



**PROSPECTUS**  
**OF**  
**THE STEELBACK FUND**

**(An open-ended investment company  
incorporated with limited liability and  
registered in England and Wales  
under registered number IC000536)**

This document constitutes the Prospectus for The Steelback Fund which has been prepared in accordance with the Collective Investment Schemes Sourcebook (COLL) and the Investment Funds Sourcebook (FUND), which forms part of the FCA Handbook and complies with the requirements of COLL 4.2.5R and FUND 3.2.2R.

This Prospectus is dated, and is valid as at 25 April 2023.

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

## CONTENTS

Clause	Page
DEFINITIONS .....	4
DETAILS OF THE COMPANY.....	12
BUYING, REDEEMING AND CONVERTING SHARES .....	15
VALUATION OF THE COMPANY .....	27
RISK FACTORS .....	31
MANAGEMENT AND ADMINISTRATION .....	36
FEES AND EXPENSES .....	43
INSTRUMENT OF INCORPORATION .....	48
SHAREHOLDER MEETINGS AND VOTING RIGHTS.....	48
TAXATION .....	49
INCOME EQUALISATION .....	54
GROUPING FOR EQUALISATION .....	55
TAX VOUCHERS.....	55
WINDING UP OF THE COMPANY .....	55
GENERAL INFORMATION .....	57
APPENDIX I .....	67
APPENDIX II .....	71
APPENDIX III .....	73
APPENDIX IV .....	94
APPENDIX V.....	95
APPENDIX VII .....	96

## **IMPORTANT INFORMATION**

### **IMPORTANT: IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.**

No person has been authorised by the Company or the ACD to give any information or to make any representations in connection with the offering of Shares 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 Company or the ACD. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

Purchases must be made on the basis of the information contained in the most recently published Prospectus and supplementary documentation, including the latest reports when issued, which are available from the registered office of the ACD.

TUTMAN LLP ("TUTMAN"), the authorised corporate director of the Company, 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 COLL Sourcebook to be included in it. TUTMAN accepts responsibility accordingly.

The Depository is not a person responsible for the information contained in this Prospectus and accordingly does not accept any responsibility therefor under the FCA Rules or otherwise.

The distribution of this Prospectus and supplementary documentation and the offering of Shares may be restricted in certain countries. Any person wishing to apply for Shares should inform themselves as to the requirements within his own country for transactions in shares, any applicable exchange control regulations and the tax consequences of any transaction in shares.

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

The Shares have not been and will not be registered under the 1933 Act or the securities laws of the United States. The Shares may not be offered or sold directly or indirectly in the United States or to or for the account or benefit of any US Person or in a transaction not subject to the regulatory requirements of, the 1933 Act and any applicable state securities laws. Any re-offer or resale of any of the Shares in the United States or to US Persons may constitute a violation of US law. The Company has not been and will not be registered under the 1940 Act and investors will not be entitled to the benefit of registration.

The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority, nor have any of

the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of these offering materials. Any representation to the contrary is unlawful. The Shares are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under the 1933 Act and applicable state securities laws, pursuant to registration or exemption therefrom.

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

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 Shares.

The provisions of the Instrument of Incorporation are binding on each of the Shareholders and a copy of the Instrument of Incorporation is available on request from TUTMAN.

This Prospectus has been prepared in accordance with the terms of the rules contained in the Collective Investment Schemes Sourcebook published by the FCA as part of their Handbook of rules made under the Financial Services and Markets Act 2000 (the Act).

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.

The Prospectus is based on information, law and practice at the date of this Prospectus. The Company is not bound by any out of date prospectus when it has issued a new prospectus and potential investors should check that they have the most recently published prospectus.

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

## **Data Protection**

The personal details of each applicant for Shares and each Shareholder will be held by the ACD and/or the Administrator as its agent in accordance with the Data Protection Laws for the purposes of carrying out the ACD's agreement with each Shareholder. This may include the transfer of such data to other members of the ACD's group and to other businesses providing services to the ACD (including their offices outside the UK), where the transfer is necessary for the provision of services in relation to the ACD's role as operator of the Company. 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 ACD will take steps to ensure that your privacy rights are respected.

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

## **Electronic Verification**

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

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

## 1. DEFINITIONS

1.1 This document is the Prospectus of **The Steelback Fund** ('Company'). In this Prospectus the below words and expressions shall have the following meanings:

<b>"ACD"</b>	TUTMAN LLP, the authorised corporate director of the Company
<b>"ACD Agreement"</b>	an agreement between the Company and the ACD
<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 and has the same meaning as set out in the FCA Glossary
<b>"AIFM"</b>	an alternative investment fund manager and has the same meaning as set out in the FCA Glossary
<b>"AIFMD"</b>	the Alternative Investment Fund Managers Directive (2011/61/EU) of the European Parliament and of the 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 same meaning as set out in the FCA Glossary
<b>"AIFMD UK Regulation"</b>	the Alternative Investment Fund Managers Regulations (SI 2013/1773)
<b>"Approved Bank"</b>	(in relation to a bank account opened for the Company):  (a) if the account is opened at a branch in the United Kingdom:  (i) the Bank of England; or  (ii) the central bank of a member state of the OECD; or  (iii) a bank; or  (iv) a building society; or  (v) a bank which is supervised by the central bank or other

banking regulator of a member state of the OECD; or

- (b) if the account is opened elsewhere:
  - (i) a bank in (a); or
  - (ii) a bank which is regulated in the Isle of Man or the Channel Islands; or
- (c) a bank supervised by the South African Reserve Bank,
- (d) a credit institution established in an EEA state and duly authorised by the relevant Home State regulator

as such definition may be updated in the FCA Glossary from time to time

**“Associate”**

any other person whose business or domestic relationship with the ACD or the ACD’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 Company from time to time

**“Business Day”**

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 Fund’s portfolio of securities or a significant portion thereof, the ACD 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 their FCA Handbook

**“CCP”**

has the meaning set out in the FCA Glossary

**“Class” or “Classes”**

in relation to Shares, means (according to the context) all of the Shares of the Fund or a

	particular class or classes of Share of the Fund
<b>“COLL”</b>	refers to the appropriate chapter or rule in the COLL Sourcebook
<b>“the COLL Sourcebook”</b>	the Collective Investment Schemes Sourcebook issued by the FCA as amended from time to time
<b>“Company”</b>	The Steelback Fund
<b>“Conversion”</b>	the exchange of Shares in one Class for Shares of another Class the act of so exchanging and “Convert” shall be construed accordingly
<b>“Custodian”</b>	The Northern Trust Company
<b>“Data Protection Laws”</b>	<p>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:</p> <ul style="list-style-type: none"> <li>(a) the UK GDPR;</li> <li>(b) the Data Protection Act 2018;</li> <li>(c) any laws which implement any such laws;</li> <li>(d) any laws which replace, extend, re-enact, consolidate or amend any of the foregoing (whether or not before or after the date of this Prospectus); and</li> <li>(e) all final and binding 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)</li> </ul>
<b>“Dealing Day”</b>	any Wednesday which is a Business Day. In the event that a Wednesday is not a Business Day, such other day as may be agreed between the ACD and Depositary



<b>“Depositary”</b>	NatWest Trustee and Depositary Services Limited, or such other entity as is appointed to act as Depositary
<b>“Depositary Agreement”</b>	the agreement between the Company, ACD and the Depositary regarding the appointment of the Depositary
<b>“Director” or “Directors”</b>	the directors of the Company from time to time (including the ACD)
<b>“EEA”</b>	the European Economic Area
<b>“EEA State”</b>	a member state of the European Union and any other state which is within the European Economic Area
<b>“Efficient Portfolio Management” or “EPM”</b>	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 cost or generation of additional capital or income for the Fund with a risk level which is consistent with the risk profile of the Fund and the risk diversification rules laid down in COLL
<b>“Eligible Institution”</b>	one of eligible institutions as defined in the FCA Glossary
<b>“EMIR”</b>	has the meaning set out in the FCA Glossary
<b>“ERISA Plan”</b>	(i) any retirement plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”); (ii) any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended; or (iii) an entity whose assets include plan assets by reason of a plan’s investment in the entity (generally because 25% or more of a class of equity interests in the entity is owned by plans).
<b>“EUWA”</b>	The European Union (Withdrawal) Act 2018
<b>“FCA”</b>	the Financial Conduct Authority, or any other regulatory body which may assume its regulatory responsibilities from time to time. The address for the FCA is detailed in the Directory at Appendix VI

<b>“FCA Glossary”</b>	the glossary giving the meanings of the defined expressions used in the FCA Handbook as amended from time to time
<b>“FCA Handbook”</b>	the FCA’s handbook of rules and guidance made under the Act
<b>“FCA Rules”</b>	the rules contained in COLL and FUND but, for the avoidance of doubt, not including guidance or evidential requirements contained in either sourcebook
<b>“Financial Instruments”</b>	has the meaning as set out in the FCA Glossary
<b>“the Financial Services Register”</b>	<p>the public record, as required by section 347 of the Financial Services and Markets Act 2000 (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) recognised scheme;</li> <li>(e) recognised investment exchange;</li> <li>(f) recognised clearing house;</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> <p>except as provided by any transitional provisions</p>
<b>“FUND”</b>	refers to the appropriate chapter or rule in the FUND Sourcebook
<b>“Fund Accountant”</b>	the person who provides fund accounting services, being Northern Trust Global Services SE, UK branch and its successor or successors as fund accountant

<b>“the FUND Sourcebook”</b>	the Investment Funds Sourcebook issued by the FCA as amended from time to time
<b>“Home State”</b>	has the meaning set out in the FCA Glossary
<b>“ICVC”</b>	investment company with variable capital
<b>“Instrument of Incorporation”</b>	the instrument constituting the Company as amended from time to time
<b>“International Tax Compliance Regulations”</b>	the International Tax Compliance Regulations 2015 (SI 2015/878), as amended or re-enacted from time to time
<b>“IOSCO”</b>	the International Organisation of Securities Commissions
<b>“Leverage”</b>	bears the meaning as set out in the UK AIFM regime and as further described at Appendix III paragraph 29
<b>“Non UCITS Retail scheme”</b>	an authorised fund which is not a UK UCITS, a qualified investor scheme or a long-term asset fund
<b>“Net Asset Value” or “NAV”</b>	the value of the Scheme Property of the Company less the liabilities of the Company as calculated in accordance with the Instrument of Incorporation
<b>“OECD”</b>	means the Organisation for Economic Co-operation and Development
<b>“OTC”</b>	Over-the-counter derivative: a derivative transaction which is not traded on an investment exchange
<b>“OEIC Regulations”</b>	the Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time
<b>“Portfolio Manager”</b>	EFG Harris Allday (a trading division of EFG Private Bank Limited), the investment manager to the ACD in respect of the Company
<b>“Register”</b>	the register of Shareholders of the Company
<b>“Registrar”</b>	Northern Trust Global Services SE, UK branch or such other entity as is appointed to act as Registrar to the Company from time to time

<b>“Regulated Activities Order”</b>	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)
<b>“Regulations”</b>	the OEIC Regulations and the FCA Handbook (including the COLL Sourcebook and the FUND Sourcebook)
<b>“Scheme Property”</b>	has the meaning set out in the FCA Glossary
<b>“SDRT”</b>	stamp duty reserve tax
<b>“Share” or “Shares”</b>	a share or shares in the Company (including larger denomination shares, and smaller denomination shares equivalent to one thousandth of a larger denomination share)
<b>“Shareholder”</b>	a holder of registered Shares in the Company
<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 29 <sup>th</sup> 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>“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 the Council Directive of 13 July 2009 <sup>43</sup> on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in

	transferable securities (UCITS) (No 2009/65/EC), as amended
<b>"United Kingdom" or "UK"</b>	the United Kingdom of Great Britain and Northern Ireland
<b>"UK AIF"</b>	has the meaning set out in the FCA Glossary
<b>"UK AIFM regime"</b>	means: <ul style="list-style-type: none"> <li>(1) the AIFMD UK regulation</li> <li>(2) the AIFMD Level 2 Regulation; and</li> <li>(3) all other UK law and regulation (including FUND) which, when made, implemented AIFMD in the UK;</li> </ul>
<b>"UK CRR"</b>	has the meaning set out in the FCA Glossary
<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 set out in the FCA Glossary
<b>"United States" or "US"</b>	the United States of America, its territories and possessions, any state of the United States, and the District of Columbia
<b>"US Persons"</b>	means a person who is in either of the following two categories: <ul style="list-style-type: none"> <li>a) a person included in the definition of "U.S. person" under Rule 902 of Regulation S under the 1933 Act; or</li> <li>b) a person excluded from the definition of "Non-United States person" as used in the Commodity Futures Trading Commission ("CFTC") Rule 4.7.</li> </ul>

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

**"Valuation Point"**

the point, on a Dealing Day whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for the Company for the purpose of determining the price at which Shares 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 ACD and the Depositary

**"VAT"**

value added tax

**"1933 Act"**

the United States Securities Act of 1933 (as may be amended or re-enacted)

**"1940 Act"**

the United States Investment Company Act of 1940 (as may be amended or re-enacted)

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

References in the main body of this Prospectus to paragraphs mean paragraphs in the main body of this Prospectus unless otherwise stated. Similarly, references in an Appendix to paragraphs mean paragraphs in the relevant Appendix unless otherwise stated.

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

Unless otherwise defined in paragraph 1.2 or elsewhere in this Prospectus, words or expressions defined in, or for the purposes of the Act, the OEIC Regulations or the FCA Handbook, shall bear the same meanings in this Prospectus.

References to statutes, statutory provisions or regulations (including any provision of the FCA Handbook) shall include those statutes, provisions, regulations, or provisions of the FCA Handbook as amended, extended, consolidated, substituted or re-enacted from time to time and, in particular, references to Regulations and/or Directives of the European Union shall, where appropriate, include all domestic law and regulation enacted (or re-enacted) for the purpose of bringing such European Union law and regulation into domestic law and regulation.

**2. DETAILS OF THE COMPANY**

## **2.1 General information**

### **2.1.1 General**

The Steelback Fund is an investment company with variable capital incorporated in England and Wales under registered number IC000536. The Company was authorised by the Financial Services Authority with effect from 18 May 2007. The Financial Services Authority was superseded by the Financial Conduct Authority and the Prudential Regulation Authority.

The FCA product reference number of the Company is 466278. The Company has an unlimited duration.

Shareholders are not liable for the debts of the Company.

A Shareholder is not liable to make any further payment to the Company after he has paid the price on purchase of the Shares.

### **2.1.2 Head Office**

The head office of the Company is at Exchange Building, St John's Street, Chichester, PO19 1UP.

### **2.1.3 Address for Service**

The head office is the address of the place in the UK for service on the Company of notices or other documents required or authorised to be served on it.

### **2.1.4 Base Currency**

The base currency of the Company is Pounds Sterling.

### **2.1.5 Share Capital**

Maximum	£100,000,000,000
---------	------------------

Minimum	£1
---------	----

Shares have no par value. The share capital of the Company at all times equals the sum of the Net Asset Values of the Company.

The Company is designed and managed to support longer-term investment and active trading is discouraged. Short-term or excessive trading into and out of the Company may harm performance by disrupting portfolio management strategies and by increasing expenses. The ACD may at its discretion refuse to accept applications for, or conversions of, Shares, 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 Company. For these purposes, the ACD may

consider an investor's trading history in the Company or other TUTMAN funds and accounts under common ownership or control.

## **2.2 The structure of the Company**

### **2.2.1 The Company**

The Company is a Non-UCITS retail scheme, being a category of authorised scheme for the purposes of COLL 1.2.1R and a UK AIF for the purposes of the UK AIFM regime.

The assets of the Company will be invested in accordance with the investment objective and the investment policy, as set out in Appendix I. Investment of the assets of the Company must comply with the COLL Sourcebook.

The eligible securities markets and eligible derivatives markets on which the Company may invest are set out in Appendix II. A detailed statement of the general investment and borrowing restrictions in respect of the Company is set out in Appendix III.

The circumstances in which the Company may be wound up is set out at paragraph 13.

### **2.2.2 Classes of Shares**

Shares will be issued in larger and smaller denominations. There are 1,000 smaller denomination Shares to each larger denomination Share. Smaller denomination Shares represent what, in other terms, might be called fractions of a larger Share and have proportionate rights.

Shares have no par value and, within each Class subject to their denomination, are entitled to participate equally in the profits arising in respect of, and in the proceeds of, the liquidation of the Company or termination of the Company. Shares do not carry preferential or pre-emptive rights to acquire further Shares.

Further Classes of Share may be established from time to time by the ACD with the agreement of the Depositary and in accordance with the Instrument of Incorporation and the Regulations. On the introduction of any new Class, either a revised prospectus or a supplemental prospectus will be prepared, setting out the details of Class.

The currency in which each new Class of Shares 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 Shares.

The Company may issue A accumulation Shares and A income Shares. Further details of the Shares, including details of their criteria for subscription and fee structure, are set out in Appendix I.



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

Holders of accumulation Shares are not entitled to be paid the income attributed to such Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the Company on the relevant interim and/or annual accounting dates. This is reflected in the price of an accumulation Share.

The Instrument of Incorporation allows income and accumulation Shares to be issued.

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.

Shareholders are entitled (subject to certain restrictions) to Convert all or part of their Shares in a Class for Shares of another Class. Details of this conversion facility and the restrictions are set out in paragraph 3.4 "Converting".

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

The dealing office of the ACD is normally open from 9.00 a.m. to 5.00 p.m. (London time) on each Business Day to receive postal requests for the purchase, sale and conversion of Shares. The ACD may vary these times at its discretion.

Requests to deal in Shares may also be made by telephone on each Business Day (at the ACD's discretion) between 8.30 a.m. and 5.30 p.m. (London time) directly to the office of the ACD (telephone: 0333 300 0355 or such other number as published from time to time). The initial purchase must, at the discretion of the ACD, be accompanied by an application form.

The ACD will accept instructions to transfer or renunciation of title to shares on the basis of an authority communicated by electronic means and sent by the Shareholder 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:

- a) prior agreement between the ACD and the person making the communication as to:
  1. the electronic media by which such communications may be delivered; and
  2. how such communications will be identified as conveying the necessary authority; and

- b) 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 Shareholder.

Telephone calls will be recorded. The ACD may also, at its discretion, introduce further methods of dealing in Shares in the future.

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

### **3.1 Money laundering**

As a result of legislation in force in the UK to prevent money laundering, the ACD 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 or redeeming Shares. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to issue Shares, pay the proceeds of a redemption of Shares, or pay income on Shares to the investor. In the case of a purchase of Shares where the applicant is not willing or is unable to provide the information requested within a reasonable period, the ACD also reserves the right to sell the Shares purchased and return the proceeds to the account from which the subscription was made. These proceeds may be less than the original investment.

Please refer to the paragraph 'Electronic Verification' (at the beginning of this Prospectus) for details of the resources the ACD may access to verify information on you.

### **3.2 Buying Shares**

#### **3.2.1 Procedure**

Shares may be bought directly from the ACD or through a professional adviser or other intermediary. Any intermediary who recommends an investment in the Company to Shareholders may be entitled to receive commission from the ACD. An ongoing commission, based on the value of Shares held may also be paid to qualifying intermediaries. In addition, the ACD may from time to time make arrangements to allow Shares to be bought through other communication media. For details of dealing charges see paragraph 3.5 "Dealing Charges". Application forms may be obtained from the ACD.

The ACD may, at its sole discretion, accept subscriptions in US Dollars and Euros.

Valid applications to purchase Shares will be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point following receipt of the application, except in the case where dealing has been suspended as set out in paragraph 3.10.

Settlement is due within four Business Days of the Valuation Point. An order for the purchase of Shares will only be deemed to have been accepted by the ACD once it is in receipt of cleared funds for the application. Applicants will not receive title to Shares until cleared funds have been received from the applicant and received by the Company.

The ACD, 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 applicant. The ACD is not obliged to issue Shares unless it has received cleared funds from an investor.

The ACD 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. Shares that have not been paid for cannot be redeemed.

A purchase of Shares 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 are applied, irrevocable. For postal applications payment must be received in full and accompany the application.

However, subject to its obligations under the Regulations, the ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant. Any subscription monies remaining after a whole number of Shares have been issued will not be returned to the applicant. Instead, smaller denomination Shares will be issued. A smaller denomination Share is equivalent to one thousandth of a larger denomination Share.

Applicants who have received advice may have the right to cancel their application to buy Shares at any time during the 14 days after the date on which they receive a cancellation notice from the ACD. If an applicant (except for those investors who subscribe through the Regular Savings Plan) decides to cancel the contract, and the value of the investment has fallen at the time the ACD 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. Investors who invest through the Regular Savings Plan will be entitled to cancel their first subscription only; if a Regular Saver decides to cancel their contract within 14 days after the date on which they receive the cancellation notice then they will receive back the full amount of their initial subscription. The ACD may extend cancellation rights to other investors but is under no obligation to do so.

### **3.2.2 Documents the Buyer will receive**

A confirmation giving details of the number and price of Shares 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 Shares can only be completed by the ACD upon receipt of any required registration details. These details may be supplied in writing to the ACD or by returning to the ACD the properly completed registration form and copy of the confirmation.

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

Shares in the Company are not listed or dealt in on any investment exchange.

### **3.2.3 Minimum Subscriptions and Holdings**

The minimum initial subscription, subsequent subscriptions and holdings level for each Class of Share are set out in Appendix I.

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

## **3.3 Redeeming Shares**

### **3.3.1 Procedure**

Every Shareholder is entitled on any Dealing Day to redeem its Shares. Investors buy and redeem Shares through the ACD who nets them to reduce the number of Shares issued or cancelled by the Company. When carrying out deals in Shares, the ACD acts as principal but does not profit from this activity.

Valid instructions to the ACD to redeem Shares will be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point following receipt of the instruction, except in the case where dealing has been suspended as set out in paragraph 3.10.

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

For details of dealing charges see paragraph 3.5 below.

### **3.3.2 Documents a redeeming Shareholder will receive**

A confirmation giving details of the number and price of Shares redeemed will be sent to the redeeming Shareholder (or the first named Shareholder, in the case of joint Shareholders) together with (if sufficient written instructions have not already been given) a form of renunciation for completion and execution by the Shareholder (or, in the case of a joint holding, by all the joint Shareholders) no later than the end of the Business Day following the later of the request to redeem Shares 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 Shareholder (at their risk), or, at the ACD's discretion, via electronic means in accordance with any instruction received (the ACD 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 ACD of the form of renunciation (or other sufficient written instructions) duly signed and completed by all the relevant Shareholders 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 ACD of the request to redeem.

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

### **3.3.3 Minimum Redemption**

Part of a Shareholder's holding may be redeemed but the ACD reserves the right to refuse a redemption request if the value of the Shares to be redeemed is less than the minimum stated in respect of the appropriate Class (see Appendix I).

## **3.4 Conversions**

Subject to any restrictions on the eligibility of investors in relation to a particular Share Class, a Shareholder in the Company may at any time Convert all or some of

his Shares ("Original Shares") for Shares in a different Class ("New Shares").

A Conversion is an exchange of Shares in one Class for Shares of another Class in the Company.

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

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

If a Shareholder wishes to Convert Shares he should apply to the ACD in the same manner as for a redemption of Shares in accordance with paragraph 3.3. Instructions may be given by telephone but Shareholders are required to provide written instructions to the ACD (which, in the case of joint Shareholders, must be signed by all the joint Shareholders) before the Conversion is effected.

There is no charge payable on a Conversion.

If a partial Conversion would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Class concerned, the ACD may, if it thinks fit, exchange the whole of the applicant's holding of Original Shares to New Shares (and make a charge for this) or refuse to effect any Conversion of the Original Shares.

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 ACD 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 ACD at the request of the Shareholder 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.

The ACD may adjust the number of New Shares to be issued to reflect the application of any charges or levies in respect of the application for the New Shares or redemption of the Original Shares as may be permitted pursuant to the COLL Sourcebook.

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 Shareholder who Converts between Classes of Shares will not be given a right by law to withdraw from or cancel the transaction.**

### **3.5 Dealing Charges**

The price per Share at which Shares are bought, redeemed or converted is the Net Asset Value per Share. Any preliminary charge or redemption charge, (or dilution levy or SDRT on a specific deal, if applicable) is payable in addition to the price or

deducted from the proceeds and is taken from the gross subscription or redemption monies.

#### **3.5.1 Preliminary Charge**

The ACD may impose a charge on the purchase of Shares in each Class. The current preliminary charge, which is calculated as a percentage of the amount invested by a potential Shareholder, is set out in Appendix I. The ACD may waive or discount the preliminary charge at its discretion.

The preliminary charge (which is deducted from subscription monies) is payable by the Shareholder to the ACD.

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

From the preliminary charge received, or out of its other resources, the ACD may pay a commission to relevant intermediaries including the Portfolio Manager and its Associates.

#### **3.5.2 Redemption Charge**

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

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

#### **3.5.3 Dilution Levy**

The actual cost of purchasing, selling or switching underlying investments in the Company may deviate from the mid-market value used in calculating its Share price, due to dealing charges, taxes, and any spread between buying and selling prices of the Company's underlying investments. These dealing costs could have an adverse effect on the value of the Company, known as "dilution". In order to mitigate the effect of dilution the Regulations allow the ACD to make a dilution levy on the purchase, redemption or Switch of Shares in the Company. A dilution levy is a separate charge of such amount or at such rate as is determined by the ACD to be made for the purpose of reducing the effect of dilution. This amount is not retained by the ACD, but is paid into the Company or relevant sub-fund (if relevant).

The dilution levy is calculated by reference to the costs of dealing in the underlying investments of the Company or relevant sub-fund (if applicable), including any dealing spreads, commission and transfer taxes.

The need to charge a dilution levy will depend on the volume of purchases and redemptions. It is not possible to predict accurately whether dilution would occur at any point in time.

The ACD's policy is that it may require a dilution levy on the purchase and redemption of Shares if, in its opinion, the existing Shareholders (for purchases) or remaining Shareholders (for redemptions) might otherwise be adversely affected. For example, the dilution levy may be charged in the following circumstances: where the Scheme Property of the Company is in continual decline; on the Company experiencing large levels of net purchases relative to its size; on "large deals" (typically being a purchase or redemption of Shares to a size exceeding 5% of the Net Asset Value of the Company); in any case where the ACD is of the opinion that the interests of existing or remaining Shareholders require the imposition of a dilution levy.

This policy is intended to mitigate the dilutive effect of Shareholder transactions on the future growth of the Company.

Based on future projections, the ACD expects that the vast majority of sales and/or redemptions of Shares will be 'large deals' and that a dilution levy may be charged on the majority of deals.

If a dilution levy is required then, based on a historical basis, the estimated rate of such a levy would be up to 0.75% of the value of the transaction or transactions in question.

The ACD, in its absolute discretion, may waive or reduce the dilution levy. The ACD may alter its current dilution policy in accordance with the procedure set out in the Regulations.

The number of days on which a dilution levy has been applied between 1 April 2022 and 31 March 2023 is nil.

#### **3.5.4 Stamp Duty Reserve Tax ("SDRT")**

SDRT is generally charged on any agreements to transfer shares of ICVCs (other than transactions handled by the ACD) to third parties at a rate of 0.5% of the consideration.

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

### **3.6 Transfers**

Shareholders are entitled to transfer their Shares to another person or body. Transfers must be in writing in the form of an instrument of transfer approved by the ACD for this purpose. However, the ACD in its discretion, may also accept



electronic transfers in a format specified by the ACD. Completed instruments of transfer must be returned to the ACD in order for the transfer to be registered by the ACD. The ACD may refuse to register a transfer unless any provision for SDRT due has been paid.

### **3.7 Restrictions, Compulsory Transfer, Redemption, and Conversion**

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares 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 Company incurring any liability to taxation which the Company is not able to recoup itself or suffering any other adverse consequence. In this connection, the ACD may, *inter alia*, reject in its discretion any application for the purchase, redemption, transfer or converting of Shares.

If it comes to the notice of the ACD that any Shares ("affected Shares"):

- 3.7.1 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
- 3.7.2 would result in the Company incurring any liability to taxation which the Company 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
- 3.7.3 are held in any manner by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case;

the ACD may give notice to the Shareholder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such Shares in accordance with the COLL Sourcebook. If any Shareholder upon whom such a notice is served does not within 30 days after the date of such notice transfer his affected Shares to a person qualified to own them or submit a written request for their redemption to the ACD or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares, he 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 ACD) of all the affected Shares.

A Shareholder who becomes aware that he is holding or owns affected Shares shall immediately, unless he has already received a notice as set out above, either transfer all his affected Shares to a person qualified to own them or submit a request in writing to the ACD for the redemption of all his affected Shares.

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

In addition, where the ACD considers it is in the best interests of shareholders, the ACD may convert a shareholder's holding in one class of shares to another class of shares in the Company. The ACD shall give at least 60 days prior written notice to the shareholders concerned of the proposed conversion, including details of the new class of shares and reminding shareholders of their rights to redeem.

### **3.8 Issue of Shares in Exchange for in Specie Assets**

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

The ACD will ensure that the beneficial interest in the assets is transferred to the Company with effect from the issue of the Shares.

The ACD will not issue Shares in exchange for assets the holding of which would be inconsistent with the investment objective or policy of the Company (as set out in Appendix I).

### **3.9 In Specie Redemptions**

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

The ACD will select the property to be transferred in consultation with the Depositary. The ACD and Depositary must ensure that the selection is made with a view to achieving no more advantage or disadvantage to the Shareholder requesting the redemption than to the continuing Shareholders.

### **3.10 Suspension of Dealings in the Company**

The ACD may, with the prior agreement of the Depositary, and must without delay if the Depositary so requires temporarily suspend the issue, cancellation, sale and redemption of Shares in the Company where due to exceptional circumstances it is in the interests of all the Shareholders in the Company.

The ACD and the Depositary must ensure that the suspension is only allowed to continue for as long as is justified having regard to the interests of Shareholders.

The ACD or the Depositary (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 the UK and each EEA state where the Company is offered for sale.

The ACD will notify Shareholders 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 Shareholders details of how to find further information about the suspension.

Where such suspension takes place, the ACD will publish details on its website or other general means, sufficient details to keep Shareholders 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 ACD 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 ACD and the Depositary 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 Shareholders.

The ACD may agree during the suspension to deal in Shares 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 Shares.

In addition, the FCA Rules may require the ACD to temporarily suspend the issue, cancellation, sale and redemption of shares in certain circumstances (for example, where the Company is invested in other authorised funds which are themselves suspended).

### **3.11 Liquidity Risk Management**

- 3.11.1 The ACD, in consultation with the Portfolio Manager, has adopted a risk management process in respect of the Company enabling it to monitor and measure the risk of the Company's portfolio and contribution of the underlying investments to the overall risk profile of the Company.
- 3.11.2 The ACD operates a liquidity risk management policy with a view to ensuring that Shareholders 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.
- 3.11.3 Liquidity risk is the risk that the Company 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 Company'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 Company 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.

### **3.12 Client Money**

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 shares in a regulated collective investment scheme such as the Company, provided that:

- (a) the ACD receives the money from a client in relation to the ACD's obligation to issue shares in the fund in accordance with COLL; or
- (b) the money is held in the course of redeeming shares, 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 (a) or (b) above, the ACD must cease to operate the exemption if, by close of business on the Business Day following receipt of the money, it has not paid it over to the Depositary or the client or, if direct issues and cancellations of Shares by the Company are permitted, to the Company, as applicable.

In order to facilitate management of the Company, the ACD makes use of the delivery versus payment exemption on the issue of shares in respect of money received other than in the form of cheques. Money received in other payment forms for the issue of shares is, therefore, not protected under the Client Money Rules until the delivery versus payment exemption period has expired. Money received by the ACD in the form of redemptions, cheques or other remittances is paid directly into a client money account maintained by the ACD 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 ACD on monies 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.

In certain circumstances, if the ACD has lost touch with an investor, the ACD will be permitted to pay the investor's client money balance to a registered charity after six years. The ACD will not do so until reasonable efforts have been made to contact the investor. The investor will still be entitled to recover this money from the ACD at a later date irrespective of whether the ACD has paid the money to charity. This is subject to the rules in COLL, which require the ACD to transfer any distribution payment which remains unclaimed after a period of six years from the date of payment to the Company's capital property.

The ACD will not be responsible for any actions or omissions of the relevant bank. If the bank holding the client account becomes insolvent, the ACD will have a claim on behalf of all Shareholders, but if there is a shortfall, all clients will share in this proportionately, although Shareholders may be entitled to compensation from the Financial Services Compensation Scheme. The availability of compensation depends on the type of business being conducted.

Details are available from the Financial Services Compensation Scheme Helpline on 0800 678 1100 or 020 7741 4100 and on the Financial Services Compensation Scheme website: [www.fscs.org.uk](http://www.fscs.org.uk).

#### **4. VALUATION OF THE COMPANY**

##### **4.1 General**

The price of a Share is calculated by reference to the Net Asset Value of the Company. The Net Asset Value per Share is currently calculated at 10.00 a.m. (London time) (this being the Valuation Point) on each Dealing Day. Shares in the Company are single priced; see paragraph 4.4.

The ACD may at any time during a Business Day carry out an additional valuation if it considers it desirable to do so. The ACD shall inform the Depositary of any decision to carry out any such additional valuation. Valuations may be carried out for effecting a scheme of arrangement which do not create a Valuation Point for the purposes of dealings. Where permitted and subject to the Regulations, the ACD 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.

The ACD will, upon completion of each valuation, notify the Depositary of the price of Shares, of each Class and the amount of any dilution levy applicable in respect of any purchase or redemption of Shares.

A request for dealing in Shares 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 Net Asset Value per Share calculated as at the Valuation Point on that next Dealing Day.

##### **4.2 Calculation of the Net Asset Value**

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

- 4.2.1 All the Scheme Property (including receivables) is to be included, subject to the following provisions.
- 4.2.2 Scheme Property which is not cash (or other assets dealt with in paragraph 4.2.2.4 below) or a contingent liability transaction shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
  - a) Units or shares in a collective investment scheme:
    - (a) if a single price for buying and redeeming units or shares is quoted, at that price; or
    - (b) if separate buying and redemption prices are quoted, at the average of the two prices provided the buying price has been reduced by any preliminary charge included therein and the redemption price has been increased by any exit or redemption charge attributable thereto; or
    - (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares, at a value which, in the opinion of the ACD, is fair and reasonable;
  - b) Any other transferable security:
    - (a) if a single price for buying and redeeming the security is quoted, at that price; or
    - (b) if separate buying and redemption prices are quoted, at the average of the two prices; or
    - (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the security, at a value which, in the opinion of the ACD, is fair and reasonable;
  - c) Scheme Property other than that described in paragraphs 4.2.2.1 and 4.2.2.2 above, at a value which, in the opinion of the ACD, is fair and reasonable;

- d) Cash and amounts held in current and deposit accounts and in other time related deposits shall be valued at their nominal values.
- 4.2.3 Scheme Property which is a contingent liability transaction shall be treated as follows:
- a) if it is a written option (and the premium for writing the option has become part of the Scheme Property), deduct the amount of the net valuation of premium receivable. If the Scheme Property is an off exchange option the method of valuation shall be agreed between the ACD and the Depositary;
  - b) if it is an off exchange future, include it at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
  - c) if it is any other form of contingent liability transaction, include it at the net value of margin on closing out (whether as a positive or negative value). If the Scheme Property is an off exchange derivative, include it at a valuation method agreed between the ACD and the Depositary.
- 4.2.4 In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
- 4.2.5 Subject to paragraphs 4.2.6 and 4.2.7 below, agreements for the unconditional sale or purchase of Scheme 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 if, in the opinion of the ACD, their omission will not materially affect the final net asset amount.
- 4.2.6 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 4.2.5.
- 4.2.7 All agreements are to be included under paragraph 4.2.5 which are, or ought reasonably to have been, known to the person valuing the Scheme Property.
- 4.2.8 Deduct an estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax, VAT, stamp duty, SDRT and any foreign taxes or duties.

- 4.2.9 Deduct an estimated amount for any liabilities payable out of the Scheme Property and any tax or duty thereon, treating periodic items as accruing from day to day.
- 4.2.10 Deduct the principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings.
- 4.2.11 Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
- 4.2.12 Add any other credits or amounts due to be paid into the Scheme Property.
- 4.2.13 Add a sum representing any interest or any income accrued due or deemed to have accrued but not received.
- 4.2.14 Currencies or values in currencies other than Sterling shall be converted at the relevant Valuation Point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

#### **4.3 Price per Share in each Class**

The price per Share at which Shares are bought or are redeemed is the Net Asset Value per Share. Any preliminary charge or redemption charge, (or dilution levy or SDRT on a specific deal, if applicable) is payable in addition to the price or deducted from the proceeds and is taken from the gross subscription or redemption monies.

Each allocation of income made at a time when more than one Class is in issue shall be done by reference to the relevant Shareholder's proportionate interest in the income property of the Company calculated in accordance with the Instrument of Incorporation.

#### **4.4 Pricing Basis**

The ACD 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 ACD. Shares in the Company are single priced as determined from time to time by reference to a particular valuation point.

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

The most recent prices will appear daily on the Trustnet website at [www.trustnet.com](http://www.trustnet.com). Price may also be obtained by telephone on 01483 783 900.

For reasons beyond the control of the ACD, these may not necessarily be the current prices.

The cancellation price last notified to the Depository is available from the ACD upon request.



## **5. RISK FACTORS**

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

### **5.1 General**

The investments of the Company 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 investors may not recoup the original amount they invest in the Company. There is no certainty that the investment objective of the Company will actually be achieved and no warranty or representation is given to this effect. The level of yield for the Company 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 Company heavily invested in that asset class or region.

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

Where an preliminary charge or redemption charge is imposed, an investor who realises his Shares 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, investors 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 Shares. If the market value of the Shares has increased the redemption charge will show a corresponding increase. Currently there is no redemption charge levied on Shares.

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

### **5.3 Dilution**

The Company may suffer a reduction in the value of its Scheme Property due to dealing costs incurred when buying and selling investments. To offset this dilution effect the ACD may require the payment of a dilution levy in addition to the price of Shares when bought or as a deduction when sold.

### **5.4 Suspension of Dealings in Shares**

Investors are reminded that in certain circumstances their right to redeem Shares may be suspended.

### **5.5 Currency Exchange Rates**

Funds investing in overseas securities are exposed to, and may hold, currencies other than the operational currency of the fund pounds sterling (GBP). As a result,

exchange rate movements may cause the GBP value of investments to decrease or increase.

## **5.6 Derivatives**

**The Portfolio Manager may employ derivatives for the purposes of Efficient Portfolio Management (including hedging) with the aim of reducing the risk profile of the Company, 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 Company 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 9 and 10 in Appendix III.**

## **5.7 OTC Derivatives**

If the counterparty to the Company in relation to an OTC Derivative became insolvent or is unable to meet its obligations under the OTC Derivative, then the Company would likely suffer a loss which may have a significant impact on the investment performance of the Company.

## **5.8 Emerging Markets**

Emerging markets tend to be more volatile than more established markets and therefore your 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 funds. 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 Portfolio Manager 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 Company because the maximum permitted number of an investment by foreign Shareholders 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, financial reporting standards and disclosure requirements in emerging markets may differ from those in more developed markets and, accordingly, investment possibilities may be difficult to properly assess.

## **5.9 Unregulated Collective Investment Schemes**

The Company may make investments in unregulated collective investment schemes. These may invest in highly illiquid securities that 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 Company's securities are valued by independent sources are factors which could have an impact on the Company's valuation.

## **5.10 Liquidity**

Depending on the types of assets the Company 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.

## **5.11 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 investment grade. 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 Company. 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 Company invests in fixed income securities, the portfolio composition may change over time; this means the yield on the fund is not fixed and may go up or down.

## **5.12 Tax**

Tax laws currently in place may change in the future which could affect the value of a Shareholder’s investments. See the paragraph headed ‘Taxation’ for further details about taxation of the Company.

Currently, the Company 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 a Company 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 Company and investors.

In addition, under some treaties the rate of withholding tax applied to a Company may be affected by the tax profiles of investors in the Company. This is because such treaties may require a majority of investors in the Company 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 Company and investors.

## **5.13 Custody**

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

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

#### **5.14 Counterparty Risk in OTC Markets**

The ACD on behalf of the Company may enter into transactions in over-the-counter markets, which will expose the Company to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, the ACD on behalf of the Company may enter into agreements or use other derivative techniques, each of which expose the Company 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 Company could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Company seeks to enforce its rights, inability to realise any gains on its investment 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, investors may be unable to cover any losses incurred.

#### **5.15 Inflation and interest rates**

The real value of any returns that an investor may receive from the Company could be affected by interest rates and inflation over time.

#### **5.16 Investment in Regulated Collective Investment Schemes**

The Company may invest in other regulated collective investment schemes. As an investor in another collective investment scheme, the Company 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 Company bears directly with its own operations.

#### **5.17 Non-UCITS Retail Schemes (NURS)**

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.

#### **5.18 Investment Trusts**

The Company may invest in investment trusts. These are public limited companies quoted on the London Stock Exchange. 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

Shareholders. However if the market falls, losses can be multiplied. The level of gearing needs to be carefully judged and monitored to produce a benefit.

### **5.19 Structured Products**

The Company 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. 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 Company.

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 Company should assist with keeping the volatility levels of the Company relatively low.

### **5.20 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 Company and the value of distribution paid to investors.

## **6. MANAGEMENT AND ADMINISTRATION**

### **6.1 Regulatory Status**

The ACD and the Portfolio Manager are authorised and regulated by the Financial Conduct Authority.

The regulatory status of the Depositary is set out at paragraph 6.3 below.

### **6.2 Authorised Corporate Director and UK AIFM**

#### **6.2.1 General**

The ACD and UK AIFM is TUTMAN LLP which is a limited liability partnership incorporated in England and Wales on 2 November 2011 with registered company number OC369415.

The members of the ACD are:

Thesis Unit Trust Management Limited	Designated Member
Thesis Holdings Limited	Designated Member

Thesis Unit Trust Management Limited is wholly owned by Thesis Holdings Limited, a private limited company incorporated in Jersey with number 123560.

**Registered Office:** Exchange Building, St John's Street,  
Chichester, PO19 1UP

**Principal Place of Business:** Exchange Building, St John's  
Street, Chichester, PO19 1UP

**Members' Capital:** £875,000

The ACD is responsible for managing and administering the Company's affairs in compliance with the COLL Sourcebook and the FUND Sourcebook.

The ACD may delegate its management and administration functions, but not responsibility, to third parties, including associates subject to the rules in the COLL Sourcebook and the FUND Sourcebook.

The ACD has delegated the function of portfolio management and advisory services in relation to assets of the Company to the Portfolio Manager. Please refer to paragraph 6.4 for details.

The ACD has also delegated certain functions relating to the register to the Registrar. Please refer to paragraph 6.5.

#### 6.2.2 **Terms of Appointment:**

The appointment of the ACD has been made under an agreement between the Company and the ACD, as amended from time to time (the "ACD Agreement").

Pursuant to the ACD Agreement, the ACD manages and administers the affairs of the Company in accordance with the Regulations, the Instrument of Incorporation and this Prospectus. The ACD Agreement incorporates detailed provisions relating to the ACD's responsibilities.

The ACD Agreement may be terminated on an accounting date or interim accounting date of the Company by either party on not less than twelve months' written notice or earlier upon the happening of certain specified events. The ACD Agreement contains detailed provisions relating to the responsibilities of the ACD and excludes it from any liability to the Company or any Shareholder for any act or omission except in the case of negligence, wilful default, breach of duty or breach of trust in relation to the Company on its part. The ACD Agreement provides indemnities to the ACD to the extent allowed by the Regulations and other than for matters arising by reason of its negligence, wilful default, breach of duty or breach of trust in the performance of its duties and obligations. Subject

to certain limited exceptions set out in the Regulations, the ACD may retain the services of any person to assist it in the performance of its functions.

Details of the fees payable to the ACD are set out in paragraph 7.3 "Charges payable to the ACD".

The ACD is also under no obligation to account to the Depositary, the Company or the Shareholders for any profit it makes on the issue or re-issue or cancellation of Shares which it has redeemed. Similarly, it (or its delegates or associates) may receive a fee in respect of stock lending transactions, as set out in Appendix III below.

The Company has no directors other than the ACD. The ACD is the authorised fund manager of other regulated collective investment schemes. Details of these schemes, as at the date of this Prospectus, are set out in Appendix IV.

## **6.3 The Depositary**

### **6.3.1 General**

The Depositary of the Company is NatWest Trustee and Depositary Services Limited, a private company registered in England and Wales with company number 11194605.

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

The Depositary's registered office address is 250 Bishopsgate, London EC2M 4AA. The Depositary's head office address is 440 Strand, London WC2R 0QS. The address of its office which handles matters relating to the Company, is set out in Appendix VI in this Prospectus.

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

The Depositary is established in the UK and is authorised and regulated by the Financial Conduct Authority to act as a depositary of a UK UCITS or a UK AIF.

### **6.3.2 Duties of the Depositary**

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

### **6.3.3 Conflicts of Interest**



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

It is possible that the Depositary 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 Company, a particular fund, one more shareholders, the ACD and/or other funds managed by the ACD or other funds for which the Depositary acts as the depositary, trustee or custodian. The Depositary will, however, have regard in such event to its obligations under the Depositary Agreement and the FCA Rules and, in particular, will use reasonable endeavours to ensure that the performance of its duties will not be impaired by any such involvement it may have and that any conflicts which may arise will be resolved fairly and in the best interests of Shareholders collectively so far as practicable, having regard to its obligations to other clients.

As the Depositary operates independently from the Company, shareholders, the ACD and the Custodian, the Depositary does not anticipate any conflicts of interest arising between it and 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 Scheme Property to the Custodian. Should any such conflict arise, the Depositary shall notify the ACD and take necessary steps to address the conflict.

The Depositary is under no obligation to account to the ACD, the Company or the shareholders for any profits or benefits it makes or receives that are made or derived from or in connection with its role as depositary.

#### **6.3.4 Terms of Appointment:**

The Depositary was appointed under a Depositary Agreement between the ACD, the Company and the Depositary (the "Depositary Agreement").

The Depositary Agreement provides that the Depositary be engaged to maintain the safe custody of the Scheme Property and to fulfil other duties required in the OEIC Regulations, COLL and FUND.

The powers, duties, rights and obligations of the Depositary, the Company and the ACD under the Depositary Agreement shall, to the extent of any conflict, be overridden by the FCA Rules.

Under the Depositary Agreement the Depositary has the power to appoint sub-custodians and may include in such appointment powers of sub-delegation. The Depositary has delegated custody services of the Scheme Property to The Northern Trust Company (the 'Custodian'). Contact details for the Custodian are set out in Appendix VI in this Prospectus. The Custodian has, in turn, sub-delegated the custody of assets in certain markets in which the Company may invest to various sub-delegates ("sub-custodians").

Under the Depositary Agreement, the Depositary will be liable to the Company for any loss of Financial Instruments held in custody or for any liabilities incurred by the Company as a direct result of the Depositary's fraud, negligence or negligent or

intentional failure to properly fulfil its obligations under the Depositary Agreement or the UK AIFM regime.

However, where the event which led to the loss of a Financial Instrument is not the result of the Depositary's own act or omission (or that of its sub-custodian), the Depositary is discharged of its liability for the loss of a Financial Instrument where the Depositary can prove that the Depositary 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 ACD will inform investors without delay of any changes with respect to the Depositary's liability.

The Depositary Agreement provides that the Depositary will be indemnified by the Company in respect of any liabilities suffered or incurred by the Depositary in the proper performance of its obligations and duties under the Depositary Agreement except in the case of fraud or negligent breach of the Depositary Agreement or of any applicable laws.

The Depositary Agreement may be terminated on six months' notice by the Company, the Depositary or the ACD or earlier on certain breaches or the insolvency of a party. However, termination of the Depositary Agreement will not take effect, nor may the Depositary retire voluntarily, until the appointment of a new Depositary 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 ACD on behalf of the Company, the Depositary shall not be entitled to, and no sub-custodian of the Depositary shall be authorised by the Depositary to transfer or 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 Depositary are set out in the "Depositary's Fees and expenses" section of this Prospectus at paragraph 7.5.

## **6.4 The Portfolio Manager**

### **6.4.1 General**

The ACD has appointed the Portfolio Manager, EFG Harris Allday (a trading division of EFG Private Bank Limited), to provide investment management services to the ACD.

The Portfolio Manager's registered office is set out at Appendix VI.

The principal activity of the Portfolio Manager is the provision of investment management services.

The Portfolio Manager is required to comply with its own execution policy. A copy of the Portfolio Manager's execution policy is available on request

from the ACD, or may be available from the Portfolio Manager's website, listed in Appendix VI.

#### **6.4.2 Terms of Appointment**

The terms of the Investment Management Agreement between the ACD and the Portfolio Manager include the provision of investment management within the investment objective of the Company, the purchase and sale of investments and on the exercise of voting rights relating to such investments. The Portfolio Manager has authority to make decisions on behalf of the ACD on a discretionary basis in respect of day to day investment management of the Scheme Property including authority to place purchase orders and sale orders with regulated dealers and preparation of the Portfolio Manager's report half yearly for inclusion in the Company's Report for circulation to Shareholders. Subject to the agreement of the ACD, the Portfolio Manager may appoint sub-portfolio managers to discharge some or all of these duties. The Investment Management Agreement may be terminated by either party on not less than six months' written notice or earlier upon the happening of certain specified events. The Investment Management Agreement may be terminated immediately by the ACD if it is in the interests of investors.

The Portfolio Manager will receive a fee paid by the ACD out of its remuneration received each month from the Company as explained in paragraph 7.6 and is also entitled to receive commission paid by the ACD in respect of investment in the Company by its clients.

The Portfolio Manager will not be considered as a broker fund adviser under the FCA Handbook in relation to the Company.

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

#### **6.5.1 General**

The ACD has delegated the function of Registrar, Administrator and Fund Accountant to Northern Trust Global Services SE, UK branch.

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

The duties of the Registrar and Administrator include:

- (a) maintaining the Register;
- (b) receiving and processing requests for subscriptions for, or redemptions of, shares in the Company;
- (c) administering the payment of distributions to Shareholders in the Company;

- (d) dealing with certain regulatory reporting requirements on behalf of the Company and the ACD;
- (e) maintaining the accounting records of the Company;
- (f) assisting in calculating the Net Asset Value of the Company, as well as to provide fund accounting services in respect of the Company.

In line with the regulations that govern such operational outsourcing, the ACD retains responsibility for all work performed on its behalf and Shareholders' rights are not affected by this delegation.

#### 6.5.2 **The Register**

The Register is kept and can be inspected at 50 Bank Street, Canary Wharf, London E14 5NT during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

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

### **6.6 The Auditors**

The auditors of the Company are KPMG LLP, whose address is set out in Appendix VI.

The Auditors are responsible for auditing the annual accounts of the Company and expressing an opinion on certain matters relating to the Company in the annual report including whether its accounts have been prepared in accordance with applicable accounting standards, the Regulations and the Instrument of Incorporation.

### **6.7 Conflicts**

6.7.1 Conflicts may arise between the interests of the ACD and its permitted delegates in certain circumstances, for example, where there is likelihood that:

- a) the delegate and an investor in a Company are members of the same group or have any other contractual relationship, if the investor controls the delegate or has the ability to influence its actions (in such cases the likelihood of conflict is likely to increase the greater the extent of such control);
- b) the delegate makes a financial gain, or avoids a financial loss, at the expense of the Company or the investors in the Company;
- c) the delegate has an interest in the outcome of a service or an activity provided to the ACD or the Company;

- d) the delegate has a financial or other incentive to favour the interest of another client over the interests of the Company or the investors in the Company;
  - e) the delegate receives or will receive from a person other than the ACD an inducement in relation to the collective portfolio management activities provided to the ACD and the Company in the form of monies, goods or services other than the standard commission or fee for that service.
- 6.7.2 The ACD has a policy and procedures in place to monitor the conflicts of interest that may arise in the context of its delegation of certain of its functions. To the extent any actual conflicts of interest are determined to have arisen, the ACD will manage such conflicts to minimise any impact on the investment performance, and will also seek to prevent them from reoccurring. Certain activities may be required to be modified or terminated to minimise conflicts of interest which may be identified from time to time.

## **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 Shares (see paragraph 3.5) payable by a Shareholder or out of Scheme Property are set out in this section.

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

- 7.1.1 broker's commission (excluding costs for research), fiscal charges (including stamp duty and/or stamp duty reserve tax) and other disbursements which are necessary to be incurred in effecting transactions for the Company and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- 7.1.2 fees and expenses in respect of establishing and maintaining the register of Shareholders, including any sub-registers kept for the purpose of the administration of (when applicable) Individual Savings Accounts, are payable monthly out of the property of the Company;
- 7.1.3 any costs incurred in or about the listing of Shares in the Company on any Stock Exchange, and the creation, conversion and cancellation of Shares;
- 7.1.4 any costs incurred by the Company in publishing the price of the Shares in a national or other newspaper or any other form of media;

- 7.1.5 any costs incurred in producing and dispatching any payments made by the Company, or the yearly and half-yearly reports of the Company;
- 7.1.6 any reasonable general disbursements relating to postage and communication costs incurred in the proper performance of the transfer agent's duties relating to the Company, which are currently carried on by the Registrar;
- 7.1.7 any fees or costs associated with any CASS related support activity incurred by the Registrar;
- 7.1.8 any fees, expenses or disbursements of any legal or other professional adviser of the Company;
- 7.1.9 any costs incurred in taking out and maintaining an insurance policy in relation to the Company and its directors;
- 7.1.10 any costs incurred in respect of meetings of Shareholders convened for any purpose;
- 7.1.11 any payment permitted by clause 6.7.15R of the COLL Sourcebook;
- 7.1.12 interest on borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 7.1.13 taxation and duties payable in respect of the Scheme Property of the Company or the issue or redemption of Shares;
- 7.1.14 the audit fees of the Auditors (including VAT) and any expenses of the Auditors;
- 7.1.15 the fees of the FCA, in accordance with the FCA's Fee Manual, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which shares in the Company are or may be marketed;
- 7.1.16 any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
- 7.1.17 any costs incurred which are associated with independent risk monitoring or daily "value at risk" or "VaR" calculations (part of the risk monitoring process);
- 7.1.18 any costs incurred in preparing, translating, producing (including printing), distributing and modifying the instrument of incorporation, the prospectus, the Key Investor Information Document (KIID) (apart from the costs of distributing the Key

Investor Information Document) or reports, accounts, statements, contract notes and other like documentation or any other relevant document required under the Regulations;

- 7.1.19 any payments otherwise due by virtue of a change to the Regulations;
- 7.1.20 costs of insuring the Depositary against any liability which it may incur as a consequence of holding the property of a Company which is greater than the value of the Company;
- 7.1.21 costs incurred in administering insurance which relates to the Company or any property which is, has been or may become property of the Company and the costs and expenses involved in running and administering any claims, actions, proceedings or litigation which may be taken by or against the Company or Depositary;
- 7.1.22 the fees properly payable to the Valuer or any other valuer (including VAT) and any proper expenses of the Valuer or any other valuer; and
- 7.1.23 any value added or similar tax relating to any charge or expense set out herein.

The ACD is also entitled to be paid by the Company out of the Scheme Property any expenses, incurred by the ACD or its delegates of the kinds described above including the costs incurred by the ACD in connection with the formation of the Company.

## **7.2 Allocation of payments**

Expenses are allocated between capital and income (except those charges and expenses relating directly to the purchase and sale of investments) in accordance with the Regulations. The approach for the Company is set out in Appendix I. Where expenses are deducted in the first instance from income if and only if this is insufficient, deductions will be made from capital (save for any charge made in respect of SDRT under paragraph 3.5.4 "Stamp Duty Reserve Tax"). **If deductions were made from capital, this would result in capital erosion and constrain growth.**

## **7.3 Charges payable to the ACD**

### **7.3.1 Annual Management Charge**

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of the Company as set out in Appendix I. The annual management charge will accrue on a weekly basis in arrears by reference to the Net Asset Value of the Company on the immediately preceding Dealing Day and the amount due for each month is payable on the last Dealing Day of each month.

### 7.3.2 **Registration Fees**

The ACD has delegated the following functions to Northern Trust Global Services SE, UK branch; the function of registrar relating to the Register (as the 'Registrar'). The Registrar is entitled to receive a fee out of the Scheme Property of the Company for providing registration services (including establishing and maintaining sub-registers where applicable). Such fee is payable monthly. The current registration fee is £10 per annum per registered Shareholder, with a minimum of £2,000 per annum.

### 7.3.3 **Expenses**

The ACD 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 ACD may take that excess from the capital property attributable to that Class.

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

## 7.4 **Administration and Fund Accountant Fees**

Northern Trust Global Services SE, UK branch fees and expenses (for providing administration and fund accountant services) will be paid by the ACD out of its remuneration. Further details of this agreement are summarised in paragraph 6.5 "Terms of Appointment".

## 7.5 **Depositary's fee and expenses**

### 7.5.1 **Periodic fee**

The Depositary is entitled to receive for its own account a periodic fee payable from the Scheme Property.

The Depositary's fee is calculated on the value of the Scheme Property in accordance with the Depositary Agreement and the FCA Rules, and payable out of the Scheme Property in accordance with the FCA Rules. For this purpose, the value of the Scheme Property is inclusive of the issues and cancellations which take effect as at the relevant valuation point.

The Depositary's fee will be calculated and accrue daily. The Depositary's fee is payable as soon as practicable after the end of the month in which it accrued.

The current fees payable are:



0.0275% per annum	on the value of the Scheme Property up to and including £50,000,000
0.025% per annum	on the next £50,000,000 value of the Scheme Property
0.020% per annum	on the next £100,000,000 value of the Scheme Property
0.015% per annum	on the value of the Scheme Property thereafter

The annual fee is subject to a minimum fee of £7,500 per annum plus VAT.

#### 7.5.2 **Transaction charges and derivative and custody charges**

In addition to the Depositary's periodic fee and expenses set out above, the Depositary shall also be entitled to be paid transaction charges and derivative and custody charges in relation to transaction and derivative transaction handling and safekeeping of Scheme Property. The current range of transaction charges is between £7.50 and £180.00 per transaction plus VAT (if any) depending on the markets and the type of transaction involved. Derivative Transaction Charges are £20 (if applicable). Custody charges are up to 0.05% of the value of the holding involved subject to a minimum fee of £7,500 per annum plus VAT.

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

Where relevant, the Depositary may make a charge for (or otherwise benefit from) providing services in relation to: distributions, the provision of banking services, holding money on deposit, lending money, or engaging in stock lending or derivative transactions, in relation to the Company and may purchase or sell or deal in the purchase or sale of Scheme Property, provided always that the services concerned and any such dealing are in accordance with the provisions of the UK AIFM regime, the Instrument of Incorporation and the Regulations. In addition, the Depositary is entitled to charge a fee of £20 per derivative transaction.

The Depositary will also be entitled to payment and reimbursement of all costs, liabilities and expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Instrument of Incorporation, the FCA Handbook or by the general law.

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

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

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

## **7.6 Portfolio Manager's fee**

The Portfolio Manager's fees and expenses (plus VAT thereon) for providing investment management services will be paid by the ACD out of its remuneration under the ACD Agreement. Research costs will be paid for by the Portfolio Manager out of this fee and shall not be borne by the Company.

Further details of this agreement are summarised in paragraph 6.4.2 "Terms of Appointment" above.

## **8. INSTRUMENT OF INCORPORATION**

The Instrument of Incorporation is available for inspection at the ACD's offices at Exchange Building, St John's Street, Chichester, West Sussex PO19 1UP.

## **9. SHAREHOLDER MEETINGS AND VOTING RIGHTS**

### **9.1 Class and Company Meetings**

The Company will not hold annual general meetings.

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

### **9.2 Requisitions of Meetings**

The ACD may requisition a general meeting at any time.

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

### **9.3 Notice and Quorum**

Shareholders 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 Shareholders, 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

Shareholders at their registered addresses.

#### **9.4 Voting Rights**

At a general meeting, on a show of hands every Shareholder 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 Shareholder may vote either in person or by proxy. The voting rights attaching to each Share are such proportion of the voting rights attached to all the Shares in issue that the price of the Share bears to the aggregate price of all the Shares in issue at a reasonable date before the notice of meeting is sent out, such date to be decided by the ACD.

A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

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

Except where the COLL Sourcebook or the Instrument of Incorporation 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 the COLL Sourcebook will be passed by a simple majority of the votes validly cast for and against the resolution.

The ACD may not be counted in the quorum for a meeting and neither the ACD nor any associate (as defined in the COLL Sourcebook) of the ACD is entitled to vote at any meeting of the Company except in respect of Shares which the ACD or associate holds on behalf of or jointly with a person who, if the registered Shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions.

Where all the Shares are registered to, or held by, the ACD 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 Depositary, instead be passed with the written consent of Shareholders representing 50% or more, or for an extraordinary resolution 75% or more, of the Shares in issue.

"Shareholders" in this context means Shareholders entered on the Register at a time to be determined by the ACD and stated in the notice of the meeting which must not be more than 48 hours before the time fixed for the meeting.

### **10. TAXATION**

#### **General**

**The following summary is based on current UK law and HM Revenue & Customs practice. It summarises the UK tax position of Investment Companies with Variable Capital ("ICVC") and shareholders who are UK tax resident. However, it should not be regarded as definitive nor as removing the desirability of taking separate professional advice. Investors are advised to consult their independent professional tax adviser. Levels and bases of, and reliefs from, taxation are subject to change in the future.**

### **Taxation of the Company**

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

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

#### **(A) Income**

The Company is liable to corporation tax on its income after relief for management expenses (which include fees payable to the ACD and to the Depositary) at the basic rate of income tax.

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

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

#### **(B) Chargeable gains**

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

#### **(C) Stamp Duty Reserve Tax**

Stamp duty reserve tax ("SDRT") is generally charged on any agreements to transfer shares of ICVCs (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 shares of ICVCs. However, investors may be subject to an SDRT charge where shares in the Company are surrendered and the investors receive assets from the Company (rather than cash) which are not in proportion to their share of the total assets held by the Company.

## **Taxation of Shareholders**

### **(A) Income**

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

The distribution accounts of the Company 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 Company.

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

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

### **(B) Interest distributions**

#### UK resident individuals

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

No income tax is required to be deducted at source from interest distributions with the result that Shareholders will receive interest distributions gross of any tax.

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

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

#### UK corporate Shareholders

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

The Company 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 Shareholders may be paid without deduction of income tax at source.

### **(C) Dividend distributions**

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

#### UK resident individuals

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

#### UK corporate Shareholders

UK resident corporate Shareholders 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 UK corporate Shareholders although the franked dividend portion should fall within an exemption from corporation tax.

## **(D) Chargeable gains**

### UK resident individuals

Shareholders 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 Shares. Gains will be tax-free if after deduction of allowable losses they fall within an individual's annual capital gains exemption.

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

### UK corporate Shareholders

UK corporate Shareholders (whose Shares 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).

## **Stamp Duty Reserve Tax**

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

**The ACD reserves the right to redeem the Shares of any Shareholder who jeopardises the tax status of the Company.**

## **Income equalisation – tax implications**

The price of a Share of a particular Class is based on the value of that Class' entitlement in the Company, including the income of the Company since the previous distribution or, in the case of accumulation Shares, deemed distribution. In the case of the first distribution received or accumulation made in respect of a Share, 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 Shareholder. This amount is, however, in the case of income Shares, deducted from the cost of the Share in computing any capital gains. Equalisation applies only to Shares purchased during the relevant accounting period. It is calculated as the average amount of income included in the issue price of all Shares of the relevant Class issued during the period.

## **UK information reporting regime**

Open-ended investment companies are required to report details of interest distributions paid to UK, and many non-UK investors. Dividend distributions and payments made to ISA investors are not within the scope of these rules but see the paragraphs dealing with the "International Tax Compliance" below.

### **Tax Elected Fund ("TEF") regime**

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

### **International Tax Compliance**

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

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

To be compliant with the International Tax Compliance Regulations the Company must collect information about each shareholder's tax residence and, in certain circumstances, provide information about shareholders' shareholdings to HMRC. HMRC may in turn share this information with overseas tax authorities. Such tasks may be delegated to the Administrator.

### **Shareholders should note that:**

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

If a shareholder fails to provide the information required by the Company to comply with its obligations to HMRC this may result in the ACD taking appropriate action against the shareholder, including invoking the compulsory transfer and redemption provisions set out in this Prospectus. The shareholder may also be liable for any penalties suffered by the ACD. The ACD may deduct the amount of any penalty from the shareholder's account.

## **11. INCOME EQUALISATION**

The first income allocation received by an investor after buying Shares may include an amount of income equalisation, which will be shown on the issued tax voucher. This is effectively a repayment of the income equalisation paid by the investor as part of the purchase price. It is a return of capital, and is not taxable. Rather it



should be deducted from the acquisition cost of the Shares for capital gains tax purposes.

### **11.1 Grouping for Equalisation**

Grouping periods are consecutive periods within each annual accounting period, being the interim accounting periods (including the period from the end of the last interim accounting period in an annual accounting period to the end of that annual accounting period) as specified in Appendix I. If there are no interim accounting periods the periods for grouping of shares will be annual accounting periods.

## **12. TAX VOUCHERS**

A tax voucher will be issued in line with the income distribution dates set out in Appendix I. This voucher should be retained for tax purposes as evidence for HM Revenue & Customs.

The ACD reserves the right to charge an administration fee of £10 if a duplicate copy is required. To obtain a duplicate copy you will need to submit your request in writing, along with payment, to TUTMAN LLP, Exchange Building, St John's Street, Chichester, West Sussex PO19 1UP.

## **13. WINDING UP OF THE COMPANY**

The Company will not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under the COLL Sourcebook.

Where the Company is to be wound up under the COLL Sourcebook, such winding up can only commence provided (a) effect has been given, under regulation 21 of the OEIC Regulations to proposals to wind-up the affairs of the Company or to proposals to make alterations to the Company's Instrument of Incorporation and Prospectus that will be required if a sub-fund is terminated (if the Company is an umbrella) and (b) unless a statement has been prepared and delivered to the FCA under the COLL Sourcebook and received by the FCA prior to satisfaction of the condition in (a). The Company may not be wound up under the COLL Sourcebook if there is a vacancy in the position of ACD at the relevant time.

The Company shall be wound up under the COLL Sourcebook:

- 13.1** if an extraordinary resolution to that effect is passed by Shareholders; or
- 13.2** when the period (if any) fixed for the duration of the Company by the Instrument of Incorporation expires, or any event occurs on the occurrence of which the Instrument of Incorporation provides that the Company is to be wound up (for example, if the Share capital of the Company or the Net Asset Value of the Company is below £1 million, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Company); or
- 13.3** on the date stated in any agreement by the FCA to a request by the ACD for the winding-up of the Company.

**13.4** on the effective date of a duly approved scheme of arrangement which is to result in the Company ceasing to hold Scheme Property, notwithstanding that the Company may have assets and liabilities that are not attributable to any particular sub-fund.

On the occurrence of any of the above:

**13.5** COLL 6.2 (Dealing), COLL 6.3 (Valuation and Pricing) and COLL 5 (Investment and borrowing powers) will cease to apply to the Company;

**13.6** the Company will cease to issue and cancel Shares in the Company and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company;

**13.7** no transfer of a Share shall be registered and no other change to the Register of Shareholders shall be made without the sanction of the ACD;

**13.8** where the Company is being wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;

**13.9** the corporate status and powers of the Company and subject to 11.4 to 11.7 above, the powers of the Depositary shall continue until the Company is dissolved.

The ACD shall, as soon as practicable after the Company falls to be wound up, realise the assets and meet the liabilities of the Company and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the Scheme Property. If the ACD has not previously notified Shareholders of the proposal to wind up the Company, the ACD shall, as soon as practicable after the commencement of winding up of the Company, give written notice of the commencement to Shareholders. When the ACD has caused all of the Scheme Property to be realised and all of the liabilities of the Company to be realised, the ACD shall arrange for the Depositary to make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company.

As soon as reasonably practicable after completion of the winding up of the Company, the Depositary shall notify the FCA that the winding up has been completed.

On completion of a winding up of the Company, the Company will be dissolved and any money (including unclaimed distributions) still standing to the account of the Company, will be paid into court by the ACD within one month of the dissolution.

Following the completion of a winding up of the Company or sub-fund (if relevant), the ACD must prepare a final account showing how the winding up took place and how the Scheme Property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report

must be sent to the FCA and to each Shareholder (or the first named of joint Shareholders) on it within four months of the completion of the winding up or termination.

## **14. GENERAL INFORMATION**

### **14.1 Accounting Periods**

The annual accounting period of the Company ends each year on 31 May (the accounting reference date) with the interim accounting period ending on 30 November.

The ACD 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.

### **14.2 Notice to Shareholders**

Any notice or document to be served on a Shareholder will be duly served if it is:

Sent by post, or left, at a Shareholder's address as appearing in the Register; or

Sent by using an electronic medium in accordance with the provisions of paragraph 3a) (the basis of which the ACD accepts instructions on authority communicated by electronic means).

Any document or notice served by post is deemed to have been served on the second Business Day following the day on which it is posted. Any document left at a registered address, or delivered other than by post, is deemed to have been served on that date.

Any document or notice to be served on a Shareholder must be in legible form. For this purpose, any form is legible form which:

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

The ACD must obtain the prior approval of Shareholders by extraordinary resolution for any proposed change to the Company that is a fundamental change. This is a change or event which:

- a) changes the purpose or nature of the Company;
- b) may materially prejudice a Shareholder;
- c) alters the risk profile of the Company; or

d) introduces a new type of payment out of the Company property.

Further details are set out at paragraph 14.15 below.

### **14.3 Income Allocations**

Income is allocated in respect of the income available at the relevant accounting date or interim accounting date, as set out in Appendix I.

In relation to income Shares, distributions of income for the Company in which income Shares are issued are paid by cheque or electronic means directly into a Shareholder's bank account on or before the relevant income distribution date in each year as set out in Appendix I.

If accumulation Shares are issued, income will become part of the capital property of the Company and will be reflected in the price of each such accumulation Share as at the end of the relevant accounting period.

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

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 Company in respect of that period, and deducting the charges and expenses of the Company paid or payable out of income in respect of that accounting period. The ACD then makes such other adjustments as it considers appropriate (and after consulting the Company's auditors as appropriate) in relation to taxation, income equalisation, income unlikely to be received within 12 months following the relevant income distribution 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.

### **14.4 Annual Reports**

Annual reports of the Company will be published by the ACD within four months of each annual accounting period. Half-yearly reports of the Company will be published by the ACD within two months of the end of each half-yearly accounting period.

Annual and half-yearly reports will be made available free of charge on request from the ACD, and shall be available, without charge, for inspection by the public during normal working hours at the ACD's place of business set out in Appendix VI.

### **14.5 Material Contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and are, or may be, material:

14.5.1 the ACD Agreement between the Company and the ACD; and

14.5.2 the Depositary Agreement between the Company, the Depositary and the ACD.

Details of the above contracts are given under paragraph 6 "Management and Administration".

**14.6** The main legal implications of the contractual relationship entered into for the purpose of investment in the Company are as follows:

- 14.6.1 By investing in the Company through Electronic Communications, by telephone or by submitting an application form to the Administrator, the investor makes an offer to subscribe for shares which, once it is accepted by the ACD, or the Administrator on its behalf, has the effect of a binding contract to subscribe for shares.
- 14.6.2 The provisions of the scheme documents made between the ACD and the Depositary by way of which the Company is constituted, as the same may be amended from time to time are binding on each of the Shareholder (who are taken to have notice of them) as if that Shareholder was a party to it with effect on and from the date that any person has become a Shareholder.
- 14.6.3 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 Company, the ACD and the Shareholders of the Company will be subject to the exclusive jurisdiction of the courts of England and Wales to settle any dispute or claim arising out of, or in connection with, a Shareholder's investment in the Company or any related matter.
- 14.6.4 The scheme documents may be amended by agreement between the ACD and the Depositary.
- 14.6.5 Absent a direct contractual relationship between a Shareholder and the relevant service provider, Shareholders generally have no direct rights against the relevant service provider and there are only limited circumstances in which a Shareholder may potentially bring a claim against the relevant service provider. Instead, the proper claimant in an action in respect of which a wrongdoing is alleged to have been committed against the Company by the relevant service provider is, prima facie, the Company itself or the ACD acting on behalf of the Company, as the case may be.
- 14.6.6 The Portfolio Manager may hold or trade in securities and instruments of the same type as the securities and instruments held or traded in by the funds and fund managers; they may also utilise the same or similar strategies as those adopted by the fund managers. The Portfolio Manager may therefore trade and compete with fund managers and funds on an arm's length basis. In addition, the Portfolio Manager may make investments in other funds managed or advised by it.

**14.7 Provision of Investment Advice**

All information concerning the Company and about investing in Shares of the Company is available from the ACD at Exchange Building, St John's Street, Chichester, West Sussex PO19 1UP. The ACD is not authorised to give investment advice and persons requiring such advice should consult a professional adviser. All applications for Shares are made solely on the basis of the current prospectus of the Company, and investors should ensure that they have the most up to date version.

#### **14.8 Telephone Recordings**

Refer to paragraph 14.6 (Telephone calls) above.

#### **14.9 Complaints**

Shareholders who have complaints about the operation of the Company should, in the first instance contact the ACD.

If a complaint cannot be resolved satisfactorily with the ACD it may be referred to the Financial Ombudsman Service at Exchange Tower, London E14 9SR.

A copy of the ACD's complaints handling procedure is available upon request.

#### **14.10 Strategy on Voting Rights**

This strategy involves monitoring relevant corporate events, ensuring that the exercise of voting rights is in accordance with the investment objectives and policy of the Company and preventing or managing any conflicts of interest arising from the exercise of voting rights. A summary of the strategy is available from the ACD on request.

#### **14.11 Recognition and Enforcement of Judgments**

14.11.1 The UK AIFM regime requires the ACD to give details of legal instruments providing for the recognition and enforcement of judgments in England and Wales (which is the territory in which the Company is established). The laws of England and Wales provide a number of legal mechanisms for the recognition and enforcement of judgments.

#### **14.12 Further Information**

14.12.1 Copies of the Instrument of Incorporation, the Prospectus, the ACD Agreement and the most recent annual and half-yearly reports may be inspected at the head office of the ACD (whose address is set out in Appendix E) and copies may be obtained free of charge upon application.

#### **14.13 Service of notices**

- 14.13.1 The address for service of notices or other documents required or authorised to be served on the Company is at its registered office at Exchange Building, St John's Street, Chichester, PO19 1UP.

#### **14.14 Future disclosures**

- 14.14.1 The following information will be made available to Shareholders as part of the Company's annual report:

- a) the percentage of the Company's assets which are subject to special arrangements arising from their illiquid nature;
- b) any new arrangement for managing the liquidity of the Company;
- c) the current risk profile of the Company and the risk management systems employed by the ACD to manage those risks; and
- d) the total amount of leverage employed by the Company, as applicable.

- 14.14.2 Shareholders will also be provided with information regarding changes to:

- a) the maximum level of leverage the ACD may employ on behalf of the Company; or
- b) any rights of re-use of collateral under the Company's leveraging arrangements; or
- c) any guarantee granted under the Company's leveraging arrangements.

This information will be made available to Shareholders, without undue delay following the occurrence of that change, usually by way of update to this Prospectus. Where required, such change will be preceded by notification to Shareholders.

#### **14.15 Changes to the Company**

Where any changes are proposed to be made to the Company the ACD will assess, with input from the Depositary, whether the change is fundamental, significant or notifiable in accordance with COLL 4.3. Changes to the Company'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 Company is managed. Certain changes to the Company may require approval by the FCA in advance.

If the change is regarded as fundamental, Shareholder approval will be required. If a change requires Shareholder approval, this will mean that Shareholders will

need to approve the change at a meeting. The procedure for Shareholder meetings is described above at paragraph 9.

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

In exceptional circumstances, changes may be made to the investment objective and policy of the Company with no minimum period of notice where these are for clarification purposes only. Usually, changes may only be made to the investment objective and policy following notification to the FCA pursuant to the OEIC Regulations and confirmation from the FCA that these changes will not affect the ongoing authorisation of the Company.

#### **14.16 Professional liability risks**

14.16.1 The ACD 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 ACD 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 UK AIFM regime and the FCA Rules. In addition, the ACD 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 UK AIFM regime and the FCA Rules.

14.16.2 The risks which are specifically covered by this approach include, without being limited to, risks of:

- a) loss of documents evidencing title of assets of the Company;
- b) misrepresentations or misleading statements made to the Company or its investors;
- c) acts, errors or omissions resulting in a breach of:
  - (a) legal and regulatory obligations;
  - (b) duty of skill and care towards the Company and its investors;
  - (c) fiduciary duties;
  - (d) obligations of confidentiality;
  - (e) the terms of the Instrument of Incorporation;
  - (f) terms of appointment of the ACD by the Company;



- d) failure to establish, implement and maintain appropriate procedures to prevent dishonest, fraudulent or malicious acts;
- e) improperly carried out valuation of assets or calculation of share prices;
- f) losses arising from business disruption, system failures, failure of transaction processing or process management.

#### **14.17 Fair treatment of investors**

- 14.17.1 The ACD ensures fair treatment of investors by its compliance with the applicable rules in COLL and FUND and with the rules contained in the FCA Handbook.
- 14.17.2 The ACD is required, under the FCA Handbook, to treat its customers fairly, when they become, remain or as they cease to be Shareholders. The ACD complies with the rules in the FCA Handbook, and has adopted a series of policies and procedures (including a Conflict of Interest policy) which are designed to achieve this outcome.
- 14.17.3 The ACD and the Portfolio Manager may in certain circumstances grant preferential treatment to investors. This may include, for example, access to certain share classes, a waiver or reduction of certain charges, the payment of rebates, or access to individuals within the ACD or the Portfolio Manager. If such rights are granted, this would typically be to investors who invest significant amounts in the Company. Such investors would not typically be legally or economically linked to the ACD.
- 14.17.4 Any Shareholder may be granted preferential treatment in relation to the terms of its investment in the Company by the ACD, the Portfolio Manager and/or any other service provider to the Company.
- 14.17.5 The ACD and/or the Portfolio Manager may enter into side letters and/or other arrangements ("Side Arrangements") with Shareholders, including those deemed to involve a significant or strategic relationship, that will result in the terms of an investment in the Company being different to the terms applicable to other Shareholders and/or provide the following preferential treatment:
  - a) **Disclosure/Reporting:**
    - i. notification of (A) certain 'key man' events and/or (B) certain changes to the organisation of the Company and/or (C) the issue of shares on more favourable terms to those described herein (as amended by

the relevant side letter and/or other arrangement) and/or (D) certain other changes and/or other events, in each case that affects, or relates to, the Company and/or its service providers (including, but not limited to, the Portfolio Manager) or the relevant Shareholder's investment in the Company;

- ii. notification if holdings in the Company by the relevant Shareholder exceed specific levels; and/or
- iii. the provision of certain limited information relating to the Portfolio Manager and/or to the Company's assets, including in order to allow the relevant Shareholder to comply with the laws and regulations to which it is subject.

b) **Investor Liquidity terms:**

- i. ensure that redemptions of units are effected in full within a prescribed period of time in the event that redemptions are deferred (i.e. "gated") for any reason; and/or
- ii. permit transferability of shares where there is no change of beneficial ownership.

c) **Fees:**

- i. rebate some or all of the periodic charge payable in respect of the relevant Shareholder's shares.

d) **Side Arrangements:**

- i. The ACD's Risk Management Policy deals with Side Arrangements.
- ii. The main conflict of interest with Side Arrangements is the potential for one or more investors to be advantaged over other investors by terms within their Side Arrangements. For example, the preferential early exit of one investor may reduce the portfolio liquidity, which might make withdrawals unavailable to other investors. Subsequently, it may be the case

that other investors are actually disadvantaged. The ACD will give consideration as to whether the nature and scope of the provisions are consistent with treating all investors fairly.

- e) Any Side Arrangement which contains 'material terms' will be fully considered before it is put in place. Examples of material terms would include preferential redemption rights, 'key man' provisions, redemption 'gate' waivers and portfolio transparency rights.

#### **14.18 Shareholders' rights**

- 14.18.1 Shareholders are entitled to participate in the Company on the basis set out in this Prospectus (as amended from time to time). Paragraphs 14.9 ("Complaints"), 9 ("Shareholder Meetings and Voting Rights"), 14.4 ("Annual Reports") and 14.5 ("Material Contracts") of this Prospectus set out important rights about Shareholders' participation in the Company.
- 14.18.2 Shareholders may have no direct rights against the service providers to the Company set out in paragraph 6.
- 14.18.3 The ACD 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 the FUND Sourcebook or the COLL Sourcebook. To the extent that a Shareholder incurs loss as a consequence of an untrue or misleading statement or omission, the ACD may be liable to compensate that Shareholder subject to the ACD 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.
- 14.18.4 Shareholders have statutory and other legal rights which include the right to complain and may include the right to cancel an order or seek compensation.
- 14.18.5 Shareholders who are concerned about their rights in respect of the Company should seek legal advice.

#### **14.19 Non-accountability for profits**

- 14.19.1 Neither the Company, the ACD, the Depositary, the Portfolio Manager (or any associate of the same) or the Auditors is liable to account to either each other or to shareholders for any profits or benefits it makes or receives that are made or derived from or in connection with:
  - a) dealings in the shares of the Company; or

- b) any transaction in the Scheme Property; or
- c) the supply of services to the Company.

#### **14.20 Governing law and jurisdiction**

The ACD treats a Shareholder's participation in the Company as governed by the law of England and Wales. The English courts shall have exclusive jurisdiction to settle any disputes or claims which may arise out of, or in connection with, a Shareholder's participation in the Company. The laws of England and Wales provide a number of legal mechanisms for the recognition and enforcement of judgments.

## APPENDIX I

### DETAILS OF THE FUND

<b>Name:</b>	<b>The Steelback Fund</b>
<b>Type of Fund:</b>	Non-UCITS Retail Scheme
<b>Investment Objective</b>	<p>The investment objective of the Company is to provide capital growth net of fees, over rolling 5 year periods.</p> <p>There is no guarantee that this return will be achieved over any period and capital is at risk.</p>
<b>Investment Policy:</b>	<p>The Company will aim to achieve its objective through a geographically diversified portfolio spread across global markets. There will be no emphasis placed on any particular economic, industrial or geographical sector.</p> <p>The Company will have exposure to equities of companies listed on stock exchanges anywhere in the world. Typically, the minimum allocation will be 60%, however, this allocation may be lower where equity markets are considered as over valued by the Portfolio Manager or other asset classes can provide a better risk adjusted return in the market conditions.</p> <p>The Company may obtain this exposure directly or through investment in collective investment vehicles (regulated and unregulated which may include other schemes managed by the ACD, or the Portfolio Manager or an associate of the ACD or Portfolio Manager).</p> <p>At the Portfolio Manager's discretion, the Company can also invest (directly or indirectly) in government and corporate bonds, structured products, money market instruments, deposits and cash or near cash investments. It may also gain exposure to alternative investments (i.e commodities and property) via permitted investments (i.e collective investment vehicles which can include investment trusts or real estate investment trusts).</p>

The Portfolio Manager's strategy is to build a diversified portfolio with investments that complement each other without taking undue risk on a specific company, sector or geographic region. Depending on the Portfolio Manager's view of global equity markets and inflation expectations, the Portfolio Manager may utilise alternative investments and fixed income investments to balance the portfolio and to provide liquidity in the event of a shock in equity markets. The Portfolio Manager tends to use collective investments and large capitalised companies as a core part of the portfolio with medium and smaller sized companies and other trading opportunities as the satellite element of the portfolio. The philosophy for selecting direct equities is to 'Buy quality companies which generate sustainable and growing cash flows.' The Portfolio Manager views quality companies as those achieving the best performance in the following 3 categories – cash flow, growth and management. Quantitative screens are used to identify companies that score highly within these metrics, after which a qualitative review of each company is carried out. The Portfolio Manager uses internal research from their analysts as well as third party research to identify companies across a range of geographic regions, sectors and market capitalisations.

Normally, the Company will be fully invested save for an amount to enable ready settlement of liabilities (including redemption of shares) and efficient management of the Company both generally and in relation to its strategic objectives. This amount will vary depending upon prevailing circumstances and although it would normally not exceed 10% of the total value of the Company, there may be times when the Portfolio Manager 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 beyond the limits described above.

**In addition, the Company may enter into derivative transactions for Efficient Portfolio**

**Management (including hedging), although use is expected to be limited.**

The Portfolio Manager will actively manage the Company. This means the Portfolio Manager actively make decisions about how to invest the Scheme Property (and which investments to buy and sell) instead of simply following a market index.

**Performance Comparator**

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

The ACD reserves the right to change the peer group following consultation with the Depositary and in accordance with the rules of COLL. A change could arise, for example, where the ACD determines that an alternative may be more appropriate. Shareholders will be notified of such a change through an update to the Prospectus and the change noted in the subsequent annual and half yearly reports.

<b>Final accounting date:</b>	31 May
<b>Interim accounting date:</b>	30 November
<b>Income distribution dates:</b>	31 January (interim) and 31 July (annual)
<b>Share Classes and type of Shares:</b>	A Accumulation Shares A Income Shares
<b>Preliminary charge:</b>	7.5%
<b>Redemption charge:</b>	None
<b>Annual Management</b>	0.75%

**Charge:****Charge for investment research**

None

**Allocation of charges****Income****Capital**

AMC	100%	
Administration	100%	
Ongoing operating costs	100%	
Dealing and registration	100%	
Depositary	100%	
Custody	100%	
Portfolio transactions (SDRT, broker's commission)		100%●●

Lump sum £100,000

Holding £100,000

Top-up £10,000

Regular Savings Plan N/A

Redemption £10,000

**Past performance:**

Past performance figures are set out in Appendix V.

●● **This policy may result in capital erosion or constrain capital growth.**¥ **except charges relating directly to the purchase and sale of investments.**

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



## APPENDIX II

### ELIGIBLE SECURITIES MARKETS AND ELIGIBLE DERIVATIVES MARKETS

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

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

Detailed below are the additional eligible markets on which the Company is currently permitted to deal.

#### Eligible Securities Markets

United States of America	New York Stock Exchange (NYSE) NASDAQ Stock Market (NASDAQ) NYSE MKT LLC
Australia	ASX Group
Canada	Toronto Stock Exchange TSX Venture Exchange Montreal Exchange
Channel Islands	Channel Islands Stock Exchange (CIS)
Hong Kong	Hong Kong Exchange
Japan	Tokyo Stock Exchange Osaka Securities Exchange Nagoya Stock Exchange
Republic of Korea (South Korea)	Korea Exchange (KRX)
Malaysia	Bursa Malaysia Securities

Mexico	Bolsa Mexicana de Valores (BMV)
New Zealand	New Zealand Stock Exchange (NZX)
Philippines	Philippine Stock Exchange
Singapore	Singapore Exchange (SGX)
South Africa	JSE Limited
Switzerland	SIX Swiss Exchange (SWX)
Thailand	Stock Exchange of Thailand (SET)
United Kingdom	Alternative Investment Market of the London Stock Exchange (AIM)

### **Eligible Derivatives Markets**

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

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

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

UK	The London International Financial Futures and Options Exchange (LIFFE)
----	---

## **APPENDIX III**

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

#### **1. General**

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

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

This amount will vary depending upon prevailing circumstances and although it would normally not exceed 10% of the total value of the Company, there may be times when the Portfolio Manager 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 Company will not maintain an interest in any immovable property or moveable property for the direct pursuit of the ICVC's business.

#### **1.2 Prudent spread of risk**

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

#### **1.3 Cover**

1.1.2 Where COLL allows a transaction to be entered into or an investment to be retained only (for example, investment in warrants and 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 Company under any other of those rules has also to be provided for.

1.3.1 Where a rule in COLL 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:

- a) it must be assumed that in applying any of those rules, the Company must also simultaneously satisfy any other obligation relating to cover; and

- b) 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 Company, 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;

2.1.5 permitted deposits;

2.1.6 permitted immovables; and

2.1.7 gold up to a limit of 10% in value of the Scheme Property.

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

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

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

2.2.3 be recently issued transferable securities provided that:

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

- b) such admission is secured within a year of issue.

2.3 Subject to a limit of 20% in value of the Scheme Property be:

2.3.1 transferable securities, which are not within 2.2.1-2.2.3; or

2.3.2 money-market instruments which are liquid and have a value which can be determined accurately at any time.

2.4 Transferable securities held by the Company 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.

2.5 Up to 5% of the Scheme Property may be invested in warrants.

## 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 retail 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 ACD.
- 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 the UK or an EEA State which is regulated, operates regularly and is open to the public; or
  - 3.3.3 a market 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 ACD, after consultation with and notification to the Depositary, 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 this Prospectus; and
  - 3.4.3 the Depositary has taken reasonable care to determine that:
    - a) adequate custody arrangements can be provided for the investment dealt in on that market; and
    - b) all reasonable steps have been taken by the ACD 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 as a market or exchange or as a self-regulating organisation by an overseas regulator, 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 investors.
4. **Spread: general**
- 4.1 This paragraph 4 does not apply in respect of a transferable security or an approved money-market instrument to which paragraph 5 applies.
- 4.2 The specific limits are set out as follows:.
- 4.2.1 Not more than 20% in value of the Scheme Property is to consist of deposits with a single body.
  - 4.2.2 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).
  - 4.2.3 The limit of 10% in paragraph 4.2.2 above is raised to 25% in value of the Scheme Property in respect of covered bonds.

- 4.2.4 In applying paragraph 4.2.2, certificates representing certain securities are to be treated as equivalent to the underlying security.
  - 4.2.5 COLL 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.
  - 4.2.6 The exposure to any one counterparty in an OTC derivative transaction must not exceed 10% in value of the Scheme Property.
- 4.3 For the purpose of calculating the limit in paragraph 4.2.6, 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:
- 4.3.1 it is marked-to-market on a daily basis and exceeds the value of the amount at risk;
  - 4.3.2 it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
  - 4.3.3 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
  - 4.3.4 can be fully enforced by the Company at any time.
- 4.4 For the purposes of calculating the limits in paragraph 4.2.6, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:
- 4.4.1 comply with the conditions set out in Part Three, Title II, Chapter 6, Section 7 (Contractual netting (Contracts for novation and other netting agreements)) of the UK CRR; and
  - 4.4.2 are based on legally binding agreements.
- 4.5 In applying this paragraph (Spread: general), 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:
- 4.5.1 it is backed by an appropriate performance guarantee; and
  - 4.5.2 it is characterised by a daily mark-to-market valuation of the derivative positions and at least daily margining.
- 4.6 For the purposes of this paragraph 4, a single body is: (a) in relation to transferable securities and money market instruments, the person by whom they are issued; and (b) in relation to deposits, the person with whom they are placed.

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

- 5.1 The following section applies in respect of transferable securities or approved money-market instruments ("such securities") that are issued or guaranteed by:
  - 5.1.1 the UK or an EEA State;

- 5.1.2 a local authority of the UK or an EEA State;
  - 5.1.3 a non-EEA State; or
  - 5.1.4 a public international body to which the UK 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 Company may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:
- 5.3.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objective of the Company;
  - 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; the disclosures in COLL 3.2.6R(8) and COLL 4.2.5R(3)(i) have been made in the most recently published version of this Prospectus.
- 5.4 In relation to such securities:
- 5.4.1 issue, issued and issuer include guarantee, guaranteed and guarantor; and
  - 5.4.2 an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.
- 5.5 Notwithstanding paragraph 4.1 and subject to paragraphs 4.2.1 and 0 above, in applying the 20% limit in paragraph 4.2.1 with respect to a single body, such securities issued by that body shall be taken into account
- 5.6 **The Company does not invest over 35% in value of its Scheme Property in such securities.**
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 be a UK UCITS or satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive as implemented in the EEA; or
    - 6.1.1.2 be a Non-UCITS retail scheme; or

- 6.1.1.3 be a recognised scheme (as defined in the FCA Glossary); 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 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 property of that scheme consisting of units or shares in collective investment schemes (unless COLL 5.6.10AR applies).
  - 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.
- 1.1.3 Investment may only be made in other collective investment schemes managed by the ACD or an associate of the ACD if the Prospectus of the Company clearly states that it may enter into such investments and the rules on double charging contained in the COLL Sourcebook are complied with.
- 6.2 The Company 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 ACD of the Company 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 Company, at the time when payment is required, without contravening the rules in COLL 5.

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

- 8.1 The Company may invest up to 100% 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 6.1.1.5 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 Company 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 investors 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 investors 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 Portfolio Manager 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 ACD.**

**Where the Company 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 Company'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 Company's risk profile to increase.**

- 9.1 A transaction in derivatives or a forward transaction must not be effected for the Company 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).
- 9.2 Where a Company invests in derivatives, the exposure to the underlying assets must not exceed the limits in COLL in relation to spread (COLL 5.6.7R Spread: general, 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 9.6 below apply.

9.3 Where a transferable security or money-market instrument embeds a derivative, this must be taken into account for the purposes of calculating any limit in this section.

9.4 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:

9.4.1 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;

9.4.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and

9.4.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.

9.5 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.

9.6 Where the Company 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).

9.7 The Relaxation in 9.6 above is subject to the ACD taking account of COLL 5.6.3 (Prudent spread of risk) set out in section 1.1 above.

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

10.1 The Company 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 Company entering into stock lending transactions or reverse repurchase agreements. The ACD 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.

10.2 There is no guarantee that the Company 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 Company), the risk of loss to the Company 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.

- 10.3 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 Company. 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 Company. 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 Company.
- 10.4 To assist in managing these types of risks, the ACD has a collateral management policy which sets criteria around the types of eligible collateral the Company may accept. A copy of this is available from the ACD on request.
- 10.5 Investors should note that EPM transactions may be effected in relation to the Company in circumstances where the ACD or Portfolio Manager has, either directly or indirectly, an interest which may potentially involve a conflict of their obligations to the Company. Where a conflict cannot be avoided, the ACD and Portfolio Manager will have regard to their responsibility to act in the best interests of the Company and its investors. The ACD and Portfolio Manager will ensure that the Company and its investors are treated fairly and that such transactions are effected on terms which are not less favourable to the Company 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.
- 10.6 All revenues arising from EPM transactions (including stock lending and repurchase and reverse repurchase arrangements, if any) will be returned to the Company, net of direct and indirect operational costs and fees.

## 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 Company is dedicated:
- 11.2.1 transferable securities;
  - 11.2.2 approved 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 5.4 (Investment in collective investment schemes);
  - 11.2.6 permitted immovables;
  - 11.2.7 gold up to a limit of 10% of the Scheme Property of a Company;
  - 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 paragraph 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 II. Further derivatives markets may be added following consultation with the Depositary in accordance with COLL.
- 11.5 A transaction in a derivative must not cause the Company to diverge from its investment objectives as stated in the Company's Instrument of Incorporation and in 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 14.2 are satisfied.
- 11.7 Any forward transaction must be with an Eligible Institution or an Approved Bank (as defined in the FCA Glossary).
- 11.8 The ACD 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 19 below.

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

- 12.1 The financial indices referred to in paragraph 11.2 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 Company 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 Company 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 paragraph 11.2 be regarded as a combination of those underlyings.

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

- 13.1 A derivative or forward transaction which will or could lead to the delivery of property for the account of the Company may be entered into only if that property can be held for the account of the Company, and the ACD 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.

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

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

#### Guidance on Requirement to cover sales

- 14.2 The requirement in 14.1.1 above could be met where:
- 14.2.1 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
  - 14.2.2 the ACD or the Depositary has the right to settle the derivative in cash and cover exists from within the Scheme Property of the Company or a sub-fund (if relevant), which falls within one of the following asset classes:
    - a) cash;
    - b) liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular haircuts); or
    - c) 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).
- 14.3 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 paragraph 11.1.2 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
    - (a) an Eligible Institution or an Approved Bank; or
    - (b) a person whose permission (including any requirements or limitations), as published in the Financial Services Register, permits it to enter into the transaction as principal off-exchange;

- (c) a CCP that is authorised in that capacity for the purposes of EMIR;
  - (d) a CCP that is recognised in that capacity in accordance with the process set out in article 25 of EMIR; or
  - (e) to the extent not already covered above, a CCP supervised in a jurisdiction that:
    - (i) has implemented the relevant G20 reforms on over-the-counter derivatives to at least the same extent as the United Kingdom; and
    - (ii) is identified as having done so by the Financial Stability Board in its summary report on progress in implementation of G20 financial regulatory reforms dated 25 June 2019.
- 15.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, the ACD:
- a) carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty ; and
  - b) can enter into one or more further transaction to sell, liquidate or close out that transaction at any time, at a fair value;
- 15.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD 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:
- a) on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or
  - b) if the value referred to in paragraph a) is not available, on the basis of a pricing model which the ACD and the Depositary 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:
- a) an appropriate third party which is independent from the counterparty of the derivative at an adequate frequency and in such a way that the ACD is able to check it; or
  - b) a department within the ACD which is independent from the department in charge of managing the Scheme Property and which is adequately equipped for such a purpose.

15.2 The jurisdictions that fall within paragraph 15.1.2(e) above are Australia, France, Germany, Hong Kong, Italy, Japan, the Netherlands, Singapore, Spain, Switzerland, and the United States of America.

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

17. **Investments in deposits**

**The Company 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 Company may invest in derivatives and forward transactions as long as the exposure to which the Company 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 Company 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 Company must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Company is committed. Detailed requirements for cover of the Company are set out below.

18.3 A future is to be regarded as an obligation to which the Company 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 Company 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 ACD must ensure that its global exposure relating to derivatives and forward transactions held in the Company does not exceed the net value of the Scheme Property.

18.6 The ACD 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 ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is not available for cover under paragraph 18 above, except where 20.2 applies.

19.2 Where, for the purposes of this section the Company 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 his 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 Company's investment objective; or

20.1.2 the redemption of shares; or

20.1.3 efficient management of the Company 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 Company.

20.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

## 21. **General**

21.1 It is envisaged that the Company will normally be fully invested but there may be times that it is appropriate not to be fully invested when the ACD reasonably regards this as necessary in order to enable the redemption of units, efficient management of a the Company or any one purpose which may reasonably be regarded as ancillary to the investment objective of the Company.

21.2 Where the Company invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the ACD or an associate of the ACD, the ACD must pay to the Company by the close of business on the fourth Business Day the amount of any preliminary 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 Company but, in the event of a consequent breach, the ACD 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 Shareholders.

## 22. **Underwriting**

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

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

23.1 The Company may, subject to COLL, borrow money from an Eligible Institution or an Approved Bank for the use of the Company 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 Company to comply with any restriction in the Instrument of Incorporation.

23.2 The ACD must ensure that borrowing does not, on any Business Day, exceed 10% of the value of the Company.

23.3 These borrowing restrictions do 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 Company 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 Company in accordance with COLL 5, nothing in this rule prevents the Company or the Depositary at the request of the Company: 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 ACD 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 Shareholders.

## 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 Instrument of Incorporation. 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 Company.

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 Company to agreements and understandings as set out above must, on any day be covered under paragraph 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.

## 27. **Guarantees and indemnities**

27.1 The Company or the Depository for the account of the Company, 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 any indemnity or guarantee given for margin requirements where derivatives or forward transactions are being used in accordance with COLL 5, and:

27.3.1 an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the OEIC Regulations;

27.3.2 an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Depository against any liability incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property; and

27.3.3 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Company and the holders of units in that scheme become the first Shareholders in the Company.

## 28. **Stock lending**

28.1 The entry into stock lending transactions or Repo contracts (as defined below) for the account of the Company is permitted for the generation of additional income for the benefit of the Company, and hence for its investors.

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 him 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 Company when it reasonably appears to the Company to be appropriate to do so with a view to generating additional income for the Company with an acceptable degree of risk.

28.4 The Company or the Depositary at the request of Company 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:

28.4.1 all the terms of the agreement under which securities are to be reacquired by the Depositary for the account of the Company are in a form which is acceptable to the Depositary and are in accordance with good market practice; and

28.4.2 the counterparty (the person obliged to transfer the property under the stocklending agreement) is:

- a) an authorised person; or
- b) a person authorised by a home state regulator; or
- c) a person registered as a broker-dealer with the Securities and Exchange Commission of the United States of America; or
- d) a bank, or a branch of a bank, supervised and authorised to deal in investments as principal, with respect to OTC derivatives by at least one of the following federal banking supervisory authorities of the United States of America:
  - i. the Office of the Comptroller of the Currency;
  - ii. the Federal Deposit Insurance Corporation;
  - iii. the Board of Governors of the Federal Reserve System; and
  - iv. the Office of Thrift Supervision; and
- e) collateral which is acceptable, adequate and sufficiently immediate is received.

28.5 The collateral is only adequate if it is transferred to the Depositary, is at all times equal in value to the value of the property transferred, and is either in the form of cash, a certificate of deposit, a letter of credit, a readily realisable security, commercial paper with no embedded derivative content, or a qualifying money market fund. Where the collateral is invested in units in a qualifying money market fund managed or operated by (or, for an ICVC, whose ACD is) the authorised fund manager of the investing scheme or an associate of that authorised fund manager, the conditions in

COLL 5.2.16 R (Investment in other group schemes) must be complied with whether or not the investing scheme is a UCITS scheme or a non-UCITS retail scheme. The collateral must be transferred before or at the time of the transfer of the property, or at the latest at the close of business on the day of the transfer. The property transferred is part of the property of the Company however, together with the amount of the collateral, is irrelevant to the value of the Scheme Property.

- 28.6 The Depositary must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Depositary. This duty may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Depositary 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.
- 28.7 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, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of the Company.
- 28.8 There is no limit on the value of the Scheme Property which maybe the subject of stock lending transactions.
- 28.9 A "Repo contract" is either:
- (a) an agreement between a seller and buyer for the sale of securities, under which the seller agrees to repurchase the securities, or equivalent securities, at an agreed date and, usually, at a stated price; or
  - (b) an agreement between a buyer and seller for the purchase of securities, under which the buyer agrees to resell the securities, or equivalent securities, at an agreed date and, usually, at a stated price.

29. **Leverage (as defined by the UK AIFM regime)**

- 29.1 The Company may invest in instruments which are subject to leverage from time to time. Under the UK AIFM regime, the ACD must:
- 29.1.1 set a maximum level of leveraging which it may employ on behalf of the Company; and
  - 29.1.2 where the leverage arrangement allows the right to reuse collateral or the granting of a guarantee, set out the extent of that right or guarantee.

29.2 For the Company, the ACD has set the following limits:

Derivative Type	Limits
<b>Allowable on a 'substantial' basis</b>	No
<b>Unsecured cash borrowings</b>	Not permitted

<b>Derivative Type</b>	<b>Limits</b>
<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>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%

## NOTES

\*Under the **gross method**, the exposure of the Company is calculated as follows:

1. the value of any cash and cash equivalents which are highly liquid investments held in the base currency of the Company that are readily convertible to an amount of cash, subject to an insignificant risk of change in value and which provide a return no greater than the rate of a three month high quality government bond is excluded;
2. derivative instruments are converted (using certain specified conversion methodologies) into the equivalent position in their underlying assets;
3. cash borrowings that remain in cash or cash equivalents and where the amounts payable are known are excluded;

4. 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 are included; and
5. positions within repurchase or reverse repurchase transactions and securities lending or borrowing or other similar arrangements are included.

The maximum level of leverage for the Company expressed as a ratio of the Company's total exposure to its Net Asset Value current ratio under the gross method is: **3:1**.

Under the **commitment method**, the exposure of the Company is calculated as follows:

1. derivative instruments are converted (using certain specified conversion methodologies) into the equivalent position in their underlying assets;
2. netting and hedging arrangements are applied, subject to specified conditions;
3. the exposure created through the reinvestment of borrowings where such reinvestment increases the exposure of the Company is calculated;
4. derivative instruments used for currency hedging purposes are excluded.

The maximum level of leverage for the Company expressed as a ratio of the Company's total exposure to its Net Asset Value current ratio under the commitment method is: **2:1**

### 29.3 Use of Leverage

29.3.1 Where the Company may use options, forwards and other derivative instruments for both the purpose of meeting the investment objectives of the Company and hedging against either price or currency fluctuations, the ACD's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations. Use of these strategies involves certain special risks, including (i) imperfect correlation between movements in the securities or currency on which a futures or options contract is based and movements in the securities or currencies in the Company; (ii) the absence of a liquid market for any particular instrument at any particular time; and (iii) possible impediments to the ability to meet redemption requests or other short-term obligations because of the percentage of the Company's assets segregated to cover its obligations. Hedging strategies necessarily add costs to the Company.

## **APPENDIX IV**

### **LIST OF OTHER AUTHORISED COLLECTIVE INVESTMENT SCHEMES OPERATED BY THE ACD**

#### **Authorised Investment Companies with Variable Capital**

Knotts Investments Fund

The Beamish Fund

The Cranmer Investment Fund

The Rectory Fund

The Serissa Fund

TM Fulcrum NURS Funds

TM Fulcrum UCITS Funds

TM Opus Fund

#### **Authorised Unit Trusts**

The Mishka Fund



## APPENDIX V

### PAST PERFORMANCE AND INVESTOR PROFILE

The comparisons have been based on **A accumulation Shares\*** for performance information over a five year period. The performance table shows the total annual return up to 31 December in each year listed (\*apart from A accumulation Shares). Where data is not available the table is marked 'N/A'.

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

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

Share Class	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)
<b>A accumulation Shares</b>	-7.52	26.80	7.73	N/A*	
<b>A income Shares</b>	N/A	N/A	N/A	11.13	-23.98

*Source:* These performance figures have been derived from information extracted from information provided through Morningstar.

**Please see Appendix I for the Company's objectives and below for an explanation of investor profile.**

\*please note that A accumulation Shares were liquidated and A income Shares created mid-2021.

#### **Investor Profile**

Subject to the following, the typical investor in the Company will be a retail investor. The Company is marketable to all eligible investors provided they can meet the minimum age and subscription levels. The Company may be suitable for investors who see collective investment schemes as a convenient way of participating in investment markets. They may be suitable for investors wishing to seek to achieve defined investment objectives. Such investors must have experience with, or understand, products where the capital is at risk. Investors must be able to accept some risk to their capital, thus the Company may be suitable for investors who are looking to set aside the capital for at least 5 years. If you are uncertain whether these products are suitable for you, please contact a professional adviser.

The Company may be suitable for investors seeking capital growth from a diverse portfolio of equities, bonds, structured products, money market instruments and regulated and unregulated collective investment schemes.

## **APPENDIX VI**

### **DIRECTORY**

**Authorised Corporate  
Director:**

**TUTMAN LLP**

Exchange Building, St John's Street  
Chichester, PO19 1UP

**Depository:**

*Principal Place of Business*

**NatWest Trustee and Depository  
Services Limited**

House A, Floor 0, Gogarburn  
175 Glasgow Road, Edinburgh EH12 1HQ

**Portfolio Manager:**

**EFG Harris Allday**

33 Great Charles Street  
Birmingham B3 3JN  
[www.efgha.com](http://www.efgha.com)

**Registrar, Administrator and  
Fund Accountant:**

**Northern Trust Global Services SE, UK  
branch**

50 Bank Street, Canary Wharf  
London E14 5NT

**Dealing Office:**

**Tutman LLP**

Sunderland SR43 4BN

**Auditors:**

**KPMG LLP**

1 Sovereign Square, Sovereign Street  
Leeds LS1 4DA

**Financial Conduct Authority  
(FCA)**

12 Endeavour Square  
London E20 1JN