



**THESIS UNIT TRUST MANAGEMENT LIMITED**

**PROSPECTUS**

**for**

**Thesis Headway Fund**

**This document is the Prospectus of Thesis Headway Fund and is dated and valid as at 3 January 2023. This document replaces any previous prospectuses issued by the Scheme.**

**The document has been prepared in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL Sourcebook') as amended or replaced from time to time.**

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

## **THESIS HEADWAY FUND**

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

The Manager of the Scheme, Thesis Unit Trust Management Limited, has taken all reasonable care to ensure that the information contained in this document is, to the best of its knowledge and belief, in accordance with the facts and does not omit anything material to such information. The Manager accepts responsibility accordingly.

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

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

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

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

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

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

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

## **RISK FACTORS**

**Potential investors should consider the risk factors (paragraph 28) and general risks (paragraph 30) before investing in the Scheme.**

## **INVESTORS OUTSIDE OF THE UK**

The distribution of this Prospectus, and the offering or purchase of Units in the Scheme, may be restricted in certain jurisdictions.

Please refer to paragraph 27 (Investors outside of the UK) for more detail.

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## 1. DEFINITIONS

1.1. This document is the Prospectus of **Thesis Headway Fund** (the '**Scheme**').

1.2. In this Prospectus the following words and expressions shall have the following meanings:

- "ACS" has the meaning set out in the FCA Glossary;
- "Act" the Financial Services and Markets Act 2000;
- "Approved Bank" means (in relation to a bank account opened for the Scheme):
- (a) if the account is opened at a branch in the United Kingdom:
    - (i) the Bank of England; or
    - (ii) the central bank of a member state of 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) above; or
    - (ii) a bank which is regulated in the Isle of Man or the Channel Islands; or
  - (c) a bank supervised by the South African Reserve Bank; or
  - (d) a credit institution established in an EEA State and duly authorised by the relevant Home State regulator,

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

"AUT" has the meaning set out in the FCA Glossary;

"Business Day" any day which is not a Saturday, a Sunday or a public holiday on which banks are ordinarily open for business in the City of London; and

(for purposes of dealing (paragraph 18)) is every day or part of a day, other than Saturdays, Sundays,

	public holidays in England or any day or part of a day on which the London Stock Exchange is not open for trading;
"CASS"	the requirements relating to holding client assets and client money published by the FCA as part of the FCA Handbook as amended or replaced from time to time;
"CCP"	has the meaning set out in the FCA Glossary;
"COLL Sourcebook"	the Collective Investment Schemes Sourcebook published by the FCA as part of their Handbook made under the Act as may be amended, or replaced, from time to time;
"Custodian"	the person who provides custody arrangements to the Scheme, being The Northern Trust Company and its successor or successors as custodian;
"Data Protection Laws"	means all applicable laws relating to the processing, privacy and/or use of personal data including the following laws to the extent applicable in the circumstances: <ul style="list-style-type: none"> <li>i. the UK GDPR;</li> <li>ii. the Data Protection Act 2018;</li> <li>iii. any laws which implement any such laws; and</li> <li>iv. 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>v. 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>
"Depositary Agreement"	means the agreement between the Manager and the Trustee regarding the appointment of the Trustee as the depositary;
"Eligible Institution"	one of certain eligible institutions as defined in the FCA Glossary;
"EMIR"	As defined in the FCA Glossary;
"EUWA"	The European Union (Withdrawal) Act 2018;
"FATCA"	the Foreign Account Tax Compliance Act (US);
"FCA"	the Financial Conduct Authority (whose address is set out in Appendix E) or any successor regulatory body;

"FCA Glossary"	the glossary giving the meanings of the defined expressions used in the FCA Handbook as amended from time to time;
"FCA Handbook"	the FCA's Handbook of rules and guidance as amended from time to time;
"FCA Rules"	the rules contained in COLL but, for the avoidance of doubt, not including guidance or evidential requirements contained in the COLL sourcebook;
"Financial Instrument"	as defined in the FCA Glossary;
"Fund Accountant"	the person who provides fund accounting services, being Northern Trust Global Services SE, UK branch and its successor or successors as fund accountant;
"Home State"	as defined in the FCA Glossary;
"International Tax Compliance Regulations"	The International Tax Compliance Regulations 2015 (SI 2015/878), as amended or re-enacted from time to time;
"Investment Manager"	an investment manager retained by the Manager pursuant to the FCA Rules, being Thesis Asset Management Limited and its successor or successors as investment manager to the Sub-Funds;
"Manager"	the authorised fund manager holding office as such from time to time pursuant to the Rules, being Thesis Unit Trust Management Limited and its successor or successors as manager of the Scheme;
"Non-UCITS retail scheme"	means an authorised fund which is not a UK UCITS, a qualified investor scheme or a long-term asset fund;
"OECD"	the Organisation for Economic Co-operation and Development;
"OTC"	over the counter;
"Register"	the register of Unitholders of the Scheme;
"Registrar"	the person who maintains the register, being Northern Trust Global Services SE, UK branch and its successor or successors as registrar;
"Rules"	the FCA Rules and any other regulations that may be made under sections 247 and 248 of the Act and for the time being in force;
"Scheme Property"	means the property of the Scheme or a Sub-Fund (as appropriate) to be held by the Trustee for safekeeping, as required by the FCA Handbook;

"Sub-Fund" or "Sub-Funds"	a sub-fund of the Scheme (being part of the scheme property of the Scheme which is pooled separately) to which specific assets and liabilities of the Scheme may be allocated and which is invested in accordance with the investment objective applicable to such sub-fund;
"SYSC"	the Senior Management Arrangement Systems and Controls sourcebook issued by the FCA pursuant to the Act, as amended or replaced from time to time;
"Trust Deed"	the deed constituting the Scheme made between the Manager and the Trustee as may be amended, restated or supplemental from time to time by agreement between; the Manager and the Trustee;
"Trustee"	the person to whom is entrusted the safekeeping of all of the Scheme Property of the Scheme (other than certain Scheme Property designated by the FCA Rules), being NatWest Trustee and Depository Services Limited and its successor or successors as trustee;
"UCITS"	an undertaking for collective investment in transferable securities. This will include a UCITS scheme or an EEA UCITS scheme, as defined in the FCA Glossary;
"UCITS Directive"	The European Parliament and Council Directive of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (No 2009/65/EC), as amended;
"UK AIF"	has the meaning set out in the FCA Glossary;
"UK GDPR"	Regulation 2016/679 of the European Parliament and of the Council of 27 <sup>th</sup> 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;
"UK UCITS"	as defined in the FCA Glossary;
"UK UCITS Regulations"	the Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019 SI 2019/325 incorporating European directives or other European legislation relating to undertakings for collective



	investment in transferable securities into UK domestic law following the UK's withdrawal from the European Union;
"Unit" or "Units"	a unit in the Scheme (including larger denomination units and fractions);
"Unitholder" or "Unitholders"	holder(s) of registered Units in the Scheme;
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland;
"United States" or "US"	the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;
"US Persons"	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 a "Non-United States person" as used in Commodity Futures Trading Commission (<b>CFTC</b>) Rule 4.7,</li> </ul> <p>For the avoidance of doubt, a person is excluded from this definition of US Person only if he or it is outside both the definition of "U.S. person" in Rule 902 and the definition of "Non-United States person" under CFTC Rule 4.7.</p>
"VAT"	value added tax;
"1933 Act"	the United States Securities Act of 1933 (as may be amended or re-enacted); and
"1940 Act"	the United States Investment Company Act of 1940 (as may be amended or re-enacted).

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

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

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

Unless otherwise defined in the "Defined Terms" section above or elsewhere in this Prospectus, words or expressions defined in, or for the purposes of, the Act or the FCA Handbook shall bear the same meanings in this Prospectus.

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

## 2. STRUCTURE OF THE SCHEME

The Scheme is marketable to all retail investors. It is an authorised unit trust scheme and UK UCITS for the purposes of the COLL Sourcebook.

The Scheme was authorised by the Financial Services Authority (the predecessor to the Financial Conduct Authority) on 26 June 1998 and launched on 14 July 1998. The FCA product reference number of the Scheme is 186608.

The Scheme entered into a scheme of arrangement in March 2007 and was converted to an umbrella structure with sub-funds available for investment. At the date of this Prospectus two sub-funds, the **A Sub-Fund** and the **B Sub-Fund** (together the "Sub-Funds"), are available for investment. Each Sub-Fund belongs to the category of a UK UCITS type scheme as if it were itself an authorised unit trust scheme. The FCA product reference numbers for each Sub-Fund are **A Sub-Fund** (641448) and **B Sub-Fund** (641449).

Historical performance figures for the Scheme are given in Appendix 1.

The Scheme is a collective investment scheme in which each investor's funds are pooled with all other investors' funds. The Manager takes reasonable steps to ensure that each investment transaction carried out within the Scheme is suitable for the Scheme, having regard to the investment objective and policy of the Scheme. These Scheme Particulars (sometimes referred to as 'the Prospectus' in this document) are intended to provide information to potential investors about the Scheme.

The Sub-Funds of the Scheme are segregated portfolios of assets and, accordingly, the assets of a Sub-Fund will belong exclusively to that Sub-Fund and shall not be used to discharge directly or indirectly, the liabilities of, or claims against, any other person or body, including the Scheme, or any other Sub-Fund, and shall not be available for such purposes. Please refer to paragraph 23 "Charges and Expenses" for further details regarding the allocation of charges and expenses between each Sub-Fund.

Whilst the Trust Deed provides for segregated liability between Sub-Funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to the segregated liability provisions.

Unitholders are not liable for the debts of the Scheme.

The base currency of each Sub-Fund is the £ Sterling.

The circumstances in which the Scheme may be wound up, or a Sub-Fund terminated, are set out at 'Winding up the Scheme' below.

### **Investment Objective and Policy of the Sub-Funds**

The investment objectives of the Sub-Funds are as follows:

#### **A SUB-FUND**

The **A Sub-Fund** is designed to achieve growth in capital and income by investing in any country and in any economic sectors of the world. Its policy is to allow for maximum diversification of investment risk with the UK Sterling based private investor in mind. Balanced growth in terms of income and capital gains will be sought by constructing an international spread of investments. The A Sub-Fund may invest in transferable securities, approved money market instruments, deposits, units in collective investment schemes and derivatives.

## **Performance Comparator**

The A Sub-Fund uses the Investment Association Flexible Investment peer group for performance comparison purposes.

The peer group has been selected as a comparator for performance because the constituents are representative of the areas in which the Sub-Fund itself is likely to invest, and it is therefore an appropriate comparator for the Sub-Fund's performance.

The Manager reserves the right to change the peer group following consultation with the Trustee and in accordance with the rules of COLL. A change could arise, for example, where the Manager determines that an alternative may be more appropriate. Unitholders 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 SUB-FUND**

The **B Sub-Fund** is designed to achieve growth in capital and income by investing in a restricted portfolio of assets. The B Sub-Fund will, from time to time, adopt short-term strategic stances that result in less market exposure being adopted in the attempt to produce more consistent positive returns for Unitholders. The B Sub-Fund may invest in units in collective investment schemes, transferable securities, money market instruments, deposits and derivatives.

## **Performance Comparator**

The B Sub-Fund uses the Investment Association Flexible peer group for performance comparison purposes.

The peer group has been selected as a comparator for performance because the constituents are representative of the areas in which the Sub-Fund itself is likely to invest, and it is therefore an appropriate comparator for the Sub-Fund's performance.

The Manager reserves the right to change the peer group following consultation with the Trustee and in accordance with the rules of COLL. A change could arise, for example, where the Manager determines that an alternative may be more appropriate. Unitholders 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.

**The value of the Units in the Scheme is based upon the value of the underlying investments. The value of those investments and the income from them and consequently the value of the Units and the income from them, can go down as well as up and is not guaranteed. Past performance is not necessarily a guide to future performance. Investors may not get back the amount originally invested. Exchange rate changes may cause the value of overseas investments to rise or fall.**

## **Investor profile**

The Scheme is suitable for any type of investor, including those who are not interested in or informed about capital market topics, but who see investment funds as a convenient "savings" vehicle. It is also suitable for more experienced investors wishing to attain defined investment objectives. The investor must be able to accept the risk of losses, thus the Scheme is suitable for investors who can afford to set aside capital for at least five years.

It is designed for the investment objective of building up capital. For investors holding a portfolio of securities, it can play the role of a core position. The A Sub-Fund is suitable for an investor seeking a spread of investments, while the B Sub-Fund is suitable for an investor who wishes to invest in a less diversified portfolio, and accept a higher degree of manager risk.

### **3. MANAGEMENT OF THE SCHEME**

#### **MANAGER**

The Manager is Thesis Unit Trust Management Limited, a private company limited by shares and incorporated in England and Wales, under the Companies Act 1985 on 6 February 1998 with the company number 3508646. The Manager, for the purposes of the COLL Sourcebook, is an authorised fund manager.

Registered Office and	Exchange Building
Head Office:	St John's Street Chichester, West Sussex PO19 1UP
	Telephone number: 01243 531234
Share Capital:	Issued and paid up: £5,673,167

Directors of the Manager:

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

D W Tyerman and S R Mugford also hold directorships of other companies within the Thesis group and perform senior management roles within these companies. In particular, Thesis Asset Management Limited, which acts as an investment manager to the Scheme and for some authorised funds operated by the Manager.

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

The Manager is authorised to carry on investment business in the United Kingdom and to market unit trust products by virtue of its authorisation and regulation by the Financial Conduct Authority.

The Manager has delegated the following functions to the parties listed below:

- a) Investment management to the Investment Manager named on page 17; and
- b) Registration, administration and fund accountancy of the Scheme to the Registrar, Administrator and Fund Accountant named on page 17.

The Manager may act as authorised fund manager to other regulated collective investment schemes. As at the date of this Prospectus, details of these schemes are set out in Appendix 3.

## **TRUSTEE**

The Trustee and depository of the Scheme is NatWest Trustee and Depository Services Limited, a private limited company registered in England and Wales with company number 11194605.

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

The Trustee's registered address is 250 Bishopsgate, London EC2M 4AA. The Trustee's head office address is 440 Strand, London WC2R 0QS. The address of its office which handles matters relating to the Scheme is set out in Appendix 5.

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

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

### **Trustee Terms of Appointment**

The appointment of the Trustee as trustee has been made under the terms of the Trust Deed between the Manager and the Trustee. The Trustee has also been appointed as the depository of the Scheme pursuant to the Depository Agreement.

The Depository Agreement provides that the Trustee be engaged to maintain the safe custody of the Scheme Property and to fulfil other duties required in COLL.

The powers, duties, rights and obligations of the Trustee, the Scheme and the Manager under the Depository Agreement shall, to the extent of any conflict, be overridden by the FCA Rules.

Under the Depository Agreement the Trustee has the power to appoint sub-custodians and may include in such appointment powers to sub-delegate. The Trustee has delegated custody of the Scheme Property to The Northern Trust Company (the Custodian). Contact details for the Custodian are set out in Appendix 5. The Custodian has, in turn, sub-delegated the custody of assets in certain markets in which the Scheme may invest to various sub-delegates (sub-custodians).

A list of sub-custodians is set out in Appendix 2. Investors should note that the list of sub-custodians is updated only at each Prospectus review.

To the extent permitted by applicable law and the UK UCITS Regulations, the Trustee will not be held liable for any loss incurred by it, or through any of its agents in carrying out its obligations or functions, unless such loss arises as a direct result of the fraud, wilful default, negligence or intentional failure of the Trustee to properly fulfil its obligations under the Depository Agreement.

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

The Depositary Agreement may be terminated on 6 months' notice by the Scheme or the Trustee or earlier on certain breaches or the insolvency of a party. However, termination of the Depositary Agreement will not take effect, nor may the Trustee retire voluntarily, until the appointment of a new Trustee has taken place.

Details of the fees payable to the Trustee are set out at paragraph 23 ("Trustee's Fees and Expenses").

### **Duties of the Trustee**

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

### **Conflicts of Interest**

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

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

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

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

## **Updated Information**

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

## **INVESTMENT MANAGER**

The Manager is responsible for the overall investment management and administration of the Scheme.

The Manager has delegated its day-to-day responsibility for investment management of each Sub-Fund to Thesis Asset Management Limited. Thesis Asset Management Limited will be responsible for asset allocation policy and fund selection for each Sub-Fund.

The Investment Manager is connected to the Manager, as Thesis Asset Management Limited is in the same group as the Thesis Unit Trust Management Limited.

The appointment of the Investment Manager has been made under an agreement between the Manager and the Investment Manager (the Investment Management Agreement). The Investment Manager has full discretionary powers over the investment of the property of the Scheme, subject to the overall responsibility and right of veto of the Manager, and will be liable for certain losses suffered by the Scheme, or the Manager, directly in connection with, or as a result of the negligence, wilful default, fraud or material breach of the terms of the Investment Management Agreement, subject to certain limitations on liability. The Investment Management Agreement is terminable without notice by the Manager and on three months' notice by the Investment Manager.

The principal activities of the Investment Manager are fund management and investment advice. The Investment Manager is authorised to deal on behalf of the Scheme. No commission is payable to the Investment Manager under its agreement with the Manager for any deal done or which could be done on behalf of the Scheme. The Investment Manager is required to comply with its own execution policy. A copy of the Investment Manager's execution policy is available on request from the Manager, or may be available from the Investment Manager's website, listed in Appendix 5.

## **REGISTRAR, ADMINISTRATOR AND FUND ACCOUNTANT**

The Manager has delegated the function of Registrar, Administrator and Fund Accountant to Northern Trust Global Services SE, UK branch. The address for Northern Trust Global Services SE, UK branch is set out in Appendix 5.

## **The Register**

The Register is kept, and can be inspected by Unitholders, at the Registrar's office located at 50 Bank Street, Canary Wharf, London E14 5NT.

## **Auditors**

The Auditors of the Scheme are KPMG LLP whose principal place of business is set out in Appendix 5.

## **4. INVESTMENT AND BORROWING POWERS**

### **General**

The investment objectives and policies set out above are subject to the limits on investment under the COLL Sourcebook. These limits are summarised below.

Subject to these limits, the whole of the property of the Scheme may be invested in any of the permitted classes of assets described below.

Under normal circumstances, the Manager would expect all of the assets of each Sub-Fund to be invested in investments appropriate to that Sub-Fund's investment objectives.

The Manager may, however, hold cash or near cash to the extent this is reasonably necessary to enable the pursuit of a Sub-Fund's investment objectives, the redemption of Units, the efficient management of that Sub-Fund, or other purposes ancillary to that Sub-Fund's investment objectives.

The Manager must ensure that, taking account of the investment objective and policy of the Sub-Fund, the Scheme Property of the Sub-Fund aims to provide a prudent spread of risk. The rules in this section relating to spread of investments do not apply until the expiry of a period of six months after the date of which the authorisation order, in respect of the Scheme, takes effect or on which the initial offer commenced, if later, provided that this paragraph is complied with during such period.

In this "Investment and Borrowing Powers" section, the value of the Scheme Property of the Sub-Fund means the net value determined in accordance with COLL 6.3, after deducting any outstanding borrowings, whether immediately due to be repaid or not.

When valuing the Scheme Property for the purposes of this "Investment and Borrowing Powers" section:

- (1) the time as at which the valuation is being carried out (the relevant time) is treated as if it were a valuation point, but the valuation and the relevant time do not count as a valuation or a valuation point for the purposes of COLL 6.3;
- (2) initial outlay is to be regarded as remaining part of the Scheme Property; and
- (3) if the Manager, having taken reasonable care, determines that the Scheme will become entitled to any unrealised profit which has been made on account of a transaction in derivatives, that prospective entitlement is to be regarded as part of the Scheme Property.



## **Approved Securities**

The Scheme property may be invested in approved securities, with no maximum limit. In order to qualify as an approved security, the market upon which the security is traded must meet certain criteria as laid down in the COLL Sourcebook.

Eligible markets include any market established in the UK or an the European Economic Area State ("member state") on which transferable securities admitted to official listing in the member state are dealt in or traded.

In the case of all other markets, in order to qualify as an eligible securities market, the Manager, after consultation with the Trustee, must be satisfied that the relevant market:

- a) is regulated;
- b) operates regularly;
- c) is recognised; and
- d) is open to the public;
- e) is adequately liquid; and
- f) has adequate arrangements for unimpeded transmission of income and capital to, or to, the orders of the investors.

The eligible securities markets for the Scheme are set out in Appendix 4 to this Prospectus.

Recently issued transferable securities may also be treated as approved securities provided that:

- a) the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and
- b) such admission is secured within a year of issue.

### **Transferable Securities**

- 1) Transferable securities are, in general terms, shares, debentures, government and public securities, warrants or certificates representing certain securities (as such terms as defined in the FCA Glossary). Not more than 10% in value of the scheme property can be invested in transferable securities which are not approved securities.
- 2) The scheme property may be invested in transferable securities on which any sum is unpaid only if it is reasonable to foresee that the amount of any existing and potential call for any sum unpaid could be paid by the Scheme at the time when payment is required, without contravening the requirements of the COLL Sourcebook.
- 3) The Scheme may invest in transferable securities only to the extent that the security fulfils the following criteria:
  - a) the potential loss which the Scheme may incur with respect to holding the security is limited to the amount paid for it;
  - b) its liquidity does not compromise the Manager's ability to comply with its obligation to redeem Units at the request of any qualifying Unitholder;
  - c) reliable valuation is available for it as specified in the COLL Sourcebook;
  - d) appropriate information is available for it as set out in the COLL Sourcebook;
  - e) it is negotiable; and
  - f) its risks are adequately captured by the Manager's risk management process (please refer to paragraph 31 for more detail).
- 4) Unless there is information available to the Manager that would lead to a different determination, a security which is admitted to or dealt in on an eligible market shall be presumed to satisfy criteria b) and e) in paragraph 3) above.
- 5) A unit in a closed ended fund shall be taken to be a transferable security for the purposes of investment by the Scheme provided it fulfils criteria a) to f) in paragraph 3) above, and either:
  - a) where the closed ended fund is constituted as an investment company or a unit trust:
    - i) it is subject to corporate governance mechanisms applied to companies; and
    - ii) where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
  - b) where the closed ended fund is constituted under the law of contract:

- i) it is subject to corporate governance mechanisms equivalent to those applied to companies; and
  - ii) it is managed by a person who is subject to national regulation for the purpose of investor protection.
- 6) The Scheme may invest in an investment which shall be taken to be a transferable security provided it:
  - a) fulfils the criteria for transferable securities set out in paragraphs a) to f) in paragraph 3) above; and
  - b) is backed by or linked to the performance of other assets, which may differ from those in which the Scheme can invest.

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

### **Money Market Instruments**

- 1) The Scheme may invest in approved money-market instruments.
- 2) An approved money-market instrument is a money market instrument which is normally dealt in on the money market, is liquid and has a value which can be accurately determined at any time.
- 3) An approved money-market instrument is regarded as normally dealt in on the money market if it:
  - a) has a maturity at issuance of up to and included 397 days;
  - b) has a residual maturity of up to and including 397 days;
  - c) undergoes regular yield adjustments in line with money market conditions at least every 397 days; or
  - d) has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in a) or b) above or is subject to yield adjustments as set out in c) above.
- 4) An approved money-market instrument is regarded as liquid if it can be sold at limited cost in an adequately short timeframe, taking into account the obligation of the Manager to redeem Units at the request of any qualifying Unitholder.
- 5) An approved money-market instrument is regarded as having a value which can be accurately determined at any time if accurate and reliable valuation systems, fulfilling criteria set out in the COLL Sourcebook, are available.
- 6) An approved money-market instrument that is normally dealt in on the money market and is admitted to or dealt in on an eligible market is presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the Manager which would lead to a different determination.
- 7) Not more than 10% in value of the scheme property is to consist of approved money market instruments which do not fulfil the following criteria:

- a) the instrument is listed on or normally dealt on an eligible market; or
  - b) the issue or the issuer is regulated for the purpose of protecting investors and savings, and the instrument is:
    - i) a central authority of the United Kingdom or an EEA State or, if the EEA State is a federal state, one of the members making up the federation; a regional or local authority of the United Kingdom or an EEA State; the Bank of England, the European Central Bank or a central bank of an EEA State; the European Union or the European Investment Bank; a non-EEA State or, in the case of a federal state, one of the members making up the federation; a public international body to which the United Kingdom or one or more EEA States belong; or
    - ii) issued by a body, any securities of which are dealt on an eligible market; or
    - iii) issued or guaranteed by (a) an establishment subject to prudential supervision in accordance with criteria defined by UK or European community law or (b) by an establishment which is subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by UK or European community law.
- 8) An establishment shall be considered to satisfy the requirement in paragraph 7(iii)(b) above if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:
- a) it is located in the European Economic Area;
  - b) it is located in an OECD country belonging to the Group of Ten;
  - c) it has at least investment grade rating;
  - d) on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by UK or EU law.

### **Derivatives and Forward Transactions**

A transaction in derivatives or a forward transaction must not be effected for a Sub-Fund unless:

- (1) the transaction is of a kind specified in the COLL Sourcebook, as summarised below; and
- (2) the transaction is covered, as required by the COLL Sourcebook.

Where a Sub-Fund invests in derivatives, the Manager may make use of a variety of derivative instruments in accordance with the COLL Sourcebook and, in particular, COLL 5.3.11G. Also, where a Sub-Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits specified under the heading "Spread" below.

Where a transferable security or money market instrument embeds a derivative, this must be taken into account for the purposes of complying with these requirements.

Where a transaction is effected in an index-based derivative, provided the relevant index falls within the relevant requirements of the COLL Sourcebook the underlying constituents of the index do not have to be taken into account for the purposes of restrictions on spread, subject to the Manager taking account of the COLL Sourcebook in relation to prudent spread of risk.

A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market or comply with the requirements for transactions in OTC derivatives described below.

A transaction in a derivative must not cause a Sub-Fund to diverge from its investment objective as stated in this Prospectus.

A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, money market instruments, units in collective investment schemes, or derivatives, provided that a sale is not to be considered as uncovered if the conditions in COLL 5.2.22R(1), as read in accordance with the guidance at COLL 5.2.22AG, are satisfied.

Any forward transaction must be with an approved counterparty under the COLL Sourcebook.

A transaction in a derivative must have the underlying consisting of any or all of the following to which the Sub-Fund is dedicated:

- (a) transferable securities;
- (b) money market instruments permitted under the COLL Sourcebook;
- (c) deposits permitted under the COLL Sourcebook;
- (d) derivatives permitted under the COLL Sourcebook;
- (e) collective investment scheme units permitted under the COLL Sourcebook;
- (f) financial indices;
- (g) interest rates;
- (h) foreign exchange rates; and
- (i) currencies.

A derivative or forward transaction (which is a permitted transaction under the COLL Sourcebook) which will or could lead to the delivery of property for the account of the Scheme may be entered into only if:

- (a) that property can be held for the account of the Scheme; and
- (b) the Manager having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook.

No agreement by or on behalf of the Scheme to dispose of property or rights (except for a deposit) may be made:

- (1) unless the obligation to make the disposal and any other similar obligations could immediately be honoured by the Scheme by delivery of property or the assignment of rights; and
- (2) the property and rights at (1) are owned by the Scheme at the time of the agreement.

The transaction alone or in combination must be reasonably believed by the Manager to diminish a risk of a kind or level which it is sensible to reduce.

Each derivative transaction must be fully covered by cash, near cash or other property sufficient to meet any obligation which could arise.

The eligible derivatives markets for the Scheme are set out in Appendix 4 to this Prospectus.

A transaction in an OTC derivative must be:

- (1) with an approved counterparty. A counterparty to a transaction in derivatives is approved only if the counterparty is:
  1. an Eligible Institution or an Approved Bank; or
  2. a person whose permission (including any requirements or limitations), as published in the Financial Services Register provided by the FCA, permits it to enter into the transaction as principal off-exchange;
  3. a CCP that is authorised in that capacity for the purposes of EMIR;
  4. a CCP that is recognised in that capacity in accordance with the process set out in article 25 of EMIR; or
  5. to the extent not already covered above, a CCP supervised in a jurisdiction that:
    - a. has implemented the relevant G20 reforms on over-the-counter derivatives to at least the same extent as the UK; and
    - b. is identified as having done so by the Financial Stability Board in its summary report on progress in implementation of G20 financial regulatory reforms dated 25 June 2019.
- (2) on approved terms. The terms of the transaction in derivatives are approved only if the Manager;
  - i) 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
  - ii) can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value;
- (3) capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the Manager having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:
  - i) on the basis of an up-to-date market value which the Manager and the Trustee have agreed is reliable; or
  - ii) if the value referred to in i) is not available, on the basis of a pricing model which the Manager and the Trustee have agreed uses an adequate recognised methodology; and
- (4) 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:

- i) an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the Manager is able to check it; or
- ii) a department within the Manager which is independent from the department in charge of managing the scheme property and which is adequately equipped for such a purpose.

For the purposes of paragraph (2) i) above, "fair value" is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The Trustee must take reasonable care to ensure that the Manager has systems and controls that are adequate to ensure compliance with paragraphs (1) to (4) above.

The following additional provisions apply:

The Manager must:

- a) establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposure of the Scheme to OTC derivatives; and
- b) ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.

Where the arrangements and procedures referred to in paragraph a) above involve the performance of certain activities by third parties the Manager must comply with the requirements of SYSC 8.1.13R (Additional requirements for a management company) and COLL 6.6A4R (4) to (6) (Due diligence requirements for Managers of UK UCITS schemes).

The arrangements and procedures referred to in paragraph a) above must be:

- a) adequate and proportionate to the nature and complexity of the OTC derivative concerned; and
- b) adequately documented.

The Scheme may invest in derivatives and forward transactions as part of its investment policy provided:

- a) its global exposure relating to derivatives and forward transactions held in the Scheme do not exceed the net value of the scheme property; and
- b) its global exposure to the underlying assets do not exceed in aggregate the investment limits laid down in the 'Spread' paragraph.

The Manager must calculate the global exposure of the Scheme on, at least, a daily basis in accordance with the methods described in COLL 5.3.7R to COLL 5.3.10R.

For the purposes of this section, exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and time available to liquidate the positions.

The Manager must calculate the global exposure of the Scheme either as:

- a) the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in COLL 5.2.19(R)(3A), which may not exceed 100% of the net value of the scheme property of the Scheme by way of the commitment approach; or
- b) the market risk of the scheme property of the Scheme by way of the value at risk approach.

The Manager must ensure that the method selected above is appropriate, taking into account:

- a) the investment strategy pursued by the Scheme;
- b) the types and complexities of the derivatives and forward transactions used; and
- c) the proportion of the scheme property comprising derivatives and forward transactions.

Where the Scheme employs techniques and instruments including repo contracts or stock lending transactions in order to generate additional leverage or exposure to market risk, the Manager must take those transactions into consideration when calculating global exposure.

For the purposes of this section, value at risk means a measure of the maximum expected loss at a given confidence level over the specific time period.

Where the Manager uses the commitment approach for the calculation of global exposure, it must:

- a) ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives as referred to in COLL5.2.19(R)(3A), whether used as part of the Scheme's general investment policy, for the purposes of risk reduction or for the purposes of efficient portfolio management; and
- b) convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward (standard commitment approach).

The Manager may apply other calculation methods which are equivalent to the standard commitment approach.

For the commitment approach the Manager may take account of netting and hedging arrangements when calculating global exposure of the Scheme, where these arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure.

Where the use of derivatives or forward transactions does not generate incremental exposure for the Scheme, the underlying exposure need not be included in the commitment calculation.

Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of the Scheme need not form part of the global exposure calculation.

**Approved derivatives transactions are for the purpose of both hedging and meeting the investment objectives of the Scheme. It is, therefore, anticipated that the outcome of the use of derivatives would be principally to hedge against currency risks. Movements in currencies may, however, render such hedging ineffective.**



**If derivatives are used for investment purposes, the net asset value of the Sub-Fund may in consequence be highly volatile at times. This would also be the case, if the Sub-Fund used Warrants as described below. However, it is the Manager's intention that the Sub-Funds, owing to their portfolio composition or the portfolio management techniques used, will not have volatility over and above the general market volatility of the markets of its underlying investments.**

## Deposits

**The Scheme may invest in deposits only with an Approved Bank with a rating of not less than 'A' and which are repayable on demand or have the right to be withdrawn and maturing in no more than 12 months.**

## Collective Investment Schemes

A. The Scheme may invest in units in a regulated collective investment scheme (the '**second scheme**') provided that the second scheme satisfies all of the following conditions:

(1)

1. be a UK UCITS or a scheme which complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive as implemented in the EEA; or
2. it is a recognised scheme that is authorised by the supervisory authorities of Guernsey, Jersey or the Isle of Man (provided the requirements of COLL 5.2.13AR, as set out in paragraph E. below, are met); or
3. it is authorised as a Non-UCITS retail scheme (provided the requirements of COLL 5.2.13AR(1), (3) and (4) are met)); or
4. it is authorised in an EEA State (provided the requirements of COLL 5.2.13AR are met); or
5. it is authorised by the competent authority of an OECD member country (other than an EEA State) which has:
  - i. signed the IOSCO Multilateral Memorandum of Understanding; and
  - ii. approved the scheme's management company, rules and depositary/custody arrangements;

(provided the requirements of COLL 5.2.13AR are met);

- (2) it complies, where relevant, with COLL 5.2.15R (Investment in associated collective investment schemes) and COLL 5.2.16R (Investment in other group schemes);
- (3) it has terms which prohibit more than 10% in value of the scheme property consisting of units in collective investment schemes; and
- (4) where the second scheme is an umbrella, the provisions in paragraphs (2) and (3) above and COLL 5.2.11R (Spread: general) apply to each sub-fund as if it were a separate scheme.

B. In addition to the conditions set out above, not more than 30% of the value of a Sub-Fund will be invested in second schemes within paragraphs (1) 2 to 5 above.

C. Subject to the restrictions above, investment may be made in other collective investment schemes managed by the Manager or an associate of the Manager, provided that the Manager makes good to the Scheme certain amounts specified in COLL 5.2.16R. There is no limit on the extent of the property of the Scheme that may be invested in such schemes.

- D. Where a substantial proportion of the Scheme's assets are invested in other collective investment schemes the maximum level of management fees that may be charged to the Scheme, and to the by any other collective investment schemes in which it invests, should not exceed 2% per annum plus VAT if applicable.
- E. The requirements of COLL 5.2.13AR are that:
- i. the second scheme is an undertaking:
    - (1) with the sole objective of collective investment in transferable securities or in other liquid financial assets, as referred to in Section 5 of the COLL Sourcebook, of capital raised from the public and which operate on the principle of risk spreading;
    - (2) with units which are, at the request of holders, repurchased or redeemed, directly or indirectly, out of those undertakings' assets (action taken by a scheme to ensure that the price of its units on an investment exchange does not significantly vary from their net asset value shall be regarded as equivalent to such repurchase or redemption);
  - ii. the second scheme is authorised under laws which provide that they are subject to supervision considered by the FCA to be equivalent to that laid down in the law of the UK, and that cooperation between the FCA and the supervisory authorities of the second scheme is sufficiently ensured;
  - iii. the level of protection for unitholders in the second scheme is equivalent to that provided for unitholders in a UK UCITS, and in particular that the rules asset segregation, borrowing, lending and uncovered sales of transferable securities and approved money market instruments are equivalent to the requirements of Section 5 of the COLL Sourcebook; and
  - iv. the business of the second scheme is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period.
- F. Where the Scheme makes an investment in, or disposal of, units or shares of a second scheme detailed in paragraph C above, and there is a charge in respect of such investment or disposal, the Manager must pay the Scheme the amount referred to in either paragraph G. or paragraph H. below within four Business Days following the date of the agreement to invest or dispose.
- G. When an investment is made, the amount referred to in paragraph F is either:
- i. any amount by which the consideration paid by the Scheme for the units or shares in the second scheme exceeds the price that would have been paid for the benefit of the second scheme had the units or shares been newly issued or sold by it; or
  - ii. if such price cannot be ascertained by the Manager, the maximum amount of any charge permitted to be made by the seller of units or shares in the second scheme.
- H. When a disposal is made, the amount referred to in paragraph F. is any charge made for the account of the authorised fund manager or operator of the second scheme or an associate of any of them in respect of the disposal.

I. In paragraph G and H above:

- i. any addition to or deduction from the consideration paid on the acquisition or disposal of units in the second scheme, which is applied for the benefit of the second scheme and is, or is like, a dilution levy or dilution adjustment, is to be treated as part of the price of the units and not as part of any charge; and
- ii. any switching charge made in respect of an exchange of units in one sub-fund or separate part of the second scheme for units in another sub-fund or separate part of that scheme is to be included as part of the consideration paid for the units.

## **Warrants**

**The Scheme may invest in warrants but the exposure created by the exercise of the rights conferred by those warrants must not exceed the limits set out in "Spread" below.**

**A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the original issuer of the underlying securities.**

**A relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be highly volatile.**

## **5. SPREAD**

### **Spread: General**

This paragraph does not apply in respect of a transferrable security or an approved money-market instrument to which the below paragraph entitled 'Spread: Government and Public Securities' applies.

The specific limits are set out as follows:

- (1) not more than 5% of the value of the scheme property of a Sub-Fund is to consist of transferable securities or money market instruments issued by any single body;
- (2) the figure of 5% under paragraph (1) may be increased to 10% in respect of up to 40% of the value of the scheme property of a Sub-Fund. Covered bonds need not be taken into account for the purpose of applying the limit of 40%;
- (3) in applying the limits under paragraph (1) and (2) certificates representing certain securities are treated as equivalent to the underlying security;
- (4) the figure of 5% under paragraph (1) may be increased to 10% in respect of up to 40% of the value of the scheme property of a Sub-Fund. Covered bonds need not be taken into account for the purpose of applying the limit of 40%;
- (5) the figure of 5% under paragraph (1) is raised to 25% in value of the scheme property of a Sub-Fund in respect of covered bonds provided that when a UCITS scheme invests more than 5% in covered bonds issued by a single body the total value of covered bonds held must not exceed 80% in value of the scheme property of a Sub-Fund;

- (6) not more than 20% in value of the scheme property of a Sub-Fund is to consist of deposits with a single body;
- (7) the exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the scheme property of a Sub-Fund (or 10% where the counterparty is an Approved Bank);
- (8) not more than 20% in value of the scheme property of a Sub-Fund is to consist of transferable securities or approved money market instruments issued by the same group (as referred to in (10) below);
- (9) not more than 20% in value of the scheme property of a Sub-Fund is to consist of the units of any one collective investment scheme;
- (10) for the purposes of this paragraph companies included in the same group for the purposes of consolidated accounts as defined in accordance with section 399 of the Companies Act 2006, Directive 2013/34/EU, or in the same group in accordance with international accounting standards, are regarded as a single body.
- (11) in applying the limits in (6), (1), (4), (3) and (7) in relation to a single body and subject to (5) not more than 20% in value of the scheme property of a Sub-Fund is to consist of any combination of two or more of the following:
  1. transferable securities (including covered bonds) or money market instruments issued; or
  2. deposits made; or
  3. exposures from OTC derivatives transactions made with;that single body.
- (12) the Manager must ensure that counterparty risk arising from an OTC derivative transaction is subject to the limits set out in paragraphs (7) and (10) above;
- (13) where calculating the exposure of the Scheme to a counterparty in accordance with the limits set out in paragraph (7), the Manager must use the positive mark-to-market value of the OTC derivative contract with that counterparty;
- (14) the Manager may net the OTC derivative positions for the Scheme with the same counterparty; provided:
  - i. it is able, legally, to enforce netting arrangements with the counterparty on behalf of the Scheme; and;
  - ii. the netting agreements referred to above do not apply to any other exposures the Scheme may have with that same counterparty;
- (15) the Manager may reduce the exposure of the scheme property to a counterparty to an OTC derivative transaction through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation;
- (16) the Manager must take collateral into account in calculating exposure to counterparty risk in accordance with the limits set out in paragraph (7) when it passes collateral to the counterparty to an OTC derivative transaction on behalf of the Scheme;

- (17) collateral passed in accordance with paragraph (16) above may be taken into account on a net basis only if the Manager is able, legally, to enforce netting arrangements with this counterparty on behalf of the Scheme;
- (18) the Manager must calculate the issuer concentration limits referred to in the paragraphs above on the basis of the underlying exposure created through the use of OTC derivatives in accordance with the commitment approach; and
- (19) in relation to exposures arising from OTC derivative transactions, as referred to paragraph (10), the Manager must include in the calculation any counterparty risk relating to the OTC derivatives transactions.

### **Spread: Government and Public Securities**

**This rule applies in respect of a transferable security or an approved money-market instrument ("such securities") that are issued or guaranteed by:**

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

Where no more than 35% in value of the scheme property of a Sub-Fund 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.

**The Scheme may invest more than 35% in value of the Scheme property of a Sub-Fund in such securities issued by any one body, provided that:**

- (1) the Manager has before any such investment is made consulted with the Trustee and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the Sub-Fund;**
- (2) no more than 30% in value of the scheme property of that Sub-Fund consists of such securities of any one issue; and**
- (3) the Scheme property of that Sub-Fund includes such securities issued by that or another issuer, of at least six different issues.**

In relation to such securities:

- (a) issue, issued and issuer include guarantee, guaranteed and guarantor; and
- (b) 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.

Notwithstanding paragraph 5 entitled 'Spread: General' above and subject to paragraphs (6) and (10) above in applying the 20% limit in paragraph and (11) with respect to a single body, such securities issued by that body shall be taken into account.

**More than 35% in value of the Scheme property of a Sub-Fund may be invested in such securities issued by the governments of:**

- a) the United Kingdom; and**
- b) the United States of America.**

### **Concentration**

In addition to any constraint contained above, the Scheme may not acquire or hold:

- (1) transferable securities issued by a body corporate carrying in aggregate 20% or more of the votes which may be cast at a general meeting of that body corporate;
- (2) non-voting shares representing more than 10% of the issued share capital of the issuing body corporate;
- (3) more than 25% of the units in a collective investment scheme;
- (4) more than 10% of the debt securities issued by any single issuing body; or
- (5) more than 10% of the money market instruments issued by a single body.

### **6. GENERAL**

- (1) The Scheme may not acquire any investment which has an actual contingent liability attached unless the maximum amount of such liability is ascertainable at the time of acquisition.
- (2) The restrictions on investment set out above are tighter than those imposed by the COLL Sourcebook in the following respects:
  - 1. under the heading "Derivatives and Forward Transactions", sub-paragraphs (3) and (4) on page 11 are in addition to restrictions imposed by the COLL Sourcebook as amended; and
  - 2. under the heading "Deposits", the COLL Sourcebook does not require a certain rating for an Approved Bank.

### **7. BORROWING POWERS**

The Trustee of the Scheme may, in accordance with this paragraph and the COLL Sourcebook and with the instructions of the Manager, borrow sums of money for the use of each Sub-Fund on terms that the borrowing is repayable out of the property of the relevant Sub-Fund. The power to borrow is subject to the obligation of the Scheme to comply with any restriction in the Trust Deed constituting the Scheme.

The Manager must ensure that borrowing is on a temporary basis and that borrowing is not persistent and, for this purpose, the Manager must have regard in particular to:

- a) duration of any period of borrowing; and
- b) the number of occasions on which it has resorted to borrowing in any period.

Such borrowings must be made from Eligible Institutions or an Approved Bank and the period of borrowings must not exceed three months without the prior consent of the Trustee. Borrowings must not exceed 10% of the value of the property of the relevant Sub-Fund.

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.

## **8. EFFICIENT PORTFOLIO MANAGEMENT**

The Manager may utilise the property of the Scheme to enter into transactions for the purposes of hedging and efficient portfolio management. There is no limit on the amount of the property of the Scheme which may be used for these purposes, but there are three broadly based requirements which the Manager has adopted:

- a) The transactions must be **economically appropriate** for the purposes of efficient portfolio management.
- b) The exposure must be **fully covered** by cash or other property sufficient to meet any obligation to pay or deliver that could arise.
- c) The transactions must be entered into for one or more of three specific aims, namely:-
  - (i) the reduction of risk;
  - (ii) the reduction of cost; 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 the COLL Sourcebook.

The first two aims, together or separately, allow for tactical asset allocation; that is a switch in exposure through the use of derivatives rather than through the sale and purchase of underlying property.

Similarly, the aim of reduction of risk allows for the use of derivatives with a view to switching the currency exposure of all or part of the underlying Scheme property away from a currency which the Manager considers to be unduly prone to risk.

## **9. STOCK LENDING**

The Manager may request the Trustee to enter into stock lending transactions in respect of the Scheme. However, the purpose of the stock lending transaction must be for the generation of capital or income for the Scheme with no, or an acceptably low, degree of risk.

Briefly, such transactions are those where the Trustee delivers the securities which are the subject of the transaction, in return for which it is agreed that securities of the same kind and amount should be re-delivered at a later date. The Trustee at the time of delivery of the securities, receives assets as collateral to cover the risk that the securities are not returned. Such transactions must always comply with the relevant requirements of the Taxation of Chargeable Gains Act 1992 and the specific rules in the COLL Sourcebook on stock lending by Unit Trusts issued by the FCA. There is no limit on the value of the property of a Scheme which may be the subject of stock lending transactions.

## **10. THE CHARACTERISTICS OF UNITS IN THE SCHEME**

### **Type of Units**

The Trust Deed permits the issue of both income and accumulation Units in respect of each Sub-Fund. Currently, both types of Units are available.



Net income receivable in respect of income Units is distributed to Unitholders. Holders of accumulation Units are not entitled to be paid the income attributable to such Units, but that income is automatically transferred to (and retained as part of) the capital assets of the Scheme at the end of the relevant distribution period and is reflected in the price of an accumulation Unit. An income Unit represents one undivided share in the capital property of the relevant Sub-Fund. An accumulation Unit represents one undivided share in the capital property plus further shares relating to net income retained.

Each undivided share ranks *pari passu* with the other undivided shares in the relevant Sub-Fund.

The nature of the right represented by Units is that of a beneficial interest under a trust.

Units in the Scheme are not listed or dealt in on any investment exchange.

## **11. ACCOUNTING AND INCOME DISTRIBUTION DATES**

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

Annual Accounting Reference Date:	30 April
Annual Income Allocation Date:	30 June
Half Yearly Accounting Date:	31 October
Half Yearly Income Allocation Date:	31 December

Distributions of income for the Scheme are made on or before the annual income allocation date and on or before the half yearly income allocation date each year.

Each holder of income Units is entitled, on the half yearly and annual income allocation dates, to the net income attributable to his holding.

The income available for distribution is determined in accordance with the Trust Deed and the COLL Sourcebook. It comprises all income received or receivable for the account of the Scheme in respect of the accounting period concerned, after deducting net charges and expenses paid or payable out of such income and after making such adjustments as the Manager considers appropriate, after consulting with the Scheme's auditors, in accordance with the COLL Sourcebook, in relation to taxation and other matters.

The Manager reserves the right to change or create additional accounting and income distribution dates, usually as a result of accounting or taxation changes.

Any distribution that remains unclaimed for a period of six years after the distribution became due for payment will be forfeited and shall revert to the Scheme.

On the income allocation dates, an amount, determined by the Manager, as described above, is paid to those Unitholders who are entitled to the distribution by reference to their holding on the Register at the previous accounting date. Payments will be made by means of direct credit to the Unitholders nominated bank account. If the income allocation date is a non-Business Day, payment will be made on the next Business Day.

Copies of the annual reports will be published, and made available, on the annual income allocation date.

Copies of these reports will be available to Unitholders on request to the Manager, or inspected at the Manager's registered office.

## **12. CERTIFICATES AND TITLE**

No certificates are issued to Unitholders.

Title to Units is evidenced by the entry on the Register; Unitholders may but need not support an instruction to the Manager by enclosing the contract note or the most recent annual statement or copies of such documents.

## **13. MEETINGS OF UNITHOLDERS AND VOTING RIGHTS**

A meeting of Unitholders duly convened and held may, by extraordinary resolution, effect certain matters including:-

- a) authorise any modification, alteration or addition to the provisions of the Trust Deed relating to the Scheme which have been properly put forward;
- b) authorise the departure by the Manager from a policy statement or set of investment objectives included in the Scheme Particulars;
- c) remove the Manager (or determine that the Manager be removed as soon as this is permitted by law); and
- d) approve a proposed scheme of amalgamation or of reconstruction put forward by the Manager.

A meeting of Unitholders has no powers other than those contemplated by the COLL Sourcebook.

Unitholders must receive at least 14 days' notice of any meeting of Unitholders and are entitled to be counted in the quorum and vote at any such meeting either in person or by proxy. The quorum at a meeting of Unitholders is two Unitholders present in person or by proxy. At any meeting of Unitholders, on a show of hands every Unitholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, shall have one vote.

On a poll, every Unitholder who is present in person or by proxy shall have one vote for every complete undivided share in the property of the Scheme and a further part of one vote proportionate to any fraction of such an undivided share of which he is the Unitholder. A Unitholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

Any resolution put to a meeting of Unitholders will be proposed as an extraordinary resolution which to be passed requires a majority of 75% of the total number of votes cast for and against such a resolution.

In the context of despatch of notice, "Unitholders" means the persons who were entered in the Register seven days before the notice of meeting was given but excluding persons who are known not to be entered on the Register at the date of despatch of the notice.

In the context of voting, "Unitholders" means the persons who were entered on the Register seven days before the notice of meeting was given but excluding any persons who are known not to be entered on the Register at the date of the meeting.

The Manager is not entitled to vote at or be counted in a quorum at a meeting of Unitholders in respect of Units held or deemed to be held by the Manager, except where the Manager holds Units on behalf of, or jointly with, a person who, if himself the sole registered Unitholder would be entitled to vote, and from whom the Manager has received voting instructions. Associates of the Manager are entitled to be counted in a quorum and, if they hold Units on behalf of a person who would have been entitled to vote if he had been a registered Unitholder and they have received voting instructions from that person, may vote in respect of such Units pursuant to such instructions.

## **14. PRICING OF UNITS**

### **Valuation of property**

The valuation of the Scheme will take place on each Business Day at 12.00 noon (the 'valuation point'). The valuation determines the net asset value of the Scheme. The net asset value is calculated on an offer basis (for the purpose of calculating the issue price of a Unit) or a bid basis (for the purpose of calculating the cancellation price of a Unit).

The Scheme will continue to value the Scheme property using the dual pricing method. The Manager's policy on large deals is set out at paragraph 20.

The Manager calculates prices at which investors buy and sell Units, in accordance with the provisions for dual pricing set out below.

The basis of the calculation is the value of the underlying assets of the Sub-Fund. Each Sub-Fund is valued either on a bid basis or on an offer basis, as appropriate. The maximum permitted spread is wider than the spread the Manager normally quotes for dealing, but the Manager may deal at any prices calculated in accordance with the provisions set out below and notified to the Trustee. The maximum offer price may not exceed the total of the issue price plus the preliminary charge. The minimum bid price may not be less than the cancellation price less any redemption charge.

The issue price is the price for each Unit payable by the Manager to the Trustee on the issue of new Units by the Trustee.

The issue price is calculated as follows:

- (a) take the proportion, attributable to the Units of the class in question, of the value on the issue basis of the Scheme property of the relevant Sub-Fund by reference to the most recent valuation of the Scheme property;
- (b) compute the number of Units of the relevant class in issue immediately before the valuation in (a);
- (c) divide the total at (a) by the number of Units at (b); and
- (d) express the price in a form that is accurate to at least four significant figures.

The cancellation price is the price for each Unit payable by the Trustee to the Manager on the cancellation of a Unit by the Trustee.

The cancellation price is calculated as follows:

- (a) take the proportion, attributable to the Units of the class in question, of the value on the cancellation basis of the Scheme property of the relevant Sub-Fund by reference to the most recent valuation of the Scheme property;

- (b) compute the number of Units of the relevant class in issue immediately before the valuation in (a);
- (c) divide the total at (a) by the number of Units at (b); and
- (d) express the price in a form that is accurate to at least four significant figures.

The Manager may suspend dealing in a Sub-Fund if it cannot obtain prices on which to base a valuation. Further details of the procedure for suspending dealing is set out under the paragraph titled 'Suspension, Mandatory Cancellation and Redemption'.

The Manager's periodic charge (which is taken into account in valuations) is based upon values midway between offer and bid basis.

For the purpose of the pricing of Units, a Business Day is defined as a day on which the dealing office of the Manager is open for the buying and selling of Units. The Manager may at any time during a Business Day carry out an additional valuation of the property of a Sub-Fund if the Manager considers it desirable to do so.

Each Sub-Fund will be valued on a net asset value basis to determine the price of the Units ('NAV price'). Units will be redeemed at the NAV price and purchased at a price that includes a preliminary charge at the rate applying to the Sub-Fund (see 'Charges and expenses of the Scheme'). Out of the preliminary charge, the Manager may pay commission to qualifying intermediaries.

A valuation is in two parts, one on an issue basis and one on a cancellation basis.

To convert to base currency the value of property which would otherwise be valued in another currency the Manager must either:

- (a) select a rate of exchange which represents the average of the highest and lowest rates quoted at the relevant time for conversion of that currency into base currency on the market on which the manager would normally deal if it wished to make such a conversion; or
- (b) invite the Trustee to agree that it is in the interests of Unitholders to select a different rate, and, if the Trustee so agrees, use that other rate.

The net asset value of the property of a Sub-Fund shall be the value of its assets less the value of its liabilities determined (inter alia) in accordance with the following provisions.

All the property of a Sub-Fund (including receivables) is to be included when valuing the Sub-Fund, subject to the following provisions:

- (i) if the Trustee has been instructed to issue or cancel Units, assume (unless the contrary is shown) that:
  - (a) it has done so;
  - (b) it has paid or been paid for them; and
  - (c) all consequential action required by these provisions or by the Trust Deed has been taken;
- (ii) if the Trustee has issued or cancelled Units but consequential action as at (i)(c) is outstanding, assume that it has been taken;

- (iii) if agreements for the unconditional sale or purchase of property are in existence but uncompleted, assume:
  - (a) completion; and
  - (b) that all consequential action required by their terms has been taken;
- (iv) do not include in (iii) any agreement which is:
  - (a) a future or contract for differences which is not yet due to be performed; or
  - (b) an unexpired option written or purchased for the Sub-Fund which has not yet been exercised;
- (v) include in (iii) any agreement the existence of which is, or could reasonably be expected to be, known to the person valuing the property, assuming that all other persons in the Manager's employment take all reasonable steps to inform it immediately of the marking of any agreement;
- (vi) deduct an estimated amount for anticipated tax liabilities;
  - (a) on unrealised capital gains where the liabilities have accrued and are payable out of the scheme property of the Sub-Fund;
  - (b) on realised capital gains in respect of previously completed and current accounting periods;
  - (c) on income where the liabilities have accrued;
  - (d) including stamp duty reserve tax and any other fiscal charge not covered under this deduction;
- (vii) deduct:
  - (a) an estimated amount for any liabilities payable out of the scheme property of the Sub-Fund and any tax on it (treating any periodic items as accruing from day to day);
  - (b) the principal amount of any outstanding borrowings whenever payable;
  - (c) any accrued but unpaid interest on borrowings;
  - (d) the value of any option written (if the premium for writing the option has become part of the scheme property of the Sub-Fund); and
  - (e) in the case of a margined contract, any amount reasonably anticipated to be paid by way of variation margin (that is the difference in price between the last settlement price, whether or not variation margin was then payable, and the price of the contract at the valuation point);
- (viii) add an estimated amount for accrued claims for repayment of taxation levied:
  - (a) on capital (including capital gains); or
  - (b) on income;
- (ix) add:

- (a) any other credit due to be paid into the scheme property of the Sub-Fund;
- (b) in the case of a margined contract, any amount reasonably anticipated to be received by way of variation margin (that is the difference in price between the last settlement price, whether or not variation margin was then receivable, and the price of the contract at the valuation point);
- (c) any SDRT provision anticipated to be received.

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

Property		to be valued at
(a)	Cash	nominal value
(b)	Amounts held in current and deposit accounts	nominal value
(c)	Property which is not within (a), (b) or (d):	
	(i) if units in a dual-priced authorised fund	except where Note 1 applies, the most recent maximum sale price less any expected discount (plus dealing costs as set out in Note 2)
	(ii) if units in a single-priced authorised fund	the most recent price (plus dealing costs as set out in Notes 2 and 3)
	(iii) if any other investment	best available market dealing offer price on the most appropriate market in a standard size (dealing costs as set out in Note 2)
(d)	Property which is a derivative under the terms of which there may be liability to make, for the account of the Scheme, further payments (other than charges, and whether or not secured by margin) when the transaction in the derivative falls to be completed or upon its closing out	
	(i) if a written option	to be deducted at a net valuation of premium (see Notes 5 and 8)
	(ii) if an off-exchange future	net value on closing out (see Notes 6 and 8)
	(iii) if any other such property	net value of margin of closing out (whether as a positive or negative figure) (see Notes 7 and 8)

## Notes

1. The issue price is taken, instead of the maximum sale price, if the Manager of the fund whose scheme property is being valued is also the Manager, or an associate of the Manager, of the fund whose units form part of that property.
2. "Dealing costs" means any fiscal charges, commission or other charges payable in the event of the fund carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the fund are the least that could reasonably be expected to be paid in order to carry out the transaction. On the issue basis, dealing costs exclude any preliminary charge on sale of units in a fund.
3. Dealing costs under Note 2 include any dilution levy or SDRT provision which would be added in the event of a purchase by the fund of the units in question but, if the Manager of the fund being valued, or an associate of the Manager, is also the Manager of the fund whose units are held by the fund, must not include a preliminary charge which would be payable in the event of a purchase by the fund of those units.
4. The buyer's price is the consideration which would be paid by a buyer for an immediate transfer or assignment (or, in Scotland, assignation) to him at arm's length.
5. Estimate the premium on writing an option of the same series on the best terms then available on the most appropriate market on which such options are traded; but deduct dealing costs.
6. Estimate the amount of profit or loss receivable or incurable by the fund on closing out the contract. Deduct minimum dealing costs in the case of profit and add them in the case of loss.
7. Estimate the amount of margin (whether receivable or payable by the fund on closing out the contract) on the best terms then available on the most appropriate market on which such contracts are traded. If that amount is receivable (for example, the contract is "in the money") deduct minimum dealing costs. If, however, that amount is payable (for example, the contract is "out of money") then add minimum dealing costs to the margin and the value is that figure as a negative sum.
8. If the property is an OTC transaction in derivatives, use the valuation based on the pricing model agreed between the Manager and the Trustee, or some other reliable basis reflecting an up-to-date market value which has been so agreed.
9. The valuation of property for that part of the valuation which is on a cancellation basis is as follows:

Property		To be valued at
(a)	Cash	nominal value
(b)	Amounts held in current deposit and loan accounts	nominal value
(c)	Property which is not within (a), (b) or (d):	
	(i) if units in a dual-priced authorised fund	except where Further Note 1 applies, the most recent minimum redemption price (less dealing costs as set out in Further Note 2)
	(ii) if units in a single-priced authorised fund	the most recent price (less dealing costs as set out in Further Notes 2 and 3)
	(iii) if any other investment	best available market dealing bid price on the most appropriate market in a standard size (less dealing costs as set out in Further Notes 2 and 4)
(d)	Property which is a derivative under the terms of which there may be liability to make, for the account of the Scheme, further payments (other than charges, and whether or not secured by margin) when the transaction in the derivative falls to be completed or upon its closing out.	
	(i) if a written option	to be deducted at a net valuation of premium (see Further Notes 5 and 8)
	(ii) if an off-exchange future	net value of closing out (see Further Note 8)
	(iii) if any other such property	net value of margin on closing out (whether as a positive or negative figure) (see Further Notes 6 and 8)

### Further Notes

1. The cancellation price is taken instead of the minimum redemption price if the property, if sold in one transaction, would amount to a large deal.
2. "Dealing costs" has the meaning set out in Note 2 above in respect of the issue price. Dealing costs include any charge payable on redemption of units in a fund (taking account of any expected discount), except where the Manager of the fund whose property is being valued is also the Manager, or an associate of the Manager, of the fund whose units form part of that property.
3. Dealing costs under Further Note 2, include any dilution levy or SDRT provision which would be deducted in the event of a sale by the fund of the units in question and, except when the Manager of the fund being valued, or an associate of the Manager, is also the Manager of the fund whose units are held by the fund, include any charge payable on the redemption of those units (taking account of any expected discount).



4. The seller's price is the consideration which would be received by a seller for an immediate transfer or assignment (or, in Scotland, assignation) from him at arm's length, less dealing costs.
5. Estimate the premium on writing an option of the same series on the best terms then available on the most appropriate market on which such options are traded, and add dealing costs.
6. For off-exchange futures, see Note 6 above in respect of the issue price.
7. For net value of margin see Note 7 above in respect of the issue price.
8. For over the counter transactions in derivatives, see Note 8 above in respect of the issue price.

## **15. PRICING BASIS**

The Manager currently elects to deal on a forward basis, being the price calculated by reference to the valuation point next following the Manager's agreement to sell, or as the case may be, to redeem the Units in question. The Manager may, subject to certain conditions and with the agreement of the Trustee, change the basis of dealing. In general the rules are as follows:

- (a) if the Manager's choice is forward, all deals must be at a forward price and the election lasts until the end of the dealing period;
- (b) the Manager may at any time elect for forward only for the rest of the then current period;
- (c) redemptions must be on the same basis as issues;
- (d) where at any time during a dealing day the Manager knows or has reason to believe that the property of the Scheme has increased or decreased by 2% or more since the last valuation, it must perform a special valuation or else elect for forward dealing only;
- (e) an application may always request to deal on a forward basis; and
- (f) postal deals are dealt on a forward basis.

## **16. PUBLICATION OF PRICES**

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

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

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

## **17. INCOME EQUALISATION**

When an incoming Unitholder purchases a Unit during an accounting period, part of the purchase price will reflect the relevant share of accrued income in the net asset value of the Scheme. The first allocation of income in respect of that Unit refunds this amount as a return of capital. The amount of income equalisation is calculated by dividing the aggregate of the amounts of income included in the creation price of Units of the type in question issued or re-issued in a grouping period by the number of those Units and applying the resulting average to each of the Units in question.

### **Grouping**

Grouping periods are consecutive periods within each annual accounting period, being the interim accounting periods (including the period from the end of the last interim accounting period in an annual accounting period to the end of that annual accounting period) as specified in paragraph 11 above. If there are no interim accounting periods the periods for grouping of Units will be annual accounting periods. Grouping is permitted by the Trust Deed for the purposes of equalisation.

## **18. BUYING AND SELLING UNITS**

The dealing office of the Manager is open from 9.00 a.m. until 5.00 p.m. each Business Day during which the Manager may receive requests for the buying and selling of Units. The time and price at which a deal takes place depends on the provisions of COLL Sourcebook affecting the pricing of Units.

### **Buying**

Units may be purchased by sending a completed application form; clear written instructions to Thesis Unit Trust Management Limited at the dealing office of the Administrator or through the means of electronic communications (please refer to paragraph 24). Application forms can be obtained by telephoning the Manager's Customer Enquiry Line on 0333 300 0375.

A contract note giving details of the Units purchased will be issued no later than the next Business Day after the Business Day on which an application to purchase Units is received and instrumented by the Manager. Payment in full should be made not later than the fourth Business Day after the date of purchase, and the Manager reserves the right to require payment in advance.

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

### **Minimum Subscription and Holdings**

The Manager will not accept a lump sum application for Units to the value of less than £1,000, unless it represents an addition to an existing holding in which case the minimum amount is £100. The only restriction on holdings is the value of the holding; there is no minimum number of Units which any Unitholder need hold. The Manager reserves the right to reduce or waive minimum investment levels.

The Manager reserves the right to reject, on reasonable grounds, any application for Units in whole or in part, in which event, the Manager will return by post, any money sent, or the balance, for the purchase of Units which are the subject of the application, at the risk of the applicant.

### **Selling**

At any time during a dealing day when the Manager is willing to issue Units it must also be prepared to redeem Units. The Manager may refuse to redeem a certain number of Units if the redemption will mean the Unitholder is left holding Units with a value of less than the minimum initial subscription of £1,000.

Requests to redeem Units in the Scheme may be made to the Manager by telephone (on the number stated above), through the means of electronic communications or by sending clear written instructions.

A contract note giving details of the number and price of the Units sold back to the Manager will be sent to Unitholders no later than the next Business Day after the Units were sold. In the event that the Manager requires a signed form of renunciation, e.g. in respect of joint holders, corporate holders or redemptions dealt through an agent, a form of renunciation will be attached.

When Units are redeemed, a cheque will be sent out within four working days of the valuation point of the Scheme immediately following receipt by the Manager of the request to redeem Units or the time when the Manager has received all duly executed instruments and authorisations as will vest to title in the Manager or enable it to arrange to do so, whichever is the later.

The Manager is not required to issue a cheque in respect of the redemption of Units where it has not yet received the money due on the earlier issue of those Units.

### **Issue of Units in exchange for in specie assets**

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

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

The Manager will not issue units in any Sub-Fund in exchange for assets the holding of which would be inconsistent with the investment objective of that Sub-Fund.

### **Client Money Rules**

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

1. The Manager receives the money from a client in relation to the Manager's obligation to issue Units in the Sub-Fund in accordance with the COLL Sourcebook; or
2. The money is held in the course of redeeming Units, where the proceeds are paid to the client within the timeframe specified in the COLL Sourcebook.

Where money is received in either of the circumstances set out in 1 or 2 above, the Manager must cease to operate the exemption if, by close of business on the Business Day following receipt of the money, it has not paid it over to the Trustee or the client or, if direct issues and cancellations of Units by the Scheme are permitted, to the Scheme, as applicable.

In order to facilitate management of the Scheme, the Manager makes use of the delivery versus payment exemption on the issue of Units in respect of money received other than in the form of cheques. Money received in other payment forms for the issue of Units is, therefore, not protected under the Client Money Rules until the delivery versus payment exemption period has expired. Money received by the Manager in the form of redemptions, cheques or other remittances is paid directly into a client money account maintained by the Manager with an Approved Bank, as defined in the FCA Rules, and protected in line with the Client Money Rules. No interest is payable by the Manager on monies credited to this account.

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 (and subject to the rules in COLL), if the Manager has lost touch with an investor, the Manager will be permitted to pay the investor's client money balance to a registered charity after six years. The Manager will not do so until reasonable efforts have been made to contact the investor. The investor will still be entitled to recover this money from the Manager at a later date irrespective of whether the Manager has paid the money to charity.

### **In specie redemptions and cancellation of Units**

Where a Unitholder requests redemption or cancellation of Units, the Manager may, at its discretion, give written notice to the Unitholder before the proceeds would otherwise become payable that, in lieu of paying such proceeds in cash, the Manager will transfer to that Unitholder property attributable to the relevant Sub-Fund having the appropriate value. Where such notice is given, the Unitholder may, by written notice given to the Manager before the relevant property is transferred to the Unitholder, require the Manager to arrange for a sale of that property and the payment to the Unitholder of the net proceeds of that sale. The selection of the property to be transferred (or sold) will be made by the Manager in consultation with the Trustee, with a view to achieving no more advantage or disadvantage to the Unitholder requesting cancellation of his Units than to continuing Unitholders. The Manager may retain out of the property to be transferred (or the proceeds of sale) property or cash of a value or amount equivalent to any stamp duty or stamp duty reserve tax to be paid in relation to the redemption or cancellation of the Units.

### **Suspension, mandatory cancellation and redemption**

The Manager may if the Trustee agrees, or shall if the Trustee so requires, at any time, temporarily suspend the issue and redemption of Units if the Manager or Trustee (in the case of any requirement by the Trustee), believes that, due to exceptional circumstances, it is in the interests of Unitholders or potential unitholders.

The Manager must ensure that a notification of the suspension is made to Unitholders as soon as practicable after the suspension commences. On notification to Unitholders the Manager must ensure that Unitholders' attention is drawn to the exceptional circumstances resulting in the suspension and ensure that the notification is clear, fair and not misleading. Unitholders will be kept informed about the suspension and, if possible, advised of its duration (if known) by written updates by the Manager.

On suspension, the Manager, or the Trustee if the Trustee has required the Manager to suspend dealing, must immediately inform the FCA, giving written confirmation of the suspension and state the reasons for its actions.

The Manager and the Trustee must formally review any such suspension at least every 28 days and inform the FCA of the results of their review. Any such suspension may only continue for so long as it is justified having regard to the interest of Unitholders.

Re-calculation of issue and cancellation prices will commence on the Business Day immediately following the end of the suspension, at the relevant valuation point.

If it comes to the notice of the Manager that any units ('affected units') are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or by virtue of which the holder or holders in question is/are not qualified and entitled to hold such units or if it reasonably believes this to be the case, the Manager may give notice to the holder(s) of the affected units requiring either transfer of such units to a person who is qualified or entitled to own them or that a request in writing be given for the redemption or cancellation of such units in accordance with the COLL Sourcebook. If any person upon whom such a notice is served does not within thirty days after the date of such notice transfer his affected units to a person qualified to hold

them or establish to the satisfaction of the Manager (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected units, he shall be deemed upon the expiration of that thirty day period to have given a request in writing for the redemption of all the affected units pursuant to the COLL Sourcebook.

A person who becomes aware that he has acquired or is holding affected units in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory, or by virtue of which he is not qualified to hold such affected units, shall forthwith, unless he has already received a notice as aforesaid, either transfer or procure the transfer of all his affected units to a person qualified to own them or give a request in writing to procure that such a request for the redemption or cancellation of all his affected units pursuant to the COLL Sourcebook.

## **19. MARKET TIMING**

The Manager may refuse to accept a new instruction in the Scheme or switch from another Sub-Fund if, in the opinion of the Manager, it has reasonable grounds for refusing to accept a subscription or a switch. In particular, the Manager may exercise this discretion if it believes that the Unitholder has been or intends to engage in market timing.

For these purposes, market timing activities include investment techniques which involve short term trading in and out of Units generally to take advantage of variation in the price of Units between the daily calculation points in the Scheme. Short term trading of this nature may often be detrimental to long term Unitholders, in particular, the frequency of dealing may lead to additional dealing costs which can affect long term performance.

## **20. LARGE DEAL**

For the purpose of the COLL Sourcebook, a large deal will be a deal in respect of Units exceeding the sum of £15,000 in value.

## **21. STATEMENTS**

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

## **22. EXCHANGE OF UNITS IN THE SCHEME**

It is possible for Unitholders to switch their entitlement between Sub-Funds. An instruction to exchange Units is where the Manager converts, at the request of the Unitholder and upon receipt of an exchange notice, part or all of the Units relating to one Sub-Fund held by the Unitholder into Units of one or more other Sub-Funds on the same day.

Exchange requests may be made by telephone, by fax or by letter in each case to the Manager. Unitholders may be required to complete a switching form (which in the case of joint Unitholders must be signed by all joint holders). Switching forms will be available on request from the Manager.

**Any Unitholder who switches between Sub-Funds will not be given a right by law to withdraw from or cancel the transaction.**

The Manager may, at its discretion, make a charge on the switching of Units. The charge will not exceed any excess of the preliminary charge applicable to the Units being acquired over the preliminary charge applicable to the Units being switched. If, for any reason, an exchange notice is not received by the Manager on the same day, the application will still be binding and considered irrevocable by the Manager. The exchange notice must be addressed to the Manager and signed by all registered holders. Exchange instructions accepted on any dealing day will be satisfied at prices calculated at the next valuation point. The relevant prices will be the net asset value price per Unit of the appropriate Sub-Fund.

**Unitholders who are subject to UK taxation should be aware that an exchange of Units for Units (of whatever class) in another Sub-Fund is treated as a redemption and sale and is a realisation for the purposes of capital gains taxation.**

## **23. CHARGES AND EXPENSES OF THE SCHEME**

### **MANAGEMENT CHARGES**

#### **Manager's preliminary charge**

The Manager's preliminary charge, which is included in the issue price of the Units, is currently 3% of the issue price of the Units.

#### **Manager's periodic charge**

The Manager is also entitled under the Trust Deed to make a periodic charge which is payable monthly, calculated on the value of the property of the relevant Sub-Fund determined in accordance with the Trust Deed and the COLL Sourcebook, and payable out of the property of the Scheme in accordance with the COLL Sourcebook. For this purpose the value of the Scheme is inclusive of the creations and cancellations which take effect as at the relevant valuation point. The periodic charge shall accrue daily, commencing at the first valuation point on the first Business Day and shall end immediately before the next valuation point on the following Business Day. The periodic charge is payable on, or as soon as is practicable after, the end of the month in which it accrued.

The rate of the periodic (per annum) charge is:

A Sub-Fund up to 1% (currently 0.85%)

B Sub-Fund up to 1% (currently 0.60%).

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

**The Manager's periodic charge may be treated, at the request of the Manager, as a charge against the capital of the relevant Sub-Fund.** Please refer to "Allocation of Charges and Expenses" below for further information.

The Manager is responsible for payment of the fees of the Investment Manager and those of any sub-advisers. Research costs will be paid for by the Investment Manager out of this fee and shall not be borne by the Scheme.

#### **Redemption charge**

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

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

## TRUSTEE'S FEES AND EXPENSES

### Periodic fee

The Trustee is paid a monthly periodic fee (plus VAT) in remuneration for its services from the property of the Scheme. The Trustee's fee is calculated on the value of the property of the Scheme determined in accordance with the Trust Deed and the COLL Sourcebook, and payable out of the property of the Scheme in accordance with the COLL Sourcebook. For this purpose the value of the Scheme is inclusive of the issues and cancellations which take effect as at the relevant valuation point. The Trustee's fee shall accrue daily, commencing at the first valuation point on the first Business Day and shall end immediately before the next valuation point on the following Business Day. The Trustee's fee is payable on, or as soon as is practicable after, the end of the month in which it accrued.

The current fees payable are:

0.0275% per annum	on the first £50 million value in each Sub-Fund;
0.025% per annum	on the next £50 million value in each Sub-Fund;
0.020% per annum	on the next £100 million value in each Sub-Fund;
0.015% per annum	thereafter.

The annual fee is subject to a minimum fee of £7,500, applicable across the Sub-Funds. VAT (at the standard rate) will be added to these fees.

These rates can be varied from time to time in accordance with the FCA Handbook.

### Transaction charges, derivative and custody charges

In addition to the above periodic fees, the Trustee levies transaction charges, derivative and custody charges of such amounts as may be agreed by the Manager and the Trustee.

Item	Range/Fees
Transaction Charges	£7.50 to £180.00
Derivative Transaction Charges	£20 (if applicable)
Custody Charges	up to 0.9% of the value of the holding involved subject to a minimum aggregate custody charge of £7,500 per annum

These charges vary from country to country depending on the markets and the type of transaction involved.

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



Where relevant, the Trustee may make a charge for (or otherwise benefit from) providing its services in relation to: distributions, the provision of banking services, holding money on deposit, lending money, or engaging in stock lending transactions, in relation to the Scheme and may purchase or sell or deal in the purchase or sale of scheme property, provided always that the services concerned and any such dealing are in accordance with the provisions of the FCA Handbook.

The Trustee is entitled to be paid and reimbursed out of the property of the Scheme for all costs, liabilities and expenses properly incurred in the performance of or arranging the performance of functions conferred upon it by the Trust Deed, the FCA Handbook or by general law.

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

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

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

#### **ADMINISTRATOR, REGISTRAR AND FUND ACCOUNTANT'S CHARGES**

The administration, registration and fund accounting of the Scheme will be carried on by the Administrator who will be remunerated by the Manager for its services.

#### **CHARGES AND EXPENSES: SUB-FUNDS**

Each of the charges described above is applicable to each Sub-Fund. All charges and expenses are charged to the Sub-Fund in respect of which they were incurred. Any charges and expenses not attributable to any one Sub-Fund will normally be allocated by the manager to all Sub-Funds pro rata to the value of the property of each Sub-Fund, although the Manager has a discretion to allocate such charges and expenses in a different manner which it considers fair to Unitholders generally.

#### **OTHER EXPENSES**

No payments may be made out of the property of the Scheme other than payments to the Manager and the Trustee as set out above (and other sums due by virtue of the COLL Sourcebook (such as, for example, cancellation proceeds and reasonable stock lending expenses)) and the following (to the extent of the actual amount incurred):-

- a) broker's commission (excluding costs for research), fiscal charges and other disbursements which are:-
  - (i) necessary to be incurred in effecting transactions for the Scheme; and
  - (ii) normally shown in contract notes, confirmation notes and difference accounts as appropriate; and
- b) taxation and duties payable in respect of the property of the Scheme, the Trust Deed or the issue of Units; and

- c) any costs incurred in modifying the Trust Deed constituting the Trust, including costs incurred in respect of meetings of Unitholders convened for the purpose where the modification is:-
  - (i) necessary to implement any change in the law (including changes in the COLL Sourcebook); or
  - (ii) necessary as a direct consequence of any change in the law (including changes in the COLL Sourcebook); or
  - (iii) expedient having regard to any fiscal enactment and which the Manager and the Trustee agree is in the interest of Unitholders; or
  - (iv) to remove from the Trust Deed constituting the Scheme obsolete provisions; and
- d) any costs incurred in respect of meetings of Unitholders convened on a requisition by Unitholders not including the Manager or an associate of the Manager; and
- e) liabilities on unitisation, amalgamation or reconstruction arising in certain circumstances specified by the COLL Sourcebook; and
- f) the expenses of the Trustee in convening a meeting of Unitholders convened by the Trustee alone; and
- g) the audit fee properly payable to the Auditors and value added tax thereon and any proper expenses of the Auditors;
- h) the fees of the FCA under the Financial Services and Markets Act 2000 or the corresponding periodic fees of any regulatory authority in a country or territory outside the UK in which Units in the Scheme are or may be marketed;
- i) any reasonable general disbursements relating to postage and communication costs incurred in the proper performance of the transfer agent's duties relating to the Scheme, which are currently carried on by the Registrar; and
- j) any fees or costs associated with any CASS related support activity incurred by the Registrar.

#### **ALLOCATION OF CHARGES AND EXPENSES**

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

**The Scheme has been structured so as to concentrate on the generation of income as a priority equal to the generation of capital growth. This policy may result in capital erosion or constrain capital growth.**

#### **24. ELECTRONIC COMMUNICATIONS**

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

- (1) prior agreement between the Manager and the person making the communication as to:
  - (a) the electronic media by which such communications may be delivered; and
  - (b) how such communications will be identified as conveying the necessary authority; and
- (2) assurance from any person who may give such authority on behalf of the investor that they will have obtained the required appointment in writing from the Unitholder.

## **25. TAXATION**

**The following summary is based on current UK law and HM Revenue & Customs practice. It summarises the UK tax position of Authorised Unit Trusts ("AUTs") and Unitholders 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 professional tax adviser. Levels and bases of, and reliefs from, taxation are subject to change in the future.**

### **Taxation of the Sub-Funds**

Each Sub-Fund is treated as a separate fund for tax purposes and references to the 'fund' in this taxation section should be treated as applying separately to each Sub-Fund.

Each Sub-Fund is an AUT and is treated as an Authorised Investment Fund for UK tax purposes.

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

### **(A) Income**

Each Sub-Fund is liable to corporation tax on its income after relief for management expenses (which include fees payable to the Manager and to the Trustee) at the basic rate of income tax.

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

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

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

Capital gains realised by each Sub-Fund on a disposal of its investments are exempt from corporation tax on chargeable gains. In the unlikely event that a Sub-Fund 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 units in an AUT (other than transactions handled by the fund manager) to third parties at a rate of 0.5% of the consideration.

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

### **Taxation of Unitholders**

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

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

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

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

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

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

##### **UK resident individuals**

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

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

Basic rate taxpayers are entitled to a personal savings allowance of 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, on the amount in excess of the applicable personal savings allowance) on any income distributions at the basic rate of, the higher rate or

the additional rate (as applicable).

### **UK corporate Unitholders**

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

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

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

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

Dividend distributions paid by the Scheme 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 Unitholders**

UK resident corporate Unitholders must split their dividend distributions into franked and unfranked income portions according to the percentage split given on the voucher. 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 Unitholders although the franked dividend portion should fall within an exemption from corporation tax.

## **(D) Chargeable gains**

### **UK resident individuals**

Unitholders who are resident in the UK may be liable to UK taxation on capital gains arising from the sale or other disposal, including a redemption, of Units. A switch of Sub-Funds is treated as a disposal for capital gains tax purposes. 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 Unitholders**

UK corporate Unitholders (whose Units are not treated as creditor loan relationships) will be charged to corporation tax on any gains realised after the deduction of allowable losses (if any). The indexation figure that UK corporate Unitholders can deduct will cover only the movement in the Retail Price Index from the date of acquisition of the asset up to 31 December 2017.

### Stamp Duty Reserve Tax

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

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

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

The price of a Unit of a particular class is based on the value of that class' entitlement in the relevant Sub-Fund, including the income of the Sub-Fund since the previous distribution or, in the case of accumulation Units, deemed distribution. In the case of the first distribution received or accumulation made in respect of a Unit, part of the amount, namely the equalisation payment, is treated as a return of capital and is not taxable as income in the hands of the Unitholder. This amount is, however, in the case of income Units, deducted from the cost of the Unit in computing any capital gains. Equalisation applies only to Units purchased during the relevant accounting period. It is calculated as the average amount of income included in the issue price of all Units of the relevant class issued during the period.

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

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

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

The Manager may, in the future, seek to elect some or all of the Sub-Funds into the TEF regime if it considers that it would be advantageous for the majority of investors in the Sub-Fund to do so. If the relevant Sub-Fund is elected into the TEF regime, the UK tax treatment of such Sub-Fund and its investors would be different to that set out above.

### **(D) International tax compliance**

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

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

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

#### **Unitholders should note that:**

**(a) they may be asked to provide additional information (including information regarding their tax residence) to the Manager or the Administrator to enable the Scheme to satisfy these obligations;**

**(b) the Manager or Administrator may report these details, along with information about a Unitholder’s holding, to HMRC; and**

**(c) HMRC may subsequently exchange this information with other governments or tax authorities in other jurisdictions.**

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

## **26. WINDING-UP OF THE SCHEME AND TERMINATION OF SUB-FUNDS**

### **Circumstances where winding-up and termination may occur**

- a) The Trustee shall proceed to wind-up the Scheme or, as the case may be, terminate a Sub-Fund:-
  - (i) if the authorisation order of the Scheme is revoked; or
  - (ii) if alterations to the Scheme's Trust Deed and Prospectus are required for the termination of a Sub-Fund to take effect in accordance with section 251 of the Act; or

- (iii) if passing an extraordinary resolution to wind up the Scheme or terminate a Sub-Fund, provided the FCA's prior consent to the resolution has been obtained by the Manager or the Trustee; or
  - (iv) if the Manager or the Trustee requests the FCA to revoke the authorisation order and FCA has agreed (provided no material change in any relevant factor occurs) that on the winding-up of the Scheme, FCA will agree to that request; or
  - (v) on the effective date of a duly approved scheme of arrangement of the Scheme which is to result in the Scheme (or a Sub-Fund that is subject to the scheme of arrangement) being left with no property; or
  - (vi) on the expiry of any period specified in the Scheme's Trust Deed as the period at the end of which the Scheme is to be wound up or the Sub-Fund is to be terminated.
- b) If any of the events set out in (a) above occurs, those sections of the COLL Sourcebook, concerning pricing and dealing and investment and borrowing powers will cease to apply, the Trustee shall cease the creation and cancellation of Units and the Manager will cease issuing, redeeming, buying and selling Units in respect of the Scheme or the Sub-Fund, as the case may be.

### **Manner of winding-up**

In the case of a scheme of arrangement (referred to in paragraphs a) (v) and (vi) above) the Trustee shall wind-up the Scheme or terminate the Sub-Fund in accordance with the approved scheme of arrangement.

In any other case, the Trustee shall, as soon as practicable after the Scheme falls to be wound-up or a Sub-Fund terminated, realise the property of the Scheme or the Sub-Fund (as the case may be) and, after paying all liabilities properly payable and retaining provision for the costs of the winding-up, distribute the proceeds to the Unitholders and the Manager proportionately to the size of their holdings in the Scheme or the Sub-Fund, as the case may be.

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

## **27. GENERAL INFORMATION**

### **Telephone calls**

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

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

### **Service of Notices**

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

- delivered to the Unitholder's address as appearing in the Register; or



- delivered by using an electronic medium in accordance with following provisions of paragraph 24.

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

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

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

- changes the purpose or nature of the Scheme;
- may materially prejudice a Unitholder;
- alters the risk profile of the Scheme; or
- introduces a new type of payment out of the Scheme property.

The Manager must give prior written notice to Unitholders of any proposed change which constitutes a significant change. This is a change or event which is not fundamental, but which:

- affects a Unitholder's ability to exercise his rights in relation to his investment;
- would reasonably be expected to cause the Unitholder to reconsider his participation in the Scheme;
- results in any increased payments out of the Scheme property to the Manager or an associate of the Manager; or
- materially increase other types of payment out of the Scheme property.
- the notice period must be of reasonable length, and must not be less than 60 days.

The Manager must inform Unitholders in an appropriate manner and timescale of any notifiable changes that are reasonably likely to affect, or have affected, the operation of the Scheme. This is a change or event, other than a fundamental or significant change, which a Unitholder must be made aware of unless the Manager concludes the change is insignificant. The appropriate manner and timescale of notification will depend on the nature of the change or event. An appropriate manner of notification could include the information being included in the next long form report of the Scheme.

## **Complaints**

Complaints concerning the operation or marketing of the Scheme should be referred in the first instance to the Manager at the Head Office address shown on page 4. If a complaint cannot be resolved satisfactorily with the Manager, it may be referred to the Financial Ombudsman Service, Exchange Tower, London E14 9SR.

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

## **Annual and half-yearly reports**

Annual and half-yearly reports will be published in accordance with paragraph 11 above. Copies of the annual reports will be published and made available to investors. Copies of the most recent annual and half-yearly long reports may be inspected at the registered office of the Manager and may be obtained free of charge from the Manager.

## **Documents of the Scheme**

Copies of the most recent prospectus and Trust Deed may be inspected at the Manager's registered office (the address is set out in Appendix 5). Supplemental trust deeds of the Scheme may also be inspected at the address of the Manager's registered office.

## **Supplementary information**

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

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

## **Money Laundering**

The EC Money Laundering Directive has been implemented in the UK by measures added to the Criminal Justice Act 1993 and by the Senior Management Systems Arrangements and Controls Sourcebook. As a result, firms conducting investment business are required to maintain procedures to combat money laundering. In order to implement these procedures, in certain circumstances Unitholders may be asked to provide some proof of identity when buying or selling Units. In the latter case the Manager cannot pay the proceeds until satisfactory evidence has been received.

Please refer to paragraph 'Electronic Verification' below for details of specific resources we may access to verify information on you.

## **Non-Accountability for profits**

Neither the Manager, the Trustee, the Investment Manager (or any Associate of the same) or the Auditors is liable to account to either each other or to Unitholders for any profits or benefits it makes or receives that are made or derived from or in connection with:

- (a) any transaction in the Scheme Property; or

(b) the supply of services to the Scheme.

**Profit and loss of Manager**

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

## **Data Protection**

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

Unitholders have the right to access their personal data processed by the Manager together with (in certain circumstances) the right to object to the processing of such data for legitimate reasons. A copy of the Manager's Privacy Notice relating to investors is available at [www.tutman.co.uk](http://www.tutman.co.uk) or on request from [compliance@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 Senior Management Arrangements Systems & Controls Source book and Joint Money Laundering Steering Group guidance notes (which are updated from time to time) state that the Manager must check your identity and the source of the money invested.

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

## **Investors outside of the UK**

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

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

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

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

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

## **Marketing**

Units in the Scheme may be marketed to the public in the UK but the Scheme will not be able to apply to the regulatory authorities in member states in the European Union to market units under the UCITS Directive in those states.

It is not intended that the Scheme will be marketed outside the UK.

## **28. RISK FACTORS**

### **(1) *Derivatives***

The Scheme may enter into derivatives or forward transactions including for the purposes of hedging. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions, nor prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase. Additionally, it may not be possible for a Sub-Fund to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated if it is not able to enter into a hedging transaction at a price sufficient to protect a Sub-Fund from the decline in value of the portfolio position anticipated as a result of such a fluctuation.

Where derivative instruments are utilised for hedging purposes, the risk of loss to the Scheme may be increased where the value of the derivative instrument and the value of the security or position which it is hedging are insufficiently correlated. Such imperfect correlation may prevent a Sub-Fund from achieving the intended hedge or expose a Sub-Fund to risk of loss. While a Sub-Fund may enter into such transactions to seek to reduce exchange rate and interest rate risks, unanticipated changes in currency, interest rates and equity markets may result in a poorer overall performance of the relevant Sub-Fund. Movements in currencies may render hedging ineffective. For a variety of reasons, the Manager may not seek to establish (or may not otherwise obtain) a perfect correlation between such hedging instruments and the portfolio holdings being hedged.

(2) *Counterparty risk in over-the-counter markets*

A Sub-Fund may enter into transactions in over-the-counter markets which will expose the Sub-Fund to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, a Sub-Fund may enter into agreements or use other derivative techniques, each of which exposes a Sub-Fund to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of bankruptcy or insolvency of a counterparty, a Sub-Fund could experience delays in liquidating the position and significant losses, includes declines in the value of its investment during the period in which a Sub-Fund 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 recover any losses incurred.

(3) *Legal and Regulatory Risks*

Legal and regulatory (including taxation) changes could adversely affect the Scheme. Regulation (including taxation) of investment vehicles such as the Scheme is subject to change. The effect of any future legal or regulatory (including taxation) change on the Scheme is impossible to predict, but could be substantial and have adverse consequences on the rights and returns of unitholders.

(4) *Conflicts Policy*

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

(5) *Summary of the Manager's Haircut Policy*

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

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

Where cash is received as collateral it will not be invested in anything other than cash or

short-term deposit accounts.

Cash and specific types of collateral will be deemed to be permitted, at the Manager's discretion, for the purposes of the Scheme's collateral policy.

Cash and collateral will be deemed to be permitted for the purposes of the Scheme's collateral policy.

(6) *Exchange-Traded Funds*

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

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

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

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

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

(7) *Exchange Traded Notes*

Exchange Traded Notes (or ETNs) are a type of unsecured, unsubordinated debt security, the returns of which are based on the performance of a market index minus applicable fees, combining both the aspects of bonds and exchange traded funds and traded on a major exchange(s).

ETNs are subject to credit risk, including the credit risk of the issuer, and the value of the ETN may drop due to a downgrade in the issuer's credit rating, despite the underlying market benchmark of strategy remaining unchanged. The general credit market environment can also affect the creditworthiness of the issuer, causing the value of the ETN to fluctuate significantly. Changes in interest rate conditions can also affect the value of the ETN. Generally, if interest rates fall, the value of these investments rises. Conversely, if interest rates rise, their value falls.

The value of an ETN may also be influenced by time to maturity, level of supply and demand for the ETN, volatility and lack of liquidity in tracked assets, and economic, legal, political, or geographic events that affect the underlying asset that is tracked (or referenced) in the ETN.

Although most ETNs will quote an annual management charge ratio, this may not include all of the costs involved in running the investment and they do not always quote a total expense ratio figure.

(8) *Custody Risk*

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

(9) *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 Sub-Fund and the value of distributions paid to Unitholders.

## **29. REMUNERATION**

The Manager has established and applies a remuneration policy, procedure and practice (together, the "Remuneration Policy") which is consistent with, and promotes, sound and effective risk management, and does not encourage risk-taking that is inconsistent with the risk profile or the Trust Deed.

The Remuneration Policy applies to staff whose professional activities have a material impact on the risk profile of the Manager or the Scheme. The Remuneration Policy does not impair compliance with the Manager's duty to act in the best interests of the Scheme.

Details of the up-to-date Remuneration Policy including, but not limited to, a description of how remuneration and benefits are calculated and the identity of persons responsible for awarding the remuneration and benefits, including the composition of the remuneration committee, are available on [www.tutman.co.uk](http://www.tutman.co.uk) and a paper copy of such information can be obtained, free of charge, upon request at the offices of the Manager.

## **30. GENERAL RISK WARNINGS**



**Unit Trusts should be regarded as long term investments.**

**The value of the Units in the Scheme is based upon the value of the underlying investments.**

**The value of those investments and the income from them and consequently the value of the Units and the income from them, can go down as well as up and is not guaranteed.**

**The A Sub-Fund may invest in any country and in any economic sector. This may entail investment in emerging markets or in smaller companies. Emerging markets are considered to be more risky than developed markets and the potential volatility of emerging markets may increase the risk that the value of the Sub-Fund's investments could move sharply up or down. The performance of shares in smaller companies may be more volatile over short periods than larger companies, and therefore carries a higher degree of risk. Shares in emerging markets and in smaller companies may be traded less frequently than in developed markets or in larger companies, creating greater liquidity risk.**

**The B Sub-Fund will, from time to time, adopt short-term strategic stances that result in less market exposure being adopted in the attempt to produce more consistent positive returns for Unitholders. Unitholders may therefore not suffer the full extent of a market fall, but equally may not participate in the full extent of a market rise.**

**The ability of a Sub-Fund to generate and distribute to investors a regular stream of income is dependent upon the Sub-Fund receiving a regular stream of income from its investments. There can be no guarantee that any income will be received by a Sub-Fund from such investments or that a Sub-Fund will be able to meet its investment objective.**

**The tax consequences for the Scheme and for Unitholders are based on the tax position of the Scheme as it exists under current law. Any change to law in the future could adversely affect the performance of the Scheme or the tax consequences for unit holders.**

**Past performance is not necessarily a guide to future performance. Investors may not get back the amount originally invested.**

**Exchange rate changes may cause the value of overseas investments to rise or fall.**

**Approved derivatives transactions are for the purpose of both hedging and meeting the investment objectives of the Scheme. It is, therefore, anticipated that the outcome of the use of derivatives would be principally to hedge against currency risks. Movements in currencies may, however, render such hedging ineffective.**

**If derivatives are used for investment purposes, the net asset value of the Sub-Fund may in consequence be highly volatile at times. This would also be the case, if the Sub-Fund used Warrants as described below. However, it is the Manager's intention that the Sub-Funds, owing to their portfolio composition or the portfolio management techniques used, will not have volatility over and above the general market volatility of the markets of its underlying investments.**

**The Scheme may invest in warrants. A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the original issuer of the underlying securities. A relatively small movement in the price of the underlying security results in a disproportionately large movement,**

**unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be highly volatile.**

### **31. RISK MANAGEMENT PROCESS**

The Manager uses a risk management process (including a risk management policy) in accordance with COLL 6.12, as reviewed by the Trustee and filed with the FCA, enabling it to monitor and measure at any time the risk of the Scheme's positions and their contribution to the overall risk profile of the Scheme.

The following details of the risk management process must be regularly notified to the FCA, and at least on an annual basis:

- a) a true and fair view of the types of derivatives and forward transactions to be used within the Scheme together with their underlying risks and any relevant quantitative limits;
- b) the methods for estimating risks in derivative and forward transactions.

The Manager must access, monitor and periodically review:

- a) the adequacy and effectiveness of the risk management policy and of the arrangements, processes and techniques referred to in COLL 6.12.5 R;
- b) the level of compliance by the Manager with the risk management policy and with those arrangements, processes and techniques referred to in COLL 6.12.5 R; and
- c) the adequacy and effectiveness of measures taken to address any deficiencies in the performance of the risk management process.

The Manager must notify the FCA of any material changes to the risk management process.

## APPENDIX 1

### Historical Performance Figures

The below comparisons are representative of **Accumulation** and **Income Units**, for performance over a five year period for each Sub-Fund. The performance table shows the total annual return up to 31 December in each year listed.

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

#### **A Sub-Fund**

<b>Unit Class</b>	<b>2017</b> (%)	<b>2018</b> (%)	<b>2019</b> (%)	<b>2020</b> (%)	<b>2021</b> (%)
<b>Accumulation</b>	7.12	-3.93	9.37	7.03	8.71
<b>Income</b>	7.12	-3.92	9.44	7.01	8.74

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

#### **B Sub-Fund**

<b>Unit Class</b>	<b>2017</b> (%)	<b>2018</b> (%)	<b>2019</b> (%)	<b>2020</b> (%)	<b>2021</b> (%)
<b>Accumulation</b>	3.98	-3.99	7.73	2.93	7.57
<b>Income</b>	5.59	-3.01	8.97	3.88	8.38

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

These performance figures are presented as a matter of record and should be regarded as such.

Performance is determined by many factors including the general direction and volatility of markets and may not be repeatable.

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

## APPENDIX 2

### LIST OF SUB-CUSTODIANS

As appropriate in line with the Eligible Markets

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

<b>CD's - USD</b>	The Northern Trust Company, Canada	Not applicable
<b>Canada</b>	Royal Bank of Canada	Not applicable
<b>Chile</b>	Citibank N.A.	Banco de Chile
<b>China A Share</b>	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank (China) Company Limited
<b>China A Share</b>	Bank of Communications Co., Ltd	Not applicable
<b>China A Share</b>	China Construction Bank Corporation	Not applicable
<b>China A Share</b>	Deutsche Bank (China) Co., Ltd, Shanghai Branch	Not applicable
<b>China A Share</b>	Industrial and Commercial Bank of China Limited	Not applicable
<b>China A Share</b>	Standard Chartered Bank (China) Limited	Not applicable
<b>China B Share</b>	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank (China) Company Limited
<b>China B Share</b>	Citibank N.A., Hong Kong Branch	Not applicable
<b>Clearstream</b>	Clearstream Banking S.A.,	Not applicable
<b>Colombia</b>	Cititrust Columbia S.A. Sociedad Fiduciaria	Not applicable
<b>Costa Rica</b>	Banco Nacional de Costa Rica	Not applicable
<b>Croatia</b>	UniCredit Bank Austria AG	Zagrebacka Banka d.d.
<b>Cyprus</b>	Citibank Europe PLC	Not applicable

<b>Czech Republic</b>	UniCredit Bank Czech Republic and Slovenia, a.s.	Not applicable
<b>Denmark</b>	Skandinaviska Enskilda Banken AB (publ)	Not applicable
<b>Egypt</b>	Citibank N.A., Cairo Branch	Not applicable
<b>Egypt</b>	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Egypt SAE
<b>Estonia</b>	Swedbank AS	Not applicable
<b>Finland</b>	Skandinaviska Enskilda Banken AB (publ)	Not applicable
<b>France</b>	The Northern Trust Company	Not applicable
<b>Germany</b>	The Northern Trust Company	Not applicable
<b>Ghana</b>	Standard Chartered Bank Ghana Limited	Not applicable
<b>Greece</b>	Citibank Europe PLC	Not applicable
<b>Hong Kong</b>	The Hongkong and Shanghai Banking Corporation Limited	Not applicable
<b>Hong Kong (Stock and Bond Connect)</b>	The Hongkong and Shanghai Banking Corporation Limited	Not applicable
<b>Hungary</b>	UniCredit Bank Hungary Zrt.	Not applicable
<b>Iceland</b>	Landsbankinn hf	Not applicable
<b>India</b>	Citibank N.A.	Not applicable
<b>India</b>	The Hongkong and Shanghai Banking Corporation Limited	Not applicable

<b>Indonesia</b>	Standard Chartered Bank	Not applicable
<b>Ireland</b>	The Northern Trust Company, London	Not applicable
<b>Israel</b>	Citibank, N.A., Israel Branch	Not applicable
<b>Italy</b>	Citibank Europe plc	Not applicable
<b>Japan</b>	The Hongkong and Shanghai Banking Corporation Limited	Not applicable
<b>Jordan</b>	Standard Chartered Bank	Not applicable
<b>Kazakhstan</b>	Citibank Kazakhstan JSC	Not applicable
<b>Kenya</b>	Standard Chartered Bank Kenya Limited	Not applicable
<b>Kuwait</b>	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited
<b>Latvia</b>	Swedbank AS	Not applicable
<b>Lithuania</b>	AB SEB bankas	Not applicable
<b>Luxembourg</b>	Euroclear Bank S.A./N.V.	Not applicable
<b>Malaysia</b>	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Malaysia Berhad
<b>Mauritius</b>	The Hongkong and Shanghai Banking Corporation Limited	Not applicable
<b>Mexico</b>	Banco Nacional de Mexico S.A. integrante del Grupo Financiero Banamex	Not applicable
<b>Morocco</b>	Société Générale Marocaine de Banques	Not applicable

<b>Namibia</b>	Standard Bank Namibia Ltd	Not applicable
<b>Netherlands</b>	The Northern Trust Company	Not applicable
<b>New Zealand</b>	The Hongkong and Shanghai Banking Corporation Limited	Not applicable
<b>Nigeria</b>	Stanbic IBTC Bank Plc	Not applicable
<b>Norway</b>	Skandinaviska Enskilda Banken AB (publ)	Not applicable
<b>Oman</b>	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Oman S.A.O.G
<b>Pakistan</b>	Citibank N.A., Karachi Branch	Not applicable
<b>Panama</b>	Citibank N.A., Panama Branch	Not applicable
<b>Peru</b>	Citibank del Peru S.A.	Not applicable
<b>Philippines</b>	The Hongkong and Shanghai Banking Corporation Limited	Not applicable
<b>Poland</b>	Bank Polska Kasa Opieki Spółka Akcyjna	Not applicable
<b>Portugal</b>	BNP Paribas Securities Services	Not applicable
<b>Qatar</b>	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited
<b>Romania</b>	Citibank Europe PLC	Not applicable
<b>Russia</b>	AO Citibank	Not applicable
<b>Saudi Arabia</b>	The Northern Trust Company of Saudi Arabia	Not applicable



<b>Saudi Arabia</b>	The Hongkong and Shanghai Banking Corporation Limited	HSBC Saudi Arabia
<b>Serbia</b>	UniCredit Bank Austria A.G.	UniCredit Bank Serbia JSC
<b>Singapore</b>	The Hongkong and Shanghai Banking Corporation Limited	Not applicable
<b>Slovakia</b>	Citibank Europe PLC	Not applicable
<b>Slovenia</b>	UniCredit Banka Slovenija d.d.	Not applicable
<b>South Africa</b>	The Standard Bank of South Africa Limited	Not applicable
<b>South Korea</b>	The Hongkong and Shanghai Banking Corporation Limited	Not applicable
<b>Spain</b>	Citibank Europe plc	Not applicable
<b>Sri Lanka</b>	Standard Chartered Bank	Not applicable
<b>Sweden</b>	Skandinaviska Enskilda Banken AB (publ)	Not applicable
<b>Switzerland</b>	Credit Suisse (Switzerland) Ltd	Not applicable
<b>Taiwan</b>	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank (Taiwan) Limited
<b>Taiwan</b>	Citibank Taiwan Limited	Not applicable
<b>Taiwan</b>	JPMorgan Chase Bank N.A.	Not applicable
<b>Tanzania</b>	Standard Chartered Bank (Mauritius) Limited	Standard Chartered Bank Tanzania Limited
<b>Thailand</b>	Citibank N.A., Bangkok Branch	Not applicable

<b>Tunisia</b>	Union Internationale de Banques	Not applicable
<b>Turkey</b>	Citibank A.S.	Not applicable
<b>Uganda</b>	Standard Chartered Bank Uganda Limited	Not applicable
<b>Ukraine (Market Suspended)</b>	JSC "Citibank"	Not applicable
<b>United Arab Emirates (ADX)</b>	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited (DIFC) Branch
<b>United Arab Emirates (DFM)</b>	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited (DIFC) Branch
<b>United Arab Emirates (NASDAQ)</b>	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited (DIFC) Branch
<b>United Arab Emirates</b>	First Abu Dhabi Bank PJSC	Not applicable
<b>United Kingdom</b>	Euroclear UK and Ireland Limited (Northern Trust self-custody)	Not applicable
<b>United States</b>	The Northern Trust Company	Not applicable
<b>Uruguay</b>	Banco Itau Uruguay S.A.	Not applicable
<b>Vietnam</b>	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank (Vietnam) Ltd
<b>Vietman</b>	Citibank N.A., Hanoi Branch	Not applicable
<b>West Africa (UEMOA)</b>	Standard Chartered Bank (Mauritius) Limited	Standard Chartered Bank Cote d'Ivoire SA
<b>Zambia</b>	Standard Chartered Bank Zambia PLC	Not applicable
<b>Zimbabwe</b>	Standard Chartered Bank (Mauritius) Limited	Standard Chartered Bank Zambia Limited



### APPENDIX 3

#### Other Regulated Collective Investment Schemes under management

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

Abaco Fund ICVC  
Arch House Fund  
Ariel Fund  
Bryth ICVC  
CP Investment Funds  
Destiny Fund ICVC  
Harroway Capital ICVC  
Hawarwatza Fund  
Libero Portfolio Fund  
Lime Grove Fund  
Meadowgate Funds  
Scarp Fund  
Skiwi Fund  
The Ambrose Fund  
The Astral Fund  
The Capital Link Growth Fund  
The Contact Fund  
The Diversification Fund ICVC  
The Dunnottar Fund  
The Global Balanced Strategy Fund  
The Global Multi Asset Fund  
The Gulland Fund  
The Hector Fund  
The Juniper Fund  
The Lockerley Fund  
The Mazener Fund  
The Motim Fund  
The Northern Funds  
The Oenoke Fund  
The Ord Fund ICVC  
The Overstone Fund  
The Penare Fund  
The Saint Martins Fund  
The Staderas Fund  
The Stratford Fund  
The Sun Portfolio Fund  
The TBL Fund  
The TM Lancewood Fund  
The TM Mitcham Fund  
The Vinings Fund  
The Wharton Fund  
Thesis JDS Fund

##### **Authorised Unit Trusts**

BPM Trust  
Eden Investment Fund  
Elfynn International Trust  
Glenhuntley Portfolio Trust  
Hawthorn Portfolio Trust  
KES Diversified Trust  
KES Equity Fund  
KES Growth Fund  
KES Income and Growth Fund  
KES Strategic Investment Fund  
Latour Growth Fund  
Lavaud Fund  
Mossylea Fund  
Pippin Return Fund  
The Darin Fund  
The Delta Growth Fund  
The Deribee Funds  
The Eldon Fund  
The Hall Fund  
The HoundStar Fund  
The Iceberg Trust  
The Maiden Fund  
The Norfolk Trust  
The Notts Trust  
The Palfrey Fund  
The TM Stockwell Fund  
The White Hill Fund  
Thesis Lion Growth Fund  
Thesis PM A Fund  
Thesis PM B Fund  
Thesis Thameside Managed Fund  
The TUTMAN B&CE Contracted-out Pension Scheme  
TM Balanced Fund  
TM Chainpoint Fund  
TM Growth Fund  
TM Hearthstone UK Residential Feeder Fund  
TM Managed Fund  
TM Masonic Charitable Foundation Investment Fund  
TM New Court Fund  
TM New Court Equity Growth Fund

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

#### **APPENDIX 4**

## Eligible markets

The Scheme may deal on the securities and derivatives markets listed below.

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

- a) a regulated market (as defined in the FCA Glossary);
- b) an established market in the UK or an EEA State which is regulated, operates regularly and is open to the public;
- c) a market which the Manager, after consultation with the Trustee, determines is appropriate for the purpose of investment of, or dealing in, the property of the Scheme. In accordance with the relevant criteria in COLL 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 Scheme is currently permitted to deal.

### **Eligible Securities Markets**

Australia:	ASX Group
Austria:	Vienna Stock Exchange
Bermuda:	Bermuda Stock Exchange
Canada:	Toronto Stock Exchange TSX Venture Exchange Montreal Exchange
China:	Shanghai Stock Exchange Shenzhen Stock Exchange
Denmark:	NASDAQ Nordic
Europe:	those markets established in a member state on which transferable securities admitted to official listing in a member state are dealt in or traded
Finland:	NASDAQ Nordic
Hong Kong:	Hong Kong Stock Exchange
Indonesia:	Indonesia Stock Exchange
Ireland:	Irish Stock Exchange
Japan:	Nagoya Stock Exchange Osaka Securities Exchange Tokyo Stock Exchange JASDAQ Securities Exchange
Korea:	Korea Composite Stock Price Index
Malaysia:	Bursa Malaysia Securities Bhd
Mexico:	Mexican Stock Exchange

New Zealand:	New Zealand Stock Exchange
Norway:	Oslo Bors
Philippines:	Philippines Stock Exchange
Singapore:	Singapore Exchange
South Africa:	JSE Limited
Spain:	Spanish Exchanges BME
Sweden:	NASDAQ Nordic
Switzerland:	SIX Swiss Exchange AG
Taiwan:	Taiwan Stock Exchange
Thailand:	Stock Exchange of Thailand
United Kingdom:	London Securities & Derivatives Exchange Ltd (OMLX)
USA:	

- 1) NASDAQ (the electronic inter-dealer quotation system of America operated by the National Association of Securities Dealers Inc)
- 2) Any exchange registered with the Securities and Exchange Commission as a national stock exchange, including NYSE Euronext, and the stock exchanges of Chicago, NYSE Arca Equities and NASDAQ OMX PHIL
- 3) The market in transferable securities issued by or on behalf of the Government of the United States of America conducted through persons for the time being recognised and supervised by the Federal Reserve Bank of New York and known as primary dealer
- 4) The Over-the-Counter Market regulated by the National Association of Securities Dealers Inc

### **Eligible Derivatives Markets**

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

- a) a regulated market (as defined in the FCA Glossary);
- b) an established market in the UK or an EEA State which is regulated, operates regularly and is open to the public;
- c) a market which the Manager, after consultation with the Trustee, determines is appropriate for the purpose of investment of, or dealing in, the property of the Scheme. In accordance with the relevant criteria in COLL 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 Scheme is currently permitted to deal.

Italy:	Equities Derivatives Market (IDEM) and Futures Market for Government Securities (MIF)
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New Zealand:	New Zealand Futures and Options Exchange
Spain:	Spanish Exchanges BME
South Africa:	South African Futures Exchange
United Kingdom:	London International Financial Futures and Options Exchange (LIFFE)
USA:	Chicago Board Options Exchange and NASDAQ OMX Futures



## APPENDIX 5

### Directory of Contact Details

<b>Manager</b>	<b>Thesis Unit Trust Management Limited</b> Exchange Building St John's Street Chichester, West Sussex PO19 1UP
<b>Administrator and Registrar and Fund Accountant</b>	<b>Northern Trust Global Services SE, UK branch</b> 50 Bank Street Canary Wharf, London E14 5NT
<i>Dealing Office</i>	<b>Thesis Unit Trust Management Limited</b> Sunderland SR43 4AZ  Telephone number: 0333 300 0375
<b>Auditors</b>	<b>KPMG LLP</b> 15 Canada Square Canary Wharf, London E14 5GL
<b>Custodian</b> <i>Principal place of business:</i>	<b>The Northern Trust Company</b> 50 South LaSalle Street, Chicago, Illinois, USA
<i>Who may also act under this power through its London branch:</i>	50 Bank Street, Canary Wharf, London E14 5NT
<b>Trustee</b> <i>The Trustee's office that handles matters relating to the Scheme:</i>	<b>NatWest Trustee and Depositary Services Limited</b> House A, Floor 0 Gogarburn 175 Glasgow Road Edinburgh EH12 1HQ
<b>Investment Manager</b>	<b>Thesis Asset Management Limited</b> Exchange Building St John's Street Chichester, West Sussex PO19 1UP <a href="http://www.thesisam.com">www.thesisam.com</a>
<b>Financial Conduct Authority (FCA)</b>	12 Endeavour Square, London E20 1JN