

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

Capita Financial Managers Limited, the authorised corporate director of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by the Collective Investment Schemes Sourcebook to be included in it. Capita Financial Managers Limited accepts responsibility accordingly.

**PROSPECTUS**

**OF**

**CF ZENITH ST ANDREWS FUND<sup>1</sup>**

**(An open-ended investment company  
incorporated with limited liability and  
registered in England and Wales  
under registered number IC 000493)**

This document constitutes the Prospectus for CF Zenith St Andrews Fund which has been prepared in accordance with the Collective Investment Schemes Sourcebook.

This Prospectus is dated, and is valid as at, 7 November 2009.

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

**VCN 777**

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<sup>1</sup>

On 7 November 2009 the name of the Company was changed from CF St Andrews Asset Managers Investment Funds to CF Zenith St Andrews Fund.

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No person has been authorised by the Company to give any information or to make any representations in connection with the offering of Shares other than those contained in the Prospectus and, if given or made, such information or representations must not be relied on as having been made by the Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

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

The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended. They may not be offered or sold in the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia or offered or sold to US Persons. The Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The ACD has not been registered under the United States Investment Advisers Act of 1940.

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

The provisions of the Instrument of Incorporation are binding on each of the Shareholders a summary of which are included in this Prospectus and a copy of the Instrument of Incorporation is available on request.

This Prospectus has been issued for the purpose of section 21 of the Financial Services and Markets Act 2000 by Capita Financial Managers Limited.

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

This Prospectus is based on information, law and practice at the date hereof. The Company cannot be bound by an out of date prospectus when it has issued a new prospectus and investors should check with Capita Financial Managers Limited that this is the most recently published prospectus.

1. **DEFINITIONS**

<b>“ACD”</b>	Capita Financial Managers Limited, the authorised corporate director of the Company
<b>“ACD Agreement”</b>	An agreement between the Company and the ACD
<b>“Approved Bank”</b>	(in relation to a bank account opened by the Company):  (a) if the account is opened at a branch in the United Kingdom:  (i) the Bank of England; or  (ii) the central bank of a member state of the OECD; or  (iii) a bank; or  (iv) a building society; or  (v) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or  (b) if the account is opened elsewhere:  (i) a bank in (a); or  (ii) a credit institution established in an EEA State other than in the United Kingdom and duly authorised by the relevant Home State Regulator; or  (iii) a bank which is regulated in the Isle of Man or the Channel Islands; or  (iv) a bank supervised by the South African Reserve Bank
<b>“Auditor”</b>	KPMG, or such other entity as is appointed to act as auditor to the Company from time to time

<b>“business day”</b>	a day on which the London Stock Exchange is open. If the London Stock Exchange is closed as a result of a holiday or for any other reason, or there is a holiday elsewhere or other reason which impedes the calculation of the fair market value of the Company’s portfolio of securities or a significant portion thereof, the ACD may decide that any business day shall not be construed as such
<b>“Class” or “Classes”</b>	in relation to Shares, means (according to the context) all of the Shares related to the Company or a particular class or classes of Share related to the Company
<b>“COLL”</b>	refers to the appropriate chapter or rule in the COLL Sourcebook
<b>“the COLL Sourcebook”</b>	the Collective Investment Schemes Sourcebook issued by the FSA as amended from time to time
<b>“Company”</b>	CF Zenith St Andrews Fund
<b>“Dealing Day”</b>	Monday to Friday where these days are business days
<b>“Depositary”</b>	BNY Mellon Trust & Depositary (UK) Limited, or such other entity as is appointed to act as Depositary
<b>“Director” or “Directors”</b>	the directors of the Company from time to time (including the ACD)
<b>“EEA State”</b>	a member state of the European Union and any other state which is within the European Economic Area
<b>“Efficient Portfolio Management” or “EPM”</b>	for the purposes of this Prospectus, an investment technique where derivatives are used for one or more of the following purposes: reduction of risk, reduction of cost or generation of additional income with an acceptably low level of risk, as more fully described in Appendix III

<b>“Eligible Institution”</b>	one of certain eligible institutions as defined in the glossary of definitions to the FSA Handbook
<b>“the FSA”</b>	the Financial Services Authority or any other regulatory body which may assume its regulatory responsibilities from time to time
<b>“the FSA Handbook”</b>	the FSA Handbook of Rules and Guidance, as amended from time to time
<b>“the FSA Register”</b>	<p>the public record, as required by section 347 of the Financial Services and Markets Act 2000 (The public record) of every:</p> <ul style="list-style-type: none"> <li>(a) authorised person;</li> <li>(b) AUT;</li> <li>(c) ICVC;</li> <li>(d) recognised scheme;</li> <li>(e) recognised investment exchange;</li> <li>(f) recognised clearing house;</li> <li>(g) individual to whom a prohibition order relates;</li> <li>(h) approved person; and</li> <li>(i) person within such other class (if any) as the FSA may determine; except as provided by any transitional provisions</li> </ul>

<b>“Home State”</b>	<p>(1) (in relation to a credit institution) the EEA State in which the credit institution has been authorised in accordance with the Banking Consolidation Directive</p> <p>(2) (in relation to an investment firm):</p> <p style="padding-left: 40px;">(a) where the investment firm is a natural person, the EEA State in which his head office is situated;</p> <p style="padding-left: 40px;">(b) where the investment firm is a legal person, the EEA State in which its registered office is situated or, if under its national law it has no registered office, the EEA State in which its head office is situated</p> <p>(3) (in relation to an insurer with an EEA right) the EEA State in which the registered office of the insurer is situated</p> <p>(4) (in relation to a market) the EEA State in which the registered office of the body which provides trading facilities is situated or, if under its national law it has no registered office, the EEA State in which that body’s head office is situated</p> <p>(5) (in relation to a Treaty firm) the EEA State in which its head office is situated, in accordance with paragraph 1 of Schedule 4 to the Act (Treaty rights)</p>
<b>“ICVC”</b>	investment company with variable capital
<b>“Instrument of Incorporation”</b>	the instrument of incorporation of the Company as amended from time to time
<b>“Investment Manager”</b>	Ashcourt Asset Management Limited, the investment manager to the ACD in respect of the Company
<b>“Non UCITS Retail scheme”</b>	a scheme which is not constituted in accordance with the UCITS Directive (a European Directive relating to undertakings for collective investment in transferable securities which has been adopted in the UK) but is available to retail investors

<b>“Net Asset Value” or “NAV”</b>	the value of the Scheme Property of the Company less the liabilities of the Company as calculated in accordance with the Instrument of Incorporation
<b>“OEIC Regulations”</b>	the Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time
<b>“Register”</b>	the register of Shareholders of the Company
<b>“Registrar”</b>	Capita Financial Administrators Limited or such other entity as is appointed to act as Registrar to the Company from time to time
<b>“Regulated Activities Order”</b>	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)
<b>“Regulations”</b>	the OEIC Regulations and the FSA Handbook (including the COLL Sourcebook)
<b>“Scheme Property”</b>	the scheme property of the Company required under the COLL Sourcebook to be given for safekeeping to the Depositary
<b>“SDRT”</b>	stamp duty reserve tax
<b>“Share” or “Shares”</b>	a share or shares in the Company (including larger denomination shares, and smaller denomination shares equivalent to one thousandth of a larger denomination share)
<b>“Shareholder”</b>	a holder of registered Shares in the Company
<b>“Switch”</b>	the exchange where permissible of Shares of one Class for Shares of another Class

**“Valuation Point”**

the point, on a Dealing Day whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for the Company for the purpose of determining the price at which Shares of a Class may be issued, cancelled or redeemed. The current Valuation Point is 8.30 a.m. London time on each Dealing Day with the exception of Christmas Eve and New Year’s Eve or a bank holiday in England and Wales, or the last business day prior to those days annually where the valuation may be carried out at a time agreed in advance between the ACD and the Depositary

**“VAT”**

value added tax

## 2. DETAILS OF THE COMPANY

### 2.1 General information

#### 2.1.1 General

CF Zenith St Andrews Fund (formerly CF St Andrews Asset Managers Investment Funds) (the Company) is an investment company with variable capital incorporated in England and Wales under registered number IC000493 and authorised by the Financial Services Authority with effect from 21 December 2006. The Company has an unlimited duration.

Shareholders are not liable for the debts of the Company.

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

#### 2.1.2 Head Office

The head office of the Company is at 42-47 Ibex House, Minories, London, EC3N 1DX.

#### 2.1.3 Address for Service

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

#### 2.1.4 Base Currency

The base currency of the Company is Pounds Sterling.

#### 2.1.5 Share Capital

Maximum £100,000,000,000

Minimum £1

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

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

The Company is designed and managed to support longer-term investment and active trading is discouraged. Short-term or excessive

trading into and out of the Company may harm performance by disrupting portfolio management strategies and by increasing expenses. The ACD may at its discretion refuse to accept applications for, or switching of, Shares, especially where transactions are deemed disruptive, particularly from possible market timers or investors who, in its opinion, have a pattern of short-term or excessive trading or whose trading has been or may be disruptive to the Company. For these purposes, the ACD may consider an investor's trading history in the Company or other Capita Financial Managers Limited funds and accounts under common ownership or control.

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

### **2.2.1 The Company**

The Company is a stand alone open-ended investment company.

The Company is a non-UCITS retail scheme.

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

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

### **2.2.2 Shares**

#### **Classes of Share within the Company**

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

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

Further Classes of Share may be established from time to time by the ACD with the approval of the FSA, the agreement of the Depositary and in accordance with the Instrument of Incorporation. On the introduction

of any new Class, either a revised prospectus or a supplemental prospectus will be prepared, setting out the details of each Class.

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

The Company may issue Institutional Shares and Ordinary Shares. Each of these Shares may technically be available as both income and accumulation Shares. Further details of the Shares presently available, including details of their criteria for subscription and fee structure, are set out in Appendix I.

A Regular Savings Plan is available on certain Classes of Share. Details of which Share Classes, are set out in Appendix I.

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

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

The Instrument of Incorporation allows gross income and gross accumulation Shares to be issued, as well as net income and net accumulation Shares, but currently none are in issue. Net Shares are Shares in respect of which income allocated to them is distributed periodically to the relevant Shareholders (in the case of income Shares) or credited periodically to capital (in the case of accumulation Shares), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Company. Gross Shares are income or accumulation Shares where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Company. All references in this Prospectus are to net Shares unless otherwise stated.

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

Shareholders are entitled (subject to certain restrictions) to Switch all or part of their Shares in a Class for Shares of another Class of the

Company. Details of this switching facility and the restrictions are set out in paragraph 3.4 "Switching".

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

The dealing office of the ACD is normally open from 8.30 a.m. to 5.30 p.m. (London time) on each business day to receive postal requests for the purchase, sale and switching of Shares. The ACD may vary these times at its discretion. Requests to deal in Shares may also be made by telephone on each business day (at the ACD's discretion) between 8.30 a.m. and 5.30 p.m. (London time) directly to the office of the ACD (telephone: 0845 922 0044 or such other number as published from time to time). The initial purchase must, at the discretion of the ACD, be accompanied by an application form.

In addition, the ACD may from time to time make arrangements to allow Shares to be bought or sold on-line or through other communication media. At present, transfer of title by electronic communication is not accepted.

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

In its dealings in Shares of the Company the ACD is dealing as principal. The ACD does not actively seek to make a profit from dealing in Shares as principal but does so in order to facilitate the efficient management of the Company. The ACD is not accountable to Shareholders for any profit it makes from dealing in Shares as principal.

#### 3.1 **Money laundering**

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

#### 3.2 **Buying Shares**

##### 3.2.1 **Procedure**

Shares may be bought directly from the ACD or through a professional adviser or other intermediary. Any intermediary who recommends an investment in the Company to Shareholders may be entitled to receive commission from the ACD. An ongoing commission, based on the value of Shares held may also be paid to qualifying intermediaries. In

addition, the ACD may from time to time make arrangements to allow Shares to be bought through other communication media. For details of dealing charges see paragraph 3.5 below. Application forms may be obtained from the ACD.

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

Rates of exchange will be calculated at the time of subscription.

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

The ACD, at its discretion, has the right to cancel a purchase deal if settlement is materially overdue and any loss arising on such cancellation shall be the liability of the applicant. For postal applications payment in full must accompany the instruction. At the ACD's discretion, payment for large purchases of Shares may be made by telegraphic transfer.

A purchase of Shares in writing or by telephone or any other communication media made available is a legally binding contract. Applications to purchase, once made are, except in the case where cancellation rights are applied, irrevocable. However, subject to its obligations under the Regulations, the ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Any subscription monies remaining after a whole number of Shares have been issued will not be returned to the applicant. Instead, smaller denomination Shares will be issued. A smaller denomination Share is equivalent to one thousandth of a larger denomination Share.

Applicants who have received advice may have the right to cancel their application to buy Shares at any time during the 14 days after the date on which they receive a cancellation notice from the ACD. If an applicant (except for those investors who subscribe through the Regular Savings Plan) decides to cancel the contract, and the value of the investment has fallen at the time the ACD receives the completed cancellation notice, they will not receive a full refund as an amount equal to any fall in value will be deducted from the sum originally invested. Investors who invest through the Regular Savings Plan will be entitled to

cancel their first subscription only; if a Regular Saver decides to cancel their contract within 14 days after the date on which they receive the cancellation notice then they will receive back the full amount of their initial subscription. The ACD may extend cancellation rights to other investors but is under no obligation to do so.

### 3.2.2 **Documents the buyer will receive**

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

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

Settlement is due within 4 business days of the Valuation Point. An order for the purchase of Shares will only be deemed to have been accepted by the ACD once it is in receipt of cleared funds for the application. If settlement is not made within a reasonable period, then the ACD has the right to cancel any Shares issued in respect of the application.

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

### 3.2.3 **Regular Savings Plan**

The ACD may make available certain Classes of Shares through the Regular Savings Plan (details of current Classes of Shares available are shown in Appendix I). Further information on how to invest through the Regular Savings Plan is available from the ACD.

### 3.2.4 **Minimum subscriptions and holdings**

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

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

If following a redemption, Switch or transfer, a holding in any Class of Share should fall below the minimum holding for that Class, the ACD has the discretion to effect a redemption of that Shareholder's entire holding

in that Class of Share. The ACD may use this discretion at any time. Failure not to do so immediately after such redemption, Switch or transfer does not remove this right.

### 3.3 **Redeeming Shares**

#### 3.3.1 **Procedure**

Every Shareholder is entitled on any Dealing Day to redeem its Shares, which shall be purchased by the ACD dealing as principal.

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

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

For details of dealing charges see paragraph 3.5 below.

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

A confirmation giving details of the number and price of Shares redeemed will be sent to the redeeming Shareholder (or the first named Shareholder, in the case of joint Shareholders) together with (if sufficient written instructions have not already been given) a form of renunciation for completion and execution by the Shareholder (or, in the case of a joint holding, by all the joint Shareholders) no later than the end of the business day following the later of the request to redeem Shares or the Valuation Point by reference to which the price is determined.

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

Such payment will be made within four business days of the later of (a) receipt by the ACD of the form of renunciation (or other sufficient

written instructions) duly signed and completed by all the relevant Shareholders together with any other documentation and appropriate evidence of title, any required anti-money laundering related documentation, and (b) the Valuation Point following receipt by the ACD of the request to redeem.

### 3.3.3 **Minimum redemption**

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

### 3.3.4 **Deferred redemption**

The ACD may defer redemptions at a particular Valuation Point to the next Valuation Point where the requested redemptions exceed 10% of the Company's value. The ACD will ensure the consistent treatment of all holders who have sought to redeem shares at any Valuation Point at which redemptions are deferred. The ACD will pro-rata all such redemption requests to the stated level (i.e. 10% of the Company's value) and will defer the remainder until the next Valuation Point. The ACD will also ensure that all deals relating to an earlier Valuation Point are completed before those relating to a later Valuation Point are considered.

## 3.4 **Switching**

Subject to any restrictions on the eligibility of investors for a particular Share Class, a Shareholder may at any time Switch all or some of his Shares of one Class ("the Original Shares") for Shares of another Class ("the New Shares") in the Company. The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Point applicable at the time the Original Shares are redeemed and the New Shares are issued.

Telephone switching instructions may be given but Shareholders are required to provide written instructions to the ACD (which, in the case of joint Shareholders, must be signed by all the joint Shareholders) before switching is effected.

The ACD may at its discretion make a charge on the switching of Shares between Classes. Any such charge on switching does not constitute a separate charge payable by a Shareholder, but is rather the application of any redemption charge on the Original Shares and any initial charge on the New Shares, subject to certain waivers. For details of the charges on switching currently payable, please see paragraph 3.5.3 "Charges on Switching".

If a partial Switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Class concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares (and make a charge on switching on such conversion) or refuse to effect any Switch of the Original Shares. Save as otherwise specifically set out, the general provisions on procedures relating to redemption will apply equally to a Switch. Written instructions must be received by the ACD before the Valuation Point on a Dealing Day to be dealt with at the prices at the Valuation Point on that Dealing Day or at such other Valuation Point as the ACD at the request of the Shareholder giving the relevant instruction may agree. Switching requests received after a Valuation Point will be held over until the next day which is a Dealing Day.

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

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

### 3.5 Dealing Charges

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

#### 3.5.1 Initial charge

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

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

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

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

### 3.5.2 **Redemption Charge**

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

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

### 3.5.3 **Charges on Switching**

On the switching of Shares between Classes in the Company, the Instrument of Incorporation authorises the Company to impose a charge on switching. If a redemption charge is payable in respect of the Original Shares, this may become payable instead of, or as well as, the then prevailing initial charge for the New Shares. The charge on switching is payable by the Shareholder to the ACD.

There is currently no charge for switching Shares in one Class for Shares in another Class.

### 3.5.4 **Dilution Levy**

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

The need to charge a dilution levy will depend on the volume of sale and redemptions. The ACD may require a dilution levy on the sale and redemption of shares if, in its opinion, the existing shareholders (for sales) or remaining shareholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged in the following circumstances: where the scheme property is in continual decline; on "large deals"; to all subscriptions or redemptions of shares representing 5% of the Net Asset Value; in any case where the ACD is of the opinion that the interests of remaining shareholders require the imposition of a dilution levy. It is not possible to predict accurately whether dilution would occur at any point in time. If a dilution levy is

required then, based on future projections the estimated rate or amount of such a levy would be 0.5%.

The ACD has the discretion to introduce a dilution levy on the purchase or sale of shares.

The ACD may alter its current dilution policy in accordance with the procedure set out in the Regulations.

It is likely that a dilution levy will be applied to some purchases and most redemptions of deals representing 5% of the Net Asset Value.

### 3.5.5 **Stamp duty reserve tax (“SDRT”)**

SDRT is charged on the surrender of Shares to the Company and on certain transfers of Shares requiring reregistration, with the Company liable for the SDRT. The SDRT due is calculated at the rate of 0.5 percent of the market value of the Shares surrendered. This charge is subject to reduction to the extent that:

- (i) the number of Shares surrendered in the Company in the two week period in which the redemption occurs exceeds the number of Shares issued in that period; and
- (ii) the Company is invested in certain exempt investments in the two week period.

No SDRT arises in respect of pro rata in specie cancellations of a holder's Shares.

The current policy is that all SDRT costs will be paid out of the Company's Scheme Property and charged to capital. SDRT will not be recovered from Shareholders. However, the ACD reserves the right to require Shareholders to pay SDRT whenever it considers that the circumstances have arisen which make such imposition fair to all Shareholders or potential Shareholders. The ACD may impose an SDRT provision on large deals when no SDRT provision is imposed on smaller deals or which is larger than that imposed on smaller deals. A “large deal” is a transaction (or a series of transactions in one dealing period) by any person to buy, sell or exchange Shares of £15,000 or more. In the event there is a change in this policy the ACD will give prior notification of such change to Shareholders prior to it taking effect.

Since the date of authorisation of the Company to the date of this Prospectus the ACD has only recovered SDRT from Shareholders on dealings in the Shares of the Company in one instance.

Although it cannot be guaranteed, it is the opinion of the ACD that SDRT will rarely be recovered from Shareholders on the sale of Shares. This statement is based on the ACD's current policy for SDRT as detailed above. If imposed on a particular deal the maximum provision for SDRT shall always be equivalent to the current rate of SDRT.

SDRT at 0.5% is also payable on certain dealings in shares in ICVCs not requiring reregistration.

### 3.6 **Transfers**

Shareholders are entitled to transfer their Shares to another person or body. All transfers must be in writing in the form of an instrument of transfer approved by the ACD for this purpose. Completed instruments of transfer must be returned to the ACD in order for the transfer to be registered by the ACD. The ACD may refuse to register a transfer unless any provision for SDRT due has been paid.

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

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or which would result in the Company incurring any liability to taxation which the Company is not able to recoup itself or suffering any other adverse consequence. In this connection, the ACD may, inter alia, reject in its discretion any application for the purchase, redemption, transfer or switching of Shares.

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

- (a) are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- (b) would result in the Company incurring any liability to taxation which the Company would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
- (c) are held in any manner by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case;

the ACD may give notice to the Shareholder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or

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

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

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

### **3.8 Issue of Shares in exchange for in specie assets**

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

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

The ACD will not issue Shares in exchange for assets the holding of which would be inconsistent with the investment objective or policy of the Company.

### **3.9 In specie redemptions**

If a Shareholder requests the redemption of Shares the ACD may, where it considers that deal to be substantial in relation to the total size of a Sub-Fund or in some way detrimental to a Sub-Fund, arrange for scheme property having the appropriate value to be transferred to the Shareholder (an 'in specie transfer'), in place of payment for the Shares in cash. Before the redemption is effected, the ACD must give written notice to the Shareholder of the intention to make an in specie transfer, so that the Shareholder can require the net proceeds of redemption rather than the relevant property if the Shareholder so desires.

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

requesting the redemption than to the continuing Shareholders. For this purpose, the ACD may consider a deal to be substantial if the relevant Shares constitute 5% (or a lesser or higher percentage if considered appropriate) of those in issue in the relevant Sub-fund.

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

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

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

The ACD or the Depositary (as appropriate) will immediately inform the FSA of the suspension and the reasons for it and will follow this up as soon as practicable with written confirmation of the suspension and the reasons for it to the FSA and the regulator in each EEA state where the Company is offered for sale.

The ACD will notify Shareholders as soon as is practicable after the commencement of the suspension, including details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading way and giving Shareholders details of how to find further information about the suspensions.

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

During the suspension none of the obligations in COLL 6.2 (Dealing) will apply but the ACD will comply with as much of COLL 6.3 (Valuation and Pricing) during the period of suspension as is practicable in light of the suspension.

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the ACD and the Depositary will formally review the suspension at least every 28 days and will inform the FSA of the review and any change to the information given to Shareholders.

The ACD may agree during the suspension to deal in Shares in which case all deals accepted during and outstanding prior to the suspension will be undertaken at a price calculated at the first Valuation Point after the restart of dealings in Shares.

### **3.11 Governing law**

All deals in Shares are governed by the law of England and Wales.

## 4. VALUATION OF THE COMPANY

### 4.1 General

The price of a Share is calculated by reference to the Net Asset Value. The Net Asset Value per Share is currently calculated at 8.30 a.m. (London time) (this being the Valuation Point) on each Dealing Day.

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

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

A request for dealing in Shares must be received by the Valuation Point on a particular Dealing Day in order to be processed on that Dealing Day. A dealing request received after this time will be held over and processed on the next Dealing Day, using the Net Asset Value per Share calculated as at the Valuation Point on that next Dealing Day.

### 4.2 Calculation of the Net Asset Value

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

4.2.1 All the Scheme Property (including receivables) is to be included, subject to the following provisions.

4.2.2 Scheme Property which is not cash (or other assets dealt with in paragraph 4.2.2.4 below) or a contingent liability transaction shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:

4.2.2.1 Units or shares in a collective investment scheme:

(a) if a single price for buying and redeeming units or shares is quoted, at that price; or

- (b) if separate buying and redemption prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the redemption price has been increased by any exit or redemption charge attributable thereto; or
  - (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares, at a value which, in the opinion of the ACD, is fair and reasonable;
- 4.2.2.2 Any other transferable security:
  - (a) if a single price for buying and redeeming the security is quoted, at that price; or
  - (b) if separate buying and redemption prices are quoted, at the average of the two prices; or
  - (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the security, at a value which, in the opinion of the ACD, is fair and reasonable;
- 4.2.2.3 Scheme Property other than that described in paragraphs 4.2.2.1 and 4.2.2.2 above, at a value which, in the opinion of the ACD, is fair and reasonable;
- 4.2.2.4 Cash and amounts held in current and deposit accounts and in other time related deposits shall be valued at their nominal values.
- 4.2.3 Scheme Property which is a contingent liability transaction shall be treated as follows:
  - 4.2.3.1 if it is a written option (and the premium for writing the option has become part of the Scheme Property), deduct the amount of the net valuation of premium receivable. If the Scheme Property is an off exchange option the method of valuation shall be agreed between the ACD and the Depositary;

- 4.2.3.2 if it is an off exchange future, include it at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
- 4.2.3.3 if it is any other form of contingent liability transaction, include it at the net value of margin on closing out (whether as a positive or negative value). If the Scheme Property is an off exchange derivative, include it at a valuation method agreed between the ACD and the Depositary.
- 4.2.4 In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
- 4.2.5 Subject to paragraphs 4.2.6 and 4.2.7 below, agreements for the unconditional sale or purchase of Scheme Property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and if, in the opinion of the ACD, their omission will not materially affect the final net asset amount.
- 4.2.6 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 4.2.5.
- 4.2.7 All agreements are to be included under paragraph 4.2.5 which are, or ought reasonably to have been, known to the person valuing the Scheme Property.
- 4.2.8 Deduct an estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax, VAT, stamp duty, SDRT and any foreign taxes or duties.
- 4.2.9 Deduct an estimated amount for any liabilities payable out of the Scheme Property and any tax or duty thereon, treating periodic items as accruing from day to day.
- 4.2.10 Deduct the principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings.
- 4.2.11 Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
- 4.2.12 Add any other credits or amounts due to be paid into the Scheme Property.

4.2.13 Add a sum representing any interest or any income accrued due or deemed to have accrued but not received.

4.2.14 Currencies or values in currencies other than Sterling shall be converted at the relevant Valuation Point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

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

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

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

#### 4.4 **Pricing basis**

The ACD deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after the purchase or redemption is deemed to be accepted by the ACD. Shares in the Company are single priced.

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

The prices of all Shares are on the website of the Investment Management Association ("IMA"): [www.investmentuk.org](http://www.investmentuk.org). Prices of shares may also be obtained by calling 08459 220 044 during the ACD's normal business hours. As the ACD deals on a forward pricing basis, the price that appears in these sources will not necessarily be the same as the one at which investors can currently deal. The ACD may also, at its sole discretion, decide to publish certain Share prices in other third party websites or publications but the ACD does not accept responsibility for the accuracy of the prices published in, or for the non-publication of prices by, these sources for reasons beyond the control of the ACD.

## 5. **RISK FACTORS**

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

### 5.1 **General**

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

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

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

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

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

### 5.3 **Dilution and SDRT provision**

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

Certain investment transactions can result in the payment of stamp duty reserve tax ("SDRT"). When such payment results in the diminution in value of the Shares, an additional charge may be levied in addition to the price of the Shares when issued or deducted when sold.

### 5.4 **Charges to Capital**

Where the investment objective of the Company is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fee may be charged

against capital instead of against income. The treatment of the ACD's fee may increase the amount of income (which may be taxable) available for distribution to Shareholders in the Company concerned but may constrain capital growth.

#### **5.5 Suspension of Dealings in Shares**

Investors are reminded that in certain circumstances their right to redeem Shares (including a redemption by way of switching) may be suspended.

#### **5.6 Liabilities of the Company**

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

#### **5.7 Currency Exchange Rates**

Currency fluctuations may adversely affect the value of the Company's investments and the income thereon and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of his investment in Shares.

#### **5.8 Derivatives**

The Investment Manager may employ derivatives solely for the purposes of hedging with the aim of reducing the risk profile of the Company in accordance with Efficient Portfolio Management ("EPM").

To the extent that derivative instruments are utilised for hedging purposes, the risk of loss to the Company may be increased where the value of the derivative instrument and the value of the security or position which it is hedging are insufficiently correlated.

For more information in relation to investment in derivatives please see paragraph 10 in Appendix III.

#### **5.9 Counterparty Risk in over-the-counter markets**

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

gains on its investment during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. In such circumstances, investors may be unable to cover any losses incurred.

#### 5.10 **Interest Rate Risk**

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

#### 5.11 **Credit Rating Risk**

The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. High yield bonds with lower credit ratings (also known as sub-investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds. A sub-investment grade bond has a Standard & Poor's credit rating of below BBB or equivalent.

#### 5.12 **Counterparty and Settlement**

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

#### 5.13 **Liquidity Risk**

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

#### 5.14 **Custody**

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

## 6. MANAGEMENT AND ADMINISTRATION

### 6.1 Regulatory Status

The ACD, the Depositary and the Investment Manager are authorised and regulated by the Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS.

### 6.2 Authorised Corporate Director

#### 6.2.1 General

The ACD is Capita Financial Managers Limited which is a private company limited by shares incorporated in England and Wales on 21 November 1973.

The directors of the ACD are: -

C Addenbrooke

L Everitt

C Hayes

K Midl

J Millan

No director is engaged in any significant business activity not connected with the business of the ACD or other Capita Group Plc subsidiaries.

<b>Registered Office:</b>	17 Rochester Row, Westminster, London, SW1P 1QT.
<b>Principal Place of Business</b>	Ibex House, 42-47 Minories, London EC3N 1DX
<b>Share Capital:</b>	It has a share capital of £125,000 issued and paid up.
<b>Ultimate Holding Company:</b>	The Capita Group Plc, a company incorporated in England and Wales and listed on the London Stock Exchange.

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

It has therefore delegated to the Investment Manager the function of managing and acting as the investment adviser for the investment and reinvestment of the assets of the Company (as further explained in

paragraph 6.4 below). It has also delegated to the Registrar certain functions relating to the register (as further explained in paragraph 6.5 below).

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

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

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

The ACD Agreement may be terminated by either party after the expiry of two years from the date of incorporation of the Company on not less than three months' written notice or earlier upon the happening of certain specified events. The ACD Agreement contains detailed provisions relating to the responsibilities of the ACD and excludes it from any liability to the Company or any Shareholder for any act or omission except in the case of negligence, wilful default, breach of duty or breach of trust in relation to the Company on its part. The ACD Agreement provides indemnities to the ACD to the extent allowed by the Regulations and other than for matters arising by reason of its negligence, wilful default, breach of duty or breach of trust in the performance of its duties and obligations. Subject to certain limited exceptions set out in the Regulations, the ACD may retain the services of any person to assist it in the performance of its functions.

Details of the fees payable to the ACD are set out in paragraph 7.2 "Charges payable to the ACD" below.

The ACD receives payments on an annual basis from The Bank of New York Mellon in return for having appointed The Bank of New York Mellon as the preferred supplier of services to the funds operated by the ACD. The ACD is not obliged to account to the Company or to the Shareholders for these payments.

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

The Company has no directors other than the ACD. The ACD is the manager of certain authorised unit trusts and open-ended investment companies details of which are set out in Appendix IV.

### 6.3 The Depositary

#### 6.3.1 General

The Depositary of the Company is BNY Mellon Trust & Depositary (UK) Limited (registered no. 3588038), a private company limited by shares incorporated in England and Wales on 25 June 1998. Its ultimate holding company is The Bank of New York Mellon, incorporated in New York. Its registered office is at The Bank of New York Mellon Centre, 160 Queen Victoria Street, London, EC4V 4LA. The principal business activity of the Depositary is acting as a trustee and depositary. It is authorised and regulated by the Financial Services Authority.

The Depositary is responsible for the safekeeping of all the Scheme Property (other than tangible moveable property) of the Company and has a duty to take reasonable care to ensure that the Company is managed in accordance with the Instrument of Incorporation and the provisions of the COLL Sourcebook relating to the pricing of, and dealing in, Shares and relating to the income and the investment and borrowing powers of the Company.

#### 6.3.2 Terms of Appointment:

The appointment of the Depositary has been made under an agreement between the Company, the ACD and the Depositary, (the "Depositary Agreement").

Subject to the COLL Sourcebook, the Depositary has full power under the Depositary Agreement to delegate (and authorise its delegate to sub-delegate) all or any part of its duties as depositary.

The terms of the Depositary Agreement between the Company, the ACD and the Depositary provide that the Depositary be engaged to maintain the safe custody of the Scheme Property and to fulfil other duties required in the Regulations. Under the Agreement the Depositary has the power to appoint sub-Custodians and may include in such appointment powers of sub-delegation. The Depositary has delegated custody to The Bank of New York Mellon under a custody agreement dated 26 February 1999.

The Depositary 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 from its negligence, fraud or wilful default.

The Depositary Agreement provides indemnities to the Depositary to the extent allowed by the Regulations and except in respect of its failure to exercise due care and diligence or in the event of its negligence, fraud or wilful default.

The Depositary is entitled to receive remuneration out of the Scheme Property for its services, as explained in paragraph 7.3 "Depositary's fee and expenses" below. The Depositary is under no obligation to account to the ACD, the Company or the Shareholders for any profits or benefits it makes or receives that are made or derived from or in connection with its role as depositary.

## **6.4 The Investment Manager**

### **6.4.1 General**

The ACD has appointed the Investment Manager, Ashcourt Asset Management Limited, which is authorised and regulated by the Financial Services Authority, to provide investment management services to the ACD. The name of the Investment Manager changed from St Andrews Asset Managers to Ashcourt Asset Management Limited in September 2008. This is because on 1 September 2008 Ashcourt Asset Management Limited acquired the business of St Andrews Asset Managers, however in practice the investment management team remains the same.

The Investment Manager's registered office is at 11 Tower View, Kings Hill, West Malling, Kent, ME19 4UN.

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

### **6.4.2 Terms of Appointment**

The terms of the Investment Management Agreement between the ACD and the Investment Manager include the provision of investment management to attain the investment objective of the Company, the purchase and sale of investments and on the exercise of voting rights relating to such investments. The Investment Manager has authority to make decisions on behalf of the ACD on a discretionary basis in respect of day to day investment management of the Scheme Property including authority to place purchase orders and sale orders with regulated dealers and preparation of the Investment Manager's report half yearly for inclusion in the Company's Report for circulation to Shareholders. Subject to the agreement of the ACD, the Investment Manager may appoint Sub-Investment Advisers to discharge some or all of these duties. The Agreement may be terminated by either party on not less

than six months' written notice or earlier upon the happening of certain specified events.

The Investment Manager will receive a fee paid by the ACD out of its remuneration received each month from the Company as explained in paragraph 7.4 below and is also entitled to receive commission paid by the ACD in respect of investment in the Company by its clients.

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

## **6.5 The Registrar**

### **6.5.1 General**

On behalf of the Company the ACD has also appointed Capita Financial Administrators Limited to act as registrar to the Company.

The registered office of the Registrar is 17 Rochester Row, Westminster, London, SW1P 1QT.

The register is kept and maintained at 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT.

### **6.5.2 Register of Shareholders**

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

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

## **6.6 The Auditors**

The auditors of the Company are KPMG LLP, whose address is 1 The Embankment, Neville Street, Leeds, LS1 4DW.

## **6.7 Conflicts of Interest**

The ACD, the Investment Manager and other companies within Capita and/or the Investment Manager's group may, from time to time, act as investment managers or advisers to other funds or sub-funds which follow similar investment objectives to that of the Company. It is therefore possible that the ACD and/or the

Investment Manager may in the course of their business have potential conflicts of interest with the Company. Each of the ACD and the Investment Manager will, however, have regard in such event to its obligations under the ACD Agreement and the Investment Management Agreement respectively and, in particular, to its obligation to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise.

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

## 7. FEES AND EXPENSES

### 7.1 Ongoing

All costs, charges, fees or expenses, other than the charges made in connection with the subscription and redemption of Shares (see paragraph 3.5) payable by a Shareholder or out of Scheme Property are set out in this section.

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

- 7.1.1 broker's commission, fiscal charges (including stamp duty and/or stamp duty reserve tax) and other disbursements which are necessary to be incurred in effecting transactions for the Company and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- 7.1.2 fees and expenses in respect of establishing and maintaining the register of Shareholders, including any sub-registers kept for the purpose of the administration of (when applicable) Individual Savings Accounts, are payable quarterly out of the property of the Company;
- 7.1.3 any costs incurred in or about the listing of Shares in the Company on any Stock Exchange, and the creation, conversion and cancellation of Shares;
- 7.1.4 any costs incurred by the Company in publishing the price of the Shares in a national or other newspaper or any other form of media;
- 7.1.5 any costs incurred in producing and dispatching any payments made by the Company, or the yearly and half-yearly reports of the Company;
- 7.1.6 any fees, expenses or disbursements of any legal or other professional adviser of the Company;
- 7.1.7 any costs incurred in taking out and maintaining an insurance policy in relation to the Company and its directors;
- 7.1.8 any costs incurred in respect of meetings of Shareholders convened for any purpose;
- 7.1.9 any payment permitted by clause 6.7.15R of the COLL Sourcebook;
- 7.1.10 interest on borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;

- 7.1.11 taxation and duties payable in respect of the Scheme Property of the Company or the issue or redemption of Shares;
- 7.1.12 the audit fees of the Auditors (including VAT) and any expenses of the Auditors;
- 7.1.13 the fees of the FSA, in accordance with the FSA's Fee Manual, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which shares in the Company are or may be marketed;
- 7.1.14 any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
- 7.1.15 any costs incurred which are associated with independent risk monitoring or daily "value at risk" or "VaR" calculations (part of the risk monitoring process);
- 7.1.16 any costs incurred in preparing, translating, producing (including printing), distributing and modifying the instrument of incorporation, the prospectus, the simplified prospectus (apart from the costs of distributing the simplified prospectus) or reports, accounts, statements, contract notes and other like documentation or any other relevant document required under the Regulations;
- 7.1.17 any payments otherwise due by virtue of a change to the Regulations;
- 7.1.18 payments properly required for the maintenance, repair, refurbishment, management, preservation, protection or redevelopment of immovable property owned or leased by the Company;
- 7.1.19 costs (including survey costs, costs of obtaining environmental reports and marketing costs) incurred in buying or selling immovable property;
- 7.1.20 costs incurred in connection with: buying-in a leasehold interest, restructuring leasehold interests of the Company; project funding; payments to property consultants in respect of any immovable property;
- 7.1.21 costs incurred in connection with: letting, re-letting any leasehold interest; reviewing rents payable, renewing leases, action taken as a result of tenants' breach of covenant or eviction of squatters; issuing notices to tenants, work undertaken by property consultants; work undertaken by building surveyors and any legal advice taken or legal actions raised in relation to the Company or any property which is, has been or may become property of the Company;

- 7.1.22 insurance of immovable property (including environmental and public liability cover);
- 7.1.23 costs of insuring the Depositary against any liability which it may incur as a consequence of holding the property of a Company and which is not met by the insurance referred to in 7.1.22 and which is greater than the value of the Company;
- 7.1.24 costs incurred in administering insurance which relates to the Company, any property which is, has been or may become property of the Company or the insurance in 7.1.23 above and the costs and expenses involved in running and administering any claims, actions, proceedings or litigation which may be taken by or against the Company or Depositary;
- 7.1.25 the fees properly payable to the Valuer or any other valuer (including VAT) and any proper expenses of the Valuer or any other valuer; and
- 7.1.26 any value added or similar tax relating to any charge or expense set out herein.

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

Expenses are allocated between capital and income in accordance with the Regulations. However, the approach for the Company is set out in Appendix I. Where expenses are deducted in the first instance from income if and only if this is insufficient, deductions will be made from capital (save for any charge made in respect of SDRT under paragraph 3.5.5 "Stamp Duty Reserve Tax"). If deductions were made from capital, this would result in capital erosion and constrain growth.

## 7.2 **Charges payable to the ACD**

### 7.2.1 *Annual Management Charge*

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of the Company as set out in Appendix I. The annual management charge will accrue on a daily basis in arrears by reference to the Net Asset Value of the Company on the immediately preceding Dealing Day and the amount due for each month is payable on the last Dealing Day of each month. The current annual management charges for the Company (expressed as a percentage per annum of the Net Asset Value of the Company) are set out in Appendix I. Investors should note that subject to the Regulations the ACD's annual management charge may be taken entirely from capital which may constrain capital growth.

### 7.2.2 *Registration Fees*

The ACD is entitled to receive a fee out of the Scheme Property for providing registration services (including establishing and maintaining sub-registers where applicable), out of which the ACD will pay the fees of the Registrar. The ACD is entitled to receive a fee out of the Scheme Property of the Company for providing registration services, (including establishing and maintaining sub-registers where applicable) out of which the ACD will pay the fees of the Registrar. Such fee is payable quarterly. The current fees payable to the ACD are as follows: 0 -100 Shareholders: £1500 per annum; 101-250 Shareholders: £2,900 per annum; greater than 250 Shareholders, £11.50 per annum per Shareholder. A £11.50 charge per annum is also payable per holder on a ISA sub-register.

### 7.2.3 *Expenses*

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

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

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

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

## 7.3 **Depository's fee and expenses**

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

<b>Value of Company</b>	<b>Fee</b>
First £70 million	0.04%
Next £30 million	0.03%

Next £50 million	0.02%
Balance	0.01%

of the value of the Scheme Property subject to a minimum of £5,000 plus VAT, plus £2,000 plus VAT per annum for each second and subsequent investment advisor appointed to the Company. In addition VAT on the amount of the periodic charge will be paid out of Scheme Property.

In the event of the winding up of the Company, the Depositary shall continue to be entitled to a periodic charge for the period up to and including the day on which the final distribution in the winding up of the Company shall be made or, in the case of a winding up following the passing of an extraordinary resolution approving a scheme of arrangement, up to and including the final day on which the Depositary is responsible for the safekeeping of the Scheme Property. Such periodic charge will be calculated, be subject to the same terms and accrue and be paid as described above, except that for the purpose of calculating the periodic charge in respect of any day falling after the day on which the winding up of the Company commences, the value of the Scheme Property shall be its Net Asset Value determined at the beginning of each such day.

The Depositary Agreement between the Company and the Depositary provides that in addition to a periodic charge the Depositary may also be paid by way of remuneration custody fees where it acts as Custodian and other transaction and bank charges. At present the Depositary delegates the function of custody of the Scheme Property to The Bank of New York Mellon.

The remuneration for acting as custodian is calculated at such rate and/or amount as the ACD, the Depositary and the Custodian may agree from time to time.

The current remuneration ranges from between 0.01% per annum to 0.70% per annum of the value of the Scheme Property, plus VAT (if any) calculated at an ad valorem rate determined by the territory or country in which the assets of the Company are held. The current range of transaction charges is between £10 and £175 per transaction plus VAT (if any). Charges for principal investment markets are:

	Transaction charge per trade	Custody charge % per annum
UK	£10	0.01
United States	£14	0.02
Germany	£25	0.03
Japan	£30	0.03

Custody and transaction charges will be payable monthly in arrears.

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

- (i) delivery of stock to the Depositary or custodian;
- (ii) custody of assets;
- (iii) collection of income and capital;
- (iv) submission of tax returns;
- (v) handling tax claims;
- (vi) preparation of the Depositary's annual report;
- (vii) arranging insurance;
- (viii) calling Shareholder meetings and otherwise communicating with Shareholders;
- (ix) dealing with distribution warrants;
- (x) taking professional advice;
- (xi) conducting legal proceedings;
- (xii) such other duties as the Depositary is permitted or required by law to perform.

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

#### **7.4 Investment Manager's fee**

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

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

#### **7.5 Allocation of fees and expenses**

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Company. This includes any charges and expenses incurred in relation to the Register of Shareholders, except that these will be allocated and

charged to each class of Shares on a basis agreed between the ACD and the Depositary.

These charges will be taken 50% from income and 50% from capital. Where charges including the Annual Management Charge, periodic charge, depositary's fees and other expenses are deducted from the capital property of the Company, this can have the effect of constraining or even eroding capital growth of the Company. Refer to Appendix I for details of fees and expenses charged to Capital.

8. **INSTRUMENT OF INCORPORATION**

The Instrument of Incorporation is available for inspection at the ACD's offices at 42-47 Ibex House, Minories, London, EC3N 1DX.

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

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

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

### 9.2 **Requisitions of Meetings**

The ACD may requisition a general meeting at any time.

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

### 9.3 **Notice and Quorum**

Shareholders will receive at least 14 days' notice of a general meeting and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for a meeting is two Shareholders, present in person or by proxy. The quorum for an adjourned meeting is one person entitled to be counted in a quorum. Notices of meetings and adjourned meetings will be sent to Shareholders at their registered addresses.

### 9.4 **Voting Rights**

At a general meeting, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.

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

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

In the case of joint Shareholders, the vote of the most senior Shareholder who votes, whether in person or by proxy, must be accepted to the exclusion of the

votes of the other joint Shareholders. For this purpose seniority must be determined by the order in which the names stand in the Register.

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

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

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

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

#### 9.5 **Variation of Class rights**

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

## 10. **TAXATION**

### 10.1 **General**

The information below is a general guide based on current United Kingdom law and HM Revenue & Customs practice, all of which are subject to change. It summarises the tax position of the Company and of investors who are United Kingdom resident and hold Shares as investments. Prospective investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, are recommended to take professional advice.

### 10.2 **The Company**

The Company is generally exempt from United Kingdom tax on capital gains realised on the disposal of investments (including interest-paying securities and derivatives) held within them.

Dividends from United Kingdom companies (whether received directly or through another authorised investment fund) are received by the Company with a tax credit and no further tax is payable on that income. The Company is subject to corporation tax at 20% on most other types of income but after deducting allowable management expenses and the gross amount of any interest distributions. Where the Company suffers foreign tax on income received, this may normally be deducted from the United Kingdom tax due on that income.

The Company will make dividend distributions except where over 60% of its property has been invested throughout the distribution period in interest-paying investments, in which case it will make interest distributions.

### 10.3 **Shareholders**

#### 10.3.1 **Income**

The Company will pay distributions (which will be automatically retained in the case of accumulation Shares) with a tax credit. Individuals liable to income tax at the basic rate will have no further liability to tax. Higher rate taxpayers will have to pay an additional amount of income tax of 25% of the amount received. Non-taxpayers may reclaim the tax credits on interest distributions paid, and starting rate taxpayers may reclaim part of them, but neither can reclaim tax credits on dividend distributions.

Corporate Shareholders who receive dividend distributions may have to divide them into two (in which case the division will be indicated on the tax voucher). Any part representing dividends received from a United Kingdom company will be treated as dividend income (that is, franked

investment income) and no further tax will be due on it. The remainder will be received as an annual payment after deduction of income tax at the lower rate, and corporate Shareholders may, depending on their circumstances, be liable to tax on the grossed up amount, with the benefit of a 20% income tax credit attached or to reclaim part of the tax credit as shown on the tax voucher. Corporate Shareholders are also subject to corporation tax on the gross amount of interest distributions.

#### 10.3.2 **Income Equalisation**

The first income allocation received by an investor after buying Shares may include an amount of income equalisation. This is effectively a repayment of the income equalisation paid by the investor as part of the purchase price. It is a return of capital, and is not taxable. Rather it should be deducted from the acquisition cost of the Shares for capital gains tax purposes. Equalisation will be applied to the Company.

#### 10.3.3 **Gains**

Shareholders may, depending on their personal circumstances, be liable to capital gains tax or, if a corporate Shareholder, corporation tax on gains arising from the redemption, transfer or other disposal of Shares (but not on Switches between Classes within the Company). Any corporate Shareholder in the Company which is over 60% invested in interest-paying investments at a material time must treat the holding as a creditor relationship.

Part of any increase in value of accumulation Shares represents the accumulation of income (including income equalisation but excluding tax credit). These amounts may be added to the acquisition cost when calculating the capital gain realised on their disposal.

#### 10.3.4 **EU Savings Directive**

The EU Council Directive 2003/48/EC on taxation of savings income (the "Directive") came into force on 1 July 2005. Member States of the European Union ("Member States") are required to provide to the tax authorities of other Member States details of payments of interest and other similar income (which in the case of a collective investment fund may include income arising as a result of the sale and redemption of the fund's shares) paid by a person who is a "paying agent" for the purposes of the Directive to an individual (or certain "residual entities") resident for the purposes of the Directive in another Member State. However, Austria, Belgium and Luxembourg will instead impose a system of withholding tax for a transitional period unless during such period they elect otherwise.

## 11. WINDING UP OF THE COMPANY

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

Where the Company is to be wound up under the COLL Sourcebook, such winding up may only be commenced following approval by the FSA. The FSA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company) either that the Company will be able to meet its liabilities within 12 months of the date of the statement or that the Company will be unable to do so. The Company may not be wound up under the COLL Sourcebook if there is a vacancy in the position of ACD at the relevant time.

The Company shall be wound up under the COLL Sourcebook:

- 11.1 if an extraordinary resolution to that effect is passed by Shareholders; or
- 11.2 when the period (if any) fixed for the duration of the Company by the Instrument of Incorporation expires, or any event occurs on the occurrence of which the Instrument of Incorporation provides that the Company is to be wound up (for example, if the Share capital of the Company is below £1 million, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Company); or
- 11.3 on the date stated in any agreement by the FSA to a request by the ACD for the revocation of the authorisation order in respect of the Company.

On the occurrence of any of the above:

- 11.4 COLL 6.2 (Dealing), COLL 6.3 (Valuation and Pricing) and COLL 5 (Investment and borrowing powers) will cease to apply to the Company;
- 11.5 the Company will cease to issue and cancel Shares in the Company and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company;
- 11.6 no transfer of a Share shall be registered and no other change to the Register of Shareholders shall be made without the sanction of the ACD;
- 11.7 where the Company is being wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;
- 11.8 the corporate status and powers of the Company and subject to 11.4 to 11.7 above, the powers of the Depositary shall continue until the Company is dissolved.

The ACD shall, as soon as practicable after the Company falls to be wound up, realise the assets and meet the liabilities of the Company and, after paying out or retaining adequate provision for all liabilities properly payable and retaining

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

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

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

Following the completion of a winding up of the Company, the ACD must prepare a final account showing how the winding up took place and how the Scheme Property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report must be sent to the FSA and to each Shareholder (or the first named of joint Shareholders) on it within two months of the completion of the winding up.

## **12. GENERAL INFORMATION**

### **12.1 Accounting Periods**

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

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

### **12.2 Notice to Shareholders**

All notices or documents required to be served on Shareholders by the ACD shall be served by normal post to the address of such Shareholder as evidenced on the register. All documents and remittances are sent at the risk of the Shareholder.

### 12.3 **Income Allocations**

The interim and final income allocations dates in respect of the Company are set out in Appendix I. Income is allocated in respect of the income available at each accounting date.

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

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

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

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

### 12.4 **Annual Reports**

The annual report of the Company will be published and sent to Shareholders within four months from the end of each annual accounting period and the half yearly report will be published within two months of each interim accounting period. Short reports will be issued.

A long report containing the full accounts is available to any person free of charge on request.

### 12.5 **Documents of the Company**

The following documents may be inspected free of charge during normal business hours on any business day at the offices of the ACD at 42-47 Ibex House, Minorities, London, EC3N 1DX:

12.5.1 the most recent annual and half yearly reports of the Company;

12.5.2 the Prospectus;

12.5.3 the Instrument of Incorporation (and any amending documents); and

12.5.4 the material contracts referred to below.

Shareholders may obtain copies of the above documents from the ACD. The ACD may make a charge at its discretion for copies of documents (apart from the most recent annual and half yearly long reports of the Company, the Prospectus and the Instrument of Incorporation which are available free of charge to anyone who requests).

## 12.6 **Material Contracts**

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

12.6.1 the ACD Agreement between the Company and the ACD; and

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

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

## 12.7 **Provision of Investment Advice**

All information concerning the Company and about investing in Shares of the Company is available from the ACD at 42-47 Ibex House, Minories, London, EC3N 1DX. The ACD is not authorised to give investment advice and persons requiring such advice should consult a professional financial adviser. All applications for Shares are made solely on the basis of the current prospectus of the Company, and investors should ensure that they have the most up to date version.

## 12.8 **Telephone Recordings**

Please note that the ACD may record telephone calls for training and monitoring purposes and to confirm investors' instructions.

## 12.9 **Complaints**

Complaints concerning the operation or marketing of the Company may be referred to the Compliance Officer of the ACD at Ibex House, 42-47 Minories, London, EC3N 1DX or, if you subsequently wish to take your complaint further, direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

## 12.10 **Indemnity**

The Instrument of Incorporation contains provisions indemnifying the Directors, other officers and the Company's auditors or the Depositary against liability in certain circumstances otherwise than in respect of their negligence, default, breach of duty or breach of trust, and indemnifying the Depositary against liability in certain circumstances otherwise than in respect of its failure to exercise due care and diligence in the discharge of its functions in respect of the Company.

## APPENDIX I

### COMPANY DETAILS

<b>Name:</b>	CF Zenith St Andrews Fund
<b>Type of fund:</b>	Non-UCITS Retail Scheme
<b>Investment Objective and Policy:</b>	The investment objective of the CF Zenith St Andrews Fund is to deliver a balance of capital and income growth from a diversified portfolio of predominantly UK equities, bonds, Government Securities and Collective Investment Schemes. There may be occasions when the investment manager chooses to have large holdings of cash and money market instruments.
<b>Final accounting date:</b>	31 March
<b>Interim accounting date:</b>	30 September
<b>Income distribution dates:</b>	31 May (Final), 30 November (Interim)
<b>Shares Classes and type of Shares:</b>	Net income shares Net accumulation shares
<b>Initial charge:</b>	5%
<b>Redemption charge:</b>	
<b>Switching charge:</b>	
<b>Annual Management Charge:</b>	1.5%
<b>Charges taken from Income:</b>	50% from Income, 50% from Capital
<b>Investment minima:*</b>	
Lump sum	£500
Holding	£500
Top-up	No minimum
Regular Savings Plan	£50
Redemption	No minimum
<b>[Past performance:</b>	Past performance information is set out in Appendix V]

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

## APPENDIX II

### ELIGIBLE SECURITIES MARKETS AND ELIGIBLE DERIVATIVES MARKETS

The Company may deal through securities and derivatives markets which are regulated markets (as defined in the glossary to the FSA Handbook) or markets established in an EEA State which are regulated, operate regularly and are open to the public (excluding Cyprus and Slovenia).

The Company may also deal through the securities markets and derivatives markets indicated below:

#### Eligible Securities Markets

United States of America	NYSE Euronext New York The NASDAQ Stock Market (NASDAQ) NYSE Amex Equities
Australia	Australian Securities Exchange (ASX)
Canada	Toronto Stock Exchange (TSX) TSX Venture Exchange
Hong Kong	Hong Kong Stock Exchange
Japan	Tokyo Stock Exchange Osaka Securities Exchange
Korea	Korea Exchange (KRX)
Mexico	Bolsa Mexicana de Valores (BMV)
New Zealand	New Zealand Stock Exchange (NZX)
Singapore	Singapore Exchange (SGX)
South Africa	JSE Limited
Switzerland	SIX Swiss Exchange (SWX)
Thailand	The Stock Exchange of Thailand (SET)

#### Eligible Derivatives Markets

UK	The London International Financial Futures and Options Exchange (NYSE LIFFE)
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## APPENDIX III

### INVESTMENT AND BORROWING POWERS OF THE COMPANY

#### 1. General

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

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

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

It is not intended that the Company will have an interest in any immovable property or tangible movable property.

#### 1.1 Prudent spread of risk

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

#### 1.2 Cover

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

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

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

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

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

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

2.1.1 transferable securities;

2.1.2 money-market instruments;

2.1.3 units or shares in permitted collective investment schemes;

2.1.4 permitted derivatives and forward transactions; and

2.1.5 permitted deposits;

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

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

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

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

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

2.2.3 recently issued transferable securities provided that:

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

2.2.3.2 such admission is secured within a year of issue.

2.3 Not more than 20% in value of the Scheme Property is to consist of transferable securities, which are not approved securities (aggregated with the value of the Scheme Property which can be invested in unregulated collective investment schemes as set out in paragraph 6.1.1.5) or money-market instruments which are liquid and have a value which can be determined accurately at any time.

2.4 The requirements on spread of investments generally and in relation to investment in government and public securities do not apply during any period in which it is not reasonably practical to comply, provided that the requirement to maintain prudent spread of risk in paragraph 1.1 of this Appendix is complied with.

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

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

3.1 To protect investors the markets on which investments of the Company are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.

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

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

3.3.1 a regulated market as defined in the FSA Handbook; or

3.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public.

3.4 A market not falling within paragraph 3.3 of this Appendix is eligible for the purposes of COLL 5 if:

3.4.1 the ACD, after consultation and notification with the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property;

3.4.2 the market is included in a list in the Prospectus; and

3.4.3 the Depositary has taken reasonable care to determine that:

3.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and

3.4.3.2 all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

3.5 In paragraph 3.4.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.

4. **Spread: general**

- 4.1 This rule on spread does not apply to government and public securities.
- 4.2 Not more than 20% in value of the Scheme Property is to consist of deposits with a single body.
- 4.3 Not more than 10% in value of the Scheme Property is to consist of transferable securities or money-market instruments issued by any single body subject to COLL 5.6.23R (schemes replicating an index).
- 4.4 The limit of 10% in paragraph 4.3 above is raised to 25% in value of the Scheme Property in respect of covered bonds (the Company does not currently invest in covered bonds).
- 4.5 In applying paragraph 4.3, certificates representing certain securities are to be treated as equivalent to the underlying security.
- 4.6 Not more than 35% in value of the Scheme Property is to consist of the units or shares of any one collective investment scheme.
- 4.7 The exposure to any one counterparty in an OTC derivative transaction must not exceed 10% in value of the Scheme Property.
- 4.8 For the purpose of calculating the limit in paragraph 4.7, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets each of the following conditions:
  - 4.8.1 it is marked-to-market on a daily basis and exceeds the value of the amount at risk;
  - 4.8.2 it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
  - 4.8.3 it is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
  - 4.8.4 can be fully enforced by the Company at any time.
- 4.9 For the purposes of calculating the limits in paragraph 4.7, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:
  - 4.9.1 comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III to the Banking Consolidation Directive; and
  - 4.9.2 are based on legally binding agreements.

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

4.10.1 it is backed by an appropriate performance guarantee; and

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

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

5.1 The following section applies to government and public securities ("such securities").

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

5.3 The Company may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:

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

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

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

5.3.4 the disclosures in the Prospectus required by the FSA have been made.

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

6.1 Up to 100% of the value of the Scheme Property may be invested in units or shares in other collective investment schemes ("Second Scheme") provided that Second Scheme satisfies all of the following conditions.

6.1.1 The Second Scheme must:

6.1.1.1 satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

6.1.1.2 be authorised as a non-UCITS retail scheme; or

6.1.1.3 be recognised under the provisions of s.264, s.270 or s.272 of the Financial Services and Markets Act 2000; or

- 6.1.1.4 be constituted outside the United Kingdom and have investment and borrowing powers which are the same or more restrictive than those of a non-UCITS retail scheme; or
  - 6.1.1.5 be a scheme not falling within paragraphs 6.1.1.1 to 6.1.1.4 and in respect of which no more than 20% in value of the Scheme Property (including any transferable securities which are not approved securities) is invested.
- 6.1.2 The Second Scheme is a scheme which operates on the principle of the prudent spread of risk.
  - 6.1.3 The Second Scheme has terms which prohibit more than 15% in value of the scheme property consisting of units or shares in collective investment schemes.
  - 6.1.4 The participants in the Second Scheme must be entitled to have their units or shares redeemed in accordance with the scheme at a price related to the net value of the property to which the units or shares relate and determined in accordance with the scheme.
  - 6.1.5 Where the Second Scheme is an umbrella, the provisions in paragraphs 6.1.2 to 6.1.4 apply to each sub-fund as if it were a separate scheme.
  - 6.1.6 Investment may only be made in other collective investment schemes managed by the ACD or an associate of the ACD if the Prospectus of the Company clearly states that it may enter into such investments and the rules on double charging contained in the COLL Sourcebook are complied with.
- 6.2 The Company may, subject to the limit set out in 6.1 above, invest in collective investment schemes managed or operated by, or whose authorised corporate director is, the ACD of the Company or one of its associates.

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

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

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

- 8.1 The Company may invest up to 100% in money-market instruments which are within the provisions of 2.2 above or 8.2 below and subject to the limit of 20% referred to in 2.3 above, which are normally dealt in or on the money-market, are liquid and whose value can be accurately determined at any time.

- 8.2 In addition to instruments admitted to or dealt in on an eligible market, the Company may invest in an approved money-market instrument provided it fulfils the following requirements:
- 8.2.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and
  - 8.2.2 the instrument is issued or guaranteed in accordance with COLL 5.2.10BR.
- 8.3 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:
- 8.3.1 the instrument is an approved money-market instrument;
  - 8.3.2 appropriate information is available for the instrument (including Information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with COLL 5.2.10CR; and
  - 8.3.3 the instrument is freely transferable.

9. **Derivatives: General**

**The Investment Manager may employ derivatives but solely for the purposes of hedging with the aim of reducing the risk profile of the Company in accordance with Efficient Portfolio Management**

- 9.1 A transaction in derivatives or a forward transaction must not be effected for the Company unless the transaction is of a kind specified in paragraph 11 (Permitted transactions (derivatives and forwards)) below, and the transaction is covered, as required by paragraph 19 (Cover for transactions in derivatives and forward transactions).
- 9.2 Where the Company invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to spread (COLL 5.6.7R Spread: general, COLL 5.6.8R Spread: government and public securities) except for index based derivatives where the rules below apply.
- 9.3 Where a transferable security or approved money-market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.
- 9.4 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:
- 9.4.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a

specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;

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

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

9.5 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.

9.6 Where the Company invests in an index based derivative, provided the relevant index falls within COLL 5.6.2R (Relevant Indices) the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.6.7R and COLL 5.6.8R.

## 10. **Efficient Portfolio Management**

10.1 The Company may utilise the Scheme Property to enter into transactions for the purposes of Efficient Portfolio Management ("EPM"). Permitted EPM transactions (excluding stock lending arrangements) are transactions in derivatives e.g. to hedge against price or currency fluctuations, dealt with or traded on an eligible derivatives market; off-exchange options or contracts for differences resembling options; or synthetic futures in certain circumstances. The ACD must take reasonable care to ensure that the transaction is economically appropriate to the reduction of the relevant risks (whether in the price of investments, interest rates or exchange rates) or to the reduction of the relevant costs and/or to the generation of additional capital or income with an acceptably low level of risk. The exposure must be fully "covered" by cash and/or other property sufficient to meet any obligation to pay or deliver that could arise.

10.2 Permitted transactions are those that the Company reasonably regards as economically appropriate to EPM, that is:

10.2.1 Transactions undertaken to reduce risk or cost in terms of fluctuations in prices, interest rates or exchange rates where the ACD reasonably believes that the transaction will diminish a risk or cost of a kind or level which it is sensible to reduce; or

10.2.2 Transactions for the generation of additional capital growth or income for the Company by taking advantage of gains which the ACD reasonably believes are certain to be made (or certain, barring events which are not reasonably foreseeable) as a result of:

- 10.2.2.1 pricing imperfections in the market as regards the property which the Company holds or may hold; or
- 10.2.2.2 receiving a premium for the writing of a covered call option or a cash covered put option on property of the Company which the Company is willing to buy or sell at the exercise price, or
- 10.2.2.3 stock lending arrangements.

A permitted arrangement in this context may at any time be closed out.

10.3 Transactions may take the form of “derivatives transactions” (that is, transactions in options, futures or contracts for differences) or forward currency transactions. A derivatives transaction must either be in a derivative which is traded or dealt in on an eligible derivatives market (and effected in accordance with the rules of that market), or be an off-exchange derivative which complies with the relevant conditions set out in the COLL Sourcebook, or be a “synthetic future” (i.e. a composite derivative created out of two separate options). Forward currency transactions must be entered into with counterparties who satisfy the COLL Sourcebook. A permitted transaction may at any time be closed out.

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

11.1 A transaction in a derivative must be:

- 11.1.1 in an approved derivative; or
- 11.1.2 be one which complies with paragraph 15 (OTC transactions in derivatives).

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

- 11.2.1 transferable securities;
- 11.2.2 money-market instruments;
- 11.2.3 deposits;
- 11.2.4 permitted derivatives under this paragraph;
- 11.2.5 collective investment scheme units permitted under paragraph 6 (Investment in collective investment schemes);
- 11.2.6 permitted immovables;
- 11.2.7 gold;
- 11.2.8 financial indices which satisfy the criteria set out in COLL 5.2.20R;

- 11.2.9 interest rates;
- 11.2.10 foreign exchange rates; and
- 11.2.11 currencies.
- 11.3 The exposure to the underlyings in paragraph 11.2 above must not exceed the limits in paragraph 4 and 5 above.
- 11.4 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 11.5 A transaction in a derivative must not cause the Company to diverge from its investment objectives as stated in the Instrument of Incorporation and the most recently published version of this Prospectus.
- 11.6 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of transferable securities, money-market instruments, units in collective investment schemes, or derivatives, provided that a sale is not to be considered as uncovered if the conditions in paragraph 14.2 are satisfied.
- 11.7 Any forward transaction must be with an Eligible Institution or an Approved Bank.

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

- 12.1 The financial indices referred to in paragraph 11.2 are those which satisfy the following criteria:
  - 12.1.1 the index is sufficiently diversified;
  - 12.1.2 the index represents an adequate benchmark for the market to which it refers; and
  - 12.1.3 the index is published in an appropriate manner.
- 12.2 A financial index is sufficiently diversified if:
  - 12.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
  - 12.2.2 where it is composed of assets in which the Company is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this Appendix; and
  - 12.2.3 where it is composed of assets in which the Company cannot invest, it is diversified in a way which is equivalent to the diversification achieved by

the requirements with respect to spread and concentration set out in this Appendix.

- 12.3 A financial index represents an adequate benchmark for the market to which it refers if:
- 12.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;
  - 12.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
  - 12.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.
- 12.4 A financial index is published in an appropriate manner if:
- 12.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and
  - 12.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.
- 12.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to paragraph 11.2 be regarded as a combination of those underlyings.

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

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

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

- 14.1 No agreement by or on behalf of the Company to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Company by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by the Company at the time of the agreement. This requirement does not apply to a deposit.

- 14.2 The above does not apply where:
- 14.2.1 the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or
  - 14.2.2 the ACD or the Depositary has the right to settle the derivative in cash and cover exists within the Scheme Property of the Company which falls within one of the following asset classes:
    - 14.2.2.1 cash;
    - 14.2.2.2 liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or
    - 14.2.2.3 other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).
- 14.3 In the asset classes referred to in paragraph 14.2, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven business days at a price closely corresponding to the current valuation of the financial instrument on its own market.

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

- 15.1 Any transaction in an OTC derivative under paragraph 11.1.2 must be:
- 15.1.1 in a future or an option or a contract for differences;
  - 15.1.2 with an approved counterparty; A counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FSA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;
  - 15.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, before the transaction is entered into, the Depositary is satisfied that the counterparty has agreed with the Company: to provide at least daily and at any other time at the request of the Company or the ACD, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value (being the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction) and which does not rely only on market quotations by the counterparty; and that it or an alternate counterparty will, at the request of the Company or the ACD, enter into a further

transaction to sell, liquidate or close out that transaction at any time, at a fair value arrived at under the reliable market value basis or pricing model agreed under the following paragraph; and

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

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

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

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

15.1.5.1 an appropriate third party which is independent from the counterparty of the derivative at an adequate frequency and in such a way that the ACD is able to check it; or

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

## 16. **Risk management**

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

## 17. **Investments in deposits**

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

## 18. **Schemes replicating an index**

18.1 The Company may invest up to 20% in value of the Scheme Property in shares and debentures which are issued by the same body where the stated investment policy is to replicate the performance or composition of a relevant index as defined below.

- 18.2 The 20% limit can be raised for the Company up to 35% in value of the Scheme Property, but only in respect of one body and where justified by exceptional market conditions.
- 18.3 In the case of the Company replicating an index the Scheme Property need not consist of the exact composition and weighting of the underlying in the relevant index where deviation from this is expedient for reasons of poor liquidity or excessive cost to the scheme in trading in an underlying investment.
- 18.4 The indices referred to above are those which satisfy the following criteria:
- 18.4.1 the composition is sufficiently diversified;
  - 18.4.2 the index is a representative benchmark for the market to which it refers;  
and
  - 18.4.3 the index is published in an appropriate manner.
19. **Cover for transactions in derivatives and forward transactions**
- 19.1 The Company may invest in derivatives and forward transactions as long as the exposure to which the Company is committed by that transaction itself is suitably covered from within its Scheme Property. Exposure will include any initial outlay in respect of that transaction.
- 19.2 Cover ensures that the Company is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Scheme Property. Therefore, the Company must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Company is committed. Detailed requirements for cover of the Company are set out below.
- 19.3 A future is to be regarded as an obligation to which the Company is committed (in that, unless closed out, the future will require something to be delivered, or accepted and paid for; a written option as an obligation to which the Company is committed (in that it gives the right of potential exercise to another thereby creating exposure); and a bought option as a right (in that the purchaser can, but need not, exercise the right to require the writer to deliver and accept and pay for something).
- 19.4 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.
- 19.5 A transaction in derivatives or forward transaction is to be entered into only if the maximum exposure, in terms of the principal or notional principal created by the transaction to which the scheme is or may be committed by another person is covered globally.

- 19.6 Exposure is covered globally if adequate cover from within the Scheme Property is available to meet the scheme's total exposure, taking into account the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.
- 19.7 Cash not yet received into the Scheme Property but due to be received within one month is available as cover.
- 19.8 Property the subject of a stock lending transaction is only available for cover if the ACD has taken reasonable care to determine that it is obtainable (by return or re-acquisition) in time to meet the obligation for which cover is required.
- 19.9 The global exposure relating to derivatives may not exceed the net value of the Scheme Property.

## 20. **Borrowing**

- 20.1 Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is available for cover under paragraph 19 of this Appendix as long as the normal limits on borrowing (see below) are observed.
- 20.2 Where, for the purposes of this paragraph the Company borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property, and the normal limits on borrowing under paragraph 23 (General power to borrow) of this Appendix do not apply to that borrowing.

## 21. **Cash and near cash**

- 21.1 Cash and near cash must not be retained in the Scheme Property except to the extent that, where this may reasonably be regarded as necessary in order to enable:
- 21.1.1 the pursuit of the Company's investment objective; or
  - 21.1.2 the redemption of Shares; or
  - 21.1.3 efficient management of the Company in accordance with its investment objective; or
  - 21.1.4 other purposes which may reasonably be regarded as ancillary to the investment objective of the Company.
- 21.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

## 22. **General**

- 22.1 It is envisaged that the Company will normally be fully invested but there may be times that it is appropriate not to be fully invested when the ACD reasonably regards this as necessary in order to enable the redemption of units, efficient management of a the Company or any one purpose which may reasonably be regarded as ancillary to the investment objective of the Company.
- 22.2 Where the Company invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the ACD or an associate of the ACD, the ACD must pay to the Company by the close of business on the fourth business day the amount of any preliminary charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.
- 22.3 A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Company but, in the event of a consequent breach, the ACD must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of Shareholders.

## 23. **Underwriting**

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

## 24. **General power to borrow**

- 24.1 The ACD may, on the instructions of the Company and subject to the COLL Sourcebook, borrow money from an Eligible Institution or an Approved Bank for the use of the Company on terms that the borrowing is to be repayable out of the Scheme Property. This power to borrow is subject to the obligation of the Company to comply with any restriction in the Instrument of Incorporation.
- 24.2 The ACD must ensure that borrowing does not, on any business day, exceed 10% of the value of the Company.
- 24.3 These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes (i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).

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

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

25.2 Acquiring a debenture is not lending for the purposes of paragraph 25.1, nor is the placing of money on deposit or in a current account.

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

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

26.2 Transactions permitted by paragraph 29 (Stock lending) are not to be regarded as lending for the purposes of paragraph 26.1.

26.3 Nothing in this paragraph prevents the Company or the Depositary at the request of the Company from lending, depositing, pledging or charging Scheme Property for margin requirements where transactions in derivatives or forward transactions are used for the account of the Company in accordance with COLL 5.

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

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

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

27.3 The exposure of the Company to agreements and understandings as set out above, on any business day be covered and be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in the COLL Sourcebook.

## 28. **Guarantees and indemnities**

28.1 The Company or the Depositary for the account of the Company, must not provide any guarantee or indemnity in respect of the obligation of any person.

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

28.3 Paragraphs 28.1 and 28.2 do not apply to any indemnity or guarantee given for margin requirements where derivatives or forward transactions are being used in accordance with COLL 5, and:

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

- 28.3.2 an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Depository against any liability incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property; and
- 28.3.3 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Company and the holders of units in that scheme become the first shareholders in the Company.

## 29. **Stock lending**

- 29.1 The entry into stock lending transactions and repo contracts for the account of the Company is permitted for the generation of additional income for the benefit of the Company, and hence for its investors.
- 29.2 The specific method of stock lending permitted in this section is in fact not a transaction which is a loan in the normal sense. Rather it is an arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992, under which the lender transfers securities to the borrower otherwise than by way of sale and the borrower is to transfer those securities, or securities of the same type and amount, back to the lender at a later date. In accordance with good market practice, a separate transaction by way of transfer of assets is also involved for the purpose of providing collateral to the "lender" to cover him against the risk that the future transfer back of the securities may not be satisfactorily completed.
- 29.3 The stock lending permitted by this section may be exercised by the Company when it reasonably appears to the Company to be appropriate to do so with a view to generating additional income for the Company with an acceptable degree of risk.
- 29.4 The Company or the Depository at the request of Company may enter into a stock lending arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if all the terms of the agreement under which securities are to be reacquired by the Depository for the account of the Company, are in a form which is acceptable to the Depository and are in accordance with good market practice, the counterparty is an authorised person or a person authorised by a home state regulator, and collateral is obtained to secure the obligation of the counterparty. Collateral must be acceptable to the Depository, adequate and sufficiently immediate.
- 29.5 The Depository must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Depository. This duty may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Depository takes reasonable care to determine that sufficient

collateral will again be transferred at the latest by the close of business on the day of expiry.

- 29.6 Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) may be regarded, for the purposes of valuation under the COLL Sourcebook, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of the Company.
- 29.7 There is no limit on the value of the Scheme Property which maybe the subject of stock lending transactions and repo contracts.

## APPENDIX IV

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

#### Open-Ended Investment Companies

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

Aristo Investment Funds	CF Techinvest Technology Fund
Asperior Investment Funds	CF Turcan Connell Investment Funds
Capita BPM Investment Fund	CF TY Investment Funds
Celestial Investment Funds	CF Whitefoord Absolute Return Fund
CF 7IM Investment Funds	CF Williams de Broe Investment Funds
CF Absolute Return Portfolio Funds	Deer Investment Funds
CF Acuity Real Asset Management Fund	FEM Investment Fund
CF Adam Worldwide Fund	Fenchurch Defined Funds
CF Analyst UK Fund	Global Discretionary Investment Funds
CF Arch Cru Investment Funds	Gresham Defined Funds
CF Arch Cru Diversified Funds	Kennox Investment Fund
CF Asset Value Investors Global Fund	London Bridge Fund
CF Balanced Growth Fund	Melchior Investment Funds
CF Bentley Capital Investment Funds	Nereid Investment Funds
CF Benton Investment Fund	New Square Investment Funds
CF Charles Stanley Investment Funds	Orchard Investment Funds
CF CH Special Mandates Fund	Packel Global Fund
CF Cheviot Investment Funds	PE Managed Fund
CF Chelverton UK Equity Fund	Pendennis Fund ICVC
CF Church House Active Value Fund	Purisima Investment Funds
CF Church House High Income Fund	Real Life Fund
CF Cornelian Investment Funds	Sheldon Investment Funds
CF Church House UK Growth Fund	Sheldon Equity Growth Fund
CF Danske Fund	The Abbotsford Fund
CF Diversified Investment Funds	The Aurinko Fund
CF DSMCP Investment Funds	The Castleton Growth Fund
CF Eclectica Funds	The Cranmer Investment Fund
CF Eden Investment Funds	The Arbor Fund
CF Egerton Sterling Investment Fund	The Esk Fund
CF GHC Multi Manager Investment Funds	The Broden Fund
CF GHC Investment Funds	The Folla Fund
CF Heartwood Investment Funds	The Circus Fund
CF Gresham Defined Funds	The Gulland Fund
CF iimia Open Ended Investment Company	The Davids Fund
CF iimia Accelerated Fund	The Helm Investment Fund
CF IM Portfolio Fund	The Heartwood Pedigree Absolute Return Fund
CF IM Investment Funds	The Holmbush Fund
CF Income Tracker Funds	The Hendom Fund
CF IMS Investment Funds	The Marten Fund
CF JOHIM Investment Funds	The Mazener Fund
CF J.M. Finn Investment Funds	The MN Fund
CF KB Enterprise Funds	The Monoux Fund
CF KB Endeavour Funds	The Montana Fund
CF KB Glendean Fund	The Mulberry Fund
CF KB Explorer Funds	The Navajo Fund
CF KB Prokit Fund	The New Floco Fund
CF KB Invicta Fund	The New Grande Motte Fund
CF KB Tully	The New Jaguar Fund
CF KB Robin Fund	The New Villiture Fund
CF Lindsell Train UK Equity Fund	The Norton Fund
CF Miton Investment Funds	The Oenoke Fund
CF Luna Investment Funds	The Palm Fund
CF Macquarie Investment Funds	The Penrhos Fund
CF Morant Wright Japan Fund	The Prestney Fund
CF Midas Investment Funds	The Primrose Fund
CF MitonOptimal Multi Strategy ICVC	The Rires Fund
CF Natural Resources Fund	The Rising Income Fund
CF Noble Investment Funds	The Steelback Fund

CF Octopus Opportunities Fund	The Successor Investment Funds
CF Odey Investment Funds	The Tasman Fund
CF OPM Investments	The Triple Six Investment Fund
CF OPM Investment Funds	The Vale Fund
CF Organised Growth & Income Fund	The Viaduct Fund
CF Progressive UK Smaller Companies Fund	The Wells Cottage Fund
CF Richmond Core Fund	Trojan Investment Funds
CF Ruffer Investment Funds	Westferry Investment Funds
CF Techinvest Special Situations Fund	Windrush Fund

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

CF Adam Worldwide Fund	CF Stewart Ivory Investment Markets Fund
CF Canlife Bond Unit Trust	CF Walker Crips Corporate Bond Fund
CF Canlife European Unit Trust	CF Walker Crips Equity Income Fund
CF Canlife Far East Unit Trust	CF Walker Crips UK Growth Fund
CF Canlife General Unit Trust	CF Walker Crips UK High Alpha Fund
CF Canlife Gilt & Fixed Interest Unit Trust	CF Worldwide Fund
CF Canlife Growth Unit Trust	Junior Oils Trust
CF Canlife High Income Unit Trust	KB Anfield Trust
CF Canlife Income Unit Trust	KB Capital Portfolio Trust
CF Canlife International Growth Unit Trust	KB Catalyst Trust
CF Canlife Japanese Growth Unit Trust	KB Dragon Trust
CF Canlife North America Unit Trust	KB Gorthleck Trust
CF Canlife UK Smaller Companies Unit Trust	KB Imperial Trust
CF Church House Balanced Value and Income Fund	KB Lancastrian Trust
CF Church House Investment Grade Fixed Interest Fund	London Bridge Fund
CF Church House UK Managed Growth Fund	Lorimer Trust
CF Cobra Trust	Starhunter Managed Trust
CF Dream Trust	The Amadeus Trust
CF Greenaway Fund	The Beaver Trust
CF Greenmount Fund	The Drygate Trust
CF Heartwood Balanced Growth Fund	The Elfynn Trust
CF Institutional World Fund	The Esk Fund
CF JAYCAP Trust	The Holly Fund
CF KB Ilex Trust	The Lancaster Trust
CF Mitchell Trust	The Mermaid Trust
CF New Villture Fund	The Newgate Trust
CF OLIM UK Equity Trust	The Oakridge Trust
	The Willow Funds

## APPENDIX V

### PAST PERFORMANCE AND INVESTOR PROFILE

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

Past performance is no indication of future performance.

	2008
CF Zenith St Andrews Fund	-18.81%

Percentage annual and cumulative performance, accumulation shares (total return) based on Lipper data

As performance exists for only one full calendar year the above performance represents both annual and cumulative figures.

**NOTE: PAST PERFORMANCE SHOULD NOT BE TAKEN AS A GUIDE TO THE FUTURE. PLEASE SEE APPENDIX I FOR THE COMPANY'S OBJECTIVES AND BELOW FOR AN EXPLANATION OF INVESTOR PROFILES AND RISK CATEGORIES.**

#### Investor profile

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

## APPENDIX VI

### DIRECTORY

**The Company and Head Office:**

CF Zenith St Andrews Fund  
Ibex House  
42-47 Minories  
London  
EC3N 1DX

**Authorised Corporate Director:**

Capita Financial Managers Limited  
42-47 Ibex House  
Minories  
London  
EC3N 1DX

**Depository:**

BNY Mellon Trust & Depository (UK) Limited  
The Bank of New York Mellon Centre  
160 Queen Victoria Street  
London  
EC4V 4LA

**Investment Manager:**

Ashcourt Asset Management Limited  
11 Tower View  
Kings Hill  
West Malling  
Kent  
ME19 4UN

**Registrar:**

Capita Financial Administrators Limited  
2 The Boulevard  
City West One Office Park  
Gelderd Road  
Leeds LS12 6NT

**Auditor:**

KPMG LLP  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW