



**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 Trust, is the person 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 the Collective Investment Schemes Sourcebook to be included in it. Thesis Unit Trust Management Limited accepts responsibility accordingly.

**PROSPECTUS**  
**OF**  
**TM NEW INSTITUTIONAL WORLD FUND**  
**(A Non-UCITS Retail Scheme)**

This document is the Prospectus of the TM NEW INSTITUTIONAL WORLD FUND which has been prepared in accordance with the Collective Investment Schemes Sourcebook (COLL) and the Investment Funds Sourcebook (FUND).

This Prospectus is dated and valid as at 21 April 2022 and replaces any previous prospectuses issued by the Trust.

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

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## **Important Information**

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

The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Units shall not, under any circumstances, create any implication that the affairs of the Trust have not changed since the date hereof. The distribution of this Prospectus and the offering of Units in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Trust to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by 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 Units have not been and will not be registered in the United States of America under any applicable legislation. They may not be offered or sold in the United States of America, any state of the United States of America or in its territories and possessions or offered or sold to US persons. The Trust and the Manager have not been and will not be registered in the United States of America under any applicable legislation. 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.

The provisions of the Trust Deed are binding on each of the Unitholders and a copy of the Trust Deed is available on 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.

This Prospectus is based on information, law and practice at the date hereof. The Manager cannot be bound by an out of date Prospectus when a new version has been issued and investors should check with Thesis Unit Trust Management Limited that this is the most recently published prospectus.

## **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 the 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 Trust. The data protection laws and other laws of these countries may not be as comprehensive as those that apply within the UK. In these instances the Manager will take steps to ensure that your privacy rights are respected. Unitholders have the right to access their personal data processed by the Manager together with (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 at [www.tutman.co.uk](http://www.tutman.co.uk) or on request from [compliance@thesisam.com](mailto:compliance@thesisam.com).*

## **ELECTRONIC VERIFICATION**

*The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, The Proceeds of Crime Act 2002, the Senior Management Arrangements Systems & Controls Source book and Joint Money Laundering Steering Group guidance notes (which are updated from time to time) state that the Manager must check your identity and the source of the money invested.*

*The Manager may also request verification documents from parties associated with you. In some cases, documentation may be required for officers performing duties on behalf of bodies corporate. The checks may include an electronic search of information held about you (or your associated party) on the electoral roll and using credit reference agencies. The credit reference agency may check the details you (or your associated party) supply against any particulars on any database (public or otherwise) to which they have access and may retain a record of that information although this is only to verify identity and will not affect your (or your associated party's) credit rating. They may also use your (or your associated party's) details in the future to assist other companies for verification purposes.*

*If you apply for units you are giving the Manager permission to ask for this information in line with 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.*

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

1. **DEFINITIONS**

|                                   |   |
|-----------------------------------|---|
| <b>“Act”</b>                      | the Financial Services and Markets Act 2000 as amended or replaced from time to time  |
| <b>“AIF”</b>                      | an alternative investment fund  |
| <b>“AIFM”</b>                     | an alternative investment fund manager  |
| <b>“AIFMD”</b>                    | Directive 2011/61/EU of the European Parliament and Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010  |
| <b>“AIFMD Level 2 regulation”</b> | has the meaning as set out in the FCA Glossary  |
| <b>“AIFMD UK regulation”</b>      | the Alternative Investment Fund Managers Regulations 2013   |
| <b>“Approved Bank”</b>            | (in relation to a bank account opened by the Manager):<br><br>(a) if the account is opened at a branch in the United Kingdom:<br><br>(i) the Bank of England; or<br><br>(ii) the central bank of a member state of the OECD; or<br><br>(iii) a bank; or<br><br>(iv) a building society; or<br><br>(v) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or<br><br>(b) if the account is opened elsewhere:<br><br>(i) a bank in (a); or<br><br>(ii) a bank which is regulated in the Isle of Man or the Channel Islands; or |

(c) a bank supervised by the South African Reserve Bank,

and a credit institution established in an EEA State and duly authorised by the relevant Home State regulator,

as such definition may be updated in FCA Glossary

**“Associate”**

any other person whose business or domestic relationship with the Manager or the Manager’s associate might reasonably be expected to give rise to a community of interest between them which may involve a conflict of interest in dealings with third parties

**“Auditor”**

KPMG LLP, or such other entity as is appointed to act as auditor to the Trust from time to time

**“Business Day”**

a day or part of a day on which the London Stock Exchange is open. If the London Stock Exchange is closed as a result of a holiday or for any other reason, or there is a holiday elsewhere or other reason which impedes the calculation of the fair market value of the Trust’s portfolio of securities or a significant portion thereof, the Manager may decide that any Business Day shall not be construed as such

**“CASS”**

the requirements relating to holding client assets and client money published by the FCA as part of the FCA Handbook as amended or replaced from time to time

**“CCP”**

as defined in the FCA Glossary

**“Class” or “Classes”**

in relation to Units, means (according to the context) a particular class or classes of Unit

**“COLL”**

the Collective Investment Schemes Sourcebook published by the FCA as part of their Handbook made under the Act as may be

amended, supplemented, or replaced, from time to time

**“Conversion”**

the exchange of Units in one Class for Units of another Class the act of so exchanging and “Convert” shall be construed accordingly

**“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:

- (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 Agreement); and
- (e) all guidance, guidelines and codes of practice issued by any relevant supervisory authority relating to such Data Protection Laws (in each case whether or not legally binding)

**“Dealing Day”**

Every Thursday where this is a Business Day. In the event that a Thursday is not a Business Day, such other day as may be agreed between the Manager and Trustee

**“EEA State”**

a member state of the European Union and any other state which is within the European Economic Area

**“Efficient Portfolio Management” or “EPM”**

for the purposes of this Prospectus, means an investment technique where derivatives are used for one or more of the following purposes: reduction of risk, reduction of costs or generation of additional income for the Trust with a risk level which is consistent with the risk profile of the Trust and the risk diversification rules laid down in COLL

|  |  |
|--|--|
| <b>“Eligible Institution”</b>            | one of the eligible institutions as defined in the FCA Glossary  |
| <b>“EMIR”</b>                            | has the meaning as set out in the FCA Glossary   |
| <b>“EUWA”</b>                            | as defined in the FCA Glossary   |
| <b>“the FCA”</b>                         | the Financial Conduct Authority or any other regulatory body which may assume its regulatory responsibilities from time to time  |
| <b>“FCA Glossary”</b>                    | the glossary to the FCA Handbook   |
| <b>“the FCA Handbook”</b>                | the FCA’s Handbook of Rules and Guidance, as amended from time to time   |
| <b>“FCA Rules”</b>                       | the rules from time to time contained in COLL and FUND but, for the avoidance of doubt, not including guidance or evidential requirements contained in either  |
| <b>“Financial Instrument”</b>            | as defined in the FCA Glossary   |
| <b>“the Financial Services Register”</b> | <p>the public record, as required by section 347 of the Act (The public record) of every:</p> <ul style="list-style-type: none"> <li>(a) authorised person;</li> <li>(b) AUT;</li> <li>(c) ICVC;</li> <li>(d) ACS;</li> <li>(e) recognised scheme;</li> <li>(f) recognised investment exchange;</li> <li>(g) individual to whom a prohibition order relates;</li> <li>(h) approved person; and</li> <li>(i) person within such other class (if any) as the FCA may determine;</li> </ul> |



|   |  |
|---|--|
|   | except as provided by any transitional provisions  |
| <b>"FUND"</b>                                   | the Investment Funds Sourcebook published by the FCA as part of their Handbook made under the Act as it may be amended, or replaced, from time to time   |
| <b>"Fund Accountant"</b>                        | the person who provides fund accounting services, being Northern Trust Global Services SE, UK branch and its successors as fund accountant   |
| <b>"Home State"</b>                             | as defined in the FCA Glossary   |
| <b>"IOSCO"</b>                                  | the International Organisation of Securities Commissions   |
| <b>"Manager"</b>                                | Thesis Unit Trust Management Limited, the manager of the Trust   |
| <b>"Net Asset Value" or "value"</b>             | the value of the Scheme Property less the liabilities of the Trust as calculated in accordance with the Trust Deed   |
| <b>"Non-UCITS retail scheme" or "NURS"</b>      | an authorised fund which is neither a UK UCITS nor a qualified investor scheme   |
| <b>"NURS Key Investor Information document"</b> | The Trust publishes a NURS Key Investor Information document (a "NURS KII") for each Unit Class which contains the information to help investors understand the nature and the risks of investing. A NURS KII must be provided to investors prior to subscribing for Units so they can make an informed decision about whether to invest |
| <b>"OECD"</b>                                   | the Organisation for Economic Co-operation and Development   |
| <b>"OTC"</b>                                    | over-the-counter derivative (in relation to a transaction in an investment)  |
| <b>"Investment Managers"</b>                    | Veritas Investment Partners (UK) Limited and Rothschild & Co Wealth Management UK  |

|   |   |
|---|---|
|   | Limited, the Investment Managers to the Manager in respect of the Trust   |
| <b>“Register”</b>                                     | the register of Unitholders of the Trust  |
| <b>“Registrar”</b>                                    | Northern Trust Global Services SE, UK branch  |
| <b>“Regulated Activities Order”</b>                   | the Act (Regulated Activities) Order 2001 (SI 2001/544)   |
| <b>“Regulations”</b>                                  | the FCA Handbook (including COLL and FUND)  |
| <b>“Scheme Property”</b>                              | the Scheme Property of the Trust required under COLL to be given for safekeeping to the Trustee   |
| <b>“The International Tax Compliance Regulations”</b> | The International Tax Compliance Regulations – means SI 878/2015 implementing obligations arising under the following agreements and arrangements: European Union Council Directive 2011/16/EU (sometimes known as “the DAC”); the Multilateral Competent Authority Agreement on the Automatic exchange of Financial Account Information signed by the government of the UK on 29th October 2014 in relation to agreements with various jurisdictions to improve international tax compliance based on the standard for automatic exchange of financial account information developed by the Organisation for Economic Co-Operation and Development (sometimes known as “the CRS”); and the agreement reached between the government of the UK and the government of the USA to improve tax compliance (sometimes known as “the FATCA Agreement”) |
| <b>“Trust Deed”</b>                                   | the trust deed constituting the Trust, as amended from time to time in accordance with COLL   |
| <b>“Trust”</b>  | TM New Institutional World Fund   |
| <b>“Trustee”</b>                                      | NatWest Trustee and Depositary Services Limited, or such other entity as is appointed to act as Trustee   |
| <b>“UCITS”</b>  | an undertaking for collective investment in transferable securities. This will include a UCITS scheme or an EEA UCITS scheme, each as defined in the FCA Glossary   |

|                                 |  |
|---------------------------------|--|
| <b>“UCITS Directive”</b>        | the European Parliament and Council Directive of 13 July 2009 on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (No. 2009/65/EC) as amended  |
| <b>“UK AIF”</b>                 | has the meaning as set out in the FCA Glossary   |
| <b>“UK AIFM”</b>                | an AIFM established in the UK and with a Part 4A permission to carry on the regulated activity of managing an AIF;   |
| <b>“UK AIFM regime”</b>         | FUND and other rules in the FCA Handbook which, when made, implemented AIFMD, the AIFMD level 2 regulation, and the AIFMD UK regulation  |
| <b>“UK GDPR”</b>                | Regulation 2016/679 of the European Parliament and of the Council of 27th 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) including 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 |
| <b>“UK UCITS”</b>               | has the meaning as set out in the FCA Glossary   |
| <b>“Unit” or “Units”</b>        | a unit or units in the Trust   |
| <b>“United Kingdom” or “UK”</b> | the United Kingdom of Great Britain and Northern Ireland   |
| <b>“Unitholder”</b>             | a holder of registered Units in the Trust  |
| <b>“US” or “United States”</b>  | the United States of America (including the States and the District of Colombia) and any of its territories, possessions and other areas subject to its jurisdiction.  |
| <b>“US Persons”</b>             | a person who falls within the definition of “US Person” as defined in rule 902 of regulation S of the United States Securities Act 1933 and shall include additionally any person that is not a "Non-United States Person" within the  |

meaning of United States Commodity Futures Trading Commission Regulation 4.7.

**“Valuation Point”**

the point, on a Dealing Day whether on a periodic basis or for a particular valuation, at which the Manager carries out a valuation of the Scheme Property for the Trust for the purpose of determining the price at which Units of a Class may be issued, cancelled or redeemed. The current Valuation Point is 10.00 a.m. London time on each Dealing Day, with the exception of a bank holiday in England and Wales, or the last Business Day prior to those days annually, where the valuation may be carried out at a time agreed in advance between the Manager and the Trustee

**“VAT”**

Value Added Tax

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

## 2. **DETAILS OF THE TRUST**

### 2.1 **General Information**

#### 2.1.1 **General**

TM New Institutional World Fund (the Trust) is a unit trust authorised by the Financial Conduct Authority with effect from 11 May 2017. The Trust has an unlimited duration. Please note that approval by the FCA in this context does not in any way indicate or suggest endorsement or approval of the Trust as an investment. The FCA's Product Reference Number ("PRN") for the Trust is 774062.

Unitholders are not liable for the debts of the Trust. A Unitholder is not liable to make any further payment to the Trust after they have paid the price on purchase of the Units.

The Manager is also the manager of certain authorised unit trusts and open-ended investment companies details of which are set out in Appendix V.

#### 2.1.2 **Base Currency**

The base currency of the Trust is Pounds Sterling.

#### 2.1.3 **Units**

Units in the Trust may be marketed in other Member States and in countries outside the European Union and European Economic Area, subject to the Regulations, and any regulatory constraints in those countries, if the Manager so decides.

The Trust is designed and managed to support longer-term investment and active trading is discouraged. Short-term or excessive trading into and out of the Trust may harm performance by disrupting portfolio management strategies and by increasing expenses. The Manager may at its discretion refuse to accept applications for, or Conversion of, Units, especially where transactions are deemed disruptive, particularly from possible market timers or investors who, in its opinion, have a pattern of short-term or excessive trading or whose trading has been or may be disruptive to the Trust. For these purposes, the Manager may consider an investor's trading history in the Trust or other Thesis Unit Trust Management Limited funds and accounts under common ownership or control.

## 2.2 **The Structure of the Trust**

### 2.2.1 **The Trust**

The Trust is a Non-UCITS Retail Scheme for the purposes of the Regulations.

Investment of the assets of the Trust must comply with COLL and the investment objective and policy of the Trust. Details of the Trust, including its investment objective and policy, are set out in Appendix I.

The Trust will generally invest in "approved securities", which are transferable securities which are admitted to, or dealt in, on an eligible market as defined for the purposes of COLL. The eligible securities markets (in addition to those established in EEA member states) and eligible derivatives markets for the Trust are as set out in Appendix II. A detailed statement of the general investment and borrowing restrictions in respect of the Trust is set out in Appendix IV.

### 2.2.2 **Classes of Units within the Trust**

The rights represented by Units are those of a beneficial interest under a trust.

Units do not carry preferential or pre-emptive rights to acquire further Units.

Further Classes of Unit may be established from time to time by the Manager with the agreement of the Trustee and in accordance with the Trust Deed and the Regulations.

The currency in which each new Class of Units will be denominated will be determined at the date of creation and set out in the Prospectus issued in respect of the new Class of Units.

The Trust may issue income and accumulation Units, although only income Units are currently in issue. Further details of the Units presently available, including details of their criteria for subscription and fee structure, are set out in Appendix I.

Holders of income Units are entitled to be paid the distributable income attributed to such Units on any relevant interim and annual allocation dates.

Holders of accumulation Units are not entitled to be paid the income attributed to such Units, but that income is automatically transferred to (and retained as part of) the capital assets of the Trust at the end of the

relevant distribution period and is reflected in the price of an accumulation Unit.

The Trust Deed allows gross limited issue Units to be issued, but currently none are in issue. The Trust Deed allows gross income and gross accumulation Units to be issued, as well as net income and net accumulation Units, but currently no gross Units are in issue. Net Units are Units in respect of which income allocated to them is distributed periodically to the relevant Unitholders (in the case of income Units) or credited periodically to capital (in the case of accumulation Units), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Trust. Gross Units are income or accumulation Units where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Trust. All references in this Prospectus are to net Units unless otherwise stated.

Where the Trust has different Classes, each Class may attract different charges and so monies may be deducted from the Scheme Property attributable to such Classes in unequal proportions. In these circumstances, the proportionate interests of the Classes will be adjusted accordingly.

Unitholders are entitled (subject to certain restrictions) to Convert all or part of their Units in a Class for Units of another Class. Details of this Conversion facility and the restrictions are set out in paragraph 3.6 "Conversion".

### **3. BUYING, REDEEMING AND CONVERTING UNITS**

The dealing office of the Manager is normally open from 9.00 a.m. to 5.00 p.m. (London time) on each Business Day to receive requests for the purchase, sale and Conversion of Units. The Manager may vary these times at its discretion. Units may be purchased by sending a completed application form, clear written instructions to Thesis Unit Trust Management Limited at the dealing office of the Administrator, through the means of electronic communications (as set out in the paragraph headed 'Electronic Communications') or by obtaining an application form by telephoning the Manager's Customer Enquiry Line on 0333 300 0375.

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

### 3.1 **Telephone Calls**

Telephone calls may be recorded for regulatory, training or monitoring purposes. The Manager may also, at its discretion, introduce further methods of dealing in Units in the future.

Recordings will be provided on request for a period of at least five years from the date of such recording, or where requested by a competent regulatory authority, for a period of seven years, where the Manager can identify the call. If an investor asks the Manager to send a recording of a particular call the Manager may ask for further information to help identify the exact call to which the request relates to.

### 3.2 **Electronic Communications**

The Manager will accept instructions to transfer or renunciation of title to units on the basis of an authority communicated by electronic means and sent by the unitholder, or delivered on their behalf by a person that is authorised by the FCA or regulated in another jurisdiction by an equivalent supervisory authority, subject to prior agreement between the Manager and the person making the communication as to:

- a) the electronic media by which such communications may be delivered; and
- b) how such communications will be identified as conveying the necessary authority; and
- c) assurance from any person who may give such authority on behalf of the investor that they will have obtained the required appointment in writing from the unitholder.

### 3.3 **Money Laundering**

As a result of legislation in force in the UK to prevent money laundering, the Manager is responsible for compliance with anti-money laundering regulations. In order to implement these regulations, in certain circumstances investors may be asked to provide proof of identity when buying, redeeming or transferring Units. When transferring Units the transferee will be asked to provide proof of identity. Until satisfactory proof of identity is provided, the Manager reserves the right to refuse to issue Units, pay the proceeds of a redemption of Units, or pay income on Units to the investor. In the case of a purchase of Units where the investor is not willing or is unable to provide the information requested within a reasonable period, the Manager also reserves the right to sell the Units purchased and return the proceeds to the account from which the subscription was made. These proceeds may be less than the original investment.



## 3.4 **Buying Units**

### 3.4.1 **Procedure**

Units may be bought directly from the Manager or through a professional adviser or other intermediary. For details of dealing charges see paragraph 3.7 below. Application forms may be obtained from the Manager.

The initial purchase must, at the discretion of the Manager, be accompanied by an application form.

Any subsequent application to purchase units must confirm that the investor has received, read and understood the Key Investor Information Document.

Valid applications to purchase Units in the Trust will be processed at the Unit price calculated, in accordance with the Regulations, at the next Valuation Point following receipt of the application, except in the case where dealing in the Trust has been suspended as set out in paragraph 3.12.

Settlement is due within four Business Days of the Valuation Point. An order for the purchase of Units will only be deemed to have been accepted by the Manager once it is in receipt of cleared funds for the application. Investors will not receive title to Units until cleared funds have been received from the investor and received by the Trust.

The Manager, at its discretion, has the right to cancel a purchase deal if settlement is materially overdue (being more than five Business Days of receipt of an application form or other instruction) and any loss arising on such cancellation shall be the liability of the investor. The Manager is not obliged to issue Units unless it has received cleared funds from an investor.

The Manager reserves the right to charge interest at 4% above the prevailing Bank of England base rate, on the value of any settlement received later than the fourth Business Day following the Valuation Point. No interest will be paid on funds held prior to investment. Units that have not been paid for cannot be redeemed.

A purchase of Units in writing or by telephone or any other communication media made available is a legally binding contract. Applications to purchase, once made are, except in the case where cancellation rights apply, irrevocable. An order for the purchase of Units will only be deemed

to have been accepted by the Manager once it is in receipt of cleared funds for the application.

Settlement should be made by electronic bank transfer to the bank account detailed on the application form. Alternatively, for amounts less than £50,000 a cheque, which should accompany the application form, can be sent for the full amount, made payable to "Thesis Unit Trust Management Limited", to: Exchange Building, St Johns Street, Chichester PO19 1UP.

However, subject to its obligations under the Regulations, the Manager has the right to reject, on reasonable grounds relating to the circumstances of the investor, any application for Units in whole or part, and in this event the Manager will return any money sent, or the balance of such monies, at the risk of the investor.

Investors who have received advice may have the right to cancel their application to buy Units at any time during the 14 days after the date on which they receive a cancellation notice from the Manager. If an investor decides to cancel the contract, and the value of the investment has fallen at the time the Manager receives the completed cancellation notice, they will not receive a full refund as an amount equal to any fall in value will be deducted from the sum originally invested. The Manager may extend cancellation rights to other investors but is under no obligation to do so.

#### 3.4.2 **Documents the Buyer will Receive**

A confirmation giving details of the number and price of Units bought will be issued no later than the end of the Business Day following the Valuation Point by reference to which the price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

Registration of Units can only be completed by the Manager upon receipt of any required registration details. These details may be supplied in writing to the Manager or by returning to the Manager the properly completed registration form and copy of the confirmation.

Certificates will not be issued in respect of Units. Ownership of Units will be evidenced by an entry on the Register. Tax vouchers in respect of periodic distributions on Units will show the number of Units held by the recipient.

The Manager reserves the right to charge interest at 4% above the prevailing Bank of England base rate, on the value of any settlement received later than the fourth Business Day following the Valuation Point.

No interest will be paid on funds held prior to investment. Units that have not been paid for cannot be redeemed.

#### 3.4.3 **Minimum Subscriptions and Holdings**

The minimum initial subscriptions, subsequent subscriptions and holdings levels for each Class of Unit are set out in Appendix I.

The Manager may at its sole discretion accept subscriptions and/or holdings lower than the minimum amount(s).

If following a redemption or transfer a holding in any Class of Unit should fall below the minimum holding for that Class, the Manager has the discretion to effect a redemption of that Unitholder's entire holding in that Class of Unit. The Manager may use this discretion at any time. Failure not to do so immediately after such redemption or transfer does not remove this right.

### 3.5 **Redeeming Units**

#### 3.5.1 **Procedure**

Every Unitholder is entitled on any Dealing Day to redeem their Units, which shall be purchased by the Manager dealing as principal.

Valid instructions to the Manager to redeem Units will be processed at the Unit price calculated, calculated in accordance with the Regulations at the next Valuation Point following receipt of the instruction, except in the case where dealing in the Trust has been suspended as set out in paragraph 3.12.

A redemption instruction in respect of Units in writing or by telephone or any other communication media made available is a legally binding contract. However, an instruction to the Manager to redeem Units, although irrevocable, may not be settled by the Manager if the redemption represents Units where the money due on the earlier purchase of those Units has not yet been received or if insufficient documentation or anti-money laundering information has been received by the Manager.

For details of dealing charges see paragraph 3.7 below.

#### 3.5.2 **Documents a Redeeming Unitholder will Receive**

A confirmation giving details of the number and price of Units redeemed will be sent to the redeeming Unitholder (or the first named Unitholder, in the case of joint Unitholders) together with (if sufficient written

instructions have not already been given) a form of renunciation for completion and execution by the Unitholder (or, in the case of a joint holding, by all the joint Unitholders) no later than the end of the Business Day following the later of the request to redeem Units or the Valuation Point by reference to which the price is determined.

Payment of redemption proceeds will normally be made by cheque to the first named Unitholder (at their risk), or, at the Manager's discretion, via electronic transfer in accordance with any instruction received (the Manager may recover any bank charge levied on such transfers). Instructions to make payments to third parties (other than intermediaries associated with the redemption) will not normally be accepted.

Such payment will be made within four Business Days of the later of (a) receipt by the Manager of the form of renunciation (or other sufficient written instructions) duly signed and completed by all the relevant Unitholders together with any other documentation and appropriate evidence of title, any required anti-money laundering related documentation, and (b) the Valuation Point following receipt by the Manager of the request to redeem.

No interest will be paid on redemption proceeds held whilst the Manager awaits receipt of all relevant documentation necessary to complete a redemption. Units that have not been paid for cannot be redeemed.

### 3.5.3 **Minimum Redemption**

The Manager reserves the right to refuse a redemption request if the remaining value of the Units held is less than the minimum holding stated in respect of the appropriate Class in question (see Appendix I).

## 3.6 **Conversion**

Subject to any restrictions on the eligibility of investors in relation to a particular Unit Class, a Unitholder may at any time Convert all or some of their Units ("Original Units") for Units in a different Class ("New Units").

A Conversion is an exchange of Units in one Class for Units of another Class.

Conversions will be effected by the Manager recording the change of Class on the Register of the Trust at the next Valuation Point following receipt of instructions by the Manager.

The number of New Units issued to a Unitholder following a Conversion will be determined by reference to the price of the Original Units relative to the price of the New Units at the relevant Valuation Point.

If a Unitholder wishes to Convert Units they should contact the Manager for further information. Instructions may be given by telephone but Unitholders are required to provide written instructions to the Manager (which, in the case of joint Unitholders, must be signed by all the joint Unitholders) before the Conversion is effected.

There is no charge payable on a Conversion.

If a partial Conversion would result in the Unitholder holding a number of Original Units or New Units of a value which is less than the minimum holding in the Class concerned, the Manager may, if it thinks fit, exchange the whole of the Unitholder's holding of Original Units to New Units or refuse to effect any Conversion of the Original Units.

Save as otherwise specifically set out, the general provisions on procedures relating to redemption will apply equally to a Conversion. Written instructions must be received by the Manager before the Valuation Point on a Dealing Day to be dealt with at the prices at the Valuation Point on that Dealing Day or at such other Valuation Point as the Manager at the request of the Unitholder giving the relevant instruction may agree. Requests to Convert received after a Valuation Point will be held over until the next day which is a Dealing Day.

Please note that under UK tax law Conversions will not generally be treated as a disposal for capital gains tax purposes and no stamp duty reserve tax will be payable on the Conversion.

**A Unitholder who Converts Units in one Class for Units in any other Class will not be given a right by law to withdraw from or cancel the transaction.**

In addition, the Manager may upon 60 days' written notice to Unitholders, combine/consolidate two or more Unit Classes in the Trust. Such a consolidation takes place by way of a compulsory Conversion of the Units of one Class into another Class. Conversion may be required if the Manager reasonably believes it is the best interests of Shareholders to reduce the number of available Unit Classes.

### 3.7 **Dealing Charges**

The price per Unit at which Units are bought, redeemed or Converted is calculated in accordance with the Regulations. Any initial charge or redemption charge, is payable in addition to the price or deducted from the proceeds and is taken from the gross subscription or redemption monies.

### 3.7.1 **Initial Charge**

The Manager may impose a charge on the purchase of Units in each Class. The current initial charge is calculated as a percentage of the amount invested by a potential Unitholder is set out in Appendix I. The Manager may waive or discount the initial charge at its discretion.

The initial charge (which is deducted from subscription monies) is payable by the Unitholder to the Manager.

The current initial charge of a Class may only be increased in accordance with the Regulations.

From the initial charge received, or out of its other resources, the Manager may pay a commission to relevant intermediaries.

### 3.7.2 **Redemption Charge**

The Manager may make a charge on the redemption of Units in each Class. At present, no redemption charge is levied.

The Manager may only introduce a redemption charge in accordance with the Regulations. Also, if such a charge was introduced, it would not apply to Units issued before the date of the introduction (i.e., those not previously subject to a redemption charge).

### 3.7.3 **Charges on Conversions**

There is currently no charge for Conversions of Units for Units in another Class.

## 3.8 **Transfers**

Unitholders are entitled to transfer their Units to another person or body. All transfers must be in writing in the form of an instrument of transfer approved by the Manager for this purpose. However, the Manager in its discretion, may also accept electronic transfers in a format specified by the Manager. Completed instruments of transfer must be returned to the Manager in order for the transfer to be registered by the Manager.

## 3.9 **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 or which

would result in the Trust incurring any liability to taxation which the Trust is not able to recoup itself or suffering any other adverse consequence. In this connection, the Manager may, inter alia, reject in its discretion any application for the purchase, redemption, transfer or Conversion of Units.

If it comes to the notice of the Manager that any Units ("affected Units"):

- (a) are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- (b) would result in the Trust incurring any liability to taxation which the Trust would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
- (c) are held in any manner by virtue of which the Unitholder or Unitholders in question is/are not qualified to hold such Units or if it reasonably believes this to be the case;
- (d) are owned by a Unitholder who is registered in a jurisdiction (where the Trust is not registered or recognised by the relevant competent authority) whereby communication with that Unitholder by the Manager, on behalf of the Trust, might constitute a breach of the regulations in that jurisdiction (unless specific action is taken by the Manager to prevent such a communication constituting a breach);

the Manager may give notice to the Unitholder(s) of the affected Units requiring the transfer of such Units to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such Units in accordance with COLL. If any Unitholder upon whom such a notice is served does not within 30 days after the date of such notice transfer the affected Units to a person qualified to own them or submit a written request for their redemption to the Manager or establish to the satisfaction of the Manager (whose judgement is final and binding) that they or the beneficial owner is qualified and entitled to own the affected Units, they shall be deemed upon the expiry of that 30 day period to have given a request in writing for the redemption or cancellation (at the discretion of the Manager) of all the affected Units.

A Unitholder who becomes aware that they are holding or own affected Units shall immediately, unless they have already received a notice as set out above, either transfer all the affected Units to a person qualified to own them or submit a request in writing to the Manager for the redemption of all the affected Units.

Where a request in writing is given or deemed to be given for the redemption of affected Units, such redemption will (if effected) be effected in the same manner as provided for in COLL.

### **3.10 Issue of Units in Exchange for In Specie Assets**

The Manager may arrange for the Trust to issue Units in exchange for assets other than cash, but will only do so where the Trustee has taken reasonable care to determine that the Trust's acquisition of those assets in exchange for the Units concerned is not likely to result in any material prejudice to the interests of Unitholders.

The Manager will ensure that the beneficial interest in the assets is transferred to the Trust with effect from the issue of the Units.

The Manager will not issue Units in exchange for assets the holding of which would be inconsistent with the investment objective or policy of the Trust.

### **3.11 In Specie Redemptions**

If a Unitholder requests the redemption of Units the Manager may, where it considers that deal to be substantial in relation to the total size of the Trust or in some way detrimental to the Trust, arrange for Scheme Property having the appropriate value to be transferred to the Unitholder (an 'in specie transfer'), in place of payment for the Units in cash. Before the redemption is effected, the Manager must give written notice to the Unitholder of the intention to make an in specie transfer.

The Manager will select the property to be transferred in consultation with the Trustee. The Manager and Trustee must ensure that the selection is made with a view to achieving no more advantage or disadvantage to the Unitholder requesting the redemption than to the continuing Unitholders.

If a Unitholder redeems Units in specie in return for an appropriate value of assets out of the Trust, there will be no Stamp Duty Reserve Tax ('SDRT') on UK equities provided the Unitholder receives a proportionate part of each holding. Otherwise the Unitholder will be liable to SDRT at 0.5% on the value of any UK equities transferred.

### **3.12 Suspension of Dealings in the Trust**

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 Trust where due to exceptional circumstances it is in the interests of all the Unitholders in the Trust.



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.

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 Trust is offered for sale.

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.

When such suspension takes place, the Manager will publish, on its website or other general means, sufficient details to keep Unitholders appropriately informed about the suspension, including, if known, its possible duration.

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.

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.

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.

### **3.13 Liquidity Risk Management**

The Trust is managed so that the liquidity profile of the Trust is aligned with the requirement to meet redemption requests from Unitholders on each Dealing Day. In normal circumstances, redemption requests will be processed as set out in paragraph 3.5. However, in exceptional circumstances, if there is insufficient liquidity in the Trust to meet redemption requests, the Manager may ultimately need to temporarily suspend dealing in the Trust (see "Suspension of dealings in the Trust" at 3.12).

The Manager has other tools to deal with temporary liquidity constraints in relation to the Trust. The Trust may (i) borrow cash to meet redemptions within the limits in Appendix III; or (ii) apply the in specie redemption provisions at paragraph 3.11.

To manage and monitor liquidity risk, the Manager maintains liquidity risk management policies and procedures. The liquidity risk management policies and procedures include the management, implementation and maintaining of appropriate liquidity limits for each Trust and periodic stress testing of the liquidity risk of the Trust under both normal and exceptional liquidity conditions to ensure that anticipated redemption requests can be met.

If our policy for managing liquidity should change, this will be set out in the annual report.

### 3.14 **Large Deals**

Any purchase or redemption of Units with a value equal to or in excess of £15,000 will amount to a "large deal". For large deals (subject to the Regulations), the Manager may sell Units at more than, or redeem Units at less than, the published price (see paragraph 4.2 below).

### 3.15 **Client Money Rules**

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 Trust, provided that:

- 3.15.1 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
- 3.15.2 The money is held in the course of redeeming units, where the proceeds are paid to the client within the timeframe specified in COLL.

Where money is received in either of the circumstances set out in 3.13.1 or 3.13.2.2 above, the Manager must cease to operate the exemption if, by close of business on the Business Day following receipt of the money, it has not paid it over to the Trustee or the client as applicable. In order to facilitate management of the Trust, 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 moneys credited to this account.

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.

#### **4. VALUATION OF THE TRUST**

##### **4.1 General**

The Trust will be valued in accordance with the provisions set out in Appendix III. The value per Unit in the Trust is currently calculated at 10.00 a.m. (London time) (this being the Valuation Point) on each Dealing Day.

##### **4.2 Calculation of the Value**

Valuations of the Trust will take place on each Dealing Day at the Valuation Point for the purposes of determining prices of which Units may be bought or sold to the Manager being calculated on an offer basis (for the purposes of calculating the issue price of a Unit) or a bid basis (for the purposes of calculating the cancellation price of a Unit) respectively. The price at which the Manager sells Units (the offer price), may not exceed the issue price of units plus the Manager's initial charge. The price at which the Manager redeems Units (the bid price) will not be less than the cancellation price (less any redemption charge). The bid price will not exceed the relevant issue price.

Large deals (see paragraph 3.14) may be carried out at a higher offer price or a lower bid price than those published, provided these prices do not exceed the relevant maximum and minimum parameters set out in the paragraph above.

The Manager may at any time during a Business Day carry out an additional valuation if it considers it desirable to do so. The Manager shall inform the Trustee of any decision to carry out any such additional valuation. Valuations may be carried out for effecting a scheme of amalgamation or reconstruction which do not create a Valuation Point for the purposes of dealings. Where permitted and subject to the Regulations, the Manager may, in certain circumstances (for example where a significant event has occurred since the closure of a market) substitute a price with a more appropriate price which in its opinion reflects a fair and reasonable price for that investment.

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 purposes of calculating the investment limits the Scheme Property is valued on a bid basis.

The Manager will, upon completion of each valuation, notify the Trustee of the issue price, the cancellation price, the maximum offer price and the minimum bid price of Units, of each Class.

“Late Trading” is defined as the acceptance of a subscription, redemption or Conversion order received after the Trust’s applicable valuation point for that Dealing Day. Late Trading is not permitted. A request for dealing in Units must be received by the Valuation Point on a particular Dealing Day in order to be processed on that Dealing Day. A dealing request received after this time will be held over and processed on the next Dealing Day, using the value per Unit calculated as at the Valuation Point on that next Dealing Day.

#### 4.3 **Price per Unit in Each Class**

The price per Unit at which Units are issued or cancelled is calculated by taking the proportion, attributable to the Units of the class in question, of the value on the issue basis (when calculating the issue price per Unit) or the cancellation basis (when calculating the cancellation price per Unit) of the Scheme Property by reference to the most recent valuation, computing the number of Units of the relevant class in issue immediately before that valuation, dividing the total by that number of Units. Any initial charge or redemption charge, is payable in addition to the price or deducted from the proceeds and is taken from the gross subscription or redemption monies.

#### 4.4 **Pricing Basis**

The Manager deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after the purchase or redemption is deemed to be accepted by the Manager. Units in the Trust are dual priced.

#### 4.5 **Publication of Prices**

The most recent prices of all Units are published on every dealing day on the Trustnet website at [www.trustnet.com](http://www.trustnet.com) and can also be obtained by calling 01483 783 900 during the Manager’s normal business hours. For reasons beyond the control of the Manager, these may not necessarily be the current prices. As the Manager deals on a forward pricing basis, the price that appears in these sources will not necessarily be the same as the one at which investors can deal. The Manager may also, at its sole discretion, decide to publish certain Unit prices in other third party websites or publications but the Manager does not accept responsibility for the accuracy of the prices published in, or for the non-publication of prices by, these sources for reasons beyond the control of the Manager.

The cancellation price last notified to the Depositary is available from the Manager upon request.

### 5. **RISK FACTORS**

Potential investors should consider the following risk factors before investing in the Trust.

## 5.1 **General**

The investments of the Trust are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the income derived from them may fall as well as rise and Unitholders may not recoup the original amount they invest in the Trust. There is no certainty that the investment objective of the Trust will actually be achieved and no warranty or representation is given to this effect. The level of any yield for the Trust may be subject to fluctuations and is not guaranteed.

The entire market of a particular asset class or geographical sector may fall, having a more pronounced effect on the Trust heavily invested in the asset class or region.

## 5.2 **Effect of Initial Charge or Redemption Charge**

Where an initial charge or redemption charge is imposed, a Unitholder who realises their Units may not (even in the absence of a fall in the value of the relevant investments) realise the amount originally invested.

In particular, where a redemption charge is payable, Unitholders should note that the percentage rate at which the redemption charge is calculated is based on the market value rather than the initial value of the Units. If the market value of the Units has increased the redemption charge will show a corresponding increase. Currently there is no redemption charge levied on Units.

The Units therefore should be viewed as medium to long term investments.

## 5.3 **Suspension of Dealings in Units**

Unitholders are reminded that in certain circumstances their right to redeem Units may be suspended. Please see paragraph 3.12 for full details.

## 5.4 **Currency Exchange Rates**

Funds investing in overseas securities are exposed to, and may hold, currencies other than the operational currency (GBP). As a result, exchange rate movements may cause the GBP value of investments to decrease or increase.

## 5.5 **Derivatives**

The Investment Managers may employ derivatives for the purposes of Efficient Portfolio Management ("EPM") (including hedging) with the aim of reducing the risk profile of the Trust, reducing costs or generating additional capital or income.

To the extent that derivative instruments are utilised for hedging purposes, the risk of loss to the Trust may be increased where the value of the derivative instrument

and the value of the security or position which it is hedging are insufficiently correlated.

For more information in relation to investment in derivatives, please see paragraph 18 in Appendix IV.

## 5.6 **Credit and Fixed Interest Securities**

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the level of income (yield) receivable, the higher the perceived credit risk of the issuer. High yield bonds with lower credit ratings (also known as sub-investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds.

As a general rule, fixed interest securities with an above average yield tend to be less liquid than securities issued by issuers with a higher credit rating. Investment in fixed interest securities with a higher yield also generally brings an increased risk of default on repayment by the issuer which could affect the income and capital of the Trust. Furthermore, the solvency of issuers of such fixed interest securities may not be guaranteed in respect of either the principal amount or the interest payments and the possibility of such issuers becoming insolvent cannot be excluded. The value of a fixed interest security may fall in the event of the default or a downgrading of the credit rating of the issuer.

"Investment Grade" holdings are generally considered to be a rating of BBB- (or equivalent) and above by leading credit rating agencies (such as S&P, Moodys or Fitch). "Sub-investment Grade" is generally considered to be a rating below BBB- (or equivalent) by the leading rating agencies.

Holdings that have not been rated by the leading credit rating agencies will adopt the risk rating of the "parent company" as an indicator of their credit risk or an unrated holding will be assessed using fundamental data to analyse the likelihood of the company defaulting. An issuer with a rating of at least BBB- (or equivalent) is generally considered as having adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances may lead to a weakened capacity of the issuer to meet its commitments.

Where the Trust invests in fixed income securities, the portfolio composition may change over time, this means the yield on the Trust is not fixed and may go up or down.

## 5.7 **Emerging Markets**

Emerging markets tend to be more volatile than more established markets and therefore Unitholders' money is at greater risk. Risk factors such as local political and economic conditions should also be considered.

The reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets, which may result in delays in realising investments within the Trust. A counterparty may not pay or deliver on time or as expected.

Lack of liquidity or efficiency in certain stock markets or foreign exchange markets in certain emerging markets may mean that from time to time the Investment Managers may experience more difficulty in purchasing or selling securities than it would in a more developed market.

Given the possible lack of a regulatory structure it is possible that securities in which investments are made may be found to be fraudulent. As a result, it is possible that loss may be suffered.

The currencies of certain emerging countries prevent the undertaking of currency hedging techniques.

Some emerging markets may restrict the access of foreign investors to securities. As a result, certain securities may not always be available to the Trust because the maximum permitted number of an investment by foreign Unitholders has been reached. In addition, the outward remittance by foreign investors of their share of net profits, capital and dividends may be restricted or require governmental approval.

Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to companies in emerging markets differ from those applicable in more developed markets in respect of the nature, quality and timeliness of the information disclosed to Unitholders and, accordingly, investment possibilities may be difficult to properly assess.

## 5.8 **Counterparty and Settlement**

The Trust will be exposed to a credit risk on parties with whom it trades and will also bear the risk of settlement default.

## 5.9 **Liquidity**

Depending on the types of assets the Trust invests in there may be occasions where there is an increased risk that a position cannot be liquidated in a timely manner at a reasonable price.

## 5.10 **Tax**

Tax laws currently in place may change in the future which could affect the value of a Unitholder's investments. See the section headed 'Taxation' for further details about taxation of the Trust.

Currently, the Trust relies extensively on tax treaties between the United Kingdom and other countries to reduce domestic rates of withholding tax being applied on income arising where the Trust holds underlying assets in those countries. A risk exists that these treaties may change or that tax authorities may change their position on the application of a relevant tax treaty. As a consequence, any such change (i.e. the imposition of, or increase in, withholding tax in that foreign jurisdiction) may result in higher rates of tax being applied to income from underlying investments and this may have a negative effect on the returns to the Trust and Unitholders.

In addition, under some treaties the rate of withholding tax applied to the Trust may be affected by the tax profiles of Unitholders in the Trust. This is because such treaties may require a majority of Unitholders in the Trust to be resident in either the UK or another specified jurisdiction as a condition of relief. Failing to satisfy this test may also result in increased withholding tax and therefore a negative effect on the returns to the Trust and Unitholders.

## 5.11 **Inflation and Interest Rates**

The real value of any returns that a Unitholder may receive from the Trust could be affected by interest rates and inflation over time.

## 5.12 **Custody Risk**

There may be a risk of loss where the assets of the Trust are held in custody that could result from insolvency, negligence or fraudulent action of a custodian or sub-custodian.

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 Trust. 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 Trust may not recover all of its Financial Instruments.

#### 5.13 **Counterparty Risk in OTC Markets**

The Trustee on behalf of a Trust may enter into transactions in over-the-counter markets, which will expose the Trust to the credit of its counterparties and their ability to satisfy the terms for such contracts. For example, the Trustee on behalf of the Trust may enter into agreements or use other derivative techniques, each of which expose the Trust to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, the Trust could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Manager, on behalf of the Trust, seeks to enforce its rights, inability to realise any gains on its investments during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. In such circumstances, Unitholders may be unable to cover any losses incurred.

#### 5.14 **Investment in Regulated Collective Investment Schemes**

The Trust may invest in other regulated collective investment schemes. As an investor in another collective investment scheme, the Trust will bear, along with the other investors, its portion of the expenses of the other collective investment scheme, including the management, performance and/or other fees. These fees will be in addition to the management fees and other expenses which the Trust bears directly with its own operations.

#### 5.15 **Property Funds**

The Trust may invest in Real Estate Investment Trusts (REITs) and other funds which have exposure to property. The value of capital and income will fluctuate as property values and rental incomes rise and fall. These schemes may also invest in other property related securities. Whilst returns from these investments have the potential for attractive returns over the longer term, the short-term volatility of these returns can also be high.

#### 5.16 **Alternative Investments**

Alternative investment products, including hedge funds and managed futures, involve a high degree of risk. They often engage in gearing and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid and may not provide periodic pricing or valuation information to investors.

They may involve complex tax structures and delays in distributing important tax information. They are often not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the Investment Manager.

Alternative investment performance can be volatile with the potential to lose all or a substantial amount of an investment. There is often no secondary market for an investor's interest in alternative investments, with no expectation one will develop. There may be restrictions on transferring interests in any alternative investment.

#### 5.17 **Investment Trusts**

The Trust may invest in investment trusts. These are public limited companies quoted on Stock Exchanges. The price of their shares depends on supply and demand and may not reflect the value of the underlying assets. It may be higher 'at a premium' or lower 'at a discount'. The discount and premium varies continuously and represents an additional measure of risk and reward. **Gearing** – investment trusts can borrow money, which can then be used to make further investments. In a rising market, this 'gearing' can enhance returns to Unitholders. However if the market falls, losses will also be multiplied. The level of gearing needs to be carefully judged and monitored to produce a benefit.

#### 5.18 **Smaller Companies**

Investment in smaller companies can be higher risk than investment in well established blue chip companies. Funds investing significantly in smaller companies can be subject to more volatility due to the limited marketability of the underlying asset.

#### 5.19 **Depositary Receipts**

Depositary receipts, such as American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs), are instruments that represent shares of companies and facilitate trading in those shares outside the markets in which the shares are usually traded. Accordingly whilst the depositary receipts are traded on recognised exchanges, there may be other risks associated with such instruments to consider – for example, the shares underlying the instruments may be subject to political, inflationary, exchange rate or custody risks.

#### 5.20 **Structured Products**

The Trust may invest in structured products in accordance with COLL. For the purposes of the FCA's rules, structured products may be regarded as either transferable securities, collective investment schemes or derivatives depending on the product in question. The common feature of these products is that they are

designed to combine the potential upside of market performance with limited downside. Structured products typically are investments which are linked to the performance of one or more underlying instruments or assets such as market prices, rates, indices, securities, currencies and commodities and other financial instruments that may introduce significant risk that may affect the performance of the Trust. However, in addition to providing exposure to the asset classes described in the investment objective, the intention is that the use of structured products in the context of the Trust should assist with keeping the volatility levels of the Trust relatively low.

#### 5.21 **Unregulated Collective Investment Schemes**

The Trust may make investments in unregulated collective investment schemes. These may invest in highly illiquid securities which may be difficult to value. Moreover, many alternative investment strategies give themselves significant discretion in valuing securities. An investor should be aware that liquidity constraints and the extent to which the Trust's securities are valued by independent sources are factors which could have an impact on the Trust's valuation.

#### 5.22 **Non-UCITS Retail Schemes**

Such funds can have wider investment and borrowing powers than UCITS schemes, with higher investment limits applying in various areas. They may also be able to invest to a greater extent in areas such as property and unregulated collective investment schemes, and have the potential to borrow on a permanent basis. Such additional powers can increase potential reward, but may also increase risk.

#### 5.23 **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 of the Trust and the value of distributions paid to investors.

### 6. **MANAGEMENT AND ADMINISTRATION**

#### 6.1 **Regulatory Status**

The Manager and AIFM, the Trustee and the Investment Managers are authorised and regulated by the Financial Conduct Authority of 12 Endeavour Square, London E20 1JN.

6.2 **Manager and AIFM**

6.2.1 **General**

The Manager and AIFM 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.

The directors of the Manager 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
- N C Palios        Non-Executive Chair
- W D Prew         Independent Non-Executive Director
- C J Wilson        Independent Non-Executive Director

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 authorised funds operated by the Manager.

D K Mytnik, V R Smith and N C Palios also hold non-executive directorships of other companies within the Thesis group. They are not engaged in other business activities that are of significance to the Trust.

W D Prew is a director of INDOS Financial Limited, the primary business of which is the provision of Alternative Investment Fund Managers Directive independent depositary services to alternative investment funds. INDOS Financial Limited is a wholly owned subsidiary with the JTC plc group, a fund, corporate services and private clients service provider. Neither INDOS Financial Limited nor JTC plc provide services to the investment funds managed by the Manager.

|                                    |   |
|------------------------------------|---|
| <b>Registered and Head Office:</b> | Exchange Building, St Johns Street, Chichester PO19 1UP |
|------------------------------------|---|

|                       |  |
|-----------------------|--|
| <b>Share Capital:</b> | It has a share capital of £5,673,167 issued and paid up. |
|-----------------------|--|

The Manager is responsible for managing and administering the Trust's affairs in compliance with COLL and FUND. The Manager may delegate its management and administration functions, but not responsibility, to third parties, including associates subject to the rules in COLL and FUND.

It has therefore delegated to the Investment Managers the function of managing and acting as the investment adviser for the investment and reinvestment of the assets of the Trust (as further explained in paragraph 6.4 below). The Manager has also delegated to the Registrar certain functions relating to the register (as further explained in paragraph 6.5 below). It has also delegated to Northern Trust Global Services SE, UK branch to provide fund accounting for the Trust (as explained in paragraph 6.5).

The Manager is also under no obligation to account to the Trustee, the Trust or the Unitholders for any profit it makes on the issue or re-issue or cancellation of Units which it has redeemed.

The Manager is required to have a Remuneration Code ("the Code") relating to the way in which it remunerates its staff. The Code is designed to ensure that firms have risk-focused remuneration policies which are consistent with and promote effective risk management and do not expose the Manager or the funds it operates to excessive risk.

Full details of the Code are available on the website of the Manager: [www.tutman.co.uk](http://www.tutman.co.uk). This sets out a description of how remuneration and benefits are calculated and the identities of persons responsible for awarding the remuneration and benefits. A paper copy of that website information will be made available free of charge on request from the Manager.

The Manager will cover at all times the risks outlined below of loss or damage caused by any relevant person through the negligent performance of activities for which the Manager has legal responsibility by maintaining an amount of own funds, and will comply with the qualitative requirements addressing such risks, in each case, in accordance with the AIFMD Regulations and the FCA Rules. In addition, the Manager holds significant professional indemnity insurance against

liability arising from professional negligence which is appropriate to the risks covered, and will comply with the qualitative requirements addressing such risks, in each case, in accordance with the AIFMD Regulations and the FCA Rules.

## 6.3 **The Trustee**

### 6.3.1 **General**

The Trustee of the Trust is NatWest Trustee and Depositary Services Limited, a private limited company incorporated in England and Wales on 8 February 2018 with company number 11194605.

The ultimate holding company of the Trustee is the NatWest Group plc, which is incorporated in Scotland.

The Trustee's registered and head office is at 250 Bishopsgate, London EC2M 4AA and the address of its office that handles matters relating to the Trust is set out in Appendix VIII.

The Trustee's principal activity is the provision of trustee and depositary services.

The Trustee is established in the UK and is authorised and regulated by the FCA to act as a depositary for a UK UCITS or an UK AIF.

### 6.3.2 **Duties of the Trustee**

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

### 6.3.3 **Delegation of safekeeping functions**

The Trustee is permitted to delegate (and authorise its delegate to sub-delegate) the safekeeping of the Scheme Property.

The Trustee has delegated safekeeping of the Scheme Property to the Custodian, who has, in turn delegated the custody of assets in certain markets in which the Trust may invest to various sub-delegates ("Sub-Custodians").

The address, for the Custodian, is set out in Appendix VII.

#### 6.3.4 **Conflicts of Interest**

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

It is possible that the Trustee and/or its delegates and sub-delegates may in the course of its or their business be involved in other financial and professional activities which may on occasion have potential conflicts of interest with the Trust or a particular sub-fund 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 Handbook and, in particular, will use reasonable endeavours to ensure that the performance of its duties will not be impaired by any such involvement it may have and that any conflicts which may arise will be resolved fairly and in the best interests of Unitholders collectively so far as practicable, having regard to its obligations to other clients.

As the Trustee operates independently from the Trust, Unitholders, the Manager and its associated suppliers and the Custodian, the Trustee does not anticipate any conflicts of interest with any of the aforementioned parties and has confirmed that it is not aware of any conflict of interest arising from its delegation of custody of Fund assets. Should any such conflict arise, the Trustee shall notify the Manager and take necessary steps to address the conflict.

#### 6.3.5 **Terms of Appointment**

The appointment of the Trustee has been made under the terms of the agreement between the Trust, the Manager and the Trustee (the "Depositary Agreement").

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 the COLL and FUND (as amended from time to time).

Under the Depositary Agreement the Trustee has the power to appoint sub-custodians and may include in such appointment powers of sub-delegation. The Trustee has delegated custody services to The Northern Trust Company (the 'Custodian'). Contact details for the Custodian are set out in Appendix VII.

Under the Depositary Agreement the Trustee will be liable to the Trust for any loss of Financial Instruments held in custody or for any liabilities

incurred by the Trust as a result of the Trustee's negligent or intentional failure to fulfil its obligations.

However, where the event which led to the loss of a financial instrument is not the result of the Trustee's own act or omission (or that of its sub-custodian), the Trustee is discharged of its liability for the loss of a Financial Instrument where the Trustee can prove that the Trustee could not have reasonably prevented the occurrence of the event which led to the loss despite adopting all precautions incumbent on a diligent depositary as reflected in common industry practice and despite rigorous and comprehensive due diligence. The Manager will inform investors without delay of any changes with respect to the Trustee's liability.

The Depositary Agreement provides that the Trust will indemnify the Trustee for any loss suffered in the performance or non-performance of its obligations except in the case of fraud or negligent breach of the Depositary Agreement or the UK AIFM regime, the FCA Rules and other applicable laws and regulations pertaining to the operation of the Trust, Manager and/or Trustee.

The Depositary Agreement may be terminated on six months' notice by the Trust or the Trustee 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.

Other than to exercise the rights of lien or set off over the scheme property in relation to unpaid fees and expenses in relation to the proper performance of services under the Depositary Agreement or sub-custody agreement, unless otherwise agreed by the Manager on behalf of the Trust, the Trustee shall not be entitled to, and no sub-custodian shall be authorised by the Trustee to re-use for its own purpose and benefit any of the scheme property it has been entrusted with.

Details of the fees payable to the Trustee are given in Section 7.3.

## **6.4 The Investment Managers**

### **6.4.1 General**

The Manager has appointed the Investment Managers, Veritas Investment Partners (UK) Limited and Rothschild & Co Wealth Management UK Limited to provide investment management services to the Manager. The Investment Managers are authorised and regulated by the Financial Conduct Authority.



The principal activity of the Investment Managers is the carrying on of business as stockbrokers, corporate finance advisers, asset managers and securities traders.

The terms of the Investment Management Agreements between the Manager and the Investment Managers include the provision of discretionary investment management within the investment objectives, discretion to place purchase and sale orders with regulated dealers and on the exercise of voting rights relating to such investments. The agreements are terminable on receipt of six months' prior written notice given by either party. The Manager has the right to terminate the Agreements with immediate effect in certain circumstances.

The Investment Managers are entitled to a fee paid by the Manager out of its remuneration received each month from the Trust, as explained below in paragraph 7.5.

The Investment Managers will not be considered as a broker fund adviser under the FCA Handbook in relation to the Trust.

## **6.5 The Registrar and Fund Accountant**

The Manager is responsible for the Trust's Register.

On behalf of the Trust the Manager has appointed Northern Trust Global Services SE, UK branch to act as registrar and provide administration services to the Trust and has appointed Northern Trust Global Services SE, UK branch to provide fund accounting services to the Trust.

The registered office of the Registrar is 50 Bank Street, Canary Wharf, London, E14 5NT.

The Register is kept and maintained at 50 Bank Street, Canary Wharf, London, E14 5NT.

The Register of Unitholders will be maintained by the Registrar at the address of its office as noted above, and may be inspected at that address or the principal place of business of the Manager during normal business hours by any Unitholder or any Unitholder's duly authorised agent.

The plan register, where applicable (being a record of persons who subscribe for Units through Individual Savings Accounts (ISAs)), can be inspected at the office of the Registrar.

## 6.6 **The Auditors**

The auditors of the Trust are KPMG LLP, whose address is 1 Sovereign Square, Sovereign Street, Leeds LS1 4DA.

## 6.7 **Conflicts of Interest**

The Manager, the Investment Managers and other companies within the Manager's and/or the Investment Managers' group may, from time to time, act as investment managers or advisers to other funds or sub-funds which follow similar investment objectives to those of the Trust. It is therefore possible that the Manager and/or the Investment Managers may in the course of their business have potential conflicts of interest with the Trust. The Manager and the Investment Managers maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent such conflicts from adversely affecting the interests of the Trust.

The Manager and the Investment Managers will take all appropriate steps to identify and prevent or manage such conflicts and each of the Manager and the Investment Managers will, however, have regard in such event to its general obligations to act in the best interests of the Trust 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 Managers will ensure that the Trust and other collective investment schemes it manages are fairly treated.

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 Trust or its Unitholders will be prevented. Should any such situations arise the Manager will, as a last resort if the conflict(s) cannot be avoided disclose these to Unitholders in an appropriate format.

## 7. **FEES AND EXPENSES**

### 7.1 **Ongoing**

All costs, charges, fees or expenses, other than the charges made in connection with the subscription and redemption of Units payable by a Unitholder or out of Scheme Property are set out in this section.

The Manager may, so far as COLL allows, also pay out of the Scheme Property all relevant costs, charges, fees and expenses including the following:

- 7.1.1 broker's commission, fiscal charges and other disbursements which are necessary to be incurred in effecting transactions for the Trust and

normally shown in contract notes, confirmation notes and difference accounts as appropriate;

- 7.1.2 any costs incurred in modifying the Trust Deed including costs incurred in respect of meetings of Unitholders convened for purposes which include modifying the Trust Deed, where the modification is necessary to implement changes in the law or as a direct consequence of any change in the law, or is expedient having regard to any change in the law made by or under any fiscal enactment and which the Manager and the Trustee agree is in the interest of Unitholders, or to remove obsolete provisions from the Trust Deed;
- 7.1.3 any costs incurred in respect of meetings of Unitholders convened on a requisition by Unitholders not including the Manager or an associate of the Manager;
- 7.1.4 liabilities on unitisation, amalgamation or reconstruction arising in certain circumstances specified in COLL;
- 7.1.5 interest on permitted borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 7.1.6 taxation and duties payable in respect of the Scheme Property, the Trust Deed or the issue of Units;
- 7.1.7 the audit fees of the Auditors (including VAT) and any expenses of the Auditors;
- 7.1.8 the periodic fees of the Financial Conduct Authority, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which units in the Trust are or may be marketed;
- 7.1.9 fees in respect of the maintenance of the Register;
- 7.1.10 any reasonable general disbursements relating to postage and communication costs incurred in the proper performance of the transfer agent's duties relating to the Trust, which are currently carried on by the Registrar;
- 7.1.11 any fees or costs associated with any CASS related support activity incurred by the Registrar.

The Manager is also entitled to be paid out of the Scheme Property any expenses, incurred by the Manager or its delegates of the kinds described above.

## 7.2 **Allocation of Payments**

Expenses are allocated between capital and income in accordance with the Regulations. However, the approach for the Trust is set out in Appendix I. Where expenses are deducted in the first instance from income (except those charges and expenses relating directly to the purchase and sale of investments) if and only if this is insufficient, deductions will be made from capital. **If deductions were made from capital, this would result in capital erosion and constrain growth.**

## 7.3 **Charges Payable to the Manager**

### 7.3.1 ***Annual Management Charge***

In payment for carrying out its duties and responsibilities the Manager is entitled to take an annual fee out of the Scheme Property as set out in Appendix I.

The annual management charge will accrue on a daily basis in arrears by reference to the Net Asset Value of the Trust on the immediately preceding Valuation Point and taking into account any subsequent changes to the Trust capital due to the creation or cancellation of units. The amount due for each month is payable on the last Dealing Day of each month. The current annual management charges for the Trust (expressed as a percentage per annum of the Net Asset Value of the Trust) is set out in Appendix I.

The Manager may increase the rate of such charge by giving 60 days' notice to Unitholders and amending this Prospectus. The Manager is responsible for the payment of the fees of the Investment Managers.

### 7.3.2 ***Registration Fees***

The registration fees will be paid to the Registrar out of the Scheme Property for providing registration services (including establishing and maintaining sub-registers where applicable. Such fee is payable monthly and is accrued daily in arrears by reference to the Net Asset Value of the Trust on the immediately preceding Dealing Day. The current registration fee is £10 per Shareholder per annum with a minimum of £2,000 per annum and £6 per Shareholder transaction effected through straight-through processing and £19 per Shareholder transaction recorded manually.

### 7.3.3 **Expenses**

The Manager is also entitled to all reasonable, properly documented, out of pocket expenses incurred in the performance of its duties as set out above.

VAT is payable on the charges or expenses mentioned above, where appropriate.

If a Class's expenses in any period exceed its income the Manager may take that excess from the capital property attributable to that Class.

The current annual fee payable to the Manager for a Class may only be increased or a new type of remuneration introduced in accordance with the Regulations.

## 7.4 **Trustee's Fee and Expenses**

The Trustee is entitled to receive out of the Scheme Property by way of remuneration a periodic charge, which will be calculated and accrue daily and be paid monthly as soon as practicable after the end of each month, and certain additional charges and expenses. The rate of the Trustee's periodic charge in respect of the Trust will be such rate or rates as agreed from time to time between the Manager and the Trustee in accordance with COLL. The current rate of the Trustee's periodic charge in respect of the Trust is:

|                   |   |
|-------------------|---|
| 0.0275% per annum | on the first £50 million value of the property of the Trust |
| 0.025% per annum  | on the next £50 million value of the property of the Trust  |
| 0.02% per annum   | on the next £100 million value of the property of the Trust |
| 0.015% per annum  | on the remainder.   |

The annual fee is subject to a current minimum of £7,500, applicable to the Trust. VAT at the standard rate is added to these fees.

In the event of the winding up of the Trust, the Trustee shall continue to be entitled to a periodic charge for the period up to and including the day on which the final distribution in the winding up of the Trust shall be made or, in the case of a winding up following the passing of an extraordinary resolution approving a scheme of arrangement, up to and including the final day on which the Trustee is responsible for the safekeeping of the Scheme Property. Such periodic charge will be calculated, be subject to the same terms and accrue and be paid as described above, except that for the purpose of calculating the periodic charge in respect of any day falling

after the day on which the winding up of the Trust commences, the value of the Scheme Property shall be its value determined at the beginning of each such day.

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

| <b>Item</b>         | <b>Range/Fees</b>   |
|---------------------|---|
| Transaction Charges | £7.50 to £180.00  |
| Custody Charges     | up to 0.9% of the value of the holding involved subject to a minimum aggregate custody charge of £7,500 per annum |

The Trustee has delegated the function of global custodian to The Northern Trust Company. The address of The Northern Trust Company is set out in Appendix VIII.

Custody and transaction charges will be payable monthly in arrears.

In addition to the remuneration referred to above, the Trustee is entitled to receive reimbursement for expenses properly incurred by it in discharge of its duties or exercising any powers conferred upon it in relation to the Trust. Such expenses include, but are not restricted to:

- (i) Delivery of stock to the Trustee or Custodian
- (ii) Custody of assets
- (iii) Collection of Income and Capital
- (iv) Submission of tax returns
- (v) Handling tax claims
- (vi) Preparation of the Trustee's annual report
- (vii) Such other duties as the Trustee is required by law to perform

VAT (if any) in connection with any of the above is payable in addition.

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

## 7.5 **Investment Managers' Fee**

The Investment Managers' fees and expenses (plus VAT thereon) for providing investment management services will be paid by the Manager out of its remuneration.

## 7.5 **Research Costs**

It is not intended that the Manager receives any third party research on behalf of the Trust. Any third party research received by the Investment Managers, for or on behalf of, the Trust will be paid for by the Investment Managers.

## 8. **UNITHOLDER MEETINGS AND VOTING RIGHTS**

### 8.1 **Class and Trust Meetings**

The provisions below, unless the context otherwise requires, apply to Class meetings as they apply to general meetings of the Trust, but by reference to Units of the Class concerned and the Unitholders and value and prices of such Units.

### 8.2 **Requisitions of Meetings**

The Manager may requisition a general meeting at any time.

Unitholders may also requisition a general meeting of the Trust. 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 office of the Trustee. The Manager must convene a general meeting no later than eight weeks after receipt of such requisition.

### 8.3 **Notice and Quorum**

Unitholders will receive at least 14 days' notice of a general 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 one person entitled to be counted in a quorum. Notices of meetings and adjourned meetings will be sent to Unitholders at their registered addresses.

### 8.4 **Voting Rights**

At a general meeting, 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.

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 of all the Units in issue at a reasonable date before the notice of meeting is sent out such date to be decided by the Manager.

A Unitholder entitled to more than one vote need not, if they vote, use all their votes or cast all the votes they use in the same way.

In the case of joint Unitholders, the vote of the most senior Unitholder who votes, whether in person or by proxy, must be accepted to the exclusion of the votes of the other joint Unitholders. For this purpose seniority must be determined by the order in which the names stand in the Register.

Except where COLL or the Trust Deed require an extraordinary resolution (which needs at least 75% of the votes cast at the meeting to be in favour if the resolution is to be passed) any resolution required by COLL will be passed by a simple majority of the votes validly cast for and against the resolution.

The Manager may not be counted in the quorum for a meeting and neither the Manager nor any associate (as defined in COLL) of the Manager is entitled to vote at any meeting of the Trust 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.

Where all the Units in the Trust are registered to, or held by, the Manager or its associates and they are therefore prohibited from voting and a resolution (including an extraordinary resolution) is required to conduct business at a meeting, it shall not be necessary to convene such a meeting and a resolution may, with the prior written agreement of the Trustee, instead be passed with the written consent of Unitholders representing 50% or more, or for an extraordinary resolution 75% or more, of the Units in issue.

“Unitholders” in this context means Unitholders entered on the register at a time to be determined by the Manager and stated in the notice of the meeting which must not be more than 48 hours before the time fixed for the meeting.

## **8.5 Variation of Class Rights**

The rights attached to a Class may not be varied without the sanction of an extraordinary resolution passed at a meeting of Unitholders of that Class.



## 9. TAXATION

### 9.1 General

**The following summary is based on current UK law and HM Revenue & Customs practice. It is intended to offer guidance to persons (other than dealers in securities) on the UK taxation of Authorised Unit Trusts ("AUT"). However, it should neither be regarded as definitive nor as removing the desirability of taking separate professional advice. If investors are in any doubt as to their taxation position they should consult their professional adviser. Levels and bases of, and reliefs from, taxation are subject to change in the future.**

### 9.2 Taxation of the Trust

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

The Trust will make dividend distributions except where over 60% of the Trust'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.

#### (i) Income

The Trust is treated as a company for UK tax purposes and 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, currently 20%.

If the Trust 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 income distributions.

Dividend income received by the Trust from investments in UK resident and overseas companies should fall within an exemption from corporation tax subject to the application of the anti-avoidance legislation. Dividend income received from foreign companies may be subject to withholding tax or other taxation in the foreign jurisdiction. The foreign tax suffered by the Trust 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.

#### (ii) Chargeable gains

Capital gains realised by the Trust on a disposal of its investments are exempt from corporation tax on chargeable gains provided those gains do not represent profit on a trading transaction. In the unlikely event that the Trust should be considered to be

trading in securities for tax purposes, any gains made by it would be treated as income and taxed accordingly.

(iii) Stamp Duty Reserve Tax

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

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

### 9.3 **Taxation of unitholders**

(i) Income

For tax purposes, an AUT is treated as distributing the whole of the income available for distribution in each of its distribution periods, whether actually distributed or accumulated by it. Distributions may be made as interest distributions or dividend distributions as set out below.

The distribution accounts of the Trust 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 Trust.

Where more than 60% of the Trust is invested in "qualifying investments" (broadly speaking interest paying investments) the distributions made by the Trust will be interest distributions. Where this is not the case, distributions made by the Trust will be a dividend distribution.

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

#### **(a) Interest distributions**

##### UK resident individuals

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

However, since 6 April 2017, no income tax has been required to be deducted at source from interest distributions with the result that unitholders will receive interest distributions gross of any tax.

Basic rate taxpayers are entitled to a personal savings allowance of £1,000. Higher rate taxpayers are entitled to a reduced personal savings allowance of £500 and additional rate taxpayers to no allowance.

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 of 20%, the higher rate of 40% or the additional rate of 45% (as applicable).

#### UK corporate unitholders

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

The Trust will fail to satisfy the "qualifying investments" test at any time when more than 60% of its assets by market value comprise government and corporate debt securities or cash on deposit or certain derivative contracts or holdings in other collective investment schemes which at any time in the relevant accounting period do not themselves satisfy the "qualifying investments" test, or other interest bearing securities.

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

#### **(b) Dividend distributions**

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

#### UK resident individuals

Dividend distributions are taxed at the following rates:

- 0% for the first £2,000;
- 7.5% for dividends falling within the basic rate band;
- 32.5% for dividends falling within the higher rate band; and
- 38.1% for dividends falling within the additional rate band.

### 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.

#### (ii) Chargeable gains

### 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 Trust. Gains will be tax-free if after deduction of allowable losses they fall within an individual's annual capital gains exemption. For the tax year 2020/2021, the annual exemption is £12,300.

Gains in excess of the annual exemption amount are taxed at 10% 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 (£37,500 for 2020/2021) and at 20% to the extent that they exceed that limit.

### 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.

**The above statements are only intended as a general summary of UK tax law and practice as at the date of this Prospectus (which may change in the future, including with retrospective effect) applicable to individual and corporate investors who are resident for tax purposes only in the UK, and who are the absolute beneficial owners of a holding in the Trust. Each investor's tax treatment will depend upon the particular circumstances of each investor. In particular, the summary may not apply to certain classes of investors (such as dealers in securities and persons who acquired their shares by reason of employment). Any investor who is in any doubt as to his or her UK tax position in relation to the holding of units in the Trust should consult his or her UK independent professional adviser.**

## **US Taxation Issues/FATCA Tax Reporting**

**The information which follows is intended as a general guide only and represents the Manager's understanding of certain US taxation issues. It is provided for information purposes only and should not be relied on. Unitholders and prospective unitholders are recommended to seek their own professional advice.**

The provisions of the Foreign Account Tax Compliance Act (FATCA) were enacted on 18 March 2010 as part of the Hiring Incentive to Restore Employment Act. FATCA includes provisions under which the Manager as a Foreign Financial Institution (FFI) may be required to report directly to the US Internal Revenue Service (IRS) certain information about units in the Trust held by US Persons for the purposes of FATCA or other foreign entities subject to FATCA and to collect additional identification information for this purpose. Financial institutions that do not enter into an agreement with the IRS and comply with the FATCA regime could be subject to 30% withholding tax on any payment of US source income as well as on the gross proceeds deriving from the sale of securities generating US income made to a unit trust.

The Manager is obliged to comply with the provisions of FATCA under the terms of the inter-governmental agreement (IGA) Model I and under the terms of UK legislation implementing the IGA rather than under the US Treasury Regulations implementing FATCA. The Manager has registered with the IRS as the sponsoring entity for the Trust to report certain information to HMRC.

In order to comply with its FATCA obligations, the Manager may be required to obtain certain information from unitholders so as to ascertain their US tax status. If the unitholder is a specified US Person, US owned non-US entity, non-participating FFI or does not provide the requisite documentation, the Manager will need to report information on these unitholders to HMRC, in accordance with applicable laws and regulations, which will in turn report this to the US Internal Revenue Service. Provided that the Manager acts in accordance with these provisions the Trust will not be subject to withholding tax under FATCA.

Unitholders, and intermediaries acting for unitholders, should note that it is the existing policy of the Manager that units in the Trust are not being offered or sold for the account of US Persons for the purposes of FATCA and that subsequent transfers of units to such US Persons are prohibited. If units in the Trust are beneficially owned by any such US Person, the Manager may in its discretion compulsorily redeem such units. Unitholders should moreover note that under the FATCA legislation, the definition of "Specified US Persons" will include a wider range of investors than the current US Person definition.

**THE MANAGER RESERVES THE RIGHT TO REDEEM THE UNITS OF ANY UNITHOLDER WHO JEOPARDISES THE TAX STATUS OF THE TRUST.**

**(A) Income equalisation – tax implications**

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

## **(B) UK information reporting regime**

Unit trusts 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 “Automatic Exchange of Information” below.

There are also requirements to report cross-border arrangements to the tax authority if certain requirements are met under the International Tax Enforcement (Disclosable Arrangements) Regulations 2020 (as amended from time to time). Investors should consult their independent professional advisor for more information as the obligation to report can in some cases be with the taxpayer.

## **(C) Tax Elected Fund (“TEF”) regime**

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

## **(D) Automatic Exchange of Information**

Following the repeal of the EU Savings Directive a new automatic exchange of information regime has been implemented under Council Directive 2011/16/EU on administrative co-operation in the field of taxation, as amended by Council Directive 2014/107/EU (“Directive on Administrative Co-operation”). The Directive on Administrative Co-operation, which effectively implements the Organisation for Economic Co-operation and Development’s common reporting standard on automatic exchange of financial account information in tax matters, requires governments to obtain detailed account information from financial institutions and exchange that information automatically with other jurisdictions annually. The Directive on Administrative Co-operation is, generally, broader in scope than the EU Savings Directive. The UK legislation that implements the Directive is the International Tax Compliance Regulations 2015 and the Regulations are likely to apply to the Trust regardless of the composition or asset class of its investments and whether or not the Trust is a UCITS.

The Manager is responsible for identifying the territory in which an accountholder or a controlling person is resident for income tax or corporation tax purposes (or similar tax), applying due diligence procedures, keeping information for either: five years starting from the end of the last year in which the account was included in a return submitted to HM Revenue & Customs pursuant to the requirements of the International Tax Compliance Regulations 2015 (as amended from time to time) for a reportable account; or for an account that is not a reportable account five years starting from the end of the last year in which the account was treated as not being a reportable account based on due diligence procedures. Such tasks have been delegated to the Administrator.

If a unitholder does not provide the requisite information for tax reporting purposes, the Manager may deduct the amount of any penalty imposed on it from the unitholder’s account.

## **(E) Risk Profile Management**

The Manager, in consultation with the Investment Manager, has adopted a risk management process in respect of the Fund enabling it to monitor and measure the risk of the Trust's portfolio and contribution of the underlying investments to the overall risk profile of the Trust.

The Manager operates a liquidity risk management policy with a view to ensuring that unitholders are able to realise their units in accordance with this Prospectus and the requirements of the FCA Rules. This Prospectus provides information in relation to liquidity risk management, including the redemption rights of investors in normal and exceptional circumstances, and the existing redemption arrangements with investors.

Liquidity risk is the risk that the Trust is unable to meet its obligations as they fall due. Examples include insufficient cash to meet redemption requests or make margin payments requirements and the risk that a particular derivative position cannot be easily unwound or offset due to insufficient market depth or market disruption or that the Trust's financial obligations arising from the derivative activity (such as margin calls) will not be able to be met. It is controlled for through monitoring of the liquidity of all instruments used, including derivatives, in the context of the investment objectives and liquidity requirements of each scheme or client account. Cash positions are monitored and reported to ensure that the Trust has sufficient capacity to meet obligations arising from any derivative positions.

Stress tests on the portfolio are undertaken on a periodic basis, the frequency is dependent on a number of factors, e.g. portfolio composition and liquidity.

### **10. WINDING UP OF THE TRUST**

10.1 The Trust will not be wound up except in accordance with COLL.

10.2 The Trustee shall proceed to wind-up the Trust:

10.2.1 if the order declaring the Trust to be an authorised unit trust scheme is revoked; or

10.2.2 if the Manager or the Trustee requests the FCA to revoke the order declaring the Trust 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 the Trust, the FCA will accede to that request; or

10.2.3 the expiration of any period specified in the Trust Deed as the period at the end of which the Trust is to wind up; or

10.2.4 on the effective date of a duly approved scheme of arrangement which is to result in the relevant Trust being left with no property.

10.3 If any of the events set out above occurs the rules in COLL concerning Dealing (COLL 6.2), Valuation and Pricing (COLL 6.3) and 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.

- 10.4 In the case of a scheme of arrangement referred to in paragraph 10.2.4 above, the Trustee shall wind up the Trust in accordance with the approved scheme of arrangement.
- 10.5 In any other case, the Trustee shall, as soon as practicable after the relevant Trust falls to be wound-up, realise the assets of the Trust 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 Trust.
- 10.6 Any unclaimed net proceeds or other cash (including unclaimed distribution payments) held by the Trustee after twelve months from the date the proceeds became payable, shall be paid by the Trustee into Court, although the Trustee will have the right to retain any expenses incurred in making that payment. On completion of the winding-up, the Trustee shall notify the FCA in writing of that fact and the Trustee or the Manager shall request the FCA to revoke the order of authorisation.

## 11. **GENERAL INFORMATION**

### 11.1 **Accounting Periods**

The annual accounting period of the Trust ends each year on 30 September (the accounting reference date) with an interim accounting period ending on 31 March.

The Manager may even out the payments of income within an accounting period by carrying forward income otherwise distributable with a view to augmenting amounts to be paid out at a later date.

### 11.2 **Notice to Unitholders**

All notices or other documents sent by the Manager to a Unitholder will be sent by normal post to the last address notified in writing to the Manager by the Unitholder.

### 11.3 **Income Allocations**

The Trust has interim and final income allocations. Income is allocated in respect of the income available at each accounting date.

In relation to income Units, distributions of income for the Trust are paid by cheque or electronic transfer directly into a Unitholder's bank account on or before the relevant income allocation date in each year as set out in Appendix I.



Where accumulation Units are issued, income will become part of the capital property of the Trust and will be reflected in the price of each such accumulation Unit as at the end of the relevant accounting period.

If a distribution made in relation to any income Units remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the Trust.

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 Trust in respect of that period, and deducting the charges and expenses of the Trust paid or payable out of income in respect of that accounting period. The Manager then makes such other adjustments as it considers appropriate (and after consulting the Auditors as 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 other matters.

#### **11.4 Annual Reports**

Annual reports of the Trust will be published within four months of the end of each annual accounting period and half-yearly reports will be published within two months of the end of each half-yearly interim accounting period.

Copies of the most recent annual and half-yearly reports of the Trust can be obtained free of charge from the Manager.

#### **11.5 Documents of the Trust**

The following documents may be inspected free of charge during normal business hours on any Business Day at the offices of the Manager at Exchange Building, St Johns Street, Chichester PO19 1UP:

11.5.1 the most recent Prospectus of the Trust;

11.5.2 the most recent annual and half yearly reports of the Trust; and

11.5.3 the Trust Deed (and any amending documents).

Unitholders may obtain copies of the above documents from the Manager. The Manager may make a charge at its discretion for copies of documents (apart from the most recent versions of the Prospectus and annual and half yearly reports of the Trust which are available free of charge to anyone who requests).

## 11.6 **Provision of Investment Advice**

All information concerning the Trust and about investing in Units of the Trust is available from the Manager at Exchange Building, St Johns Street, Chichester PO19 1UP. The Manager is not authorised to give investment advice and persons requiring such advice should consult a professional adviser. All applications for Units are made solely on the basis of the current prospectus of the Trust, and Unitholders should ensure that they have the most up to date version.

## 11.7 **Telephone Recordings**

Please note that the Manager and the Investment Managers will take all reasonable steps to record telephone conversations, and keep a copy of electronic communications, that relate to instructions to deal in the Trust or the management of the assets of the Trust. The Manager may also record calls for security, training and monitoring purposes, to confirm Unitholders' instructions and for any other regulatory reason. Recordings will be retained for a period of at least five years from the date of such recording or, where requested by a competent authority, for a period of seven years.

## 11.8 **Complaints**

Unitholders who have complaints about the operation of the Trust 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 Ombudsman Service, Exchange Tower, London E14 9SR.

A copy of the complaints handling procedure is available from the Manager on request. In the event of the Manager being unable to meet its liabilities to Unitholders, details about rights to compensation can be found at [www.fscs.org.uk](http://www.fscs.org.uk).

## 11.9 **Risk Management**

The Manager will provide upon the request of a Unitholder further information relating to:

11.9.1 the quantitative limits applying in the risk management of the Trust;

11.9.2 the methods used in relation to 11.9.1; and

11.9.3 any recent development of the risk and yields of the main categories of investment.

## 11.10 **Best Execution**

Each Investment Manager has established and implemented an order execution policy to allow it to obtain the best possible results for the Trust. A copy of each

Investment Manager's execution policy is available on request from the Manager or may be available from each investment manager's website, listed in Appendix VIII.

#### **11.11 Information available to Unitholders**

The following information will be made available to Unitholders as part of the Trust's periodic reporting and, as a minimum, in the annual report:

- 11.11.1 the percentage of each Trust's assets which will be subject to special arrangements arising from their illiquid nature, including an overview of any special arrangements in place, the valuation methodology applied to assets which are subject to such arrangements and how management and performance fees will apply to these assets;
- 11.11.2 the current risk profile of the Trust, and information on the risk management systems used by the Manager to manage those risks;
- 11.11.3 the total amount of leverage employed by the Trust calculated in accordance with the gross and commitment methods; and
- 11.11.4 any material changes to the information above.

It is intended that Unitholders will be notified promptly of any material changes to the liquidity management systems and procedures such as the suspension of redemptions, the deferral of redemptions or similar special liquidity arrangements. It is intended that any changes to the maximum level of leverage which the Trust may employ will be provided to Unitholders without undue delay.

#### **11.12 Changes to the Trust**

Where any changes are proposed to be made to the Trust, the Manager will assess, with input from the Trustee, whether the change is fundamental, significant or notifiable in accordance with COLL 4.3. Changes to the Trust's investment objective and investment policy will usually be significant or fundamental, unless those changes are only for clarification purposes and do not result in any change in how the Trust is managed. Certain changes to the Trust may require approval by the FCA in advance.

If the change is regarded as fundamental, Unitholder approval will be required. If a change requires Unitholder approval, this will mean that Unitholders will need to approve the change at a meeting. The procedure for Unitholder meetings is described above at Section 9.

If the change is regarded as significant, not less than 60 days' prior written notice will be given to Unitholders. If the change is regarded as notifiable, Unitholders will receive suitable pre or post event notice of the change.

### 11.13 **Professional liability risks**

The Manager covers potential professional liability risks arising from its activities as the Trust's AIFM through additional own funds.

### 11.14 **Fair treatment of investors**

Procedures, arrangements and policies have been put in place by the Manager, with appropriate oversight and input from the Trustee, to ensure compliance with the principles of fair treatment of investors. The principles of treating investors fairly include, but are not limited to:

- 11.14.1 acting in the best interest of the Trust and of the investors;
- 11.14.2 executing the investment decisions taken for the account of the Trust in accordance with the objectives, the investment policy and the risk profile;
- 11.14.3 ensuring that the interests of any group of investors are not placed above the interests of any other group of investors;
- 11.14.4 ensuring that fair, correct and transparent pricing models and valuation systems are used for the Trust are managed;
- 11.14.5 preventing undue costs being charged to the Trust and investors;
- 11.14.6 taking all reasonable steps to avoid conflicts of interests and, when they cannot be avoided, identifying, managing, monitoring and, where applicable, disclosing those conflicts of interest to prevent them from adversely affecting the interests of investors; and
- 11.14.7 recognising and dealing with complaints fairly.

### 11.15 **Preferential treatment**

From time to time the Manager may afford preferential terms of investment to certain groups of investors. In assessing whether such terms are afforded to an investor, the Manager will ensure that any such concession is not inconsistent with its obligation to act in the overall best interests of the Trust and its investors.

In particular, the Manager will typically exercise its discretion to waive the initial charge or investment minima for investment in a Class for investors that are investing sufficiently large amounts, either initially or are anticipated to do so over time, such as platform service providers, institutional investors including fund of fund investors and fund-link investors. The Manager may also have agreements in place with such groups of investors which result in them paying a reduced annual management charge. If such rights are granted, this would typically be to investors

who invest significant amounts in the Trust. Such investors would not typically be legally or economically linked to the Manager.

#### **11.16 Unitholders' rights**

11.16.1 Unitholders are entitled to participate in the Trust on the basis set out in this prospectus (as amended from time to time). Sections 11.8 ("Complaints"), 9 ("Unitholder Meetings and Voting Rights"), 11.4 ("Annual Reports") and 11.5 ("Documents relating to the Trust") of this prospectus set out important rights about Unitholders' participation in the Trust.

11.16.2 Unitholders may have no direct rights against the service providers to the Trust set out in Section 6.

11.16.3 The Manager must ensure that this Prospectus does not contain any untrue or misleading statement or omit any matter required to be disclosed in the Prospectus by FUND or COLL. To the extent that a Unitholder incurs loss as a consequence of an untrue or misleading statement or omission, the Manager may be liable to compensate that Unitholder subject to the Manager having failed to exercise reasonable care to determine that the statement was true and not misleading or that the omission was appropriate, in accordance with the FCA Handbook.

11.16.4 Unitholders have statutory and other legal rights which include the right to complain and may include the right to cancel an order or seek compensation.

11.16.5 Unitholders who are concerned about their rights in respect of the Trust should seek legal advice.

#### **11.17 Governing law and jurisdiction**

The scheme documents and the application form are each made under and governed by and shall be construed in accordance with the laws of England and Wales. The Trust, the Manager and Unitholders will be subject to the exclusive jurisdiction of the courts of England and Wales to settle any dispute or claim which may arise out of, or in connection with, a Unitholder's investment in the Trust or any related matter.

## APPENDIX I

### TRUST DETAILS

|                              |  |
|------------------------------|--|
| <b>Name:</b>                 | TM New Institutional World Fund  |
| <b>Type of Scheme:</b>       | Non-UCITS Retail Scheme  |
| <b>Investment Objective:</b> | <p>The Trust aims to achieve a total return (a combination of capital growth and income) equivalent to the Consumer Price Index + 3% per annum, net of fees over periods of five years. Capital invested is at risk and there is no guarantee that capital growth and income will be achieved or that the investment objective will be met.</p>  |
| <b>Investment Policy</b>     | <p>To invest directly and indirectly worldwide with no particular emphasis on any industry, market or geographical sector. The Trust may invest in the following asset classes: equities, debt securities (government and corporate bonds, loans, credit), cash, money market instruments, private equity, property, infrastructure, commodities (for example gold) and hedge funds.</p> <p>Between 40% to 80% of the portfolio will be invested in equities. The Trust may gain exposure to the asset classes listed directly and indirectly by investing in other transferable securities and collective investment schemes (open and closed ended), which may include other collective investment schemes managed or advised by the Manager, the Investment Managers or their associates. Exposure to property, private equity, infrastructure and commodities will be indirect.</p> <p>Whilst a combination of asset classes will always be held, not all asset classes will necessarily be held all the time, with the exception of investing at least 40% in equities.</p> <p>Derivatives such as futures and options, whose value is linked to that of another investment, may also be used for the purpose of managing the Trust in a way that is designed to reduce risk or cost and/or generate extra income or growth (often referred to as 'efficient portfolio management').</p> <p>The Investment Managers may invest in derivatives for investment purposes on 60 days'</p> |

notice to investors. Where derivatives are used for investment purposes, this may affect the risk profile of the Trust.

## **Investment Strategy**

Veritas Investment Partners (UK) Limited's strategy is centred on bottom-up stock selection, driven and supported by a rigorous research process.

Asset allocations are determined by the Investment Manager's views on markets and individual companies, taking into consideration the Trust's investment objectives. The equity selection process consists of a combination of qualitative (research) and quantitative (data) measures specifically focused on: economic drivers, a company's sustainable competitive advantage, financial strength and management's track record. The fixed income allocation aims to generate cash-plus returns in the currency of the Trust while diversifying the risk of the equity allocation.

The Investment Manager invests globally on an unconstrained basis, i.e. with no reference to a benchmark.

Rothschild & Co Wealth Management UK Limited's strategy is focused on the preservation of capital.

The investment process is designed to support this through a focus on asset valuation and fundamental research. Investments are made from the bottom-up by seeking attractive investments that fall into two categories; investment in assets that will provide returns above inflation and investment in assets which the Investment Manager expects to offer diversification in the source of returns and by offering some protection in challenging equity markets.

The Investment Manager invests globally on an unconstrained basis, i.e. with no reference to a benchmark.

## **Target Benchmark**

Consumer Price Index + 3% per annum

## **Comparator Benchmark**

ARC GBP Balanced Asset Private Client Index (PCI)

**Information regarding benchmarks:**

The Consumer Price Index plus 3% per annum has been selected as the Trusts target return benchmark as the Trust aims to achieve a return (the money made or lost on an investment) that is 3% above the rate of inflation. The Consumer Price Index is used to measure the rate of inflation. Please refer to the Trust's investment objective for detail regarding how achievement of the target return benchmark is measured, and over what time period.

In addition to the target benchmark the Trust uses the ARC GBP Balanced Asset Private Client Index (PCI) as a comparator benchmark for performance purposes. This benchmark is a peer group index based on the performance of a selection of private client discretionary investment portfolios that have a similar risk profile to the TM New Institutional World Fund.

|  |   |
|--|---|
| <b>Final Accounting Date:</b>          | 30 September                            |
| <b>Interim Accounting Date:</b>        | 31 March                                |
| <b>Income Distribution Dates:</b>      | 30 November (final)<br>31 May (interim) |
| <b>Unit Classes and Type of Units:</b> | Income                                  |
| <b>Initial Charge:</b>                 | 6%                                      |
| <b>Redemption Charge:</b>              | Nil                                     |
| <b>Annual Management Charge:</b>       | 0.725%                                  |

| <b>Allocation of Charges</b>                 | <b>Income (except charges relating directly to the purchase and sale of investments*)</b> | <b>Capital*</b> |
|--|---|-----------------|
| AMC  | 100%  |                 |
| Administration                               | 100%  |                 |
| Ongoing Operating Costs                      | 100%  |                 |
| Dealing and Registration                     | 100%  |                 |
| Trustee                                      | 100%  |                 |
| Custody                                      | 100%  |                 |
| Portfolio transactions (Broker's commission) |   | 100%            |
| <b>Investment Minima:**</b>                  |   |                 |
| Lump Sum                                     |   | £100,000        |
| Holding                                      |   | £100,000        |



Top-up  
Redemption

£20,000  
N/A provided  
minimum  
holding  
maintained

**Past Performance:**

Past performance information is set out in  
Appendix VI

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

\*\* The Manager may waive the minimum levels at its discretion.

## APPENDIX II

### ELIGIBLE SECURITIES MARKETS AND ELIGIBLE DERIVATIVES MARKETS

#### Eligible Securities Markets:

All regulated markets (as defined in the glossary to the FCA Handbook) or markets established in an the UK or EEA State which are regulated, operate regularly and are open to the public.

The Trust may also deal through the securities markets indicated below:

|                          |  |
|--------------------------|--|
| Australia                | Australian Securities Exchange           |
| Canada                   | Toronto Stock Exchange                   |
|                          | TSX Venture Exchange                     |
| Hong Kong                | Hong Kong Exchanges and Clearing Limited |
| Japan                    | Tokyo Stock Exchange                     |
|                          | Osaka Exchange                           |
|                          | Nagoya Stock Exchange                    |
| Korea                    | Korea Exchange                           |
| Mexico                   | Mexican Stock Exchange                   |
| New Zealand              | NZX Limited                              |
| Singapore                | Singapore Exchange                       |
| South Africa             | JSE Limited                              |
| Switzerland              | SIX Swiss Exchange                       |
| Thailand                 | The Stock Exchange of Thailand           |
| United States of America | NASDAQ Stock Market                      |
|                          | New York Stock Exchange                  |
|                          | NYSE American                            |

**Eligible Derivatives Markets:**

An Eligible Derivatives Market is any of the following:

UK

ICE Futures Europe

USA

Cboe Options Exchange

Chicago Board of Trade

Chicago Mercantile Exchange

NASDAQ OMX NFX

New York Mercantile Exchange

NYSE American Options

## **APPENDIX III**

### **VALUATION AND PRICING**

The value of the property of the Scheme shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions.

1. All the property the Scheme (including receivables) is to be included, subject to the following provisions.
2. The valuation of the property of the Scheme shall consist of two parts, one on an issue basis and one on a cancellation basis calculated in accordance with the following provisions.
  - 2.1 The valuation of property for that part of the valuation which is on an issue basis is as follows:
    - 2.1.1 Property which is not cash (or other assets dealt with in paragraph 3 below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
      - 2.1.1.1 units or shares in a collective investment scheme:
        - (a) if a single price for buying and selling units or shares is quoted, at that price (plus any dealing costs, which means any fiscal charges, commission or other charges (including any initial charge) payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction and including any dilution levy which would be added in the event of a purchase by the Scheme of the units in question (except that, where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by the Scheme, dealing costs must not include an initial charge which would be payable in the event of a purchase by the Scheme of those units)); or
        - (b) if separate buying and selling prices are quoted, at the maximum sale price, less any expected discount (plus any dealing costs, which means any fiscal charges, commission or other charges (but excluding any initial charge on sale of units in a collective investment scheme) payable in the event of the

Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction); but where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by the Scheme, the issue price shall be taken instead of the maximum sale price; or

- (c) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a buyer's price which, in the opinion of the Manager, is fair and reasonable;

2.1.1.2 any other investment:

- (a) the best available market dealing offer price on the most appropriate market in a standard size (plus any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction); or
- (b) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a buyer's price which, in the opinion of the Manager, is fair and reasonable.

2.1.1.3 if any other property, or no price exists under 2.1.1.1 or 2.1.1.2, the Manager's reasonable estimate of a buyer's price (plus any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction but excluding any initial charge on sale of units in a collective investment scheme). The buyer's price is the consideration which would be paid by the buyer for an immediate transfer or assignment (or, in Scotland, assignation) to them at arm's length.

2.2 The valuation of property for that part of the valuation which is on a cancellation basis is as follows:

2.2.1 Property which is not cash (or other assets dealt with in paragraph 3 below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:

2.2.1.1 units or shares in a collective investment scheme:

- (a) if a single price for buying and selling units or shares is quoted, at that price (less any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction, any redemption charge payable on sale of units in a collective investment scheme, taking account of any expected discount, any dilution levy which would be deducted in the event of a sale by the Scheme of the units in question (except that, where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by the Scheme, dealing costs must not include a redemption charge which would be payable in the event of a sale by the Scheme of those units)); or
- (b) if separate buying and selling prices are quoted, at the minimum redemption price (less any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction and any charge payable on the sale of units in a collective investment scheme (except that, where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by the Scheme, dealing costs must not include a redemption charge which would be payable in the event of a sale by the Scheme of those units), less any expected discount); but, if the property sold in one transaction would amount to a large deal (as defined in the Glossary), the cancellation price shall be taken instead of the minimum redemption price; or

- (c) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a seller's price which, in the opinion of the Manager, is fair and reasonable;

2.2.1.2 any other investment:

- (a) the best available market dealing bid price on the most appropriate market in a standard size (less any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction); or
- (b) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a seller's price which, in the opinion of the Manager, is fair and reasonable;

2.2.1.3 if any other property, or no price exists under 2.2.1.1 or 2.2.1.2, the Manager's reasonable estimate of a seller's price (less any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction and including any redemption charge payable on sale of units in a collective investment scheme, taking account of any expected discount, any dilution levy which would be deducted in the event of a sale by the Scheme of the units in question (except that, where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by the Scheme, dealing costs must not include a redemption charge which would be payable in the event of a sale by the Scheme of those units)).

3. Property which is a derivative transaction shall be treated as follows:

- (a) if a written option, (and the premium for writing the option has become part of the Scheme Property) deduct, for the calculation of the issue basis, the amount of the net valuation of premium (estimated on the basis of writing an option of

the same series on the best terms then available on the most appropriate market on which such options are traded, but add, in the case of the calculation of the cancellation basis, dealing costs); but if it is an OTC derivative, the valuation methods in COLL 5.2.23R shall be used; or

- (b) if an off-exchange future, include at the net value of closing out (in the case of the calculation of the issue basis, estimated on the basis of the amount of profit or loss receivable or incurable by the Scheme on closing out the contract and deducting minimum dealing costs in the case of profit and adding them in the case of loss; but if it is an OTC derivative, the valuation methods in COLL 5.2.23R shall be used); or
  - (c) if any other form of derivative transaction, include at the net value of margin on closing out (estimated on the basis of the amount of margin (whether receivable or payable by the Scheme on closing out the contract) on the best terms then available on the most appropriate market on which such contracts are traded and including minimum dealing costs so that the value is the figure as a negative sum); but if it is an OTC derivative, the valuation methods in COLL 5.2.23R shall be used.
4. Cash and amounts held in current and deposit accounts shall be valued at their nominal values.
  5. In determining the value of the Scheme Property, all instructions given to the Trustee to issue or cancel units shall be assumed (unless the contrary is shown) to have been carried out and any cash paid or received and all required consequential action required by the Regulations or the Trust Deed shall be assumed (unless the contrary is shown) to have been taken.
  6. Subject to paragraphs 7 and 8 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 shall not materially affect the final net asset amount.
  7. Futures or contracts for differences which are not yet due to be performed and unexpired written or purchased options which have not been exercised shall not be included under paragraph 6.
  8. All agreements are to be included under paragraph 6 which are, or ought reasonably to have been, known to the person valuing the property assuming that all other persons in the Manager's employment take all reasonable steps to inform it immediately of the making of any agreement.



9. Deduct an estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the property of the Scheme; on realised capital gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) including (as applicable and without limitation) capital gains tax, income tax, corporation tax, Value Added Tax, stamp duty and Stamp Duty Reserve Tax.
10. Deduct an estimated amount for any liabilities payable out of the property of the Scheme and any tax thereon (treating periodic items as accruing from day to day).
11. Deduct the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings.
12. In the case of a margined contract, deduct any amount reasonably anticipated to be paid by way of variation margin.
13. Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
14. Add any other credits due to be paid into the property of the Scheme.
15. In the case of a margined contract, add any amount reasonably anticipated to be received by way of variation margin.
16. Add a sum representing any interest or any income accrued due or deemed to have accrued but not received and any Stamp Duty Reserve Tax provision anticipated to be received.
17. The valuation is in the Scheme's base currency. To convert to the base currency the value of property which would otherwise be valued in another currency the Manager will either:
  - 17.1 select a rate of exchange which represents the average of the highest and lowest rates quoted at the relevant time for conversion of that currency into base currency on the market on which the manager would normally deal if it wished to make such a conversion; or
  - 17.2 invite the Trustee to agree that it is in the interests of Unitholders to select a different rate, and, if the Trustee so agrees, use that other rate.

## **APPENDIX IV**

### **INVESTMENT AND BORROWING POWERS OF THE TRUST**

#### **1. General**

The Scheme Property will be invested with the aim of achieving the investment objective of the Trust but subject to the limits set out in the Trust's investment policy and the limits set out in Chapter 5 of COLL ("COLL 5") that are applicable to Non-UCITS retail schemes and this Prospectus.

Normally, the Trust will be fully invested save for an amount to enable redemption of Units, efficient management of the Trust in relation to its strategic objective and other purposes which may be reasonably regarded as ancillary to the investment objectives of the Trust.

This amount will vary depending upon prevailing circumstances and although it would normally not exceed 10% of the total value of the Trust, there may be times when the Investment Managers considers stock markets to be overpriced or that a period of instability exists which presents unusual risks. In such cases or during such periods, a higher level of liquidity may be maintained and, if considered prudent, the amount of cash or near cash instruments held would be increased. Unless market conditions were deemed unusually risky, the increased amount and period would not be expected to exceed 30% and six months respectively.

The Trust will not invest directly in gold or immovable property but may gain indirect exposure to these asset classes through investment types permitted under the investment policy and COLL.

The Trust will not maintain an interest in any immovable property or moveable property for the direct pursuit of the Trust's business.

#### **1.1 Prudent spread of risk**

The Manager must ensure that, taking account of the investment objective and policy of the Trust, the Scheme Property aims to provide a prudent spread of risk.

#### **1.2 Cover**

- 1.2.1 Where COLL 5 allows a transaction to be entered into or an investment to be retained only (for example, investment in nil and partly paid securities and the general power to accept or underwrite) if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in COLL 5, it must be assumed that the maximum possible liability of the Trust under any other of those rules has also to be provided for.

1.2.2 Where a rule in COLL 5 permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:

1.2.2.1 it must be assumed that in applying any of those rules, the Trust must also simultaneously satisfy any other obligation relating to cover; and

1.2.2.2 no element of cover must be used more than once.

## **2. Non-UCITS retail schemes - general**

2.1 Subject to the investment objective and policy of the Trust, the Scheme Property must, except where otherwise provided in COLL 5 only consist of any or all of:

2.1.1 transferable securities;

2.1.2 money-market instruments;

2.1.3 units or shares in permitted collective investment schemes;

2.1.4 permitted derivatives and forward transactions; and

2.1.5 permitted deposits;

2.1.6 permitted immovables (the Trust does not invest in permitted immovables); and

2.1.7 gold up to a limit of 10% in value of the Scheme Property (the Trust does not invest directly in gold).

2.2 Transferable securities and money-market instruments held within the Trust must (subject to paragraph 2.3 of this Appendix) be:

2.2.1 admitted to or dealt in on an eligible market as described below;

2.2.2 approved money-market instruments not admitted or dealt in on an eligible market below which satisfy the requirement of paragraph 8 (Investment in money market instruments) of this Appendix;

2.2.3 recently issued transferable securities provided that:

2.2.3.1 the terms of issue include an undertaking that application will be made to be admitted on an eligible market; and

2.2.3.2 such admission is secured within a year of issue.

2.3 Not more than 20% in value of the Scheme Property is to consist of transferable securities, which are not approved securities (aggregated with the value of the

Scheme Property which can be invested in unregulated collective investment schemes as set out in paragraph 6.1.5) or money-market instruments which are liquid and have a value which can be determined accurately at any time.

- 2.4 Up to 5% of the Scheme Property may be invested in warrants.
- 2.5 Transferable securities held by the Trust must also satisfy the criteria in COLL 5.2.7AR, COLL 5.2.7CR and COLL 5.2.7ER for the purposes of investment by a UCITS scheme.

### **3. Eligible markets regime: purpose**

3.1 This section specifies criteria as to the nature of the markets in which property of a Non-UCITS scheme may be invested.

3.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 20% restriction on investing in non-approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as a breach beyond the control of the Manager.

3.3 A market is eligible for the purposes of the rules if it is:

- 3.3.1 a regulated market as defined in the FCA Handbook; or
- 3.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public; or
- 3.3.3 a market falling in paragraph 3.4 of this Appendix.

3.4 A market falling within paragraph 3.3.3 of this Appendix is eligible for the purposes of COLL 5 if:

- 3.4.1 the Manager, after consultation with and notification to the Trustee, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
- 3.4.2 the market is included in a list in the Prospectus; and
- 3.4.3 the Trustee has taken reasonable care to determine that:
  - 3.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and
  - 3.4.3.2 all reasonable steps have been taken by the Manager in deciding whether that market is eligible.

3.5 In paragraph 3.4.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised, is open to the public, is adequately liquid

and has adequate arrangements for unimpeded transmission of income and capital to or for the order of Unitholders.

#### **4. Spread: general**

- 4.1 This rule on spread does not apply in respect of a transferable security or an approved money market instrument to which COLL 5.2.12R (Spread: government and public securities) applies.
- 4.2 Not more than 20% in value of the Scheme Property is to consist of deposits with a single body.
- 4.3 Not more than 10% in value of the Scheme Property is to consist of transferable securities or money-market instruments issued by any single body subject to COLL 5.6.23R (Schemes replicating an index).
- 4.4 The limit of 10% in paragraph 4.3 above is raised to 25% in value of the Scheme Property in respect of covered bonds.
- 4.5 In applying paragraph 4.3, certificates representing certain securities are to be treated as equivalent to the underlying security.
- 4.6 COLL 5 provides that not more than 35% in value of the Scheme Property is to consist of the units or shares of any one collective investment scheme.
- 4.7 The exposure to any one counterparty in an OTC derivative transaction must not exceed 10% in value of the Scheme Property.
- 4.8 For the purpose of calculating the limit in paragraph 4.7, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets each of the following conditions:
  - 4.8.1 it is marked-to-market on a daily basis and exceeds the value of the amount at risk;
  - 4.8.2 it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
  - 4.8.3 it is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
  - 4.8.4 can be fully enforced by the Trust at any time.
- 4.9 For the purposes of calculating the limits in paragraph 4.7, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:

4.9.1 comply with the conditions set out in Part 7 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III to the Banking Consolidation Directive; and

4.9.2 are based on legally binding agreements.

4.10 In applying this paragraph 4, all derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the following conditions:

4.10.1 it is backed by an appropriate performance guarantee; and

4.10.2 it is characterised by a daily mark-to-market valuation of the derivative positions and at least daily margining.

## **5. Spread: government and public securities**

5.1 The following section applies in respect of a transferable security or an approval money market instrument ("such securities") that is issued by:

- (a) an EEA State;
- (b) a local authority of an EEA State;
- (c) a non-EEA State; or
- (d) a public international body to which one or more EEA States belong.

5.2 Where no more than 35% in value of the Scheme Property is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.

5.3 The Trust may invest more than 35% in value of the Scheme Property in such securities issued or guaranteed by a single state, local authority or public international body provided that:

5.3.1 the Manager has before any such investment is made consulted with the Trustee and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objective of the Trust;

5.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;

5.3.3 the Scheme Property includes such securities issued by that or another issuer, of at least six different issues;

5.3.4 the disclosures in COLL 3.2.6R(8) (Table: contents of the instrument constituting the fund) and COLL 4.2.5R(3)(i) (Table: contents of the prospectus) have been made.

- 5.4 The Trust does not currently invest more than 35% in value of the Scheme Property in government and public securities issued by any one body.
- 5.5 Notwithstanding 4.1 and subject to 5.2 and 5.3 above, in applying the 20% limit in paragraph 4.2 with respect to a single body, government and public securities issued by that body shall be taken into account.

## **6. Investment in collective investment schemes**

- 6.1 Up to 100% of the value of the Scheme Property may be invested in units or shares in other collective investment schemes ("Second Scheme") provided that Second Scheme satisfies all of the following conditions.
- 6.1.1 The Second Scheme must:
- 6.1.1.1 satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
  - 6.1.1.2 be authorised as a Non-UCITS retail scheme; or
  - 6.1.1.3 be recognised under the provisions of s.264, s.270 or s.272 of the Act; or
  - 6.1.1.4 be constituted outside the United Kingdom and have investment and borrowing powers which are the same or more restrictive than those of a Non-UCITS retail scheme; or
  - 6.1.1.5 be a scheme not falling within paragraphs 6.1.1.1 to 6.1.1.4 and in respect of which no more than 20% in value of the Scheme Property (including any transferable securities which are not approved securities) is invested.
- 6.1.2 The Second Scheme is a scheme which operates on the principle of the prudent spread of risk.
- 6.1.3 The Second Scheme is prohibited from having more than 15% in value of the Scheme Property consisting of units or shares in collective investment schemes.
- 6.1.4 The participants in the Second Scheme must be entitled to have their units or shares redeemed in accordance with the scheme at a price related to the net value of the property to which the units or shares relate and determined in accordance with the scheme.
- 6.1.5 Where the Second Scheme is an umbrella, the provisions in paragraphs 6.1.2 to 6.1.4 and section 4 (**Spread: general**) above apply to each sub-fund as if it were a separate scheme.

6.1.6 Investment may only be made in other collective investment schemes managed by the Manager or an associate of the Manager if the prospectus of the Trust clearly stated that it may enter into such investments and the rules on double charging contained in COLL 5 are complied with.

6.2 The Trust may, subject to the limit set out in 6.1 above, invest in collective investment schemes managed or operated by, or whose authorised corporate director is, the Manager of the Trust or one of its associates.

## **7. Investment in nil and partly paid securities**

A transferable security or an approved money-market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Trust, at the time when payment is required, without contravening the rules in COLL 5.

## **8. Investment in money-market instruments**

8.1 The Trust may invest up to 20% in money-market instruments which are within the provisions of 2.2 above or 8.2 below and subject to the limit of 20% referred to in 2.3 above, which are normally dealt in or on the money-market, are liquid and whose value can be accurately determined at any time.

8.2 In addition to instruments admitted to or dealt in on an eligible market, the Trust may invest in an approved money-market instrument provided it fulfils the following requirements:

8.2.1 the issue or the issuer is regulated for the purpose of protecting Unitholders and savings; and

8.2.2 the instrument is issued or guaranteed in accordance with COLL 5.2.10BR.

8.3 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting Unitholders and savings if:

8.3.1 the instrument is an approved money-market instrument;

8.3.2 appropriate information is available for the instrument (including Information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with COLL 5.2.10CR; and

8.3.3 the instrument is freely transferable.



## **9. Derivatives: General**

**The Investment Managers may employ derivatives for the purposes of Efficient Portfolio Management ('EPM') in accordance with the Risk Management Policy (RMP) – The RMP is available on request from the Authorised Fund Manager.**

**Where the Trust employs derivatives for EPM or hedging purposes its global exposure will be calculated using the commitment approach on a daily basis.**

**The commitment approach measures the exposure generated by a derivative and must be based on an exact conversion of the financial derivative position into the market value of an equivalent position in the underlying asset of that derivative.**

**The sum of the absolute value of all these equivalent positions, after allowing for netting and hedging, is then the leverage generated by the Trust's derivatives positions. This leverage level must comply with the RMP.**

**It is not intended that the use of derivatives and forward transactions for EPM purposes will cause the Trust's risk profile to increase.**

- 9.1 A transaction in derivatives or a forward transaction must not be effected for the Trust unless the transaction is of a kind specified in section 11 (Permitted transactions (derivatives and forwards)) below, and the transaction is covered, as required by section 18 (Cover for investment in derivatives and forward transactions) of this Appendix.
- 9.2 Where the Trust invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in COLL 5 in relation to COLL 5.6.7R (Spread: general) and COLL 5.6.8R (Spread: government and public securities) set out in sections 4 and 5 above, except for index based derivatives where the rules in paragraph 9.7 below apply.
- 9.3 The Investment Managers may employ derivatives for the purposes of Efficient Portfolio Management, further information on EPM is provided in paragraph 10. To the extent that derivative instruments are utilised for hedging purposes, the risk of loss to the Trust may be increased where the value of the derivative instrument and the value of the security or position which it is hedging prove to be insufficiently correlated.
- 9.4 Where a transferable security or approved money-market instrument embeds a derivative, this must be taken into account for the purposes of calculating any limit in this section.
- 9.5 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:

- 9.5.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
  - 9.5.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
  - 9.5.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 9.6 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.
- 9.7 Where the Trust invests in an index based derivative, provided the relevant index falls within COLL 5.6.23R (Schemes replicating an index) the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.6.7R and COLL 5.6.8R set out in sections 4 and 5 (relating to spread).
- 9.8 The Relaxation in 9.11 above is subject to the Manager taking account of COLL 5.6.3 (Prudent spread of risk) set out in section 1.1 above.

## **10. Efficient Portfolio Management (EPM)**

The Investment Managers may use Scheme Property to enter into transactions for the purposes of EPM. Permitted EPM transactions include transactions in derivatives dealt or traded on an eligible derivatives market or over-the-counter. Where permitted, EPM techniques may also involve the Trust entering into stock lending transactions or reverse repurchase agreements. The Manager must ensure in entering into EPM transactions that the transaction is economically appropriate to (i) the reduction of the relevant risks (whether in the price of investments, interest rates or exchange rates) or (ii) the reduction of the relevant costs and/or (iii) the generation of additional capital or income for the scheme with a risk level which is consistent with the risk profile of the scheme and the risk diversification rules laid down in COLL 5.

There is no guarantee that the Trust will achieve the objective for which any EPM transaction was undertaken. To the extent that derivative instruments are utilised for hedging purposes (reduction of the risk profile of the Trust), the risk of loss to the Trust may be increased where the value of the derivative instrument and the value of the security or position which it is hedging prove to be insufficiently correlated. EPM transactions (save to the extent that derivatives are traded on exchange) may involve

a risk that a counterparty will wholly or partially fail to honour its contractual obligations.

In order to mitigate that risk of counterparty default, the counterparties to these transactions may be required to provide collateral to suitably cover their obligations to the Trust. In the event of default by the counterparty, it will forfeit its collateral on the transaction. However, there is a risk that the collateral, especially where it is in the form of securities, when realised will not raise sufficient cash to settle the counterparty's liability to the Trust. Securities lending transactions may, in the event of a default by the counterparty, result in the securities lent being recovered late or only in part. This may result in loss for the Trust.

To assist in managing these types of risks, the Manager has a collateral management policy which sets criteria around the types of eligible collateral the Trust may accept. A copy of this is available from the Manager on request.

Investors should note that EPM transactions may be effected in relation to the Trust in circumstances where the Manager or the Investment Managers have, either directly or indirectly, an interest which may potentially involve a conflict of their obligations to the Trust. Where a conflict cannot be avoided, the Manager and the Investment Managers will have regard to their responsibility to act in the best interests of the Trust and its Unitholders. The Manager and the Investment Managers will ensure that the Trust and its Unitholders are treated fairly and that such transactions are effected on terms which are not less favourable to the Trust than if the potential conflict had not existed. For further information in relation to conflicts of interest, please see the 'conflicts of interest' section of this prospectus.

All revenues arising from EPM transactions (including stock lending and repurchase and reverse repurchase arrangements, if any) will be returned to the Trust, net of direct and indirect operational costs and fees.

**The Investment Managers may invest in derivatives for investment purposes on 60 days' notice to investors.**

Where derivatives are used for investment purposes, this may affect the risk profile of the Trust.

**11. Permitted transactions (derivatives and forwards)**

11.1 A transaction in a derivative must be:

11.1.1 in an approved derivative; or

11.1.2 be one which complies with section 15 (OTC transactions in derivatives).

11.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which the Trust is dedicated:

- 11.2.1 transferable securities;
  - 11.2.2 money-market instruments;
  - 11.2.3 permitted deposits;
  - 11.2.4 derivatives and forward transactions permitted under this section;
  - 11.2.5 collective investment scheme units permitted under section 6 (Investment in collective investment schemes);
  - 11.2.6 permitted immovables;
  - 11.2.7 gold up to a limit of 10% of the Scheme Property;
  - 11.2.8 financial indices which satisfy the criteria set out in COLL 5.2.20AR set out in section 12 below;
  - 11.2.9 interest rates;
  - 11.2.10 foreign exchange rates; and
  - 11.2.11 currencies.
- 11.3 The exposure to the underlyings in paragraph 11.2 above must not exceed the limits in sections 4 and 5 (relating to spread)above.
- 11.4 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market. A list of the current eligible derivatives markets is set out in Appendix 2. Further derivatives markets may be added following consultation with the Trustee in accordance with COLL.
- 11.5 A transaction in a derivative must not cause the Trust to diverge from its investment objectives as stated in the Trust Deed constituting the Trust and the most recently published version of this Prospectus.
- 11.6 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of transferable securities, money-market instruments, units in collective investment schemes, or derivatives, provided that a sale is not to be considered as uncovered if the conditions in paragraph 14.1 are satisfied.
- 11.7 Any forward transaction must be with an Eligible Institution or an Approved Bank (as defined in the Glossary to the FCA Handbook).
- 11.8 The Trustee must ensure compliance with COLL 5.3.3AR (Cover for investment in derivative and forward transactions), 5.3.3BR and 5.3.3CR (Daily calculation of global exposure) set out in section 18 below.

## **12. Financial indices underlying derivatives**

12.1 The financial indices referred to in paragraph 11.2.8 are those which satisfy the following criteria:

- 12.1.1 the index is sufficiently diversified;
- 12.1.2 the index represents an adequate benchmark for the market to which it refers; and
- 12.1.3 the index is published in an appropriate manner.

12.2 A financial index is sufficiently diversified if:

- 12.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
- 12.2.2 where it is composed of assets in which the Trust is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this Appendix; and
- 12.2.3 where it is composed of assets in which the Trust cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this Appendix.

12.3 A financial index represents an adequate benchmark for the market to which it refers if:

- 12.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;
- 12.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
- 12.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.

12.4 A financial index is published in an appropriate manner if:

- 12.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and
- 12.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in

providing timely or accurate information is provided on a wide and timely basis.

- 12.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to section 11.2 be regarded as a combination of those underlyings.

### **13. Transactions for the purchase of property**

A derivative or forward transaction which will or could lead to the delivery of property for the account of the Trust may be entered into only if that property can be held for the account of the Trust, and the Manager having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in COLL 5.

### **14. Requirement to cover sales**

- 14.1 No agreement by or on behalf of the Trust to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Trust by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by the Trust at the time of the agreement.

- 14.2 This requirement does not apply to a deposit.

- 14.3 The requirement in 14.1 above could be met where:

14.3.1 the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or

14.3.2 the Manager or the Trustee has the right to settle the derivative in cash and cover exists from within the Scheme Property, which falls within one of the following asset classes:

14.3.2.1 cash;

14.3.2.2 liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular haircuts); or

14.3.2.3 other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).

- 14.4 In the asset classes referred to in 14.3, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven business days at a

price closely corresponding to the current valuation of the financial instrument on its own market.

## **15. OTC transactions in derivatives**

15.1 Any transaction in an OTC derivative under section 11 must be:

15.1.1 in a future or an option or a contract for differences;

15.1.2 with an approved counterparty; A counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank (as defined in the Glossary to the FCA Handbook); or a person whose permission (including any requirements or limitations), as published in the FCA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;

15.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, the Manager:

15.1.3.1 carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty; and

15.1.3.2 can enter into one or more further transaction to sell, liquidate or close out that transaction at any time, at a fair value; and

15.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the Manager having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:

15.1.4.1 on the basis of an up-to-date market value which the Manager and the Trustee have agreed is reliable; or

15.1.4.2 if the value referred to in paragraph 15.1.4.1 is not available, on the basis of a pricing model which the Manager and the Trustee have agreed uses an adequate recognised methodology; and

15.1.5 subject to verifiable valuation: a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:

15.1.5.1 an appropriate third party which is independent from the

counterparty of the derivative at an adequate frequency and in such a way that the Manager is able to check it; or

15.1.5.2 a department within the Manager which is independent from the department in charge of managing the Scheme Property and which is adequately equipped for such a purpose.

15.2 For the purposes of paragraph 15.1.3, "fair value" is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## **16. Risk management**

The Manager uses a risk management process, enabling it to monitor and measure as frequently as appropriate the risk of the Trust's positions and their contribution to the overall risk profile of the Trust.

## **17. Investments in deposits**

The Trust may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.

## **18. Cover for investment in derivatives and forward transactions**

18.1 The Trust may invest in derivatives and forward transactions as long as the exposure to which the Trust is committed by that transaction itself is suitably covered from within its Scheme Property. Exposure will include any initial outlay in respect of that transaction.

18.2 Cover ensures that the Trust is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Scheme Property. Therefore, the Trust must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Trust is committed. Detailed requirements for cover of the Trust are set out below.

18.3 A future is to be regarded as an obligation to which the Trust is committed (in that, unless closed out, the future will require something to be delivered, or accepted and paid for; a written option as an obligation to which the Trust is committed (in that it gives the right of potential exercise to another thereby creating exposure); and a bought option as a right (in that the purchaser can, but need not, exercise the right to require the writer to deliver and accept and pay for something).

18.4 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.



- 18.5 The Manager must ensure that its global exposure relating to derivatives and forward transactions held in the Trust does not exceed the net value of the Scheme Property.
- 18.6 The Manager must calculate its global exposure on at least a daily basis.
- 18.7 For the purposes of this section, exposure must be calculated taking into account the current value for the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

## **19. Borrowing**

- 19.1 Cash obtained from borrowing, and borrowing which the Manager reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is not available for cover under section 18 above except where 19.2 applies.
- 19.2 Where, for the purposes of this section the Trust borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time being on deposit with the lender (or their agent or nominee), then this section applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property.

## **20. Cash and near cash**

- 20.1 Cash and near cash must not be retained in the Scheme Property except to the extent that, where this may reasonably be regarded as necessary in order to enable:
- 20.1.1 the pursuit of the Trust's investment objective; or
  - 20.1.2 the redemption of Units; or
  - 20.1.3 efficient management of the Trust in accordance with its investment objective; or
  - 20.1.4 other purposes which may reasonably be regarded as ancillary to the investment objective of the Trust.

## **21. General**

- 21.1 It is envisaged that the Trust will normally be fully invested but there may be times that it is appropriate not to be fully invested when the Manager reasonably regards this as necessary in order to enable the redemption of Units, efficient management of the Trust or any one purpose which may reasonably be regarded as ancillary to the investment objective of the Trust.
- 21.2 Where the Trust invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the Manager or an associate of

the Manager, the Manager must pay to the Trust by the close of business on the fourth Business Day the amount of any initial charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.

- 21.3 A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Trust but, in the event of a consequent breach, the Manager must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of Unitholders.

## **22. Underwriting**

Underwriting and sub underwriting contracts and placings may also, subject to certain conditions set out in COLL 5, be entered into for the account of the Trust.

## **23. General power to borrow**

- 23.1 The Trustee may, subject to COLL 5 in accordance with this paragraph, borrow money for the use of the Trust on terms that the borrowing is to be repayable out of the Scheme Property. This power to borrow is subject to the obligation of the Trust to comply with any restriction in the Trust Deed. The Trustee may borrow money only from an Eligible Institution or an Approved Bank.

- 23.2 Borrowing must be on a temporary basis, must not be persistent, and in any event must not exceed three months (in line with the Manager's Borrowing Policy) without the prior consent of the Manager, which may be given only on such conditions as appear appropriate to the Manager to ensure that the borrowing does not cease to be on a temporary basis.

- 23.3 The Manager must ensure that the Trust's borrowing does not, on any Business Day, exceed 10% of the value of the Scheme Property.

- 23.4 Paragraph 23.3 does not apply to "back to back" borrowing for currency hedging purposes (i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).

## **24. Restrictions on lending of money**

- 24.1 None of the money in the Scheme Property may be lent and, for the purposes of this prohibition, money is lent by the Trust if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.

- 24.2 Acquiring a debenture is not lending for the purposes of paragraph 24.1, nor is the placing of money on deposit or in a current account.

## **25. Restrictions on lending of property other than money**

- 25.1 Scheme Property other than money must not be lent by way of deposit or otherwise.

25.2 Transactions permitted by paragraph 28 (Stock lending) are not to be regarded as lending for the purposes of paragraph 25.1.

25.3 Where transactions in derivatives or forward transactions are used for the account of the Trust in accordance with COLL 5, nothing in this paragraph prevents the Trust, or the Trustee at the request of the Trust: from lending, depositing, pledging or charging its Scheme Property for margin requirements; or transferring Scheme Property under the terms of an agreement in relation to margin requirements, provided that the Manager reasonably considers that both the agreement and the margin arrangements made under it (including in relation to the level of margin) provide appropriate protection to Unitholders.

## **26. General power to accept or underwrite placings**

26.1 Any power in COLL 5 to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Trust Deed. This section applies, to any agreement or understanding: which is an underwriting or sub-underwriting agreement, or which contemplates that securities will or may be issued or subscribed for or acquired for the account of the Trust.

26.2 This ability does not apply to an option, or a purchase of a transferable security which confers a right to subscribe for or acquire a transferable security, or to convert one transferable security into another.

26.3 The exposure of the Trust to agreements and understandings as set out above must, on any day be covered under section 18 above (Cover for investment in derivatives and forward transactions) and be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in COLL 5.

## **27. Guarantees and indemnities**

27.1 The Trustee for the account of the Trust, must not provide any guarantee or indemnity in respect of the obligation of any person.

27.2 None of the Scheme Property may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

27.3 Paragraphs 27.1 and 27.2 do not apply to:

27.3.1 any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with COLL 5; and

27.3.2 an indemnity given to a person winding up a body corporate or other scheme in circumstances where those assets are becoming part of the Scheme Property by way of unitisation.

## **28. Stock lending**

- 28.1 The entry into stock lending transactions or repo contracts for the account of the Trust is permitted for the generation of additional income for the benefit of the Trust, and hence for its investors. An arrangement or contract referenced above is not in the interests of Unitholders unless it reasonably appears to the Manager to be appropriate with a view to generating additional income for the Trust with an acceptable degree of risk.
- 28.2 The specific method of stock lending permitted in this section is in fact not a transaction which is a loan in the normal sense. Rather it is an arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992, under which the lender transfers securities to the borrower otherwise than by way of sale and the borrower is to transfer those securities, or securities of the same type and amount, back to the lender at a later date. In accordance with good market practice, a separate transaction by way of transfer of assets is also involved for the purpose of providing collateral to the "lender" to cover them against the risk that the future transfer back of the securities may not be satisfactorily completed.
- 28.3 The stock lending permitted by this section may be exercised by the Trust when it reasonably appears to the Trust to be appropriate to do so with a view to generating additional income for the Trust with an acceptable degree of risk.
- 28.4 The Trustee at the request of the Manager may enter into a stock lending arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if all the terms of the agreement under which securities are to be reacquired by the Trustee for the account of the Trust, are in a form which is acceptable to the Trustee and are in accordance with good market practice, the counterparty is an authorised person or a person authorised by a home state regulator, and collateral is obtained to secure the obligation of the counterparty. Collateral must be acceptable to the Trustee, adequate and sufficiently immediate. Collateral will be acceptable only if it transferred to the Trustee or its agent under a title transfer arrangement, and is at all times equal in value to the market value of the securities transferred by the Trustee plus a premium.
- 28.5 The Trustee must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Trustee. This duty may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Trustee takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.
- 28.6 Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) may be regarded, for the purposes of valuation under COLL 5, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the Scheme Property.

28.7 There is no limit on the value of the Scheme Property which maybe the subject of stock lending transactions or repo contracts.

## **29. Leverage**

29.1 This section explains in what circumstances and how the Manager may use leverage in respect of the Trust where the investment policy of the Trust permits its use of leverage, the different leverage calculation methods and maximum level of leverage permitted.

29.2 Leverage when used in this prospectus means the following sources of leverage can be used when managing the Trust:

29.2.1 cash borrowing, subject to the restrictions set out in paragraph 19 ("Borrowing") of this Annex;

29.2.2 financial derivative instruments and reinvestment of cash collateral in the context of securities lending, subject in each case to paragraphs 9 ("**Derivatives: General**"), 11 ("**Permitted transactions (derivatives and forwards)**"), 13 ("**Transactions for the purchase of property**"), 14 ("**Requirement to cover sales**"), 15 ("**OTC transactions in derivatives**"), 18 ("**Cover for investment in derivatives and forward transactions**") and 19 ("**Borrowing**") of this Annex.

29.3 The Manager is required to calculate and monitor the level of leverage of the Trust, expressed as a ratio between the exposure of the Trust and its Net Asset Value (Exposure/NAV), under both the gross method and the commitment method (so for a Trust with no borrowing or derivative usage the leverage ratio would be 1:1).

29.4 Under the gross method, the exposure of the Trust is calculated as follows:

29.4.1 include the sum of all assets purchased, plus the absolute value of all liabilities;

29.4.2 exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Trust, that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high quality bond;

29.4.3 derivative instruments are converted into the equivalent position in their underlying assets;

29.4.4 exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;

- 29.4.5 include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed; and
- 29.4.6 include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements.
- 29.5 Under the commitment method, the exposure of the Trust is calculated as follows:
- 29.5.1 include the sum of all assets purchased, plus the absolute value of all liabilities;
- 29.5.2 derivative instruments are converted into the equivalent position in their underlying assets;
- 29.5.3 apply netting and hedging arrangements;
- 29.5.4 calculate the exposure created through the reinvestment of borrowings where such reinvestment increases the exposure of the Trust;
- 29.5.5 include other arrangements that increase the exposure of the Trust.
- 29.6 The maximum level of leverage which the Trust may employ, calculated in accordance with the gross and commitment methods, is stated in Appendix 1.
- 29.7 In addition, the total amount of leverage employed by the Trust will be disclosed in the Trust's annual report.
- 29.8 For the Trust, the Manager has set the following limits:

| <b>Derivative Type</b>                    | <b>Limits</b>  |
|---|--|
| <b>Allowable on a 'substantial' basis</b> | No   |
| <b>Unsecured cash borrowings</b>          | Not permitted  |
| <b>Secured cash borrowings</b>            | Up to 10% for liquidity purposes only. ONLY for short-term use.                |
| <b>Convertible borrowings</b>             | Not permitted  |
| <b>Interest rate swaps</b>                | Not permitted  |
| <b>Contracts for differences</b>          | Not permitted  |
| <b>Futures contracts</b>                  | Not permitted  |
| <b>Total return swaps</b>                 | Not permitted  |
| <b>Forward agreements</b>                 | Only as required; No greater than 40% of the net asset value of the portfolio. |

| <b>Derivative Type</b>  | <b>Limits</b>  |
|---|--|
| <b>Options</b>  | Only as required; No greater than 30% of the net asset value of the portfolio. |
| <b>Repurchase arrangements</b>                                | Not permitted  |
| <b>Reverse repurchase arrangements</b>                        | Not permitted  |
| <b>Securities lending arrangements</b>                        | Not permitted  |
| <b>Securities borrowing arrangements</b>                      | Not permitted  |
| <b>Credit default swaps</b>                                   | Not permitted  |
| <b>MAXIMUM LEVEL OF LEVERAGE USING THE COMMITMENT METHOD*</b> | 200%   |
| <b>MAXIMUM LEVEL OF LEVERAGE USING THE GROSS METHOD*</b>      | 300%   |

## APPENDIX V

### LIST OF OTHER AUTHORISED COLLECTIVE INVESTMENT SCHEMES OPERATED BY THE MANAGER

**The Manager acts as Authorised Corporate Director of the following Open-ended Investment Companies:**

Abaco Fund ICVC  
Arch House Fund  
Ariel Fund  
Bryth ICVC  
CP Investment Funds  
Destiny Fund ICVC  
Harroway Capital ICVC  
Hawarwatza Fund  
Liberio 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 Balanced Strategy Fund  
The Global Multi Asset Fund  
The Gulland Fund  
The Hector Fund  
The Juniper Fund  
The Lockerley 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 Brunsdon OEIC  
TM Cerno Investment Funds  
TM Credit Suisse Fund  
TM Cresswell Fund  
TM Crux Funds ICVC  
TM Crux OEIC  
TM First Arrow Investment Funds  
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 Ruffer Portfolio  
TM Redwheel Funds  
TM Stonehage Fleming Global Multi-Asset Umbrella Fund  
TM Tellworth Investments Funds  
TM Total Return Fund  
TM UBS (UK) Fund  
Trowbridge Investment Funds

**The Manager acts as Manager of the following Authorised Unit Trusts:**

BPM Trust  
Eden Investment Fund  
Elfyinn 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  
Palm Fund  
Pippin Return Fund  
The Darin Fund  
The Eldon Fund  
The Hall Fund  
The Houndstar Fund  
The Iceberg Trust  
The Maiden Fund  
The Norfolk Trust  
The Notts Trust  
The Palfrey Fund  
The TM Stockwell Fund  
The White Hill Fund  
Thesis Headway Fund  
Thesis Lion Growth Fund  
Thesis PM A Fund  
Thesis PM B Fund  
Thesis Thameside Managed Fund  
The TUTMAN B&CE Contracted-out Pension Scheme  
TM Balanced Fund  
TM Balanced Return 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 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  
TM Stonehage Fleming Multi-Manager Global Equities Fund

## APPENDIX VI

### PAST PERFORMANCE AND INVESTOR PROFILE

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

The comparisons in the performance table are based on performance data over a five-year period up to 31 December in each year listed.

The Trust launched on 11 May 2017 and does not have a five-year record. Where data is not available the table is marked 'N/A'.

Past performance is no indication of future performance.

|  | 2017 | 2018  | 2019   | 2020   | 2021   |
|--|------|-------|--------|--------|--------|
| <b>TM New Institutional World Fund</b> | N/A  | -1.9% | 15.18% | 10.38% | 14.29% |
| <b>Consumer Price Index plus 3%</b>    | N/A  | 5.17% | 4.34%  | 3.61%  | 8.54%  |

Percentage annual performance, income units, (total return), based on Manager data.

**Note: PAST PERFORMANCE SHOULD NOT BE TAKEN AS A GUIDE TO THE FUTURE. PLEASE SEE APPENDIX I FOR THE TRUST'S OBJECTIVE AND BELOW FOR AN EXPLANATION OF INVESTOR PROFILE.**

#### Investor profile:

The Trust is marketable to all eligible investors provided they can meet the minimum subscription levels. The Trust may be suitable for investors who see collective investment schemes as a convenient way of participating in investment markets. It may be suitable for investors wishing to seek to achieve defined investment objectives.

Investors should also consider the following:

Typically, investors should:

- ✓ wish to achieve a total return (a combination of capital growth and income) equivalent to the Consumer Price Index + 3% per annum, net of fees over periods of five years;
- ✓ have a lump sum to invest;
- ✓ be able to accept investment losses;
- ✓ plan to invest for at least five years in the knowledge that their return may suffer if they disinvest in the shorter-term and understand that the value of their investment may be subject to large changes in value, both up and down.

## **APPENDIX VII**

### **ESTABLISHMENT OF COLLECTIVE INVESTMENT SCHEMES**

Any second schemes in which the Fund may invest are established in the locations listed below. This list is not restrictive and may be amended from time to time where the Fund invests in second schemes established in new locations.

Bermuda

Ireland

Luxembourg

United Kingdom

## APPENDIX VIII

### DIRECTORY

**Manager:**

Thesis Unit Trust Management Limited  
Exchange Building, St Johns Street, Chichester PO19 1UP

**Dealing office:**

Thesis Unit Trust Management Limited  
Sunderland SR43 4AZ

Tel: 0333 300 0375

**Trustee:**

NatWest Trustee and Depositary Services Limited  
House A, Floor 0, Gogarburn,  
175 Glasgow Road, Edinburgh EH12 1HQ

**Investment Managers:**

Veritas Investment Partners (UK) Limited  
1st Floor, 90 Long Acre, London WC2E 9RA

Rothschild & Co Wealth Management UK Limited  
New Court, St Swithin's Lane, London EC4N 8AL

**Administrator, Registrar and Fund Accountant:**

Northern Trust Global Services SE, UK branch  
50 Bank Street, Canary Wharf, London E14 5NT

**Custodian:**

*Principal place of business:*

Northern Trust Company  
50 South LaSalle Street, Chicago, Illinois, USA

*Who may also act under this power through its London branch:*

50 Bank Street, Canary Wharf, London E14 5NT

**Auditors:**

KPMG LLP  
1 Sovereign Square, Sovereign Street, Leeds LS1 4DA