

ADDENDUM TO RISK MANAGEMENT PROCESS

for

CF ZENITH INTERNATIONAL MANAGED FUND

As at 24th APRIL 2008

1. Purpose of this Document:

Capita maintains a Risk Management Policy Document which sets out for the Capita funds the types of derivative instruments being used, the underlying risks, the quantitative limits and the methods which are chosen in order to estimate the risks associated with transactions in derivative instruments regarding each managed Non-UCITS Retail Scheme.

The purpose of this Addendum is to provide further specific detail in respect of the use of derivatives by the CF Zenith International Managed Fund. This document will be updated in the event of a significant change in the investment strategy or techniques of the trust.

2. Summary of the investment profile

Fund	Governing Regulation	EPM* or Investment Purposes	Sophisticated or Non-sophisticated Derivatives Usage
CF Zenith International Managed Fund	COLL Non-UCITS Retail Scheme	EPM	Non-sophisticated

* EPM = Efficient Portfolio Management – see section 4.

3. Prospectus

Investment Objective & Policy:

CF Zenith International Managed Fund

The investment objective of the Trust is to seek capital growth with a modest level of income through diversified investment in other schemes. There will be no particular emphasis on any geographical area, industrial or economic sector. The Trust may also invest in transferable securities, money market instruments, cash and near cash, deposits, derivatives and forward transactions, immovable property and gold.

Derivatives Usage:

The Investment Manager may employ derivatives in the pursuit of the investment objective but solely for the purposes of hedging with the aim of reducing the risk profile of the Trust in accordance with Efficient Portfolio Management.

Following not less than 60 days' notice to Unitholders, the Investment Manager may also employ derivatives and forward transactions in the pursuit of the investment objectives as stated in this Prospectus and in accordance with its risk management policy. Should the Manager and the Investment Manager decide to invest in derivatives and forward transactions for investment purposes, the net asset value of the Trust may at times be highly volatile (in the absence of compensating investment techniques). However, it is the Investment Manager's intention that the Trust, owing to its portfolio composition, or the portfolio management techniques used, will not have volatility over and above the general market volatility of the markets of their underlying investments.

4. Efficient Portfolio Management

"Efficient portfolio management" is interpreted as a reference to techniques and instruments which fulfil the following criteria:

- (a) they are economically appropriate in that they are realised in a cost-effective way;
- (b) they are entered into for one or more of the following specific aims:
 - i. reduction of risk;
 - ii. reduction of cost;
 - iii. generation of additional capital or income for the UCITS with a level of risk which is consistent with the risk profile of the UCITS and the risk-diversification rules laid down in Article 22 of Directive 85/611/EEC;
- (c) their risks are adequately captured by the risk management process of the UCITS.

Derivative Instruments:

The types of derivative instruments which the trust may from time to time seek to use would include forwards, futures, options and swaps (contract for differences). These may be OTC or exchange-traded.

Derivative Strategies

A non-exclusive set of examples of the types of "hedging" derivative strategies which the trust may from time to time seek to utilise would include:

- **Reduction of Risk:** The fund has a long exposure to the leading UK equities sector and the fund manager wishes to reduce that exposure in the short term. The Manager could reduce this exposure by, for example, purchasing a put option on individual stocks or on the whole FTSE 100 index. Alternatively a short futures contract could be used to reduce this exposure.
- **Reduction of Risk:** A variation on the above may be to enter into a swap transaction which effectively swaps the performance of a basket or index which reflects the current exposure on the portfolio in return for exposure to

another preferred sector or region. E.g. swap the performance of the FTSE 100 index for that of the U.S. S&P 500

- Reduction of cost: A new client contributes a substantial sum to the fund, such that liquidity is raised significantly. The fund manager does not want to have a significant uninvested amount within the portfolio. The manager therefore buys an index future to gain immediate market exposure, but unwinds the futures position broadly in line with building a physical position. This enables the fund to gain market exposure at current prices rather than at potentially increased costs at the point of physical investment.
- Generation of Additional Income: The fund currently holds XYZ stock which is priced at 150 pence. The Manager does not feel that the stock price will increase above 160 pence. He may therefore “write” (sell) a call option allowing the purchase to exercise the option to buy XYZ stock from the fund at 160. The purchase would do so should the value of the XYZ stock rise above 160 pence. The fund earns premium income from the sale of the call option, but at the same time forfeits the potential for any profit above the 160 pence mark.

5. Summary of Allowable Instruments & Techniques Permitted by the Regulations & Prospectus

INVESTMENTS & STRATEGIES	
Transferable securities:	
• Equity and Bonds	Yes
• Structured Products	Yes
• Closed-end Funds	Yes
Money Market Instrument	Yes
Collective investment schemes - UCITS	Yes
Collective investment schemes – Non-UCITS Retail Schemes – refer Note Below	Yes
Warrants	Yes
Deposits	Yes
Cash	Yes
Gold	Yes

Borrowing	Yes
Derivatives:	
• Exchange Traded	Yes
• OTC	Yes
• Futures	Yes
• Options	Yes
• CFDs / Swaps	Yes
• Forwards	Yes
• Efficient Portfolio Management	Yes
• Investment Purposes	No
Stock Lending	Yes
Stock Borrowing	No

Note: The fund can invest in Non-UCITS Retail Schemes that can have wider investment and borrowing powers than UCITS schemes with higher investment limits in various areas. They can also invest to a greater extent in areas such as property and unregulated schemes and have the option to borrow on a permanent basis. Such additional powers can increase potential reward, but may also increase risk