributions paid by the Fund 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 certificate. The unfranked portion is 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 any UK corporate Unitholder 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 indexation figure that UK corporate Unitholders can deduct will cover only the movement in the Retail Price Index from the date of acquisition of the asset up to 31 December 2017.

(d) Stamp Duty Reserve Tax

Generally, there will be no charge to SDRT when Unitholders surrender or redeem their Units. However, where the redemption is satisfied by a non-pro rata in specie redemption, then a charge to SDRT may apply.

The Manager reserves the right to redeem the Units of any Unitholder who jeopardises the tax status of the Fund.

26.6. Income equalisation – tax implications

The price of a Unit of a particular class is based on the value of that class' entitlement in the Fund, including the income of the Fund 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.

26.7. 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.

26.8. Tax Elected Fund ("TEF") regime

The Manager may, in the future, seek to elect the Fund into the TEF regime if it considers that it would be advantageous for the majority of investors in the Fund

to do so. If the Fund is elected into the TEF regime, the UK tax treatment of the Fund and its investors would be different to that set out above.

26.9. **International Tax Compliance**

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

26.9.2 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).

26.9.3 To be compliant with the International Tax Compliance Regulations the Fund 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.

26.9.4 **Unitholders should note that:**

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

26.9.5 If a Unitholder fails to provide the information required by the Fund 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.

27. **TAXATION OF CHINESE EQUITIES AND BONDS**

27.1. **Chinese Withholding Income Tax**

27.1.1 Under the current China Corporate Income Tax ("CIT") regime, Chinese tax resident enterprises should be subject to CIT on its worldwide income. Non-resident enterprises with establishments or places of business ("PE") in China should be subject to CIT on taxable income derived by such PE in China. To the extent that the Fund is not Chinese tax resident enterprises or non-tax resident enterprises with PE in China for CIT purposes, the Fund should only be subject to Chinese Withholding Income Tax ("WHT") on taxable income sourced from China (e.g. dividends,

interest, capital gains, etc.), unless otherwise reduced or exempted pursuant to the applicable tax agreements or arrangements between China and the jurisdiction where the Fund is tax resident, or applicable China tax regulations.

27.1.2 The Ministry of Finance ("MOF"), the State Taxation Administration ("STA") and the China Securities Regulatory Commission of the People's Republic of China ("CSRC") jointly issued notices in relation to the taxation rules on Shanghai – Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect under Caishui 2014 No.81 ("Notice No.81") on 31 October 2014 and Caishui 2016 No. 127 ("Notice No. 127") on 5 December 2016, respectively. Under Notice No.81 and Notice No. 127, CIT and individual income tax should be temporarily exempted on gains derived by Hong Kong and overseas investors (including the Fund) on the trading of China A-Shares through Stock Connect. However, Hong Kong and overseas investors are required to pay tax on dividends and/or bonus shares at the rate of 10% which will be withheld and paid to the relevant authority by the listed companies. Where an investor is a tax resident of another country that has signed a tax treaty with China and in which the stipulated income tax rate on stock dividends is less than 10%, the investor may apply to the competent tax authority of the relevant listed company to enjoy the preferential treatment under the tax treaty, insofar as such a preferential treatment is granted to a fund.

28. MEETINGS OF UNITHOLDERS AND VOTING RIGHTS

28.1. Requisitions of Meetings

28.1.1 The Manager may requisition a general meeting at any time.

28.1.2 Unitholders may also requisition a general meeting of the Fund. A requisition by Unitholders must state the objects of the meeting, be dated, be signed by Unitholders who, at the date of the requisition, are registered as holding not less than one-tenth in value of all Units then in issue and the requisition must be deposited at the head office of the Fund. The Manager must convene a general meeting no later than eight weeks after receipt of such requisition.

28.2. Notice and Quorum

Unitholders will receive at least 14 days' notice of a Unitholders' meeting and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for a meeting is two Unitholders, present in person or by proxy. The quorum for an adjourned meeting is also two Unitholders present in person or by proxy, however if a quorum is not present from a reasonable time from the time appointed for the meeting then one person entitled to be counted in a quorum shall be a quorum. Notices of meetings and adjourned meetings will be sent to Unitholders at their registered addresses.

28.3. Voting Rights

28.3.1 At a 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, has one vote.

- 28.3.2 On a poll vote, a Unitholder may vote either in person or by proxy. The voting rights attaching to each Unit are such proportion of the voting rights attached to all the Units in issue that the price of the Unit bears to the aggregate price(s) of all the Units in issue at the date seven days before the notice of meeting is deemed to have been served.
- 28.3.3 A Unitholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.
- 28.3.4 Except where the COLL Sourcebook or the Trust Deed of the Fund requires an extraordinary resolution (which needs 75% of the votes cast at the meeting to be in favour if the resolution is to be passed) any resolution will be passed by a simple majority of the votes validly cast for and against the resolution.
- 28.3.5 The Manager may not be counted in the quorum for a meeting and neither the Manager nor any associate (as defined in the FCA Regulations) of the Manager is entitled to vote at any meeting of the Fund except in respect of Units which the Manager or associate holds on behalf of or jointly with a person who, if the registered Unitholder, would be entitled to vote and from whom the Manager or associate has received voting instructions.
- 28.3.6 "Unitholders" in this context means Unitholders on the date seven days before the notice of the relevant meeting was deemed to have been served but excludes holders who are known to the Manager not to be Unitholders at the time of the meeting.

28.4. **Class Meetings**

The above provisions, unless the context otherwise requires, apply to Unit class meetings as they apply to general meetings of Unitholders.

28.5. **Variation of Class Rights**

The rights attached to a Unit class may not be varied without the sanction of a resolution passed at a meeting of Unitholders of that Unit class by a seventy-five per cent majority of those votes validly cast for and against such resolution.

29. **GENERAL INFORMATION**

29.1. **Accounting Periods**

The annual Accounting Period of the Fund ends each year on 31 May (the accounting reference date). The interim Accounting Period of the Fund ends each year on 30 November.

29.2. **Income Allocations**

29.2.1 Allocations of income are made in respect of the income available for allocation in each Accounting Period.

29.2.2 Distributions of income of the Fund are paid by cheque or by BACS two clear business days before 31 July and 31 January.

29.2.3 **If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the Fund.**

29.2.4 The amount available for distribution in any Accounting Period is calculated by taking the aggregate of the income received or receivable for the account of the Fund in respect of that period, and deducting the charges and expenses of the Fund paid or payable out of income in respect of that Accounting Period. The Manager then makes such other adjustments as it considers appropriate in relation to taxation, income equalisation, income unlikely to be received within 12 months following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and any other adjustments which the Manager considers appropriate after consulting the auditor of the Fund.

29.3. **Reports**

Annual reports of the Fund will be published in long form within four months of each annual Accounting Period and half-yearly reports will be published in long form within two months of each interim Accounting Period. The long reports will be available upon request. Copies may be obtained by writing to the Manager at the head office address.

29.4. **Documents of the Fund**

29.4.1 The following documents may be inspected free of charge between 9.00 a.m. and 5.00 p.m. every business day at the offices of the Manager at Exchange Building, St John's Street, Chichester PO19 1UP:

- (a) the most recent annual and half-yearly reports of the Fund
- (b) the Trust Deed (and any amending trust deed); and
- (c) the Prospectus.

29.4.2 The Manager may make a charge at its discretion for copies of documents.

29.5. **Risk Management**

A statement on the methods used for risk management, supplemental to what is contained in this Prospectus in connection with the Fund and the quantitative limits used together with the current risk yields of the main categories of investments is available from the Manager on request.

29.6. **Provision of Investment Advice**

All information concerning the Fund and about investing in Units in the Fund is available from the head office of the Manager. The Manager is not authorised to give investment advice and persons requiring such advice should consult an independent financial advisor. All applications for Units are made solely on the basis of the current Prospectus of the Fund, and investors should ensure that they have the most up to date version.

30. **STRATEGY FOR THE EXERCISE OF VOTING RIGHTS**

The Manager has a strategy for determining when and how voting rights attached to ownership of Scheme Property are to be exercised for the benefit of the Fund. A summary of this strategy is available from the Manager on written request.

Further details of the actions taken on the basis of this strategy for the Fund are also available from the manager on written request.

31. BEST EXECUTION

31.1.1 The Investment Manager's best execution policy sets out the basis upon which the Investment Manager will effect transactions and place orders in relation to the Fund whilst complying with its obligations under the FCA Handbook to obtain the best possible result for the Fund.

31.1.2 Details of the best execution policy are available from the Manager on request.

32. DEALING ARRANGEMENTS AND INDUCEMENTS

32.1. Financial Intermediary Commission

For investors in the Fund that purchase Units through a broker or other financial intermediary, please note that the Manager, the Investment Manager and/or their respective related companies may, where the FCA Rules permit, pay such intermediary initial and renewal commission for the sale of the Units and related services at their discretion. These charges are paid by the Manager, Investment Manager or their respective related companies out of their own charges and do not result in any additional charges to the Fund.

32.2. Dealing Arrangements and Inducements

32.2.1 The Investment Manager uses dealing commission that it pays to brokers to cover costs relating to the execution of trades on behalf of the Fund, and, in the case of bundled commission, to purchase research services from brokers or third parties. The Investment Manager considers such use of commission to be beneficial to the Fund and its Unitholders, as it enables them to obtain valuable research and execution services in a cost effective manner.

32.2.2 In many cases, the research services will be provided by the broker and the Investment Manager will include payment for the research services alongside the execution cost in their commission payment to the broker. In other cases the research services will be provided by a third party, in which case the cost of the services will be met by requesting a broker to pay the third party a portion of the commission that the broker has received, being an amount over and above what was justified by the broker's own services.

32.2.3 The Investment Manager currently receives the following goods and services under its dealing arrangements in accordance with FCA guidance:

- (a) goods and services relating to the provision of research;
- (b) research from third party information providers;
- (c) broker led research; and
- (d) non-broker led research.

32.3. **Disclosures**

The Manager will make such disclosures to the Fund regarding inducements as are required under the FCA Rules.

32.4. **Late Trading and Market Timing**

32.4.1 "Late Trading" is defined as the acceptance of a subscription, redemption or switch order received after the Fund's applicable Valuation Point for that Dealing Day. Late Trading is not permitted. As such, orders will not be accepted using the price established at the Valuation Point for that Dealing Day if orders are received after that time.

32.4.2 Late Trading will not include a situation in which the Manager is satisfied that orders which are received after the Valuation Point have been made by investors before then (e.g. where the transmission of an order has been delayed for technical reasons).

32.4.3 In general, "market timing" refers to the investment behaviour of a person or group of persons buying, selling or switching Units on the basis of predetermined market indicators. Market timing may also be characterised by transactions that seem to follow a timing pattern or by frequent or large transactions in Units. The Manager does not knowingly allow investments which are associated with market timing activities, as these may adversely affect the interests of all Unitholders and will take active measures to frustrate such practices where it has reasonable grounds to suspect these strategies are being or may be attempted.

33. **BENCHMARKS REGULATION**

33.1. The Benchmarks Regulation requires the Manager to ensure, unless otherwise disclosed in this Prospectus, the indices or benchmarks utilised by the Fund are, as at the date of this Prospectus, provided by an administrator that is listed on the register of benchmarks and administrators maintained by the FCA, as required by the Benchmarks Regulation.

33.2. The Manager has adopted a written plan setting out actions, which it will take with respect to the Fund in the event that an index or benchmark materially changes or ceases to be provided, in accordance with the Benchmarks Regulation. Copies of the descriptions of these plans may be accessed, free of charge, upon request, from the Manager.

34. **NOTICES**

Notices and documents will be sent to the Unitholders registered address. All documents and remittances are sent at the risk of the Unitholder.

35. **COMPLAINTS**

35.1. Unitholders who have a complaint about the operation of the Fund should in the first instance contact the Manager. If a complaint cannot be resolved satisfactorily with the Manager, it may be referred to the Financial Services Ombudsman at Exchange Tower, London E14 9SR.

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

36. FINANCIAL SERVICES COMPENSATION SCHEME

The Manager is covered by the Financial Services Compensation Scheme ("FSCS"), which means if the Manager becomes insolvent, you may be entitled to compensation. The level of compensation will depend on the type of business and the circumstances of your claim. Further information about compensation arrangements is available from the Manager on request or from the FSCS at:

The Financial Services Compensation Scheme 10th Floor
Beaufort House
15 St Botolph Street
London
EC3A 7QU

Telephone: 0800 678 1100 or 020 7741 4100

Website: www.fscs.org.uk

**APPENDIX 1
DETAILS OF THE FUND**

Name:	TM Merlin Fund	
Commencement:	The Fund was established by a Trust Deed dated 17 May 1999 and authorised by the FCA	
Type of Fund:	UK UCITS	
Launch date:	20 May 1999	
Annual accounting date:	31 May	
Interim accounting date:	30 November	
Annual income payment date:	2 clear Business Days before 31 July	
Interim income payment date:	2 clear Business Days before 31 January	
Classes of Unit offered:	Income and accumulation Units are provided for in the Trust Deed and Prospectus. Currently, only income Units have been activated	
Initial charge:	Current:	6%
Redemption charge:	Current:	None
Annual management fee:	Current:	1%
Annual management charge taken from:	Income	
Minimum investment:	Lump sum:	£100,000
	Holding:	£100,000
Minimum subsequent investment	Top-up:	£50,000
	Redemption:	£100,000
Past performance:	Past performance information is set out in Appendix 5.	

*The Annual Management Charge is currently taken from the income of the Fund. Where the charge is normally taken from income of a fund, but there is insufficient income to meet this charge, it will be taken from capital of the Fund. Where the charge is taken from the capital of the Fund, this may result in capital erosion or constrain capital growth.

APPENDIX 2

INVESTMENT MANAGEMENT AND BORROWING POWERS OF THE FUND

1. Investment restrictions

The Scheme Property will be invested with the aim of achieving the investment objective of the Fund but subject to the limits on investment set out in the COLL Sourcebook and the Fund's investment policy.

1.1 The following limits apply to the Fund.

1.1.1 Generally the Fund will invest in the investments to which it is dedicated including (a) transferable securities; (b) Units in collective investment schemes; (c) approved Money Market Instruments; (d) deposits; and (e) (for the purposes of EPM) derivatives and forward transactions.

1.1.2 Generally, to protect investors the markets on which investments of the Fund are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and when it is sold. Eligible markets are (a) regulated markets; or (b) markets established in the United Kingdom or an EEA State which are regulated, operate regularly and are open to the public; and (c) markets which the Manager, after consultation with and notification to the Trustee, has decided are appropriate for the purpose of investment of or dealing in the Scheme Property having regard to the relevant criteria in the COLL Sourcebook and guidance from the FCA. Such markets must operate regularly, be regulated, 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 arrangements for unimpeded transmission of income and capital to or to the order of the investors. The eligible securities and derivatives markets for the Fund are set out in Appendices III and IV.

1.2 Transferable securities

1.2.1 Up to 10% of the value of the Scheme Property may be invested in transferable securities and approved Money Market Instruments which are not admitted to or dealt in on an Eligible Market, or recently issued transferable securities.

1.2.2 Up to 5% of the value of the Scheme Property may be invested in transferable securities issued by any one single body (other than transferable securities or approved Money Market Instruments issued by the United Kingdom or an EEA State, a local authority of the United Kingdom or an EEA State, a non-EEA State or a public international body to which the United Kingdom or one or more EEA States belong). However, up to 10% in value of the Scheme Property may be invested in those securities and instruments (or certificates representing those securities) issued by the same issuer if the value of all such holdings combined does not exceed 40% of the value of the Scheme Property. Up to 20% in value of the Scheme Property can consist of transferable securities or approved Money Market Instruments issued by the same group (being 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).

- 1.2.3 Up to 100% of the Scheme Property may be invested in transferable securities or approved Money Market Instruments issued by or on behalf of or guaranteed by any one body which is the United Kingdom or an EEA State, a local authority of the United Kingdom or an EEA State, a non-EEA State or a public international body to which the United Kingdom or one or more EEA States belong which may be one of the following: the governments of the United Kingdom (including the Scottish Administration, the Executive Committee of the Northern Ireland Assembly, the National Assembly of Wales), Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland and United States (including Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Government National Mortgage Association (GNMA), Private Export Funding Corporation (PEFCO)) or by one of the following international organisations: African Development Bank, Asian Development Bank, Council of Europe Development Bank, Deutsche Ausgleichsbank (DTA), Eurofima, European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IADB), International Bank for Reconstruction & Development (IBRD), International Finance Corporation (IFC), Kreditanstalt für Wiederaufbau (KfW) and the Nordic Investment Bank (NIB).
- 1.2.4 If more than 35% in value of the Scheme Property is invested in transferable securities or approved Money Market Instruments issued by any one body which is the United Kingdom or an EEA State, a local authority of the United Kingdom or an EEA State, non-EEA State or a public international body to which the United Kingdom or one or more EEA States belong, no more than 30% in value of the Scheme Property may consist of such securities or instruments of any one issue and the Scheme Property must include at least six different issues whether of that issuer or another issuer.

1.3 **Collective investment schemes**

- 1.3.1 Up to 10% in value of the Scheme Property may be invested in Units in other collective investment schemes. The Scheme Property may be invested in collective investment schemes managed by the Manager, or an associate of the Manager (or in the case of an OEIC (as defined in the glossary to the FCA Regulations), the authorised corporate director of which is the Manager), subject to the rules contained in COLL 5.2.15. Investment may only be made in other collective investment schemes whose maximum annual management charge does not exceed 2.5%. The Fund may invest in collective investment schemes which permit performance fees to be charged, although due to the nature of such fees (which generally depend on the performance of the investee scheme against a specified benchmark), it is impossible to predict the level of such fees.
- 1.3.2 The investee schemes must comply with paragraphs 1.3.3 and 1.3.4.
- 1.3.3 Any collective investment schemes in which the Fund invests need to:
- (a) be a UK UCITS or satisfy the conditions necessary for them to enjoy the rights conferred by the UCITS Directive as implemented in the EEA; or

- (b) be a recognised scheme (as defined in the FCA Handbook) that is authorised by the supervisory authorities of Guernsey, Jersey or the Isle of Man (provided that the requirements of Article 50(1)(e) of the UCITS Directive are met); or
- (c) be authorised as a Non-UCITS retail scheme; or
- (d) be authorised in an EEA State.
- (e) be authorised by the competent authority of an OECD member country (other than an EEA State) which has:
 - (i) signed the IOSCO Multilateral Memorandum of Understanding; and
 - (ii) approved the scheme's management company, rules and depositary/custody arrangements.

Provided that for (c) and (d) and (e) the requirements of COLL 5.2.13AR are also met.

1.3.4 Investee schemes must also comply with the rules relating to investment in other associated collective investment schemes and the group schemes contained in the COLL Sourcebook and themselves be schemes which have terms which prohibit more than 10% of their assets consisting of Units in other collective investment schemes.

1.3.5 The Fund may invest in Units of collective investment schemes and pay any related charges or expenses for investing in such Units unless the schemes are managed, operated or administered by the Manager (or one of its associates) in which case, the Fund will pay no additional management or administrative charges to the Manager or its associate (as the case may be).

1.4 **Approved Money Market Instruments**

1.4.1 Up to 100% in value of the Scheme Property can consist of approved Money Market Instruments which are normally dealt in on the money market, are liquid and whose value can be accurately determined at any time provided the approved Money Market Instrument is:

- (a) admitted to or dealt in on an eligible market;
- (b) where it is not admitted to or dealt in on an Eligible Market, the issue or the issuer is regulated for the purpose of protecting investors and savings and the instrument is issued or guaranteed in accordance with the COLL Sourcebook.

Notwithstanding the above up to 10% of the Scheme Property may be invested in approved Money Market Instruments and transferable securities which do not meet these criteria.

1.5 Warrants and Nil and Partly Paid Securities

1.5.1 Up to 5% in value of the Scheme Property may consist of warrants, provided that:

- (a) warrants may only be held if it is reasonably foreseeable there will be no change to the Scheme Property between the acquisition of the warrant and its exercise; and
- (b) the rights conferred by the proposed warrant and all other warrants forming part of the Scheme Property at the time of the acquisition of the proposed warrant will be exercised; and
- (c) the exercise of the rights conferred by the warrants will not contravene the COLL Sourcebook.

1.5.2 Securities on which any sum is unpaid may be held provided that it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Fund at any time when the payment is required without contravening the COLL Sourcebook.

1.6 Deposits

Subject to the investment objectives and policy, up to 20% in value of the Scheme Property can consist of deposits with a single body. The Fund may only invest in deposits with an Approved Bank which are repayable on demand, or have the right to be withdrawn, and which mature in no more than 12 months.

1.7 Derivatives and forward transactions

The investment objective and policy of the Fund (as set out in Sections 2.1 and 2.2) explains how derivatives will be used for the Fund. Where derivatives are used for Efficient Portfolio Management then this will not compromise the risk profile of the Fund. Use of derivatives for these purposes will not knowingly contravene any relevant investment objective or limits.

1.7.1 Except as set out in 1.7.4 below there is no upper limit on the use of transactions in derivatives or forward transactions for the Fund, provided that such transactions fall under 1.7.2 and 1.7.3.

1.7.2 A transaction in a derivative or forward transaction must:

- (a) be in an approved derivative effected on or under rules of an eligible derivatives market; or
- (b) be in an OTC which must be entered into with an approved counterparty, must be on approved terms as to valuations, liquidation and close out, must be capable of valuation and subject to verifiable valuation;
- (c) have the underlying consisting of any or all of the following to which the Fund is dedicated:
- (d) transferable securities;
- (e) approved Money Market Instruments;

- (f) permitted deposits;
- (g) permitted derivatives;
- (h) permitted collective investment scheme Units;
- (i) financial indices;
- (j) Interest Rates;
- (k) foreign exchange rates; and
- (l) currencies;
- (m) it must not cause the Fund to diverge from its investment objective, 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 and must be, in the case of a forward transaction, with an Eligible Institution or an Approved Bank.

Use of derivatives must be supported by a risk management process maintained by the Manager which should take account of the investment objective and policy of the Fund.

- 1.7.3 The Manager must ensure that the global exposure relating to derivatives and forward transactions held within the Scheme do not exceed the net value of the Scheme Property.

2. **Daily Calculation of Global Exposure**

- 2.1 The Manager must calculate the global exposure of the Fund on at least a daily basis, in accordance with the methods described in COLL 5.3.7R to COLL 5.3.10Rst.
- 2.2 For the purposes of this paragraph, exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

3. **Calculation of Global Exposure**

- 3.1 The Manager must calculate the global exposure of the Fund either as:
 - 3.1.1 the incremental exposure and leverage generated through the use of derivatives and forward transactions, which may not exceed 100% of the net value of the Scheme Property of the Fund, by way of the commitment approach; or
 - 3.1.2 the market risk of the Scheme Property of the Fund, by way of the value at risk approach.
- 3.2 The Manager must ensure that the method selected above is appropriate, taking into account:
 - 3.2.1 the investment strategy pursued by the Fund;

- 3.2.2 the types and complexities of the derivatives and forward transactions used; and
 - 3.2.3 the proportion of the Scheme Property comprising derivatives and forward transactions.
- 3.3 Where the Fund employs techniques and instruments including Repo contracts or stock lending transactions in accordance with paragraph 5 (Stock lending) in order to generate additional leverage or exposure to market risk, the Manager must take those transactions into consideration when calculating global exposure.
- 3.4 For the purposes of sub-paragraph 3.1.2, value at risk means a measure of the maximum expected loss at a given confidence level over the specific time period.

4. **Commitment Approach**

- 4.1 Where the Manager uses the commitment approach for the calculation of global exposure, it must:
- 4.1.1 ensure that it applies this approach to all derivative and forward transactions, whether used as part of the Fund's general investment policy, for the purposes of risk reduction or for the purposes of Efficient Portfolio Management in accordance with paragraph 5 (Stock lending); and
 - 4.1.2 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).
- 4.2 The Manager may apply other calculation methods which are equivalent to the standard commitment approach.
- 4.3 For the commitment approach, the Manager may take account of netting and hedging arrangements when calculating global exposure of the Fund, where these arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure.
- 4.4 Where the use of derivatives or forward transactions does not generate incremental exposure for the Fund, the underlying exposure need not be included in the commitment calculation.
- 4.5 Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of the Fund in accordance with Appendix 2 (Investment and Borrowing Powers) need not form part of the global exposure calculation.
- 4.6 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property. This limit is raised to 10% where the counterparty is an Approved Bank.

4.7 **Combinations of Investments**

- 4.7.1 In applying the limits in paragraphs 1.2.2 and 1.7 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;
 - (b) deposits made with; or

- (c) exposures from OTC derivatives made with; a single body.

4.8 **Concentration**

4.8.1 The Fund must not hold more than:

- (a) 10% of the transferable securities (other than debt securities) issued by a body corporate which do not carry rights to vote on any matter at a general meeting of that body; or
- (b) 10% of the debt securities issued by any single body; or
- (c) 10% of the approved Money Market Instruments issued by any single body; or
- (d) 25% of the Units in a collective investment scheme.

4.8.2 The Manager must not acquire for the Fund 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:

- (a) immediately before the acquisition, the aggregate of any such securities held for the Fund, taken together with any such securities already held for other Funds of which it is already the Manager, gives the Manager power to influence significantly the conduct of business of that body corporate; or
- (b) the acquisition gives the Manager that power.

4.8.3 For the purpose of 1.9.2.1, 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 authorised unit trust schemes of which it is the 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).

4.9 **General**

4.9.1 Underwriting and sub-underwriting contracts and placings may also, subject to certain conditions set out in the COLL Sourcebook, be entered into for the account of the Fund.

4.9.2 Cash or near cash must not be retained in the Scheme Property except as this may be reasonably regarded as necessary in order to enable the pursuit of the Fund's investment objective; or for redemption of Units in the Fund; or efficient management of the Fund in accordance with its investment objective or for a purpose which may reasonably be regarded as ancillary to the investment objectives of the Fund.

5. **Stock Lending**

5.1 The Trustee acting in accordance with the instructions of the Manager, may enter into Repo contracts or stock lending transactions (involving a disposal of securities in the Fund and reacquisition of equivalent securities) when it reasonably appears to the Manager to be appropriate to do so with a view to generating additional income for the Fund with an acceptable degree of risk. Such transactions must

comply with conditions set out in the COLL Sourcebook, which require (among other things) that:

- 5.1.1 the stock lending transaction must be of a kind described in Section 263B of the Taxation of Chargeable Gains Act 1992;
- 5.1.2 the terms of the agreement under which the Trustee is to re-acquire the securities for the account of the Fund must be in a form which is acceptable to the Trustee and in accordance with good market practice;
- 5.1.3 the counterparty must be acceptable in accordance with the COLL Sourcebook; and
- 5.1.4 high quality and liquid collateral obtained must be acceptable to the Trustee and must also be adequate and sufficiently immediate as set down in the COLL Sourcebook.
- 5.1.5 The Fund does not currently undertake stock lending. If this were to change in the future this Prospectus will be reviewed and updated.

6. **Borrowing Powers**

- 6.1 The Fund or Trustee may, in accordance with this paragraph and subject to the COLL Sourcebook, borrow money from an Eligible Institution or an Approved Bank for the use of the Fund on the terms that the borrowing is to be repayable out of the Scheme Property.
 - 6.1.1 The Manager must ensure that borrowing is on a temporary basis, and that borrowings are not persistent, and for this purpose the Manager must have regard in particular to:
 - (a) the duration of any period of borrowing; and
 - (b) the number of occasions on which it has resorted to borrowing in any period.
 - 6.1.2 The Manager must ensure that no period of borrowing exceeds three months without the prior consent of the Trustee.
 - 6.1.3 The Manager must ensure that borrowing does not, on any business day, exceed 10% of the value of the Scheme Property.
 - 6.1.4 These borrowing restrictions do not apply to "back to back" borrowing to be cover for transactions in derivatives and forward transactions.

APPENDIX 3 ELIGIBLE 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) a market which the Manager, after consultation with, and notification to, the Depositary, determines is appropriate for the purpose of investment of, or dealing in, the property of a Fund. In accordance with the relevant criteria in the COLL sourcebook, 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 Company is currently permitted to deal.

1.	AUSTRALIA	ASX Group Limited
2.	BRAZIL	BM&F BOVESPA SA
3.	CANADA	Toronto Stock Exchange Group TSX Ventures Exchange
4.	CHILE	Bolsa de Comercio de Santiago
5.	CHINA	Shanghai Stock Exchange Shenzhen Stock Exchange
6.	HONG KONG	Hong Kong Exchanges & Clearing Limited Shanghai-Hong Kong Connect Shenzhen-Hong Kong Connect
7.	INDIA	Bombay Stock Exchange Ltd National Stock Exchange
8.	INDONESIA	Indonesia Stock Exchange
9.	ISRAEL	Tel Aviv Stock Exchange
10.	JAPAN	JASDAQ Stock Exchange Nagoya Stock Exchange Osaka Securities Exchange Sapporo Securities Exchange Tokyo Stock Exchange Fukuoka Stock Exchange

		Mothers Market TSE J-Reit
11.	KOREA	Korea Exchange Incorporated (KRX)
12.	MALAYSIA	Bursa Malaysia Securities Berhad
13.	MEXICO	Bolsa Mexicana de Valores (Mexican Stock Exchange)
14.	NEW ZEALAND	New Zealand Exchange Limited
15.	PERU	Lima Stock Exchange (Bolsa de Valores de Lima)
16.	PHILIPPINES	Philippine Stock Exchange
17.	SINGAPORE	Singapore Exchange
18.	SOUTH AFRICA	Johannesburg Securities Exchange
19.	TAIWAN	Taiwan Stock Exchange Gre Tai Securities Market
20.	THAILAND	The Stock Exchange of Thailand (SET)
21.	TURKEY	Istanbul Stock Exchange
22.	USA	NASDAQ Chicago Stock Exchange International Securities Exchange NYSE Euronext National Stock Exchange The market in transferable securities issued by or on behalf of the Government of the United States of America conducted through those persons for the time being recognised and supervised by the Federal Reserve Bank of New York and known as primary dealers
23.	OTHERS	SIX Group (Switzerland)

APPENDIX 4
LIST OF ADDITIONAL 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) a market which the Manager, after consultation with, and notification to, the Depositary, determines is appropriate for the purpose of investment of, or dealing in, the property of a Fund. In accordance with the relevant criteria in the COLL sourcebook, 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 Company is currently permitted to deal.

1.	AUSTRALIA	ASX Group Limited
2.	BRAZIL	BM&F Bovespa
3.	CANADA	Montreal Exchange
4.	HONG KONG	Hong Kong Exchanges & Clearings Limited
5.	JAPAN	Osaka Securities Exchange (OSE) Tokyo Stock Exchange (TSE) Tokyo Financial Exchange, Inc
6.	KOREA	Korea Exchange
7.	SINGAPORE	Singapore Exchange
8.	SOUTH AFRICA	JSE Securities Exchange The South African Futures Exchange
9.	USA	CME Group, Inc. Chicago Board Options Exchange (CBOE) International Securities Exchange NYSE Euronext OTHERS SIX Group (Switzerland)

**APPENDIX 5
DETAILS OF PAST PERFORMANCE**

The following table shows the percentage growth of the Fund and the historical performance data of the Fund over the periods stated below.

Fund Name	Performance Category Name	Label	2022	2021	2020	2019	2018
			(%)	(%)	(%)	(%)	(%)
TM Merlin Fund	Fund	Fund	-12.9	13.3	11.2	23.4	-9.2
	Performance Target	ARC Private Client Indices (PCI) Steady Growth Net Return	-10.2	10.2	4.6	15.0	-5.6

Source: Factset and abrdn.

Basis: NAV to NAV, The above figures are based on Income *Units*, GBP

The above performance figures are based on NAV to NAV prices. These performance figures are presented as a matter of historical record. Performance is determined by many factors, not just the skill of the Manager and the Investment Manager, including the general direction and *volatility* of markets and may not be repeatable. Past performance is not a guide to future rates of return. Performance information is shown for a period of five years. Where no performance data is shown, performance data does not exist for the relevant periods.

**APPENDIX 6
LIST OF SUB-CUSTODIANS**

As Appropriate In Line With The Eligible Markets Listed In Appendix 4

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 A Share	Bank of Communications Co., Ltd	Not applicable

China A Share	China Construction Bank Corporation	Not applicable
China A Share	Deutsche Bank (China) Co., Ltd, Shanghai Branch	Not applicable
China A Share	Industrial and Commercial Bank of China Limited	Not applicable
China A Share	Standard Chartered Bank (China) Limited	Not applicable
China B Share	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank (China) Company Limited
China B Share	Citibank N.A., Hong Kong Branch	Not applicable
Clearstream	Clearstream Banking S.A.,	Not applicable
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
Egypt	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Egypt SAE
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	Standard Chartered Bank	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	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Oman S.A.O.G
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
Saudi Arabia	The Hongkong and Shanghai Banking Corporation Limited	HSBC Saudi Arabia
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
Taiwan	JPMorgan Chase Bank N.A.	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 Arab Emirates	First Abu Dhabi Bank PJSC	Not applicable
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
Vietnam	Citibank N.A., Hanoi Branch	Not applicable

West Africa (UEMOA)	Standard Chartered Bank (Mauritius) Limited	Standard Chartered Bank Cote d'Ivoire SA
Zambia	Standard Chartered Bank Zambia PLC	Not applicable
Zimbabwe	Standard Chartered Bank (Mauritius) Limited	Standard Chartered Bank Zambia Limited

APPENDIX 7 OTHER SCHEMES MANAGED BY THE MANAGER

The Manager also manages the following authorised investment companies with variable capital and authorised unit trusts:

Authorised Investment Companies with Variable Capital

Abaco Fund ICVC
Arch House Fund
Ariel Fund
Bryth ICVC
CP Investment Funds
Destiny Fund ICVC
Harroway Capital ICVC
Hawarwatza Fund
Libero Portfolio Fund
Lime Grove Fund
Meadowgate Funds
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

Authorised Unit Trusts

BPM Trust
Eden Investment Fund
Elfynn International Trust
Glenhuntley Portfolio Trust
Hawthorn Portfolio Trust
KES Diversified Trust
KES Equity Fund
KES Growth Fund
KES Income and Growth Fund
KES Strategic Investment Fund
Latour Growth Fund
Lavaud Fund
Mossylea Fund
Pippin Return Fund
The Darin Fund
The Delta Growth Fund
The Deribee Funds
The Eldon Fund
The Hall Fund
The HoundStar Fund
The Iceberg Trust
The Maiden Fund
The Norfolk Trust

**Authorised Investment Companies
with Variable Capital**

The Lockerley Fund
The Mazener 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 Vinings Fund
The Wharton Fund
Thesis JDS Fund
TM Acer Fund
TM Balanced Growth Fund
TM Brown Advisory Funds
TM Brunsdon OEIC
TM Cerno Investment Funds
TM Cresswell Fund
TM CRUX Funds ICVC
TM CRUX OEIC
TM First Arrow Investment Funds

Authorised Unit Trusts

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
The TUTMAN B&CE Contracted-out Pension Scheme
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 New Court Fund
TM New Court Equity Growth Fund
TM New Institutional World Fund
TM Preservation Fund
TM Private Portfolio Trust
TM Stonehage Fleming Global Equities Fund
TM Stonehage Fleming Global Equities Fund II
TM Stonehage Fleming Global Equities Umbrella Fund

**Authorised Investment Companies
with Variable Capital**

TM Hearthstone ICVC

TM Investment Exposures Fund

TM Investment Funds

TM Lime Fund

TM Neuberger Berman Investment Funds

TM Oak Fund

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

Authorised Unit Trusts

DIRECTORY

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